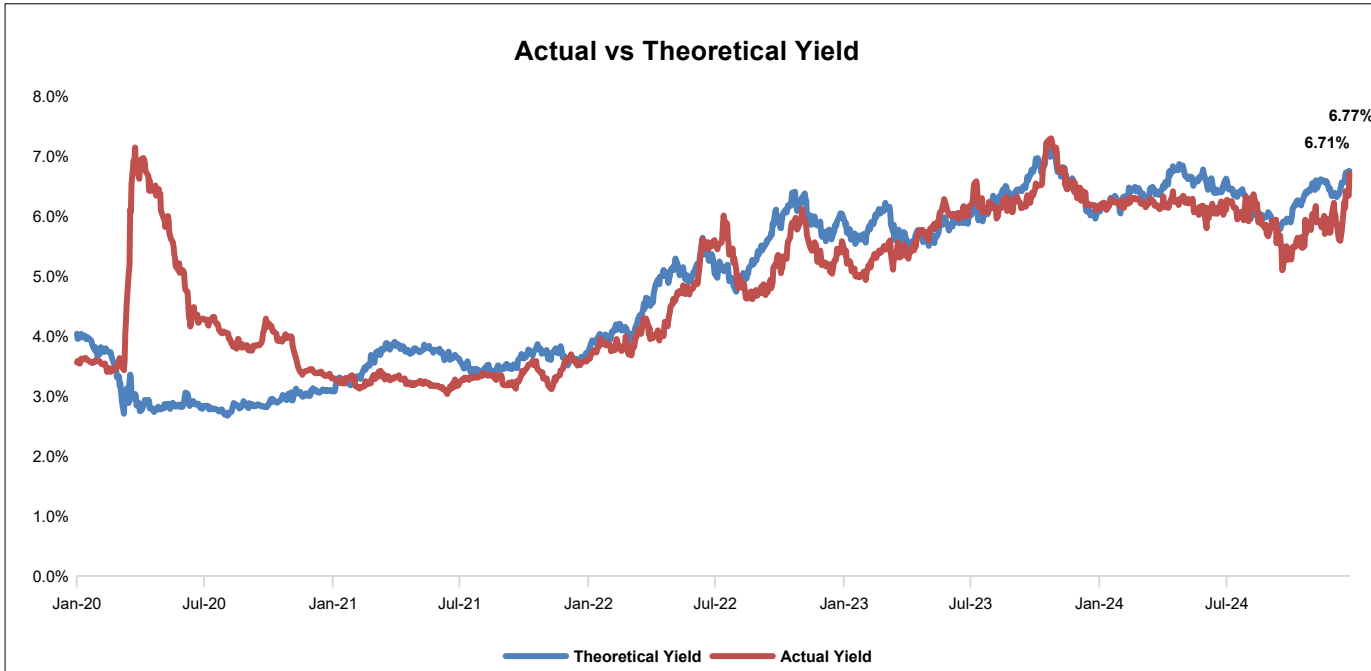
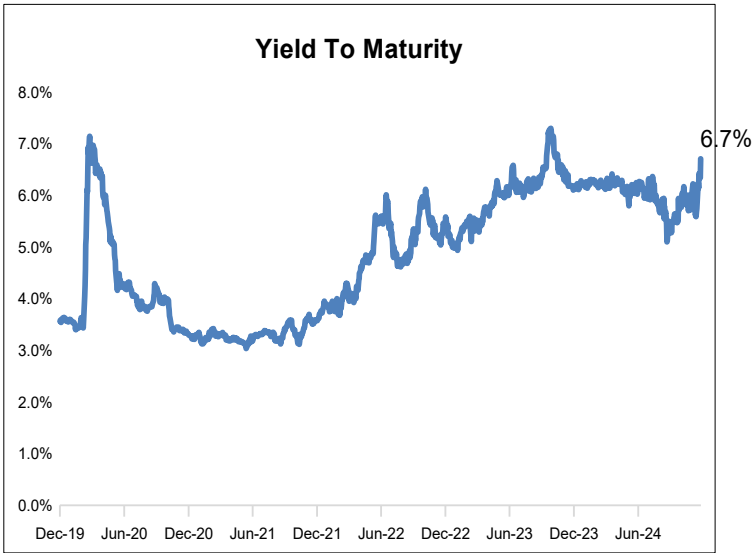


Bond Particulars

Bond Name	CBB INTL SUKUK SIX
Country	Bahrain
Term (Years)	7.5 Years
Maturity date	03/20/2025
Last Price (USD)	99.6 USD
Coupon Rate	5.25%
Yield to Maturity (YTM)	6.70%
Credit Ratings (S&P/Fitch/Moody's)	B+/B+/ NA
Currency	USD
Rank	Sr. Unsecured

Yield Chart



**Actual and Theoretical Yields:** The bond's actual yield stands at 6.70%, with a theoretical yield of 6.77%, based on the US 10-Year Treasury yield (4.61%) and the current CDS spread (2.16%). The slight discount of 0.07% highlights its risk-adjusted value proposition. Additionally, the CDS spread over the past 5 years suggests improving risk perceptions for Bahrain's credit profile.

Macroeconomic highlights:

- 1) Bahrain's fiscal stability is challenged by **high debt (~120 -130% of GDP)** and reliance on oil revenues.
- 2) **Monetary policy is limited**, with Bahrain following U.S. monetary policy due to the dollar peg.
- 3) External risks are elevated, with **high exposure to oil price volatility** and geopolitical tensions.
- 4) Bahrain benefits from **implicit support from GCC** entities such as Saudi Arabia and UAE.
- 5) The **current account remains in surplus**, driven by oil revenues, unlike many global peers.

Actual yield

US 10 Yr Bond yield – (1)

Theoretical CDS Spread – (2)

Theoretical Yield (1+2)

Premium/(Discount)

6.70%

4.61%

2.09%

6.77%

(0.07%)

Yield Analysis

Bahrain's economy has demonstrated resilience and growth, diversified sectors. The key highlights of Bahrain's Growth Rates: The non-oil sector has shown growth, with sectors such as: Accommodation and Food Services growing at 10.24%, Information and Communication growing at 6.6% in 2024, and Financial and Insurance Activities growing at 7.4%.

Theoretical Yield (Fairly valued)

Instrument	Yield
US 10 YR Bond	4.61%
Theoretical CDS Spread	2.160%
Theoretical Yield	6.77%

Macroeconomic Analysis		
Factor	Bahrain	United States
GDP Growth	3.0% year-on-year growth in 2023, stable	Stable, diverse economy, moderate growth (~2-3%)
Fiscal Stability	High debt, vulnerable fiscal position, oil-reliant	High fiscal stability, large and flexible economy
Inflation	similar inflation, dollar-pegged currency	FED targeting ~2%
Monetary Policy	Limited control, follows U.S. monetary policy	Flexible, controlled by the Federal Reserve
External Risks	High (oil price volatility, regional tensions)	Moderate (geopolitical, global downturns)
Investment Sentiment	Smaller economy and oil-dependent	Highly attractive, large financial market
Degree of Indebtedness	Debt as % GDP (~120-130%, with high reliance on external borrowing)	Debt as % GDP (~125-130%)
Revenues/Inflows to Government	Volatile, heavily reliant on oil revenues, not stable	High stability due to economic diversification
Political Risk	Politically stable outlook, implicit backing from Saudi Arabia	Politically stable, global influence
Current Account	Surplus, no major issues (surplus due to oil revenues)	Deficit in recent years (~2-3% of GDP)

economic growth, investment, and trade have contributed to the country's positive economic performance.

Strengths:

- ✓ Steady GDP growth supported by non-oil sector diversification.
- ✓ Controlled inflation stabilized around ~2%
- ✓ Implicit backing from the GCC Region, not much political risk as well

Weaknesses:

- ❖ High and rising public debt levels
- ❖ Limited monetary policy flexibility due to the dollar peg
- ❖ Government revenues are not growing, heavy reliance on oil revenues and exposure to oil price volatility

Investment Outlook:

- Fairly valued yield and strong risk-adjusted return make the bond attractive for income-focused investors
- Cautious macroeconomic outlook, small and oil-dependent economy
- XXXX

## Fiscal Balance:

The fiscal balance as a percentage of GDP for Bahrain is not explicitly provided in the given context, however, relevant data can be derived from the Bahrain Economic Quarterly Report, which would typically include fiscal balance metrics to assess the country's economic performance over the years.

**GDP Growth:** Bahrain's GDP growth: 0.7% in 2023, projected 3.5% in 2024, driven by non-oil sector growth.

**Inflation Rate:** Bahrain's inflation rate has eased, increasing slightly by 0.8% YoY in Q1 2024, down from 3.6% in previous years.

## Debt to GDP Ratio:

**Unemployment Rate:** Bahrain's unemployment rate is not explicitly stated, however, the report highlights a skilled labor force with Bahrain ranking 4th globally in the Skilled Labor indicator.

\* However, the report mentions Public Debt Instruments, Treasury Bills, and Government Development Bonds, indicating

**Fiscal Balance:** Bahrain's fiscal balance has fluctuated, with deficits in recent years, driven by low oil prices and high public expenditure.

\* Further data analysis is required to calculate the exact Debt to GDP Ratio.

## Debt to GDP Ratio:

Bahrain's Debt to GDP ratio has fluctuated, with public debt instruments and government development bonds contributing to the overall debt landscape.

## Net Issuance vs Fiscal Deficit:

- Net issuance of public debt instruments: BHD [insert amount]
- Fiscal deficit: BHD [insert amount]
- Net Issuance: Bahrain's net issuance: Treasury bills and development bonds show fluctuating trends, with specific year-over-year data not provided in the given context.
- Analysis: Net Issuance is [higher/lower] than fiscal deficit, indicating [positive/negative] fiscal performance, with a difference of BHD [insert amount].

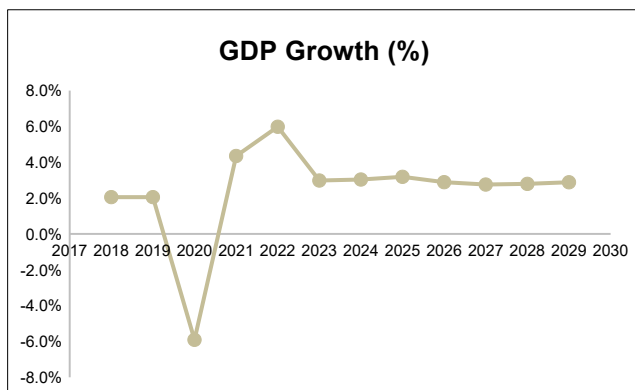


Figure 1

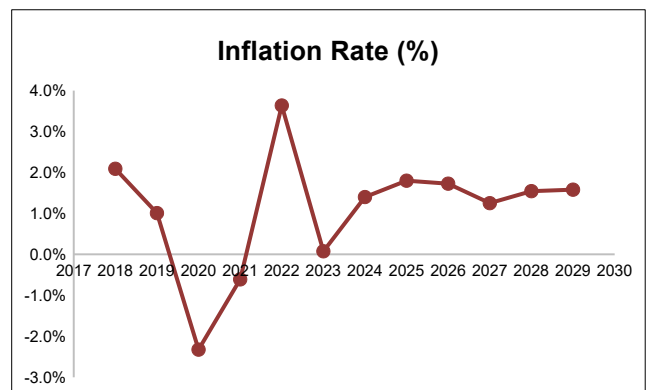


Figure 2

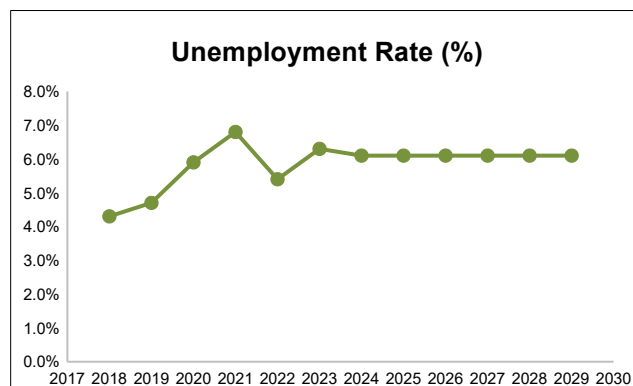


Figure 3

- 1. Fiscal Balance as % of GDP:** Bahrain's fiscal balance has improved significantly in recent years, supported by higher oil revenues and enhanced fiscal discipline (Figure 4). The Economic Recovery Plan, launched in response to the pandemic, has accelerated reforms aimed at expenditure rationalization and non-oil revenue generation. While the fiscal deficit remains a concern, projections indicate a gradual return to surplus by 2030, contingent on sustained policy implementation and stable oil market conditions.
- 2. Debt to GDP Ratio:** Bahrain's gross debt-to-GDP ratio has shown a consistent upward trend, reflecting challenges in managing public debt levels amidst fiscal deficits (Figure 5). The ratio rose sharply in 2020 due to pandemic-related spending but has since stabilized, supported by fiscal reforms and higher oil revenues. Projections suggest a continued increase, albeit at a slower pace, underscoring the need for sustained efforts in debt management and economic diversification to mitigate long-term fiscal risks
- 3. Net Issuance vs Fiscal Deficit:** Net issuance in Bahrain closely mirrors fiscal deficit trends, underscoring the reliance on debt markets to bridge fiscal gaps (Figure 6). A sharp rise in issuance during the pandemic years reflects increased government borrowing to sustain expenditures amidst revenue shortfalls. The alignment of issuance strategy with fiscal policies will remain crucial to maintaining investor confidence and ensuring sustainable debt levels.

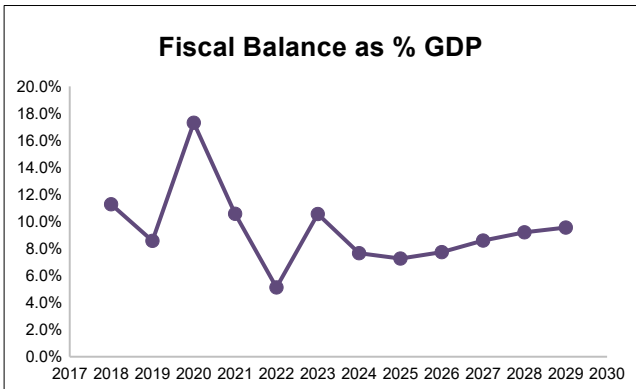


Figure 4

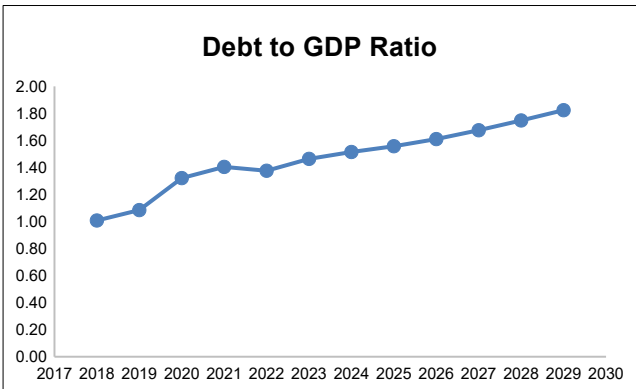


Figure 5

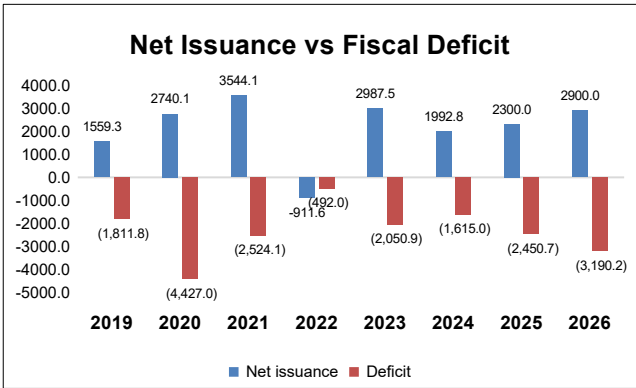


Figure 6

Key Observations:

- Bahrain's GDP growth rebound post-pandemic highlights its reliance on non-oil sector resilience and the recovery in oil prices, with growth projected to stabilize at 2-3%.
- Inflation stabilization at 2% demonstrates effective fiscal measures, but global supply chain and commodity price risks persist.
- Stable unemployment rates at 6-7% reflect the success of Bahrainization policies, but high-value job creation remains a pressing need for the youth workforce.
- The narrowing fiscal deficit, supported by higher oil revenues and VAT introduction, shows progress in fiscal consolidation, with a potential surplus projected by 2030.
- Rising debt-to-GDP levels, while stabilizing, emphasize the urgency for continued fiscal discipline and effective public debt management strategies to ensure long-term sustainability.
- The net issuance remains closely tied to fiscal deficit management (Figure 6), reflecting Bahrain's reliance on debt markets to fund fiscal gaps. Effective synchronization between fiscal policy and issuance strategy is critical to maintain market confidence and avoid crowding-out effects on private sector borrowing.

## Financial Projections

In BD		Actual					Forecast		
Particulars		2019	2020	2021	2022	2023	2024	2025	2026
<b>Revenue</b>									
Oil & Gas		2,090,143,298	1,232,792,812	1,783,447,145	2,421,278,544	2,034,699,810	2,263,618,759	2,185,080,077	2,135,765,091
Revenues & Fees		552,980,854	479,884,128	538,998,778	872,946,027	920,775,284	1,024,369,392	988,827,797	966,510,981
Gov. Goods & Services		77,100,692	73,008,491	61,605,349	71,741,335	76,529,614	85,139,768	82,185,752	80,330,905
Investments & Gov. Properties		137,994,587	255,614,354	187,552,118	137,422,757	131,278,396	146,048,197	140,980,899	137,799,106
Grants		-	-	-	-	-	-	-	-
Sale of Capital Assets		267,365	454,407	510,399	1,135,316	723,808	805,242	777,303	759,760
Fines, Penalties & Mis.		43,869,144	40,620,860	43,242,170	39,329,204	31,964,389	35,560,621	34,326,807	33,552,087
<b>Total Revenue</b>		<b>2,902,355,940</b>	<b>2,082,375,052</b>	<b>2,615,355,959</b>	<b>3,543,853,183</b>	<b>3,195,971,300</b>	<b>3,555,541,979</b>	<b>3,432,178,635</b>	<b>3,354,717,930</b>
YoY Growth			-28%	26%	36%	-10%	11%	-3%	-2%

		Actual					Forecast		
Recurrent Expenditures		2019	2020	2021	2022	2023	2024	2025	2026
Manpower		1,398,864,073	1,389,808,947	1,411,029,624	1,478,009,134	1,403,849,201	1,500,000,000	1,575,000,000	1,653,750,000
Services		246,766,332	221,968,427	222,210,094	243,021,221	237,556,132	240,000,000	252,000,000	264,600,000
Consumables		149,706,143	133,504,935	128,787,114	150,757,811	84,234,155	100,000,000	105,000,000	110,250,000
Assets		26,213,208	15,132,187	11,107,371	17,965,777	14,941,960	16,453,868	17,276,562	18,140,390
Maintenance		49,655,351	49,580,500	43,264,620	41,689,286	36,277,562	38,983,424	40,932,595	42,979,225
Transfers		501,105,176	726,004,810	503,378,356	444,871,275	621,275,331	650,000,000	682,500,000	716,625,000
Grants & Repayment of Loan Interests		961,672,334	997,042,755	1,048,160,987	1,119,886,096	1,294,545,861	1,294,545,861	1,359,273,154	1,427,236,811
Projects		252,077,051	219,914,638	199,902,011	233,313,342	277,223,271	325,000,000	325,000,000	325,000,000
<b>Total Expenditure</b>		<b>3,586,059,668</b>	<b>3,752,957,199</b>	<b>3,567,840,177</b>	<b>3,729,513,942</b>	<b>3,969,903,472</b>	<b>4,164,983,153</b>	<b>4,356,982,311</b>	<b>4,558,581,426</b>
						6.4%	4.9%	4.6%	4.6%
<b>Surplus / (Deficit)</b>		<b>(683,703,728)</b>	<b>(1,670,582,147)</b>	<b>(952,484,218)</b>	<b>(185,660,759)</b>	<b>(773,932,171)</b>	<b>(609,441,174)</b>	<b>(924,803,676)</b>	<b>(1,203,863,496)</b>

In USD Mn		Actual					Forecast		
		2019	2020	2021	2022	2023	2024	2025	2026
<b>Net issuance</b>		1559.3	2740.1	3544.1	-911.6	2987.5	1992.8	2300.0	2900.0
<b>Deficit</b>		(1,811.8)	(4,427.0)	(2,524.1)	(492.0)	(2,050.9)	(1,615.0)	(2,450.7)	(3,190.2)
<b>Net Issuance YoY Growth</b>			75.7%	29.3%	-125.7%	-427.7%	-33.3%	15.4%	26.1%
<b>Deficit YOY Growth</b>			144.3%	-43.0%	-80.5%	316.9%	-21.3%	51.7%	30.2%

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