

3 How the Economic Development Board can help

The Bahrain Economic Development Board (EDB) is a dynamic public agency with an overall responsibility for attracting inward investment into Bahrain, and is focusing on target economic sectors in which the Kingdom offers significant strengths.

Key areas of focus include manufacturing, ICT, and logistics and transport services as well as other sub-sectors.

The Financial Services sector in Bahrain is particularly strong and the EDB supports in the continuing growth of the banking industry and key sub-sectors, including Islamic Finance, Asset Management, Insurance and Re-Insurance.

So what does this mean for you?

- We offer a no-cost practical facilitation service for first-time investors, and ongoing support to businesses already here.
- We can act as your first point of contact in the Kingdom.
- We can discuss incentive packages to make the set up even more attractive.
- We do our best to understand your objectives and respond to them efficiently, providing all the information you need to set up your business quickly and smoothly.

In short, we are here to help you.

Welcome to Bahrain.



*There is a 1% contribution to unemployment insurance

1 Heritage Foundation/Wall Street Journal Index of Economic Freedom, 2014

2 BEQ Q3, 2014

3 Fraser Institute – a Wall Street Journal Company, Economic Freedom of the World 2014 Report

4 Central Bank of Bahrain, 31 May 2014

5 Central Bank of Bahrain, 31 June 2015

6 Central Bank of Bahrain, Financial Sector Fact Sheet June 2015

7 Central Bank of Bahrain, March 2011

8 Central Bank of Bahrain, January 2012

9 Bahrain Institute of Banking and Finance, Life at BIBF

10 Central Bank of Bahrain, June 2013

11 Strategy& (formerly Booz & Company), part of the PWC Network, 2015

12 Central Bank of Bahrain, June 2015

4 Financial Services – summary

- The Gulf's financial capital for more than 40 years
- One of the world's most open and robust financial centres
- A leader and innovator in Islamic finance
- The Gulf's leading asset management centre
- Best market access to growing Gulf economies
- The Middle East's freest market
- Respect for rule of law
- Cost-effective business environment
- 100% foreign ownership; no restrictions on repatriation of capital, profits or dividends
- Business gateway to the Gulf, the world's oil and gas centre
- Skilled and experienced workforce: two-thirds of financial services workers are Bahraini

CONTACT US:

For all investment inquiries, please email us at: invest@bahrainedb.com or visit www.bahrainedb.com

You can also call us on +973 175 89 969 for general enquiries.

Business hours: Sunday to Thursday, 8am to 4pm (GMT +3hrs)



Financial Services

BUSINESS
friendly
BAHRAIN

1 The region's most respected and established financial centre

Our record in financial services stands apart in the Middle East. Along with the region's biggest, longest-established financial services centre, in an economy with a five-year CAGR (Compound Annual Growth Rate) of 4%¹ and 5.3% GDP growth², you will find an attitude that welcomes foreign investment.

The Gulf's financial capital for more than 40 years, Bahrain has led the Middle East in a range of sectors – from banking and insurance, to asset management and Islamic finance. For a long time, the Central Bank of Bahrain (CBB) has been regarded as the region's most respected, world-class regulator. According to a recent survey of 152 economies worldwide, Bahrain's regulatory environment ranks second in the GCC³.

It is unsurprising that over 30 countries have sought Bahrain's help and guidance in setting up their own Islamic financial structures.

We are also the region's most liberal market, allowing free movement of capital and 100% foreign ownership. In part, this reflects our established legal system that matches international best practice.

Business in Bahrain can take advantage of a strategic location, good transport infrastructure and an educated workforce. It's simply easier and more cost effective to do business here.

In summary there are:

No corporation taxes

No personal income taxes*

No wealth taxes or tax on capital gains

No restriction on repatriation of capital, profits or dividends

100% foreign ownership

Best access to a growth market

We give you the best access to the growing Gulf market for financial services. Being the world centre of oil and gas production, the Gulf region has one of the world's largest concentrations of wealth. With GCC members increasingly conducting business with each other, our financial institutions stand to benefit.

Bahrain hosts more financial institutions than any other in the Gulf, with over 400⁴ licensed by the CBB. And, even at a time when most of the world's financial services sectors have been shrinking, Bahrain's has remained resilient⁵. Following 40 years of commitment to developing a world-class workforce, Bahrainis make up two-thirds of financial services employees⁶ and comprise 73% of jobs in the banking sector⁷. This large pool of local talent is critical for our economy's largest sector, accounting for 17% of GDP⁸. And growth continues: the Bahrain Institute of Banking and Finance (BIBF), Bahrain's largest training institution, has educated over 2,000 people over the past 30 years⁹.

It also brings considerable cost advantages for prospective employers of financial services staff. Our long history of financial services leadership means the sector has developed an extensive infrastructure, and is well supported by professional services firms such as accountants, consultants and lawyers, plus the Gulf's most advanced, fully liberalised telecommunications sector.

At the heart of our success is the CBB, the sector's sole regulator. Led by the CBB, Bahrain has taken a leading role in areas such as Islamic finance, insurance and fund management. It firmly controls capital adequacy ratios (at 12%, compared to 8% internationally) required by the Basel Convention.

2 Critical mass across sectors

Banking:

Banking forms the biggest part of our financial services sector and has expanded rapidly as the Middle East's oil-related wealth has grown. Across the Middle East, demand is building for more sophisticated products, with a quarter of wholesale banking assets based in the GCC¹⁰. In Bahrain alone, total banking assets reached \$186.1 billion by October 2013⁶.

Surging infrastructure development is creating a need for structured finance and lending products. Trade finance opportunities are increasing with the GCC's integration into world markets.

Burgeoning private wealth is fuelling the need for private banking and wealth management in the GCC, and exceeded \$2 trillion in 2014. The Strategy& report 'GCC Private Banking Study 2015', estimates that high net worth (HNW) households increased from 227,000-262,000 to 235,000-269,500 from 2010 to 2014, with HNW assets growing at 16% CAGR to \$880 billion. This represents the largest portion of GCC wealth in 2014 (40% of total). Ultra-high net worth (UHNW) households increased from 4,680-4,820 to 4,390-5,080, with assets growing at 18% CAGR to \$729 billion. However, the affluent population has risen fastest – by more than 50% 2010-2014, with assets growing at 22% CAGR to \$565 billion¹¹.

Banks already in Bahrain

Bank of China, BNP Paribas, Citibank, HSBC, ICICI, Maybank, Standard Chartered, CIMB, State Bank of India, Pinebridge Investments and Deutsche Bank.

There are also Middle Eastern banks, such as Arab Bank, Arab Banking Corporation, National Bank of Kuwait, NCB Capital, Kuwait Finance House and Takaud Savings and Pensions B.S.C.

Bahrain's regulatory environment provides international banks with an ideal platform for conducting global business in an efficient and uncomplicated manner.

Insurance:

Bahrain is a hub for the Middle East's insurance and re-insurance industry. The sector has expanded rapidly as families have saved more and planned for the future. Insurance companies anticipate that rapid growth will continue, supported by increasing penetration rates, regional economic growth, population growth and government reforms. In total, Bahrain is home to 36 insurance firms¹² of all types – general, life, reinsurers and captive insurers. Bahrain's insurance companies include conventional and Islamic (see Islamic finance) institutions serving both onshore and offshore markets. Insurance penetration has increased from 1.95% to 2.6% of GDP over the last decade. Similarly, the insurance density (average per capita expenditure on insurance) increased, with a CAGR of 7.5% over the same period.

Insurers already in Bahrain

ACE, AIG, AON, Allianz Group, AXA, Hannover Re, Legal & General, Royal & Sun Alliance and Zurich Insurance. Also present are brokers Marsh and Nexus.

Asset administration:

Bahrain hosts a thriving asset administration industry. The CBB maintains robust laws and regulations to ensure that Bahrain is a safe place for assets to be domiciled and administered.

Asset administrators already in Bahrain

Apex Fund Services, Citi Securities & Fund Services, HSBC Securities Services, Keypoint Consulting and KPMG-Fakhro and Standard Chartered Security Services.

Asset management:

Bahrain's asset management centre is now the regional leader, having been initially established in the 1980s. Our regulatory system and financial services infrastructure enable asset managers to meet increasing demand for managed funds, from both institutions and individuals. The regulatory framework for collective investment undertakings provides for a broad range of products that asset managers can offer and the style of funds that can be managed, including alternative investment funds. As of June 2015, Bahrain is home to 2,885 registered funds – the region's largest range. Of these, 83 are Bahraini-domiciled schemes, and 36 Islamic funds⁶.

Asset managers already in Bahrain

AMP Capital Investors, Alliance Global Investors, Altaira Wealth Management, BNP Asset Management and Lazard Asset Management, and a host of GCC entities including Abu Dhabi Investment House.

Islamic finance:

Bahrain is widely recognised as the global leader in Islamic finance. We have pioneered many of the financing instruments that have become popular in recent years, and host the largest concentration of Islamic financial institutions in the world.

Assets in Bahrain's Islamic banking sector have risen from \$1.9 billion in 2000 to \$25.1 billion in June 2015⁶. Bahrain has 24 Islamic banks, whose assets account for around 13% of the Kingdom's total banking assets. These institutions cover almost every aspect of Islamic banking, including asset management, bond issuance and insurance. With the CBB taking a leading role, we have been at the forefront of developing Islamic products.

We are regarded as setting the benchmark for Islamic banking regulation and are leading the industry with our regulatory framework specific to Takaful and Retakaful companies.

The ICD-Thomson Reuters Islamic Finance Development Indicator (IFDI), a numerical measure launched in December 2013 that represents the overall health and growth of the Islamic finance industry worldwide, highlighted Bahrain's developed Islamic finance sector, which ranks first in the Middle East and North Africa (MENA) region. Bahrain also had one of the most developed Islamic finance knowledge landscapes and performed well in terms of governance, with a comprehensive regulatory framework covering all aspects of Islamic finance.

The popularity of Takaful (Islamic insurance) is rising rapidly in the Middle East and many conventional insurance companies have added Takaful arms (e.g. Allianz Takaful Bahrain, Hannover ReTakaful). In addition, Bahrain is at the forefront of the market for Islamic securities (sukuk), including short-term government sukuk, as well as leasing securities.

Islamic finance organisations in Bahrain

The presence of leading Islamic finance institutions here confirms our status. Global Islamic insurance associations based here include: the Accounting and Auditing Organisation for Islamic Financial Institutions, the General Council for Islamic Banks and Financial Institutions, Deloitte's Islamic Finance Knowledge Centre, the International Islamic Financial Market and the Islamic International Rating Agency.

Other Islamic financial institutions include: Al Baraka Banking Group, Kuwait Finance House and The Islamic Bank of Asia.