

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

BAHRAIN

Middle East

Dialogue | Trust | Partnership

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WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Manama	Capital and the Gulf's longest-established financial and fintech hub	Financial services, fintech, professional services
Bahrain Financial Harbour / Bahrain Bay	Purpose-built financial district anchoring Bahrain's banking and asset-management sector	Banking, asset management, insurance
Bahrain International Investment Park	Established free zone offering incentives for manufacturing and logistics ventures	Manufacturing, logistics, assembly
Khalifa Bin Salman Port	Bahrain's main container port and a Gulf logistics hub	Port logistics, trade
Sitra	Site of the Bapco refinery, which declared force majeure during the 2026 regional war	Petrochemicals, refining
Hidd Industrial Area (Alba)	Home to Aluminium Bahrain (Alba), the country's leading non-oil export earner, which cut capacity 19% during the 2026 war	Aluminum smelting, heavy industry
Bahrain FinTech Bay (Manama)	The Gulf's first dedicated fintech ecosystem and regulatory sandbox	Fintech, financial innovation

INVESTOR ENTRY ROUTES

- Bahrain Economic Development Board (EDB) provides single-window investment facilitation and incentive structuring
- 100% foreign ownership permitted in most sectors, with no personal income tax
- Bahrain FinTech Bay regulatory sandbox for financial-technology ventures
- GCC Common Market membership giving free movement of capital, goods and labor across the Gulf Cooperation Council
- US-Bahrain Free Trade Agreement (in force since 2006) providing preferential access to the US market
- Bahrain International Investment Park and other free-zone incentives for manufacturing and logistics

MARKET-ENTRY OBSERVATION

Bahrain's economy has long combined genuine openness - 100% foreign ownership in most sectors, no personal income tax, deep Gulf financial-services and fintech infrastructure - with acute and worsening fiscal strain. Even before the regional war, the IMF's January 2026 Article IV consultation projected government gross debt rising from 134% of GDP in 2024 to 145.1% in 2025 and 149.7% in 2026, with the overall fiscal deficit at 11-11.5% of GDP and foreign-exchange reserves covering just over two months of prospective non-hydrocarbon imports; S&P cut Bahrain's rating to "B" in November 2025 and Moody's moved to a negative outlook in April 2026. The structural mismatch is stark: non-oil sectors generate roughly 85% of real GDP, but hydrocarbons still supply about three-quarters of government revenue, and Bahrain's fiscal breakeven oil price is estimated at \$125-130 per barrel.

The 2026 Iran war compounded this strain directly. Following joint US-Israeli strikes on Iran on February 28, 2026, and Iran's retaliatory strikes on Gulf states hosting US forces, the Strait of Hormuz - Bahrain's only maritime export route - closed on March 4, 2026, halting energy exports; Bahrain's trade value fell 14.5% in the first quarter of 2026, aluminum smelter Alba cut capacity by 19%, and Bapco declared force majeure. A ceasefire announced April 7, 2026 proved fragile, with reports of renewed Hormuz clashes and vessel attacks through the year; as of October 2026, shipping traffic through the strait was edging back toward pre-war levels but had not fully normalized. The UAE signed a five-year, AED 20 billion (\$5.4 billion) currency-swap agreement with Bahrain on April 8,

2026 to support the dinar peg, and Saudi Arabia retains a direct financial stake in Bahrain's stability through the shared Abu Safah offshore oilfield, Bahrain's largest single revenue source; further GCC support, as extended in 2018, remains under discussion.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Sovereign debt trajectory	Government debt approaching or exceeding 150% of GDP, with debt service absorbing about 33% of government revenue	Monitor IMF-recommended fiscal consolidation and GCC support commitments
War-driven regional disruption	The 2026 Iran war closed the Strait of Hormuz for over a month and produced lasting shipping and trade disruption	Monitor ceasefire durability and shipping-traffic data before committing trade-dependent capital
Low foreign-exchange reserves	Reserves cover just over two months of prospective non-hydrocarbon imports	Factor into any hard-currency repatriation planning
Structural revenue mismatch	Hydrocarbons supply roughly three-quarters of government revenue despite generating only about 15% of real GDP	Monitor DMTT and non-oil tax-reform implementation
High fiscal breakeven oil price	Estimated at \$125-130 per barrel, well above prevailing prices	Track budget-consolidation progress for signs of structural improvement
Dependence on GCC financial support	Currency stability and fiscal sustainability increasingly rely on Saudi and UAE backing	Monitor GCC support signals; any softening could trigger renewed market pressure
Credit-rating deterioration	S&P cut to "B" (November 2025), Moody's negative outlook (April 2026), Fitch B+ negative outlook	Monitor further rating actions; rising borrowing costs affect government-linked financing

INVESTOR RISK NOTE

Bahrain combines a genuinely open, business-friendly regulatory environment with one of the most strained sovereign balance sheets in the Gulf, a strain sharply worsened by the 2026 Iran war's closure of the Strait of Hormuz. Debt sustainability now depends heavily on continued Saudi and UAE financial backing and on the durability of the fragile ceasefire governing regional shipping.

MARKET ACCESS

GCC Common Market membership gives free movement of capital, goods and labor across the Gulf Cooperation Council; a US-Bahrain Free Trade Agreement (in force since 2006) gives preferential access to the US market; and 100% foreign ownership is permitted in most sectors with no personal income tax. Bahrain's deep, well-regulated financial-services sector - banks are described by the IMF as profitable and well-capitalized - remains the country's principal non-hydrocarbon market-access advantage.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Bahrain Economic Development Board (EDB)	Central single-window investment-facilitation body	Primary entry point for structuring any new investment
Ministry of Finance and National Economy	Leads fiscal policy, debt management and the ongoing consolidation program	Relevant counterpart for any engagement tied to government revenue or guarantees
Central Bank of Bahrain	Manages monetary policy and the dinar peg; central-bank overdraft financing exceeded a quarter of GDP in 2024	Relevant to currency and financial-sector engagement
Bahrain FinTech Bay	Regulatory sandbox and ecosystem body for financial-technology ventures	Primary entry point for fintech and financial-innovation investment
Bapco (Bahrain Petroleum Company)	State oil refiner; declared force majeure during the 2026 regional war	High-diligence counterparty given ongoing Hormuz-related disruption risk

Actor	Why It Matters	Waverley Engagement Angle
Aluminium Bahrain (Alba)	Major non-oil export earner; cut capacity 19% during the 2026 war	High-diligence counterparty given export and shipping exposure
GCC partners (Saudi Arabia, UAE, Kuwait)	Source of currency-swap and prospective further financial-support commitments	Relevant to assessing currency and fiscal-stability risk

CURRENT INTERNATIONAL BUSINESS CHANNELS

Engagement channels run through the Bahrain Economic Development Board, Bahrain FinTech Bay for financial-technology ventures, the Bahrain Chamber of Commerce and Industry, and GCC-wide business networks given Bahrain's Common Market integration with Saudi Arabia, the UAE and other Gulf states.

INVESTOR PROFILE BEST SUITED

Suited to investors seeking a genuinely open regulatory environment and deep Gulf financial-services infrastructure, particularly in fintech and banking, who can tolerate sovereign-debt and regional-conflict-spillover risk. Less suited to investors requiring strong sovereign creditworthiness or insulation from Strait of Hormuz shipping risk.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Engage the Economic Development Board

Approach the Bahrain Economic Development Board for project screening and incentive structuring.

STEP 2: Assess sovereign-debt trajectory

Evaluate the debt and GCC-support outlook before committing capital tied to government revenue or guarantees.

STEP 3: Engage the FinTech Bay sandbox

For financial-sector ventures, engage Bahrain FinTech Bay's regulatory sandbox.

STEP 4: Monitor Hormuz shipping risk

Track Strait of Hormuz shipping-traffic data and ceasefire durability for trade-dependent ventures.

STEP 5: Structure hard-currency exposure

Account for limited foreign-exchange reserve cover when structuring repatriation terms.

WAVERLEY'S ROLE

- Investment facilitation and introductions to the Bahrain Economic Development Board and Bahrain FinTech Bay
- Sovereign-debt and fiscal-trajectory monitoring
- Regional conflict and Strait of Hormuz shipping-risk advisory
- GCC support-commitment tracking relevant to currency and fiscal stability

INVESTOR CALL TO ACTION

Investors should request an updated fiscal and GCC-support briefing from Waverley before committing capital tied to Bahraini sovereign revenue or guarantees.

Trade-dependent investors should engage Waverley for ongoing Strait of Hormuz shipping-risk monitoring given the fragile post-war ceasefire.

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Near-term opportunities remain concentrated in financial services and fintech via Bahrain FinTech Bay, logistics and light manufacturing within the Bahrain International Investment Park, and petrochemical and aluminum-linked supply chains once Strait of Hormuz shipping fully normalizes. Opportunities tied directly to government revenue or guarantees warrant particular caution given the debt trajectory.

POSITIONING

Waverley views Bahrain as a genuinely open, financially sophisticated Gulf economy whose longstanding strengths - 100% foreign ownership, no personal income tax, a deep fintech and banking sector - now sit alongside one of the most strained sovereign balance sheets in the region, sharply worsened by the 2026 Iran war's disruption to Strait of Hormuz shipping.

For investors focused on Bahrain's financial-services and fintech ecosystem, or able to tolerate sovereign-debt and regional-conflict risk, genuine opportunity remains; for investors seeking exposure to government-linked revenue streams or requiring strong sovereign creditworthiness, the current risk profile warrants caution pending further fiscal consolidation and continued GCC support.

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