Initiation Report

July 14 2026

Karim Kekhia
karim.kekhia@arqaamcapital.com
+961 71 319 933

Jaap Meijer, MBA, CFA
jaap.meijer@arqaamcapital.com
+971 4 507 1744

Solidarity Bahrain

Built for the duopoly; Priced below mid-cycle margins

- **Bahrain's #2 insurer and largest takaful operator at 29.3% sector share post the 2024-25 consolidation (FY 25e methodology, see below). FY25A recognized contributions BHD 94.1m, operating within a top-two duopoly alongside BKIC (GIG Bahrain) at approximately 38% share across Medical, Motor, Non-Motor P&C and Protection & Savings.**
- **NP-after-T1 more than doubles by FY30e on phased underwriting margin recovery. We forecast NP-after-T1 of BHD 3.8m FY26e expanding to BHD 9.5m FY30e at 25.4% CAGR; combined ratio improves 584bps to 77.3% on Motor 94→92%, Medical 65→62%, Group Life 112→96%, Non-Motor 28→26%, Family Takaful flat at approximately 65%. EPS rises from 22 to 56 fils; RoE recovers from a 6.9% FY26e trough to peak 15.7% by FY30e.**
- **Initiate BUY at BHD 0.50 TP (+26.0% upside) with significant additional optionality embedded; the stock trades on 12.3x FY27e P/E at CMP (broadly in line with the GCC takaful median on a clean post-integration forward basis), 3.9x FY26e P/TBVPS at CMP (premium reflecting BHD 38m of goodwill from BNI/BNL), compressing to 7.2x FY30e P/E and c.2.9x FY30e P/TBVPS as tangible book compounds. Five unmodeled catalysts (deeper mid-cycle UW, Alliance UAE + UIC associates mark-to-market, Motor TPL repricing potential subject to ongoing regulatory review, BNI/BNL integration synergies, and IFRS 17 risk-adjustment release) add c.BHD 0.16 to 0.24 per share of optionality, lifting optionality-adjusted TP to BHD 0.66 to 0.74 per share, broadly matching the bull corner of our combined ratio / investment yield sensitivity grid; downside floored at BHD 0.40 (broadly at CMP) under a stressed CR 79% / yield 5.5%, framing the asymmetric risk-reward.**

Bahrain's largest takaful operator and #2 insurer at 29.3% sector share following the 2024-25 consolidation cycle (FY 25e methodology, see below). FY25A recognized contributions reached BHD 94.1m (+60% y/y); the top-two structure with BKIC (approximately 38%) accounts for around 68% of sector premiums, with the long tail led by GIG Takaful International (approximately 8%) and SNIC (approximately 4%). The step-change reflects full-year consolidation of AlHilal Life and AlHilal Takaful (Ahli United Bank, 2024) alongside the partial-year impact of BNI and BNL, acquired from Bahrain National Holding under a staged transaction (initial SPA January 2025, revised March 2025; two transfers of subsidiary on 16 April 2025: BNL BNH→SB and BNI BNH→Solidarity Group Holding (SGH); BHD 55m T1+T2 raise July 2025; third transfer of subsidiary BNI SGH→SB October 2025; transfer of business, assets and liabilities of BNI and BNL to SB February 2026). The Group operates a three-fund structure under the CBB Module IM framework, General Takaful 61% of contributions, Family Takaful 3%, Shareholders' Fund 36%, with the latter including BHD 37.9m of acquisition-related goodwill and BHD 11.8m of AT1 perpetual preference shares. Solidarity Group Holding (Closed) owns 75.79%, with Al Salam Bank B.S.C. as ultimate parent. SOLID BI trades on the Bahrain Bourse at BHD 0.40/share, with a market cap of BHD 68m (USD 180m).

Three reinforcing pillars underpin our BUY thesis. First, a structural scale moat within Bahrain's top-two duopoly supports tighter retakaful economics (30-50bps margin uplift), operating leverage from the BHD 4.8m IT platform consolidation completing H2 26, and consolidated distribution across the combined post-consolidation corporate base (c.1,200 BNI corporate accounts) and retail Medical channels. Second, underwriting forecasts embed a phased margin recovery sitting below normalized mid-cycle levels, with the combined ratio improving 584bps from 83.1% FY25A to 77.3% FY30e on a per-LOB glide path of Motor (94→92%), Medical (65→62%), Group Life (112→96%), Non-Motor P&C (28→26%), and Family Takaful (held at approximately 65%); multiple catalysts remain unmodeled, Motor TPL repricing potential subject to ongoing regulatory review, compulsory medical insurance-driven pool maturation, continued AlHilal Takaful Group Life repricing, IFRS 17 risk-adjustment release, and BNI/BNL integration synergies including cross-sell into the c.1,200 acquired corporate accounts. Third, the post-acquisition investment portfolio of approximately BHD 91m FY25A, scaling to BHD 99m average by FY30e, generates a stable 6.0% sustainable yield on a predominantly Shariah-compliant fixed-income mix.

We initiate coverage with a BUY rating and BHD 0.50 TP, implying +26.0% upside, with valuation dislocation reflecting both phased underwriting assumptions and embedded optionality. The EVA-based SoTP comprises V1 operations DCF of BHD 0.356 (71%), V2 capital surplus of BHD 0.006 (1%), V3 other adjustments of BHD 0.123 (25%, including a 50% equity credit on the BHD 41.7m Subordinated Mudaraba sukuk), plus a BHD 0.019 dividend addback. The stock trades on 12.3x FY27e P/E at CMP on a clean post-integration basis, with FY26e P/E elevated at 17.8x reflecting the first-full-year Subordinated Mudaraba absorption, alongside 3.9x FY26e P/TBVPS at CMP reflecting the BHD 38m of goodwill from BNI/BNL; multiples compress to 7.2x FY30e P/E and c.2.9x FY30e P/TBVPS as the franchise compounds tangible book. Relative valuation is compelling: Solidarity screens at a 27% discount to the GCC insurance peer universe, 44% to GCC takaful peers and 16% to Bahrain-listed peers on TTM P/E, broadly in line with GCC conventional. Five distinct upside risks collectively build an optionality envelope of c.BHD 0.16 to 0.24, lifting optionality-adjusted TP to BHD 0.66 to 0.74 per share: i) a deeper mid-cycle UW scenario (Motor 87%, Medical 60%, Group Life 92%) adds BHD 0.07 to 0.08; ii) Alliance UAE + UIC associates mark-to-market (29% Alliance stake paid at BHD 13.45m versus current carrying value BHD 16.13m) adds BHD 0.014 to 0.029; iii) Motor TPL repricing potential subject to ongoing regulatory review adds BHD 0.03 to 0.05; iv) BNI/BNL synergies add BHD 0.03 to 0.04; v) IFRS 17 risk-adjustment release plus investment yield uplift to management's 6.34% normalized adds BHD 0.02 to 0.04. The optionality envelope is corroborated by our combined ratio / investment yield sensitivity grid (Ex. 9), where the bull corner lands at BHD 0.67 and a stressed CR 79% / yield 5.5% scenario anchors implied TP at BHD 0.40, broadly at CMP, framing the asymmetric

BUY BHD 0.50

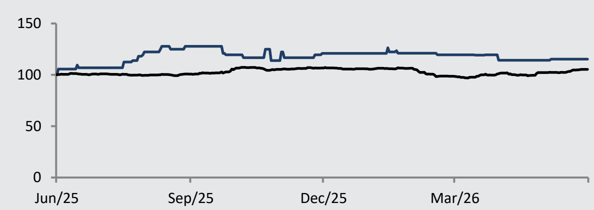
Insurance / Bahrain

Bloomberg code	SOLID BI
Market index	Bahrain
Target Price	0.50
Upside (%)	26.0

Market data	**7/2/2026**
Last closing price	0.40
52 Week range	0.4-0.5
Market cap (BHD m)	68
Market cap (USD m)	180
Average Daily Traded Value (BHD m)	0.00
Average Daily Traded Value (USD m)	0.00
Free float (%)	24%

Year-end (local m)	2025	2026e	2027e	2028e
Takaful Contributions	94,133	102,684	111,614	118,588
Total Income	23,547	20,210	22,107	23,721
EPS	38.85	22.49	32.45	41.45
P/E(x) (current price)	10.3	17.8	12.3	9.6
BVPS	0.32	0.33	0.33	0.34
Tangible BVPS	0.10	0.10	0.11	0.12
P/B(x) (current price)	1.2	1.2	1.2	1.2
P/TBVPS (x) (market price)	4.0	3.9	3.6	3.4
DPS	25.0	6.3	9.7	20.7
Payout Ratio	64.3	28.0	30.0	50.0
RoAA	4.2	1.8	2.5	3.0
RoAE	14.0	6.9	9.8	12.3
Investments/Assets (%)	34.1	36.8	38.3	39.8
Investment Yield	17.2	6.0	6.1	6.1
Service Expense Ratio	65.8	64.9	63.9	63.1
Combined Ratio	84.1	80.8	79.7	78.9
Underwriting Profit Margin	3.6	5.1	5.9	6.7
Net Profit Margin	7.0	3.7	4.9	5.9
Takaful Liab/Equity (x)	144.9	159.8	174.6	188.8

Price Performance



***This is a commissioned report where Arqaam has been renumerated on an annual basis**

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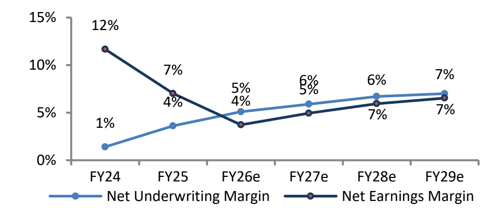
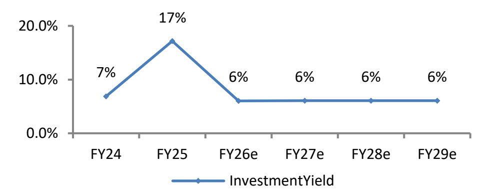
Abacus *Arqaam Capital Fundamental Data*

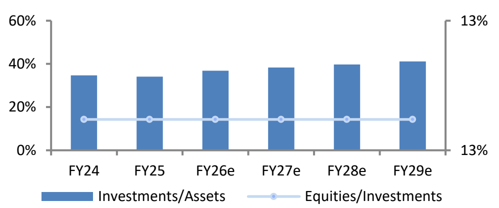
Profitability



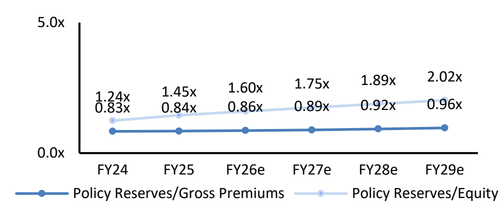
Investment Yield



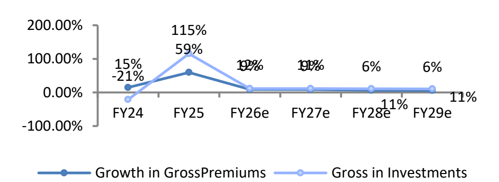
Investment Exposure



Solvency ratios & reserve adequacy



Growth



Solidarity

Year-end	2024	2025	2026e	2027e	2028e	2029e
Performance analysis						
Retakaful/Revenue	39.6	30.6	30.0	30.2	30.2	30.2
Service Expense Ratio	59.0	65.8	64.9	63.9	63.1	62.8
G&A/Revenue	21.5	18.3	16.0	15.8	15.8	15.8
Combined Ratio	80.5	84.1	80.8	79.7	78.9	78.6
Takaful Service Margin	1.4	3.6	5.1	5.9	6.7	7.0
Investment Yield	6.9	17.2	6.0	6.1	6.1	6.1
Net Profit Margin	11.7	7.0	3.7	4.9	5.9	6.5
RoAE	18.2	14.0	6.9	9.8	12.3	13.9
RoAA	6.7	4.2	1.8	2.5	3.0	3.2
Total Revenue/Equity	1.5	1.7	1.9	2.0	2.0	2.1
Insurance Revenue/Equity	1.5	1.7	1.9	2.0	2.0	2.1
Takaful Reserves/Revenue	0.8	0.8	0.9	0.9	0.9	1.0
Investment Income/Total Income (%)	80.6	75.9	69.5	67.5	65.7	65.2

Year-end	2024	2025	2026e	2027e	2028e	2029e
Investment Exposure						
Investments/Assets (%)	34.7	34.1	36.8	38.3	39.8	41.1
Equities/Investments (%)	13.4	13.4	13.4	13.4	13.4	13.4
Equity/Assets	36.5	26.2	25.8	24.6	23.6	22.8

Year-end	2024	2025	2026e	2027e	2028e	2029e
Liquidity/Leverage						
Takaful Liab/Takaful Contribution	0.8	0.8	0.9	0.9	0.9	1.0
Takaful Liab/Total Asset	0.5	0.4	0.4	0.4	0.4	0.5
Takaful Liab/Equity	1.2	1.4	1.6	1.7	1.9	2.0
Debt/Capital	0.2	0.4	0.4	0.4	0.4	0.4
Debt/Equity	0.2	0.8	0.8	0.8	0.7	0.7

Year-end	2024	2025	2026e	2027e	2028e	2029e
Growth						
Takaful Contributions	14.6	59.5	9.1	8.7	6.2	5.9
Net Profit	58.7	(4.2)	(42.1)	44.3	27.8	16.5
Investments	(21.3)	115.3	11.6	11.5	11.0	10.6
Total Assets	12.2	92.5	3.2	7.0	6.8	6.8
Takaful Liabilities	6.8	61.3	12.0	11.5	10.9	10.3
Equity	8.7	38.4	1.5	2.1	2.6	2.9

Year-end	2024	2025	2026e	2027e	2028e	2029e
Valuation						
P/B(x) (current price)	1.7	1.2	1.2	1.2	1.2	1.1
P/B(x) (target price)	2.2	1.6	1.5	1.5	1.5	1.4
P/E(x) (current price)	9.9	10.3	17.8	12.3	9.6	8.3
P/E(x) (target price)	12.4	13.0	22.4	15.5	12.2	10.4

Abacus *Arqaam Capital Fundamental Data*

Company profile

Solidarity Bahrain B.S.C. is the Kingdom's largest takaful operator and #2 insurer overall, incorporated 17 August 1976 and listed on the Bahrain Bourse under ticker SOLID BI. The Group operates a composite takaful franchise , spanning Medical, Motor, Non-Motor P&C, Group Life and Family Takaful across retail, SME, commercial and corporate distribution channels. The group operates under a three-fund structure: General Takaful (Motor, Medical, Non-Motor P&C, 61% of recognised contributions), Family Takaful (life and savings products, 3%), and the Shareholders' Fund (housing the conventional BNI/BNL portfolios pending takaful conversion, 36%). International exposure via a 29% associate stake in Alliance Insurance P.S.C. (UAE, DFM-listed) acquired 2024. Solidarity had 170m issued shares and BHD 208m of total assets FY25A. Solidarity Group Holding B.S.C. (Closed) held 75.79% as the largest shareholder, with Al Salam Bank B.S.C. (Bahrain Bourse-listed Islamic bank) the ultimate parent; the remaining 24.21% is held by free-float public shareholders unrelated to the SGH/ASB ownership chain. Recurring investment yield is c.6.3% on an underlying basis (FY25A reported 17.2% includes a BHD 4.4m Alliance disposal one-off); EPS computed on net profit attributable to shareholders, net of the Subordinated Mudaraba distribution (treated as a P&L deduction below profit-before-T1).

Key Drivers

- #2 insurer + largest takaful in Bahrain at 29.3% sector share FY 25e; Top-2 duopoly with BKIC (GIG Bahrain) at c.38%, combined share 68% post-2025 consolidation.
- Three inorganic transactions doubled revenue to BHD 94m FY25A; AlHilal Life + AlHilal Takaful absorbed 2024 from Ahli United Bank, 29% Alliance UAE associate 2024, two transfers of subsidiary on 16 April 2025 (BNL BNH→SB; BNI BNH→Solidarity Group Holding (SGH) as interim); full BHD 55m T1+T2 raised July 2025; third transfer of subsidiary BNI SGH→SB October 2025; transfer of business, assets and liabilities of BNI and BNL to SB February 2026.
- Underwriting margin recovery lifts TSR 2.9x to BHD 9.7m FY30e at 23.3% CAGR; combined ratio improves 584bps to 77.3% on phased loss ratio glide (Motor 92%, Medical 62%, Group Life 96% terminal); residual upside risk in our estimates.
- Five unmodeled catalysts add c.BHD 0.16-0.24 per share optionality; deeper mid-cycle UW, Alliance UAE + UIC associates mark-to-market, Motor TPL repricing potential subject to ongoing regulatory review, BNI/BNL integration synergies, IFRS 17 risk-adjustment release. Optionality-adjusted TP toward BHD 0.66-0.74.
- Capital structure recapitalised post-acquisition; solvency coverage moderating from 194% FY26e to 182% FY30e on the payout step-up. BHD 41.7m T2 Subordinated Mudaraba + BHD 11.8m AT1 Preference shares fund the BNI/BNL deal. Payout 28% FY26e stepping to 45-50% from FY28e supports dividend yield 1.6% trough FY26e to 6.3% FY30e at CMP.

Solidarity

Year-end	2024	2025	2026e	2027e	2028e	2029e
Income statement (mn)						
Takaful Contributions	**59,029**	**94,133**	**102,684**	**111,614**	**118,588**	**125,546**
Takaful Costs	(34,834)	(61,967)	(66,601)	(71,374)	(74,854)	(78,857)
Retakaful Net Result	(23,367)	(28,764)	(30,848)	(33,657)	(35,783)	(37,895)
Takaful Service Result	828	3,402	5,235	6,583	7,950	8,793
Participant	**969**	**595**	**650**	**709**	**753**	**797**
Wakala Fee Income	13,589	12,394	13,349	14,510	15,416	16,321
Shareholder	2,217	7,677	3,895	4,386	4,879	5,406
Mudarib Share	646	396	433	472	502	532
Associates Income	2,719	1,493	1,300	1,400	1,500	1,600
Other Income	416	1,587	1,232	1,339	1,423	1,507
Total Shareholders	**19,587**	**23,547**	**20,210**	**22,107**	**23,721**	**25,365**
Employee Costs	(4,626)	(5,359)	(5,648)	(6,139)	(6,522)	(6,905)
Commission Expenses	(3,348)	(3,140)	(3,594)	(3,906)	(4,151)	(4,394)
TPA Fees	(838)	(919)	(1,004)	(1,115)	(1,210)	(1,301)
Others	(3,884)	(7,788)	(6,161)	(6,474)	(6,878)	(7,282)
Total Shareholder	(12,696)	(17,206)	(16,406)	(17,634)	(18,761)	(19,881)
Profit Before T1	**6,891**	**8,724**	**7,568**	**9,260**	**10,791**	**11,954**
T1 Coupon	-	(2,119)	(3,744)	(3,744)	(3,744)	(3,744)
Other Income	-	-	-	-	-	-
Zakat	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Net Profit	**6,891**	**6,605**	**3,823**	**5,516**	**7,047**	**8,210**
EPS	40.54	38.85	22.49	32.45	41.45	48.29

Year-end	2024	2025	2026e	2027e	2028e	2029e
Balance sheet (mn)						
Cash	26,866	19,651	18,579	18,531	18,916	19,453
Placements with Financials	1,810	4,812	4,107	4,465	4,744	5,022
Investments	28,362	61,056	68,145	75,971	84,365	93,282
Associates	16,377	24,354	24,804	25,304	25,854	26,454
Investments Participant Units	9,213	10,040	11,044	12,148	13,363	14,700
Goodwill & Intangibles	7,027	37,855	37,855	37,855	37,855	37,855
Takaful Arrangement Assets	-	1	-	-	-	-
Retakaful Arrangement Assets	7,978	19,708	22,168	24,727	27,423	30,255
Other Assets	10,544	30,784	28,258	30,982	33,217	35,445
Total Assets	**108,177**	**208,261**	**214,959**	**229,983**	**245,736**	**262,465**
Takaful Arrangement Liabilities	49,099	79,201	88,672	98,907	109,691	121,021
Retakaful Arrangement Liabilities	586	2,781	3,081	3,348	3,558	3,766
Investment Contract Liabilities	-	1,755	1,843	1,935	2,032	2,133
Debt (Murabaha + Ijara)	9,651	1,017	1,085	1,206	1,318	1,425
Other Liabilities	8,817	25,947	20,780	22,505	23,854	25,212
Total Liabilities	**68,153**	**110,701**	**115,460**	**127,901**	**140,453**	**153,558**
Shareholders Equity	**39,511**	**54,666**	**55,481**	**56,634**	**58,093**	**59,785**
Subordinated Mudaraba Balance	-	41,678	41,678	41,678	41,678	41,678
Total Equity	**39,511**	**96,344**	**97,159**	**98,312**	**99,771**	**101,463**
BVPS	0.23	0.32	0.33	0.33	0.34	0.35

Karim Kekhia
+961 71 319 933

Jaap Meijer, MBA, CFA
+971 4 507 1744

Initiate BUY at BHD 0.50/share TP (+26.0% upside), with significant additional optionality embedded. The stock trades on 7.2x FY30e P/E (49% discount to the GCC insurance peer universe, 61% to GCC takaful), c.2.9x FY30e P/TBVPS, and 6.3% FY30e dividend yield. Five unmodeled catalysts, deeper mid-cycle UW, Alliance UAE + UIC associates mark-to-market, Motor TPL repricing potential subject to ongoing regulatory review, BNI/BNL integration synergies, and IFRS 17 risk-adjustment release, add approximately BHD 0.16-0.24/share of optionality, taking optionality-adjusted TP toward BHD 0.66-0.74/share.

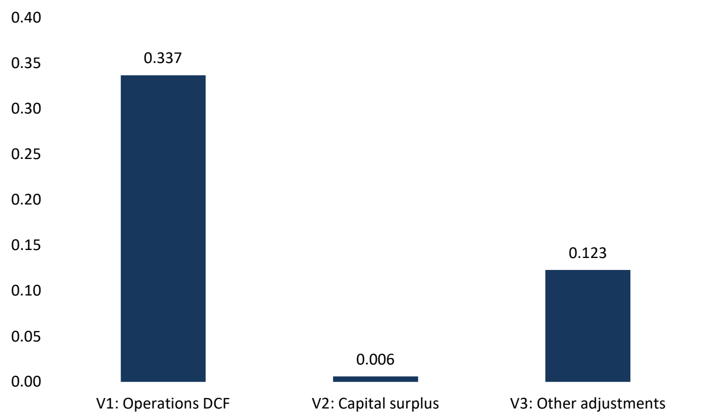
Dividend yield 1.6% trough FY26e, recovering to 6.3% FY30e on payout normalization toward management guidance of c.25% of paid-up capital (c.25 fils DPS). Payout steps to 50% FY28-29e and 45% FY30e as Group Life profitability rebuilds; FY26e holds at 28% to preserve capital while integration costs roll off.

Exhibit 1: Solidarity EVA:

	FY22A	FY23A	FY24A	FY25A	FY26e	FY27e	FY28e	FY29e	FY30e	
Key valuation assumptions										
Cost of capital (k)	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	
Perpetual growth rate (g)	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Return on excess capital	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	
Tax shelter (Bahrain: 0%)	-	-	-	-	-	-	-	-	-	
Associates fair value uplift (Alliance UAE)	-	-	-	-	-	-	-	-	-	
Current market price (BHD)	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.400	
Shares outstanding (m)	170.00	170.00	170.00	170.00	170.00	170.00	170.00	170.00	170.00	
Section 1: DCF on Economic Profit										
Net profit attributable	3,734	4,342	6,891	6,605	3,823	5,516	7,047	8,210	9,457	
Less excess return on excess capital	-	-	-	-	45	(32)	(85)	(114)	(172)	
Adjusted net profit	3,734	4,342	6,891	6,605	3,778	5,548	7,132	8,323	9,629	
Required capital (CBB Margin from Solvency sheet)	5,341	6,677	6,847	12,545	13,645	15,027	16,330	17,679	19,071	
Return on economic capital (RoEcC)	69.9%	65.0%	100.6%	52.6%	27.7%	36.9%	43.7%	47.1%	50.5%	
Capital charge (k x required capital)	(678)	(848)	(870)	(1,593)	(1,733)	(1,908)	(2,074)	(2,245)	(2,422)	
Economic profit	3,056	3,494	6,021	5,012	2,045	3,640	5,058	6,078	7,207	
Discount factor					0.887	0.787	0.699	0.620	0.550	
NPV of economic profit					1,815	2,866	3,533	3,768	3,964	
Sum of NPV of EP (forecast period)										15,945
Required capital (terminal year)										19,643
Terminal economic profit (FY30e)										7,460
Terminal value = EP_t+1 / (k - g)										81,083
Terminal value discounted										44,598
VALUE OF INSURANCE OPERATIONS										60,543
Section 2: Capital Surplus / Deficit										
Less: Goodwill and intangibles	(3,267)	(6,733)	(7,027)	(37,855)	(37,855)	(37,855)	(37,855)	(37,855)	(37,855)	
Less: Proposed dividend (BD'000)	-	-	(3,446)	(3,216)	(3,059)	(4,413)	(5,637)	(6,568)	(7,566)	
Tangible equity (less proposed div)	**29,323**	**29,621**	**29,039**	**13,595**	**14,567**	**14,366**	**14,601**	**15,362**	**15,561**	
Less: CBB Required Capital	(5,341)	(6,677)	(6,847)	(12,545)	(13,645)	(15,027)	(16,330)	(17,679)	(19,071)	
SURPLUS CAPITAL	**23,982**	**22,944**	**22,192**	**1,049**	**922**	**(661)**	**(1,729)**	**(2,317)**	**(3,509)**	1,049
Section 3: Other adjustments										
Memo: Sub Mudaraba										20,839
TOTAL OTHER ADJUSTMENTS										20,839
Section 4: Dividends paid (added back)										3,216
Section 5: Valuation Outputs										
+ Dividends paid FY25A (Section 4)										3,216
Value of insurance operations (Section 1)										60,543
+ Capital surplus (Section 2)										1,049
+ Other adjustments (Section 3)										20,839
TOTAL FAIR VALUE (BD'000)										85,648
FAIR VALUE PER SHARE (BHD) - TP										0.50
Current market price (BHD)										0.40
UPSIDE / DOWNSIDE										26.0%
RECOMMENDATION (implied)										**BUY**
Implied P/E (FY26e)										22.4
Implied P/B (FY25A)										1.57
Implied dividend yield (FY26e)										1.2%

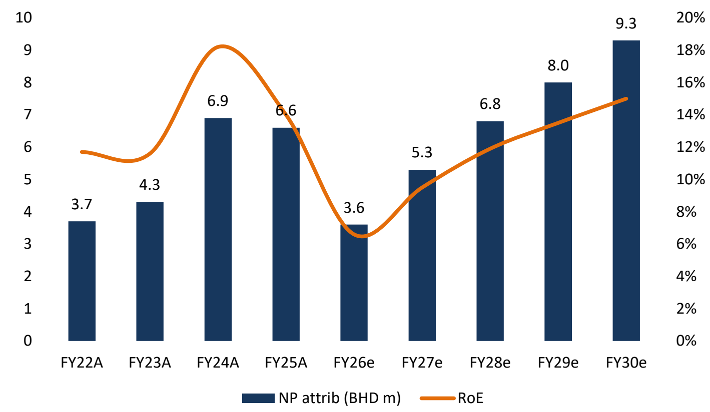
Source: Company Data, Arqaam Capital Research

Exhibit 2: EVA Valuation Build (BHD per share)



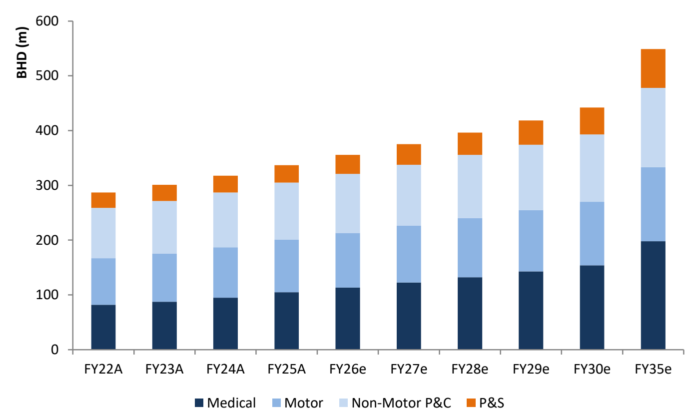
Source: Company Data, Arqaam Capital Research

Exhibit 3: NP vs RoE Trajectory



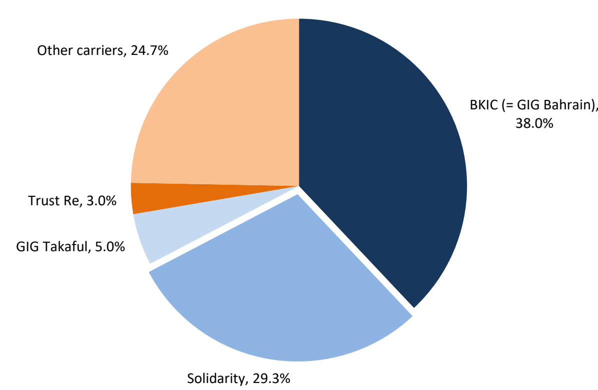
Source: Company Data, Arqaam Capital Research

Exhibit 4: Bahrain Sector GWP Breakdown by LoB



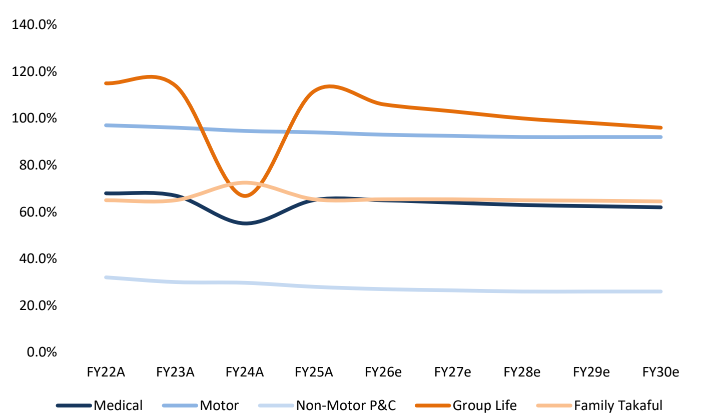
Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 5: Bahrain Market Structure (FY 25e estimate)



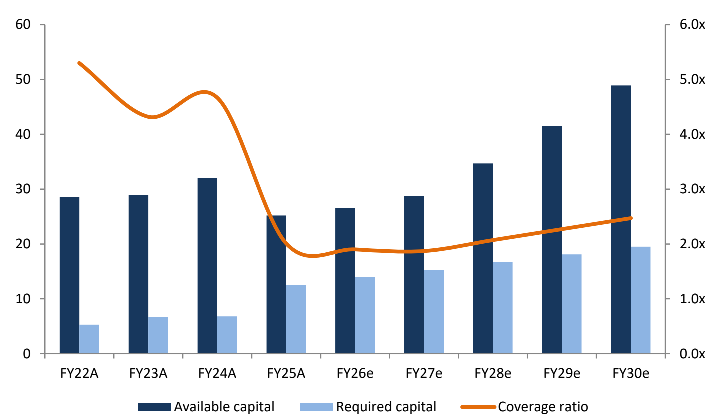
Source: Company Data, Arqaam Capital Research

Exhibit 6: Takaful Service Ratio



Source: Company Data, Arqaam Capital Research

Exhibit 7: Solvency Coverage Trajectory



Source: Company Data, Arqaam Capital Research

Valuation: initiate BUY with BHD 0.50/share TP (+26.0% upside), with significant additional optionality embedded

- **EVA-based SoTP yields TP BHD 0.50/share. V1 operations DCF BHD 60.5m (BHD 0.356/share, 71%); V2 capital surplus BHD 1.0m (BHD 0.006/share, 1%); V3 other adjustments BHD 20.8m (BHD 0.123/share, 25%, 50% equity credit on BHD 41.7m Subordinated Mudaraba sukuk); Section 4 dividend addback BHD 3.2m (BHD 0.019/share)**
- **Trades on 12.3x FY27e P/E at CMP, in line with GCC takaful median c.15x on a clean post-integration basis. FY26e elevated at 17.8x given first-full-year Subordinated Mudaraba absorption, compressing to 7.2x FY30e. On tangible book, 3.9x FY26e P/TBVPS reflecting BHD 38m BNI/BNL goodwill, easing to c.2.9x FY30e as tangible book compounds. Dividend yield trough 1.6% FY26e recovers to 2.4% FY27e and 6.3% FY30e at CMP as payout normalizes toward management guidance (28% FY26e → 50% FY28-29e → 45% FY30e)**
- **Five upside risks add c.BHD 0.16 to 0.24/share, lifting optionality-adjusted TP toward BHD 0.66 to 0.74/share. Deeper mid-cycle UW (Motor 87%, Medical 60%, Group Life 92%) adds c.BHD 0.07 to 0.08/share; Alliance UAE and UIC associates MTM adds BHD 0.014 to 0.029/share; Motor TPL repricing subject to ongoing regulatory review adds BHD 0.03 to 0.05/share; BNI/BNL integration synergies add BHD 0.03 to 0.04/share; IFRS 17 risk-adjustment release plus investment yield uplift to management's 6.34% normalized guidance adds BHD 0.02 to 0.04/share.**

EVA SoTP combines DCF, capital surplus, hybrid capital recognition, and dividend addback. We value Solidarity Bahrain using an EVA-derived sum-of-the-parts framework comprising four components. V1 (operations DCF) contributes BHD 60.5m / BHD 0.356 per share, derived by discounting the FY26e-FY30e economic profit stream plus terminal value at a 12.7% cost of capital and 3.5% perpetual growth assumption, with the excess return on excess capital strip applied to avoid double-counting between V1 and V2. V2 (capital surplus) contributes BHD 1.0m / BHD 0.006 per share, calculated as FY25A spot tangible equity less CBB Module CA required capital, the last-published-year anchor we apply consistently across our coverage of regulated capital instruments. V3 (other adjustments) contributes BHD 20.8m / BHD 0.123 per share, comprising a 50% equity credit on the BHD 41.7m Tier-2 Subordinated Mudaraba sukuk (debt-classified, capturing its franchise-value contribution to ordinary shareholders). Section 4 adds BHD 3.2m / BHD 0.019 per share of FY25A proposed dividend back to fair value, recognizing that the dividend was deducted from V2 tangible equity but remains owed to shareholders. The framework yields a total equity fair value of BHD 85.6m, equivalent to BHD 0.50/share on 170m shares outstanding.

TP BHD 0.50/share (+26.0% upside vs CMP 0.40); P/TBVPS premium is the BUY case anchor. We set TP at BHD 0.50/share, with the dislocation reflecting deliberately phased underwriting and embedded optionality. The stock trades on 12.3x FY27e P/E at CMP on a clean post-integration basis, FY26e elevated at 17.8x on first-full-year Subordinated Mudaraba absorption, compressing to 7.2x FY30e P/E on earnings growth. On book, the shares trade at 1.2x FY26e P/B but 3.9x FY26e P/TBVPS, reflecting BHD 38m of BNI/BNL goodwill; the BUY case rests on management converting that goodwill premium into sustained RoTE, easing P/TBVPS to c.2.9x

FY30e on retained earnings compounding. Dividend yield recovers from a 1.6% FY26e trough to 6.3% FY30e at CMP. At TP, implied multiples are 15.5x FY27e P/E, 9.1x FY30e P/E, and 4.9x FY26e P/TBVPS easing to c.3.7x by FY30e.

UW assumptions deliberately held below mid-cycle profitability. Base case loss ratios sit modestly above mid-cycle: Motor 92% terminal vs 87% (+5ppt), Medical 62% vs 60% (+2ppt), Group Life 96% vs 92% (+4ppt); Non-Motor P&C and Family Takaful tracked to mid-cycle. Associates carried at BHD 24.4m FY25A book value with zero V3 fair-value uplift, despite Solidarity paying BHD 13.45m for the 29% Alliance stake vs current carrying value BHD 16.13m (BHD 2.7m bargain purchase already booked) and DFM market value providing additional headroom; a 10% to 20% MTM uplift adds BHD 0.014 to 0.029/share. Identifiable margin tailwinds remain across all five lines: Motor TPL repricing subject to ongoing regulatory review, compulsory medical insurance pool maturation vs UAE and KSA pricing benchmarks, continued actuarial repricing of the inherited AlHilal Takaful Group Life book, IFRS 17 risk-adjustment release, and BNI/BNL integration synergies. A deeper mid-cycle margin profile lifts the operations DCF to c.BHD 70m and TP toward BHD 0.55/share. GCC takaful peer median 16.0x clean P/E applied to FY30e EPS of 56 fils implies c.BHD 0.89/share, reinforcing the structural valuation gap.

Exhibit 8: EVA-derived TP build (BHD m and per share)

Component	BHD m	BHD/share	% of TP	Method	Component
V1: Value of operations (DCF)	60.5	0.356	71%	Economic profit DCF (NP-after-T1), CoC 12.7%, g 3.5%	V1: Value of operations (DCF)
V2: Capital surplus	1.0	0.006	1%	Tangible equity less CBB Module CA required capital (FY25A spot)	V2: Capital surplus
V3: Other adjustments	20.8	0.123	24%	50% equity credit on BHD 41.7m Tier-2 Subordinated Mudaraba sukuk	V3: Other adjustments
Equity value (TP)	85.6	0.50	100%		Equity value (TP)
CMP (2 July 2026)	68.0	0.40			CMP (2 July 2026)
Upside	17.6	0.104	+26.0%		Upside

Source: Company Data, Arqaam Capital Research

Five unmodeled catalysts provide meaningful upside optionality, with successful execution bridging valuation toward the BHD 0.66-0.74/share optionality-adjusted scenario. First, a deeper normalized mid-cycle underwriting scenario (Motor 87%, Medical 60%, Group Life 92% terminal loss ratios versus our 92% / 62% / 96% base case) reflects fully matured sector repricing and integration absorption; we estimate this would lift TP by approximately BHD 0.07-0.08/share at a 50-60% realization probability over the forecast window. Second, Alliance UAE and UIC associates mark-to-market versus carrying value, model currently applies zero fair-value uplift; a 10-20% MTM uplift to reflect DFM market value adds BHD 0.014-0.029/share. Third, Motor TPL repricing potential, subject to ongoing regulatory review, could drive an estimated 700bps improvement in Motor loss ratios, translating into BHD 0.03-0.05/share uplift at an assumed 60% realization probability. Fourth, BNI/BNL integration synergies across cross-sell, retakaful renegotiation, and operating platform consolidation could generate BHD 2.5-3.8m of annualized benefits (2.1-3.3% of FY26e revenue); applying a 60-70% capture probability implies BHD 0.03-0.04/share of upside. Fifth, IFRS 17 risk-adjustment release on runoff portfolios combined with investment yield uplift to management's 6.34% normalized yield (versus our 6.0% steady-state assumption) adds an aggregate BHD 0.02-0.04/share. Taken together, these unmodeled levers create an optionality envelope of approximately BHD 0.16-0.24/share, effectively bridging the gap between our published TP of BHD 0.50/share and an optionality-adjusted valuation of BHD 0.66-0.74/share. We retain BHD 0.50/share as our formal target price while highlighting substantial upside risk embedded in execution, regulatory reform, underwriting normalization, and associates remeasurement.

Valuation robust across plausible CR and yield bands. We sensitize the TP to combined ratios of 74% to 83% and investment yields of 4.5% to 6.5%, capturing the bandwidth implied by management's through-cycle guidance and our peer cross-checks. Per-share TP ranges from BHD 0.18 in the bear corner to BHD 0.67 in the bull corner, with the base case (CR 77.3%, yield 6.1%) anchored at the 77% / 6.0% intersection at BHD 0.51, in line with our published TP of BHD 0.50. A 1pp move in combined ratio shifts TP by c.BHD 0.047 per share; a 1pp move in investment yield shifts TP by c.BHD 0.035 on the underlying earnings model. The skew is asymmetric: even at a stressed combined ratio of 79% and investment yield of 5.5%, implied TP of BHD 0.40 sits broadly at CMP BHD 0.40, leaving limited downside to current levels, while the bull corner delivers c.68% upside on stronger reinvestment as the AT1 sukuk proceeds redeploy. Risk skewed toward execution slippage in the Family Takaful build-out.

Exhibit 9: TP Sensitivity: Combined Ratio vs Investment Yields

Combined ratio ↓ / Yield →	4.5%	5.0%	5.5%	6.0%	6.5%
74.0%	0.602	0.620	0.637	0.654	0.671
77.0%	0.463	0.480	0.497	**0.514**	0.532
79.0%	0.370	0.387	0.404	0.421	0.439
81.0%	0.276	0.294	0.311	0.328	0.345
83.0%	0.183	0.201	0.218	0.235	0.252

Source: Company Data, Arqaam Capital Research

Relative valuation: Solidarity at 10.3x P/E TTM, 27% discount to GCC median

- **10.3x TTM P/E (FY25A reported): 27% discount to GCC insurance peer median 14.2x and 44% to GCC takaful median 18.3x, among the widest valuation dislocations across the regional takaful universe on a TTM basis**
- **Clean TTM P/E 30.8x (ex BHD 4.4m BNL disposal gain): a premium to the GCC takaful median 18.3x on the depressed post-T1 FY25A base, normalising to 12.3x by FY27e at CMP**
- **Limited Bahrain peer depth: BKIC (12.3x clean TTM P/E) is the primary comparator, alongside Trust Re and Takaful International Company (TIC). Trust Re's illiquid reinsurance profile, TIC's small float and BNH's distorted 2.2x P/E (2025 insurance disposal) limit cross-comparability; Bloomberg forward-consensus coverage is thin across Bahrain.**

We anchor relative valuation on trailing P/E, as Bloomberg forward estimates remain incomplete across much of the Bahrain insurance universe. Our peer set comprises 22 GCC-listed takaful and conventional composite insurers; seven of the 29 screened names were excluded for unavailable or non-standard Bloomberg listings (Trust Re, Wataniya, DARTAK, AICO, and ATC, among others). Median TTM P/E is 18.3x for GCC takaful (n=7), 10.5x for GCC conventional (n=6), 18.3x for Saudi (n=7), and 12.3x for Bahrain peers (n=1, excluding BNH at 2.2x as a post-disposal outlier). GIG Bahrain trades under the BKIC ticker; GIG Kuwait is the parent holding company listed on the Kuwait Stock Exchange.

Solidarity screens at a material discount across every peer cut despite structurally conservative assumptions, trading at discounts of 27% to the full peer universe, 44% to GCC takaful and 16% to Bahrain peers on TTM P/E, broadly in line with GCC conventional insurers. A median-of-medians approach on Bloomberg multiples as of 22 May 2026 implies c.BHD 0.51/share, broadly consistent with our base-case TP. The discount persists despite forecasts embedding deliberately phased underwriting assumptions and a modest peak FY30e RoE of 15.2%, below the profitability profile of leading regional takaful franchises. Reverting to a normalized mid-cycle margin, moving FY30e RoE toward 18-20%, would meaningfully compress the gap to Tier-1 GCC takaful peers including Bupa Arabia (22% RoE; 23.7x P/E) and Tawuniya (21% RoE; 18.3x P/E). Closing only half the gap to the GCC takaful median 16.0x clean P/E on FY30e EPS of 56 fils implies c.BHD 0.89/share, +122% upside to the current market price, upside optionality to our published TP rather than the central valuation outcome.

Exhibit 10: Peer Review Table

Peer cut	Median P/E TTM	n	SOLID gap
All peers ex SOLID (clean)	14.2x	15	-52%
GCC Takaful (clean)	18.3x	7	-63%
GCC Conventional (clean)	10.5x	6	-35%
Saudi (clean)	18.3x	7	-63%
Bahrain peers (clean, ex BNH)	12.3x	1	-44%
UAE (clean, ex outliers)	8.2x	1	-16%

Source: Company Data, Arqaam Capital Research

Solidarity Bahrain: Bahrain's Largest Takaful Franchise

- **#2 insurer and largest takaful at 29.3% FY 25e sector share. Behind BKIC (GIG Bahrain) c.38% (BHD 94.1m FY25A contributions vs 117.3m); top-2 combined c.68%, followed by GIG Takaful International c.8%, SNIC c.4%, fragmented tail c.20%. FY 25e sector estimate built per CBB class: 9M 25 (Sep YTD per CBB IMR September 2025) plus Q4 25e, where Q4 25e equals Q4 24 grown by 9M 25 / 9M 24 class-level rate; CBB FY 25 IMR not yet published, so not cited directly. Sector GWP reaches BHD 321.2m FY 25e and Solidarity 29.3% on BHD 94.1m FY25A recognised contributions. Per-LoB shares: Medical 34.8% (sector 98.0m), Motor 27.8% (93.7m), Non-Motor P&C 25.7% (99.7m), P&S 28.3% (29.9m). Engineering flagged volatile, 9M 25 -69% y/y on rollover of a large FY 24 project**
- **Contributions doubled to BHD 94.1m FY25A (+60% y/y) on inorganic expansion. AlHilal Life + Takaful from AUB 2024; 29% associate stake in DFM-listed Alliance UAE; BNL direct from BNH April 2025; BNI via Solidarity Group Holding (SGH) interim April 2025 pending capital raise**
- **Three-fund structure under CBB Module IM takaful framework. General Takaful 61% of recognised contributions, Family Takaful 3%, Shareholders' Fund 36% (latter housing c.BHD 38m of BNI/BNL goodwill).**

Bahrain's #2 insurer and the country's largest takaful operator following the 2024-25 consolidation cycle. Solidarity Bahrain B.S.C. has emerged as the largest takaful franchise and second-largest insurer overall in Bahrain, holding 29.3% sector share on our FY 25e estimate, behind BKIC (GIG Bahrain) at c.38%. FY25A recognized takaful contributions reached BHD 94.1m, up 60% y/y, driven by the full-year consolidation of AlHilal Life and AlHilal Takaful (acquired in 2024) alongside partial-year contribution from BNI and BNL, acquired from Bahrain National Holding under a staged transaction. The initial share purchase agreement was signed in January 2025 and revised in March 2025 following a transaction variation, with BNL closing directly to Solidarity on 16 April 2025 and BNI acquired via Solidarity Group Holding (SGH) on the same date as an interim holding; the full BHD 55m Tier 1 plus Tier 2 capital raise completed in July 2025, BNI was transferred from SGH to Solidarity in October 2025, and the transfer of business, assets and liabilities of BNI and BNL to Solidarity completed in February 2026. The effective transfer of business completed on 16 April 2025. The Group operates under a three-fund structure in line with the CBB Module IM takaful framework, comprising General Takaful (61%), Family Takaful (3%), and the Shareholders' Fund (36%). Solidarity Group Holding B.S.C. (Closed) owns 75.79% of the company, while ultimate parent Al Salam Bank B.S.C. is listed on the Bahrain Bourse. Solidarity itself trades under ticker SOLID BI, with a market capitalization of BHD 68m (USD 180m) at the current market price of BHD 0.40/share.

Three inorganic transactions across 2024-25 transformed the scale and strategic positioning of the franchise. The post-2023 consolidation strategy represents the defining investment narrative for the group. In 2024, Solidarity acquired AlHilal Life and AlHilal Takaful from Ahli United Bank, adding approximately BHD 8m of Family and Medical takaful business. This was followed by the acquisition of a 29% associate stake in Alliance Insurance P.S.C., a DFM-listed UAE insurer, marking the group's first international strategic investment. The transformational step came with the acquisition of 100% of BNI and BNL, approved by the board in September

2024, formalized through an SPA in January 2025, and completed in April 2025 following a revised transaction structure in March. The acquisition added BHD 24m of goodwill (BHD 23.9m from BNI; BHD 0.1m from BNL) and BHD 7.5m of customer-relationship intangibles to the balance sheet. Collectively, these transactions lifted recognized contributions from BHD 59m FY24A to BHD 94.1m FY25A, effectively doubling the size of the franchise within twelve months and cementing Solidarity's position as Bahrain's clear #2 insurer.

Three-fund structure subject to ongoing regulatory review; integration execution remains central to the equity story. Under the takaful framework, FY25A recognized contributions split across General Takaful (BHD 57.1m), Family Takaful (BHD 2.6m), and the Shareholders' Fund (BHD 34.4m), with the latter housing the conventional insurance operations acquired through BNI and BNL pending transition toward takaful structures. Total intangible assets stood at BHD 37.9m FY25A, including BHD 28.3m goodwill allocated across Motor (BHD 15.1m), Non-Motor (BHD 6.3m), Medical (BHD 4.3m), and Life (BHD 2.6m) cash-generating units, alongside BHD 8.0m customer relationships, BHD 1.2m software, and BHD 0.4m licenses. Goodwill is impairment-tested annually under IFRS 3 and is not amortized, while FY25A amortization expense totaled BHD 0.9m. The Shareholders' Fund generated income from both BHD 12.4m of Wakala fees charged to the takaful funds and BHD 7.7m of investment income.

BNI and BNL integration substantially completed during FY25A. BNL was acquired directly from BNH on 16 April 2025, with BNI acquired via Solidarity Group Holding (SGH) on the same date as an interim holding; the full BHD 55m Tier 1 and Tier 2 capital raise completed in July 2025, BNI was subsequently transferred from SGH to Solidarity in October 2025, and the transfer of business, assets and liabilities of BNI and BNL to Solidarity completed in February 2026; reported FY25A earnings therefore capture approximately nine months of acquired contribution, equivalent to BHD 34m of combined BNI and BNL insurance revenue. On a full-year pro-forma basis, BNI and BNL would have contributed approximately BHD 46m (per the BNH FY24A audited disclosure of combined BHD 45.1m), implying pro-forma FY25A insurance revenue of approximately BHD 105m. The legacy standalone Solidarity business remained broadly stable at approximately BHD 60m revenue.

Exhibit 11: Solidarity Bahrain Evolution Timeline FY 20-26e

Source: Company Data, Arqaam Capital Research

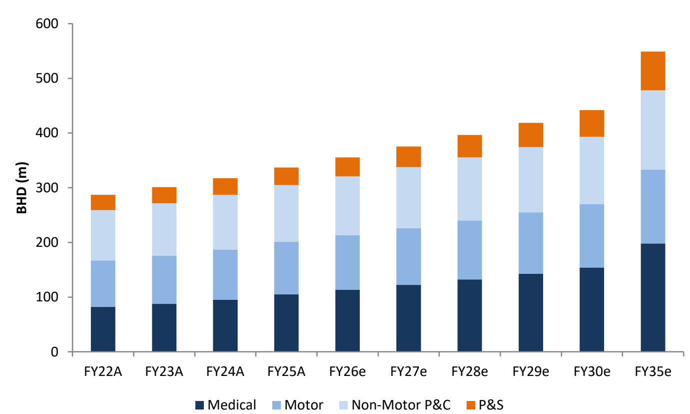
Bahrain Insurance Sector: Mandatory enforcement anchors

- **Sector GWP reaches BHD 443m FY30e at 5.6% CAGR. Above prior consensus c.4.7% on stronger compulsory-lines and takaful penetration; BHD 549m FY35e at 4.4% long-term CAGR**
- **Medical is the structural growth engine; P&S the medium-term inflection. Medical expands from 25% to 35% of mix by FY30e on mandatory health coverage expansion at 8.0% CAGR; Motor eases 27% to 26% on 3.9% CAGR; Non-Motor P&C 30% to 28% at 3.5% CAGR; P&S inflects 9% to 11% on 8.5% CAGR**
- **Solidarity outgrows sector by c.220bps annually on continued share gains. Recognised contributions compound at 7.8% CAGR vs sector 5.6% on post-consolidation scale, expanding distribution, and improving penetration across Motor, Medical, Non-Motor P&C, and Family/P&S.**

Bahrain insurance sector GWP scales 33% to BHD 443m by FY30e at 5.6% CAGR, 90bps above prior consensus. We forecast Bahrain insurance sector GWP rising to BHD 443m by FY30e from BHD 321.2m FY 25e at a 5.6% CAGR, 90bps above the 4.7% prior consensus pace. The gap to consensus is driven primarily by compulsory medical insurance-led penetration deepening and a Protection & Savings inflection that consensus appears not to credit. The trajectory extends to BHD 549m by FY35e at a 4.4% CAGR as Medical pool maturation tapers post saturation. Mix shifts toward higher-margin lines: Medical lifts from 25% to 35% of sector at 8.0% CAGR, Protection & Savings from 9% to 11% at 8.5% CAGR (the fastest profile), while Motor and Non-Motor P&C track at 3.5-3.9% CAGR.

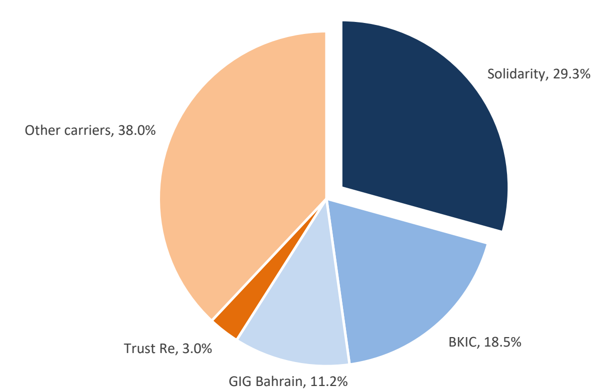
Solidarity is expected to capture an incremental 270bps of consolidated share through FY30e. We view the post-consolidation market structure as supportive of durable above-sector growth, with Solidarity converting its 29.3% FY 25e position into 33.0% by FY30e on per-LOB share gain across all four segments. The advance is most material in Medical (+220bps to 37.0% on cross-sell into the inherited BNI commercial book) and Protection & Savings (+430bps to 32.0% on the BNL retail franchise), with Motor (+300bps to 31.0%) overtaking BKIC by FY29e and Non-Motor P&C (+330bps to 29.0%) consolidating the inherited BNI commercial book.

Exhibit 12: Bahrain Sector GWP Breakdown by LoB



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 13: Bahrain Market Structure (FY 25e estimate)



Source: Company Data, Arqaam Capital Research

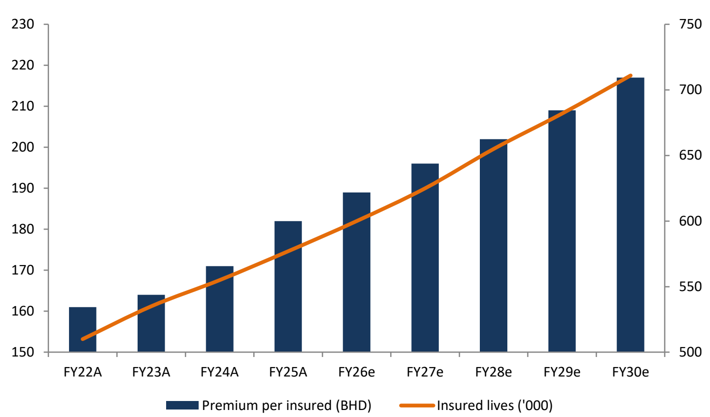
Medical: Structural 8% CAGR driver under mandatory health insurance enforcement

- **Medical GWP scales to BHD 154m FY30e at 8.0% CAGR. Workers 621k → 711k at 2.8% CAGR; penetration 93% → 100% under mandatory health insurance enforcement; premium per insured BHD 182 → BHD 217 at 3.6% CAGR.**
- **Solidarity Medical share lifts 34.8% FY 25e → 37.0% FY30e. +220bps cumulative on cross-sell into the inherited BNI commercial book (c.1,200 corporate accounts).**
- **Premium per insured 30-40% below UAE and KSA benchmarks. BHD 182 vs UAE BHD 270 and KSA BHD 320; gap supports persistent rate-rise headroom.**

Medical the structural 8% driver under mandatory health insurance enforcement. We see Medical as the structural growth driver at 8.0% p.a. on mandatory health insurance penetration approaching saturation under the the compulsory health insurance regulation, a phased mandatory enforcement programme. Workforce 621k FY25A growing to 711k FY30e at 2.8% CAGR per IMF WEO April 2026 labour force projections; penetration steps from 93% FY25A to 100% FY30e at +700bps cumulative; premium per insured BHD 182 to BHD 217 at 3.6% CAGR. Premium per insured remains 30-40% below UAE (BHD 270) and KSA (BHD 320), reflecting Bahrain's lower per-capita healthcare expenditure (c.5.4% of GDP vs UAE 6.6% and KSA 7.1%); the gap supports persistent rate-rise headroom over the forecast horizon.

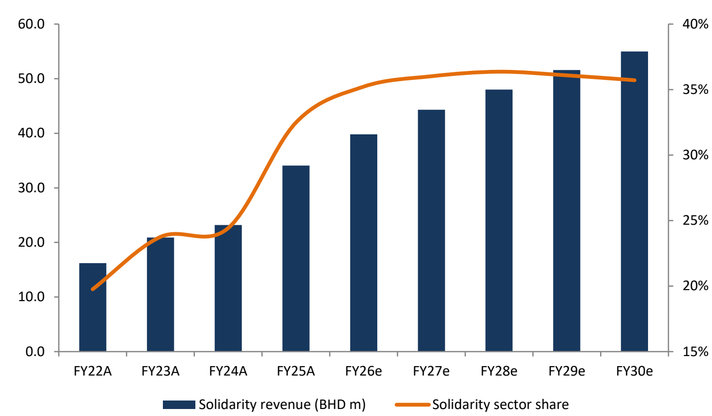
Solidarity Medical share extends to 37% FY30e on BNI cross-sell. Solidarity captures 34.8% of Medical sector FY 25e post-BNI/BNL absorption; we extend to 37.0% FY30e on three reinforcing drivers. Cross-sell into the inherited BNI commercial book (c.1,200 corporate accounts, 65% of BNI revenue tied to commercial Medical riders) supports +200bps p.a. share gain. Retakaful pricing improves 30-50bps on the consolidated risk pool. Per-carrier LOB-level Medical share by competitor is not publicly disclosed; we see no structural challenger to Solidarity's emerging Medical leadership over the forecast horizon.

Exhibit 14: Bahrain Sector GWP Breakdown by LoB



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 15: Bahrain Market Structure (FY 25e estimate)



Source: Company Data, Arqaam Capital Research

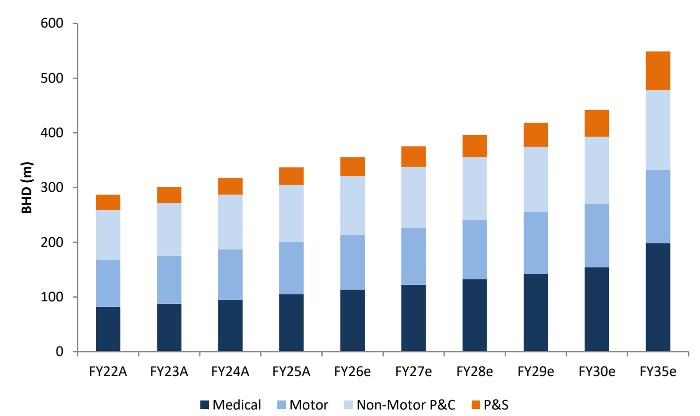
Motor: Saturated 99% TPL penetration; reform the swing factor

- **Motor GWP at BHD 116m FY30e at 3.9% CAGR. Vehicles 810k → 894k at 2.0% CAGR; penetration held at 99%; premium per vehicle BHD 120 → BHD 131 at 1.9% CAGR.**
- **Solidarity Motor share 27.8% FY 25e → 31.0% FY30e; overtakes BKIC FY29e. +320bps cumulative on the inherited BNI retail Motor book ramp.**
- **TPL pricing reform is the largest sector upside risk. Potential shift toward risk-based TPL pricing supports 5-7% sector premium growth and BHD 2-3m Solidarity TSR uplift by FY28e.**

Motor at 3.9% CAGR; TPL liberalisation the key upside risk. We hold Motor sector growth at 3.9% CAGR through FY30e on near-saturated 99% TPL enforcement and a front-loaded repricing cycle. The vehicle stock grows 2.0% CAGR per Roads Authority projections to 894k FY30e; average premium per vehicle lifts 1.9% CAGR to BHD 131. The forecast premium growth runs c.250bps below the FY19A-FY24A 4.5% CAGR as the CBB-approved 18% TPL minima step-up in FY23A-FY24A absorbed the prior repricing headroom; rate of change normalises to inflation-aligned 1.5-2.5% p.a. The single largest upside risk is the potential TPL pricing liberalisation, which would shift the TPL minimum toward a risk-based band. Partial implementation supports 5-7% sector premium growth, lifting Motor GWP to BHD 130-140m FY30e and adding BHD 2-3m to Solidarity TSR by FY28e.

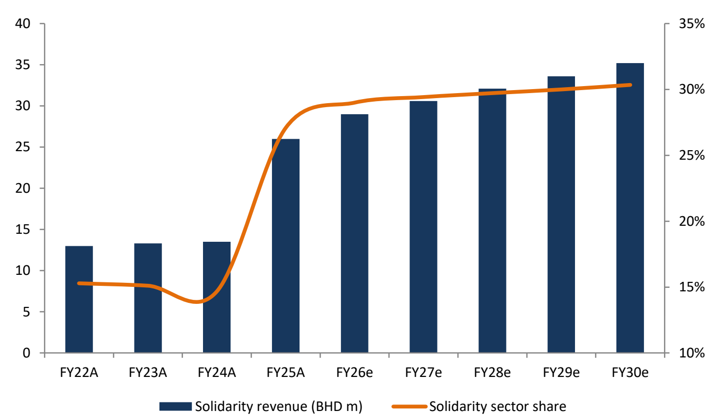
Solidarity Motor share overtakes BKIC by FY29e. Solidarity Motor share advances 27.8% FY 25e to 31.0% FY30e at +320bps cumulative on the inherited BNI retail Motor book ramp; Solidarity remains structurally #2 to BKIC in Motor through the forecast horizon given BKIC's longer-established Motor distribution and pricing platform. The competitive set across the rest of Motor is fragmented (GIG Takaful International, SNIC, and foreign branches).

Exhibit 16: Bahrain Sector GWP Breakdown by LoB



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 17: Bahrain Market Structure (FY 25e estimate)



Source: Company Data, Arqaam Capital Research

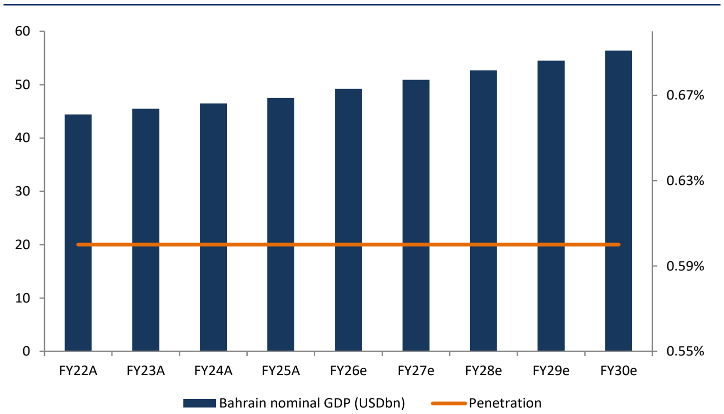
P&C: GDP-anchored at 3.5% CAGR on 0.58% penetration

- **Non-Motor P&C GWP at BHD 123m FY30e at 3.5% CAGR. Anchored to Bahrain nominal GDP (USD 47.5bn → USD 56.4bn) at 0.58% penetration held constant; sub-LOB mix 45% Property / 20% Engineering / 15% Marine + Aviation + Energy / 20% Liability.**
- **Bahrain P&C penetration structurally below UAE (1.20%) and KSA (1.10%). Reflects smaller commercial insurance footprint, no Aramco-equivalent corporate account, fragmented brokerage channel.**
- **Solidarity Non-Motor P&C share 25.7% FY 25e → 29.0% FY30e; tied #1 with BKIC FY25A. +330bps cumulative on BNI commercial book consolidation; pulls clear of BKIC by FY28e on absorption of 1,200 inherited corporate accounts.**

P&C GDP-anchored at 3.5% CAGR; penetration gap to GCC peers structural. We anchor Non-Motor P&C sector growth to Bahrain nominal GDP at 3.5% CAGR per IMF WEO April 2026 (GDP USD 47.5bn to USD 56.4bn; hydrocarbon 37% at 2.1% on Bapco refinery expansion + LNG terminal coming online FY27e; non-hydrocarbon 63% at 4.3% on financial services + manufacturing growth). Penetration held at 0.58% through FY30e on stable commercial insurance demand patterns; we see no structural catalyst for penetration uplift in the forecast horizon. The structural gap to UAE (1.20%) and KSA (1.10%) reflects Bahrain's smaller commercial insurance market footprint, the absence of an Aramco-equivalent corporate account, and a more fragmented brokerage channel.

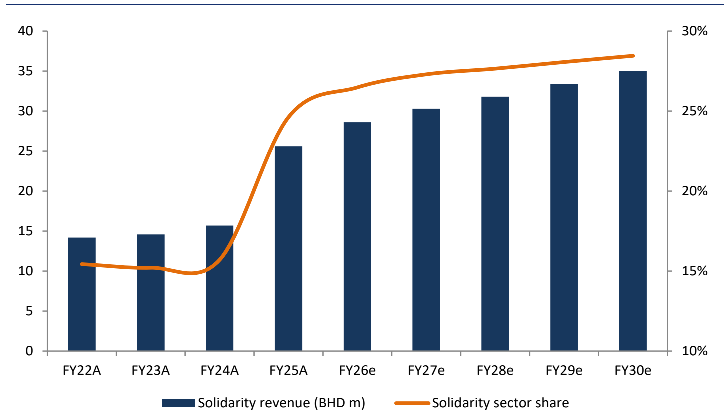
Solidarity pulls clear of BKIC in Non-Motor P&C by FY28e. Solidarity Non-Motor P&C share extends 25.7% FY 25e to 29.0% FY30e at +200bps cumulative on the consolidation of the inherited BNI commercial book (c.1,200 corporate accounts split across Property + Engineering + Marine). Solidarity sits tied #1 with BKIC FY25A and pulls clear by FY28e as BKIC's commercial book erodes on the absence of an inorganic catalyst. Sub-LOB mix unchanged through forecast: Property 45% / BHD 47m → BHD 55m (best UW at 90% combined ratio); Engineering 20% / BHD 21m → BHD 25m; Marine + Aviation + Energy 15% / BHD 16m → BHD 18m; Liability + Other 20% / BHD 21m → BHD 25m.

Exhibit 18: Bahrain Sector GWP Breakdown by LoB



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 19: Bahrain Market Structure (FY 25e estimate)



Source: Company Data, Arqaam Capital Research

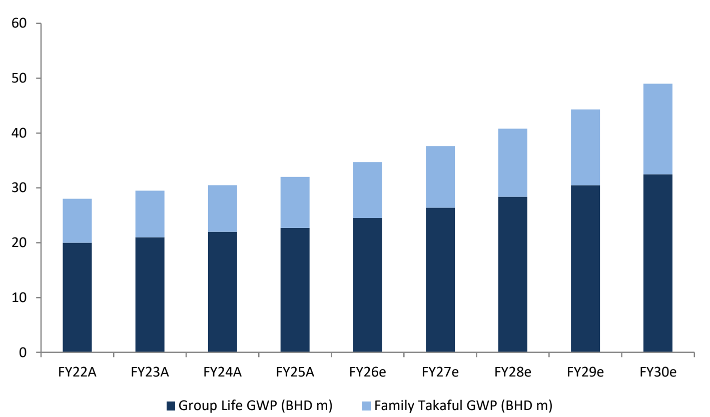
P&S: Inflecting to 8.5% CAGR on Group Life + Family Takaful deepening

- **P&S GWP at BHD 49m FY30e from BHD 32m FY25A at 8.5% CAGR; fastest LOB growth profile. Mix evolves Group Life 70% → 66% (BHD 23m → BHD 32m at 7.3% CAGR); Family Takaful 30% → 34% (BHD 10m → BHD 17m at 11.2% CAGR).**
- **Group Life penetration deepens 250bps to 27.5% under Tamkeen incentive. Formal employees 466k → 533k at 2.8% CAGR per IMF labour force; premium per insured BHD 195 → BHD 220 at 2.4% CAGR.**
- **Solidarity P&S share lifts 28.3% FY 25e → 32.0% FY30e; +370bps on inherited BNL franchise. BNL acquisition added Group Life + Family Takaful franchise; full annualisation lifts P&S GWP from BHD 13m FY25A insurance revenue (9-month contribution) to c.BHD 18m FY26e on full annualisation.**

P&S inflects to 8.5% CAGR; Group Life + Family Takaful both deepening. We lift P&S sector GWP to BHD 49m FY30e from BHD 32m FY25A at 8.5% CAGR, the fastest growth profile across the four LOBs and a marked re-acceleration from the FY22A-FY24A 3-year deceleration. Group Life (70% of P&S FY25A) inflects on three reinforcing drivers: i) formal employment base expanding 2.8% p.a. to 533k FY30e per IMF labour force projections, ii) penetration deepening 250bps to 27.5% on private-sector employee benefit demand growth, iii) premium per insured lifting 2.4% CAGR to BHD 220. Family Takaful re-accelerates to 11.2% CAGR on retail penetration uplift from 3.0% to 3.9% under the IGA Vision 2030 retail savings agenda, with the Bahrain Family Savings Council (launched Q4 24) driving distribution into formal banking channels.

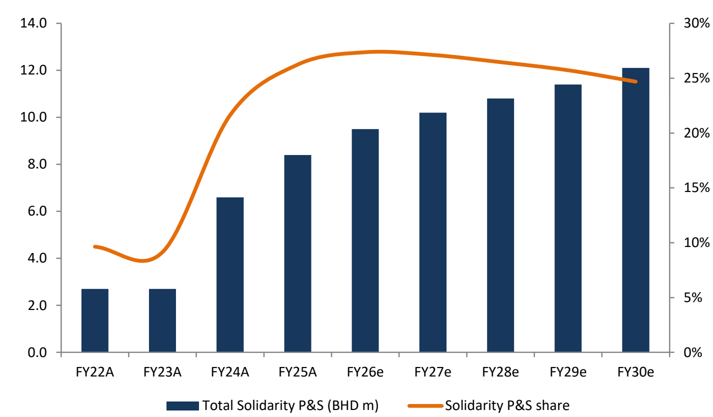
Solidarity P&S share extends to 32% on BNL franchise + BNI cross-sell. Solidarity captures c.32% of the incremental flow on the inherited BNL franchise plus corporate cross-sell into the BNI commercial book. BNL acquisition added Group Life + Family Takaful franchise, contributing BHD 13m insurance revenue over 9 months FY25A; full annualisation lifts to c.BHD 18m FY26e. Corporate cross-sell into the BNI commercial book delivers incremental BHD 1m p.a. through FY28e. P&S sector share extends from 27.7% FY25A to 32.0% FY30e at +370bps cumulative gain.

Exhibit 20: Bahrain Sector GWP Breakdown by LoB



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 21: Solidarity P&S Breakdown



Source: Company Data, Arqaam Capital Research

Market positioning: Solidarity #2 at 29.3% FY 25e; closing gap to BKIC

- **Leads in 3 of 4 LOBs FY25A; trails BKIC in Motor only. Medical 34.8%, Non-Motor P&C 25.7%, P&S 28.3%; Motor 27.8% behind BKIC 32.5% (overtakes by FY29e on BNI retail Motor ramp).**
- **Share extends to c.32% FY30e on per-LOB gain. Medical +460bps, Motor +300bps, Non-Motor P&C +200bps, P&S +430bps; cumulative +370bps to overall share.**
- **Scale moat compounds across three operating dimensions. Retakaful terms +30-50bps margin; BHD 4.8m IT platform unit-cost dilution; consolidated post-consolidation commercial and retail Medical distribution coverage.**

Top-2 duopoly structure post-2025 consolidation; 68% combined share. Bahrain insurance market is a Top-2 duopoly post-2025 consolidation. BKIC (= GIG Bahrain at 56.12% GIG Kuwait ownership) holds c.38% sector share at BHD 117.3m FY25A insurance revenue. Solidarity holds 29.3% FY 25e at BHD 94.1m (2024 AlHilal absorption; transfers of subsidiary on 16 April 2025 (BNL BNH→SB; BNI BNH→Solidarity Group Holding (SGH)); transfer of subsidiary BNI SGH→SB October 2025; transfer of business, assets and liabilities of BNI and BNL to SB February 2026). Top-2 combined 68% leaves c.32% / BHD 100m across c.10 subscale carriers including GIG Takaful International (BHD c.25m), SNIC Insurance (BHD c.13m), Al Ahlia, Al Salama, and the foreign branches of Allianz, AXA. BNH no longer operates insurance (sold BNL directly and BNI via SGH to Solidarity in April 2025 (staged transaction, closed in stages through October 2025; subsidiary transfer to SB February 2026), recognised BHD 29.8m disposal gain).

Per-LOB share gain pushes consolidated share to 32% FY30e. We forecast Solidarity sector share advances from 29.3% FY 25e to 33.0% FY30e on 220bps premium to sector growth pace (Solidarity recognised contributions 7.8% CAGR vs sector 5.6%). BKIC is forecast to grow more modestly at 3-4% CAGR FY25A-FY30e on Motor saturation, taking BKIC's sector share to c.35% FY30e. Duopoly economics persist: Top-2 combined share holds at c.68% throughout the forecast horizon, supporting tighter retakaful treaty terms (30-50bps margin uplift) and distribution density (Top-2 cover 80%+ of formal commercial book between them).

Three scale moats anchor the Top-2 duopoly position. First, retakaful treaty terms: the consolidated FY25A GWP base of c.BHD 99m supports tighter cession economics on the 1H 26 renewal cycle, contributing 30-50bps of margin uplift across LOBs. Second, digital deployment: the post-acquisition IT consolidation is completing in 2026 per management commentary, supporting unit-cost dilution on the inherited BNI and BNL operations. Third, distribution density: the combined branch + tied-agent network covers the bulk of the formal commercial book and a meaningful share of retail Medical lives. The structural moat supports our P/B re-rating thesis from 1.2x FY25A toward 1.7x once UW margin recovery delivers.

P/B at 1.2x FY25A; FY30e tangible BVPS anchors the mid-cycle valuation cross-check. Solidarity trades on 1.2x P/B FY25A on 322 fils of book value; FY30e tangible BVPS lifts on retained earnings while goodwill stays flat at BHD 38m. The structural moat (Top-2 duopoly + scale + integration) supports a P/B re-rating thesis toward 1.7x on the deeper mid-cycle margin path, implying BHD 0.61+ per share. Vs our base case EVA TP BHD 0.50, the P/B cross-check provides further headroom. We treat the EVA TP as anchor with the P/B re-rating and the mid-cycle scenario as upside risk to our published view.

Underwriting margin recovery: Takaful service result expansion from BHD 3.4m to BHD 9.7m at 23.3% CAGR

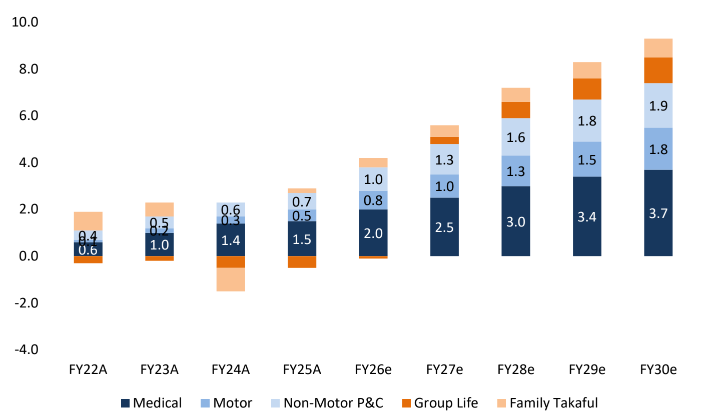
- **Takaful service result expected to nearly triple to BHD 9.7m by FY30e, supported by a phased per-LOB margin recovery. We forecast TSR expanding from BHD 3.4m FY25A to BHD 9.7m FY30e at a 23.3% CAGR, with the recovery driven primarily by Motor (94→92%), Medical (65→62%), Group Life (112→96%), Non-Motor (28→26%), and Family Takaful (held approximately flat at 65%) loss ratio glide paths across the forecast horizon.**
- **Combined ratio improves by 584bps to 77.3% over the five-year forecast horizon. The group loss ratio improves from 65.8% FY25A to 62.6% FY30e (-320bps), while the group expense ratio compresses from 14.0% to 11.3% (-270bps) on positive operating leverage. The phased recovery is supported by sector-wide repricing and post-acquisition integration of the inherited BNI and BNL portfolios.**
- **Three structural drivers underpin residual underwriting upside beyond our base case. Motor TPL repricing potential subject to ongoing regulatory review, BNI/BNL integration synergies, including cross-sell, retakaful renegotiation, and IT consolidation, and IFRS 17 risk-adjustment release each carry an estimated 1-2ppt of additional loss ratio improvement potential. Reverting to a deeper mid-cycle glide path (Motor 87%, Medical 60%, Group Life 92%) would lift TP toward BHD 0.55+/share.**

TSR expansion to BHD 9.7m FY30e is delivered by a phased per-LOB margin recovery across all five business lines. We forecast TSR expanding from BHD 3.4m FY25A to BHD 9.7m FY30e at a 23.3% CAGR. The build comprises Motor loss ratio gliding from 94% FY25A to 92% FY30e (200bps recovery on the inherited BNI retail Motor book repricing); Medical 65% to 62% (300bps on compulsory health insurance regulation penetration deepening plus premium-per-life rate uplift versus UAE and KSA benchmarks); Group Life 112% to 96% (1,600bps on the AlHilal Takaful inherited book actuarial review FY26-27e and broader Group Life portfolio repricing); Non-Motor P&C 28% to 26% (200bps on BNI commercial book consolidation and retakaful renegotiation); and Family Takaful held at approximately 65% terminal reflecting mid-cycle equilibrium. Combined, the loss ratio improvements of 320bps at the group level, augmented by 270bps of expense ratio compression on positive JAWS, yield a 584bps combined ratio improvement to 77.3% by FY30e.

Three drivers carry residual underwriting upside beyond the base case. First, Motor TPL repricing potential subject to ongoing regulatory review under CBB Module CA: the current Motor loss ratio of 94% FY25A reflects regulated tariffs from a 2009 base; industry consultation on risk-based pricing supports approximately 500bps additional loss ratio improvement worth BHD 0.03-0.05/share at a 60% probability over the four-year forecast window. Second, BNI/BNL integration synergies span cross-sell into 1,200 inherited corporate accounts, retakaful cession improvement (+30-50bps), and IT platform consolidation (BHD 1.2m); we credit modestly in the base case, with the full BHD 2.5-3.8m envelope adding a further BHD 0.03-0.04/share. Third, IFRS 17 risk-adjustment release on policy runoff provides incremental TSR accretion of BHD 0.01-0.02/share that we have not modeled. Taken together, these unmodeled levers contribute approximately BHD 0.06-0.10/share of residual optionality.

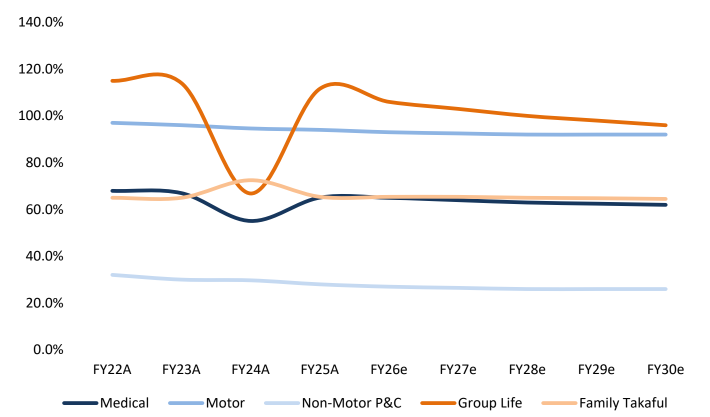
Group Life book repricing delivers the largest single line contribution to TSR expansion. The Group Life recovery from 112% FY25A to 96% FY30e (1,600bps) is the principal lever in our base case, contributing approximately BHD 1.2m of incremental TSR over the forecast horizon. The recovery is supported by the FY26-27e actuarial review on the AlHilal Takaful inherited book combined with 5-10% annual rate rises across the in-force Group Life portfolio. Motor improvement to 92% FY30e (200bps recovery from 94%) requires sustained sector-wide repricing discipline; a deeper liberalization outcome subject to ongoing regulatory review supports a further leg toward 87% mid-cycle, which we flag as upside risk rather than base case.

Exhibit 22: UW income breakdown



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 23: Breakdown Loss Ratio



Source: Company Data, Arqaam Capital Research

Net ISR decomposition by LOB anchors the TSR forecast. We decompose Net ISR for each LOB into loss component + acquisition and maintenance + net retakaful drag, supporting the Takaful Service Margin (TSM = 1 - Net ISR) calculation. The build below shows the FY25A starting position and the FY30e terminal position for each of the four LOBs; the FY30e ISR profile reflects the cumulative margin recovery from the three principal drivers (Motor TPL reform, Medical pool maturation, Group Life pricing rebuild) plus the small +30bps Non-Motor P&C improvement from BNI retakaful renegotiation.

Exhibit 24: UW Margin Evolution per LoB

	Medical	Medical	Motor	Motor	Non-Motor P&C	Non-Motor P&C	Group Life	Group Life
Metric	**FY25A**	**FY30e**	**FY25A**	**FY30e**	**FY25A**	**FY30e**	**FY25A**	**FY30e**
Loss component	65.1%	62.0%	94.0%	92.0%	28.0%	26.0%	111.6%	96.0%
Acq+Maint	29.9%	33.0%	1.0%	3.0%	65.0%	67.0%	0	0
ISR	**95.0%**	**95.0%**	**95.0%**	**95.0%**	**93.0%**	**93.0%**	**120.0%**	**104.0%**
Net retakaful drag	0.5%	0.5%	-0.2%	-0.2%	0.2%	0.2%	-15.0%	-8.0%
Net ISR	**95.5%**	**95.5%**	**94.8%**	**94.8%**	**93.2%**	**93.2%**	**105.0%**	**96.0%**
Takaful Service Margin	**4.5%**	**4.5%**	**5.2%**	**5.2%**	**6.8%**	**6.8%**	**-5.0%**	**4.0%**

Source: Company Data, Arqaam Capital Research

Operating expenses: 240bps cumulative operating leverage through FY30e

- **Operating leverage compounds to approximately 240bps cumulatively through the forecast horizon. OpEx CAGR of 4.8% sits below the 5.5% revenue CAGR, with OpEx growing from BHD 17.2m FY25A to BHD 21.8m FY30e.**
- **FY25A reported OpEx includes BHD 2.3m of acquisition-related one-offs that roll off through FY27e. Underlying OpEx of BHD 14.9m FY25A grows at a 4.5% CAGR through the forecast, broadly aligned with Bahrain wage inflation of 3.5-5.5% per CBB data.**
- **BNI/BNL integration synergies provide approximately BHD 0.04-0.06/share of incremental TP optionality. Synergies of BHD 2.5-3.8m, or 2.1-3.3% of FY26e revenue, span cross-sell, retakaful renegotiation, and OpEx consolidation, at an assumed 60-70% capture probability.**

Positive operating leverage delivers approximately BHD 3.1m of incremental contribution to FY30e net income. We forecast OpEx of BHD 21.8m FY30e from BHD 17.2m FY25A at a 4.8% CAGR, against revenue growth of 5.5%, delivering 240bps of cumulative operating leverage on positive JAWS. The leverage flows directly to NP attributable: cumulative 240bps OpEx ratio compression multiplied by c.BHD 132m FY30e revenue equates to approximately BHD 3.1m of positive contribution. FY25A composition: Staff costs at 57% of total (BHD 9.8m, modest headcount growth assumed through the forecast), IT and administrative expenses at 23% (BHD 4.0m, including platform amortization through FY30e plus cloud and cyber insurance costs), and premises and other expenses at 20% (BHD 3.4m, reflecting Manama headquarters and a 12-branch network with rent escalators on two-year cycles).

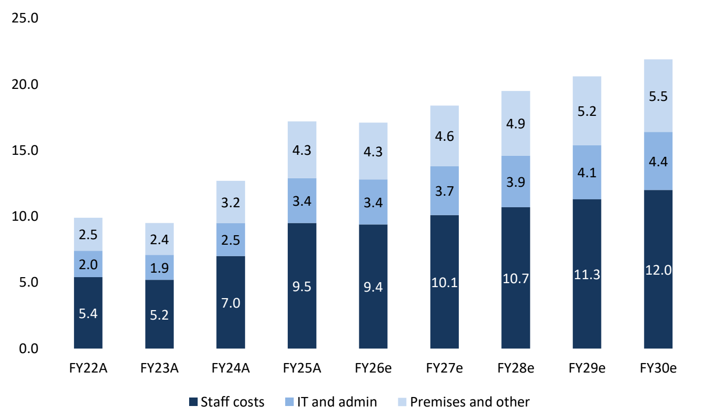
One-off rolloff and scale dilution drive per-policy OpEx down approximately 12% through the forecast horizon. FY25A reported OpEx of BHD 17.2m includes BHD 2.3m of BNI/BNL integration one-offs that roll off through FY27e, comprising approximately BHD 1.2m of IT platform consolidation costs, BHD 0.6m of severance and retention bonuses, BHD 0.3m of legal and advisory fees on the BNL transaction close, and BHD 0.2m of brand rebranding expenses. Underlying OpEx of BHD 14.9m FY25A grows at a 4.5% CAGR through FY26e-FY30e, broadly aligned with Bahrain private-sector wage inflation per CBB data. Per-policy OpEx declines from BHD 92 FY25A to BHD 81 FY30e at -2.5% CAGR on scale dilution of the BHD 4.6m fixed cost base.

OpEx ratio stabilizes at approximately 16% steady state by FY28e, in line with the GCC takaful median. We hold the OpEx ratio at approximately 16% steady state by FY28e, consistent with the GCC takaful median range of 15-17%. Peer FY25A OpEx ratios: Tawuniya at 14% (largest scale operator), Bupa Arabia at 8% (medical-only outlier benefiting from KSA oligopoly structure and SAR c.30bn revenue scale), MEDGULF at 17%, Al Rajhi Takaful at 16%, QGRI at 18%, and LIVA at 19%. Bupa's 8% OpEx ratio remains structurally out of reach without a step-change in volume. Convergence to Tawuniya's 14% would add approximately BHD 0.4m to FY30e net income, equivalent to BHD 0.02/share of TP.

Three synergy vectors deliver approximately BHD 0.04-0.06/share of TP optionality. BNI/BNL synergies are sized at BHD 2.5-3.8m, or 2.1-3.3% of FY26e revenue, and remain excluded from the base case at an assumed 60-70% capture probability. The three vectors comprise cross-sell of Medical insurance into the inherited BNI commercial book of 1,200 corporate accounts (BHD

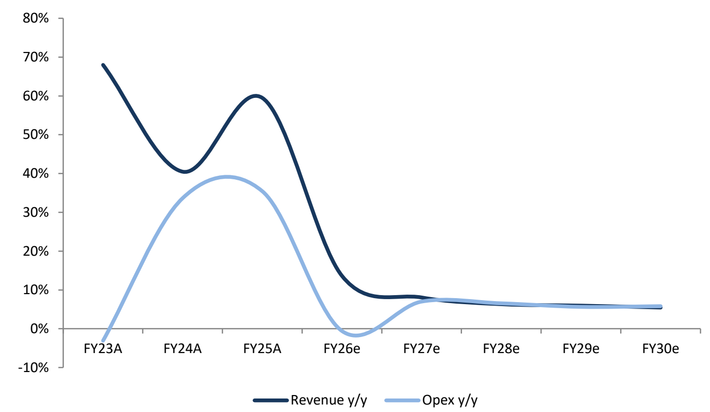
1.5-2.0m), retakaful treaty renegotiation on the 1H 26 renewal cycle (BHD 0.5-0.8m), and OpEx consolidation on IT migration completing in H2 26 (BHD 0.5-1.0m).

Exhibit 25: OpEx Breakdown



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 26: JAWS, Revenue vs OpEx growth (y/y)



Source: Company Data, Arqaam Capital Research

Investments: 6.0% steady-state yield on a Shariah-compliant book

- **Investment book of approximately BHD 91m scales to BHD 104m by FY30e at a 2.7% CAGR. The asset mix comprises approximately 80% fixed income (57% amortized cost sukuk, 23% bonds), 13% FVOCI equities, and 7% other, with full Shariah compliance overseen by the Sharia Board.**
- **Investment yield normalizes to approximately 6.0% steady state. FY25A reported investment yield of 17.2% is non-recurring, distorted by a BHD 4.4m one-off gain from BNL portfolio rebalancing; the recurring FY25A yield was 6.3% per management Q&A. We anchor a 6.0% steady-state yield through the forecast horizon.**
- **Asymmetric yield sensitivity, but materially manageable. A 100bps yield compression reduces TP by approximately BHD 0.035/share; a 200bps adverse stress absorbs approximately 38% of FY26e net income; a 20% equity-market drawdown reduces tangible BVPS by BHD 2.4m through OCI, with no NP impact under FVOCI treatment.**

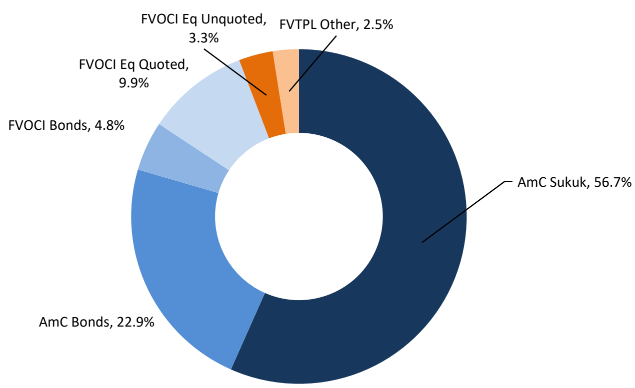
Audited investment book BHD 61.1m FY25A; total investable assets c.BHD 96m incl. cash + placements + participant units. Solidarity's investment portfolio stood at BHD 61.1m FY25A (vs FY24A BHD 28.4m, more than doubled on BNI absorption of BHD 28.1m + BNL BHD 13.9m). Composition by asset class (BHD '000): AmC Sukuk 34,614 (57%); AmC Bonds 13,993 (23%); FVOCI Bonds 2,903 (5%); FVOCI Equities Quoted 6,033 (10%); FVOCI Equities Unquoted 1,995 (3%); FVTPL instruments 1,518 (2%). We forecast investments expanding to BHD 107m FY30e on retained earnings deployment. Geographical concentration FY25A: Bahrain BHD 24.2m, UAE BHD 9.8m, Saudi BHD 6.3m, Oman BHD 5.3m, USA BHD 3.2m, Kuwait BHD 1.6m, rest of world BHD 10.7m. Counterparty credit quality on debt instruments: A- to A+ BHD 12.7m (26%); BBB- to BBB+ BHD 34.3m (71%); unrated BHD 1.6m (3%). Adding cash and cash equivalents BHD 19.7m + placements BHD 4.8m + participants' units BHD 10.0m = total investable asset base c.BHD 95.6m FY25A.

Duration 3.7 yrs; FX risk contained under dinar peg. Duration on the bond components sits at 3.7 years weighted, limiting FVOCI mark-to-market volatility from rate moves to c.1.5% quarterly 1-σ on the 5% FVOCI bond portion; the 80% AmC components carry zero MTM volatility through P&L or OCI. Currency split runs 65% BHD-pegged USD (dominantly GCC sovereign sukuk in Saudi Arabia, UAE, Qatar plus investment grade corporates), 30% BHD (sovereign + local corporates), 5% other GCC (mostly Kuwaiti dinar, also USD-pegged); FX risk is contained under the dinar peg to USD (3.7595 BHD/USD, stable since 2001). No exposure to volatile FX (TRY, EGP, INR).

6.0% sustainable yield underpinned by 70-200bps of spread over benchmark across the book. We set investment yield at 6.0% steady state through FY30e, in line with the asset-weighted expected return on the current book mix. The build comprises amortized cost Sukuk at 5.5% (57% of book, approximately 70-100bps spread over the Bahrain 5-year sovereign sukuk benchmark of 5.20%); amortized cost Bonds at 6.5% (23% of book, 150-200bps spread on A to BBB investment-grade exposure); FVOCI Bonds at 5.5% (5% of book); FVOCI Equities at 7.0% dividend yield on quoted plus 8.0% expected return on unquoted (13% combined); and FVTPL at 5.5%. Management Q&A confirmed normalized FY25 yield of 6.34% and FY26 target of 5.5% excluding associates; we anchor 6.0%, reflecting recurring income plus reinvested T2 sukuk proceeds.

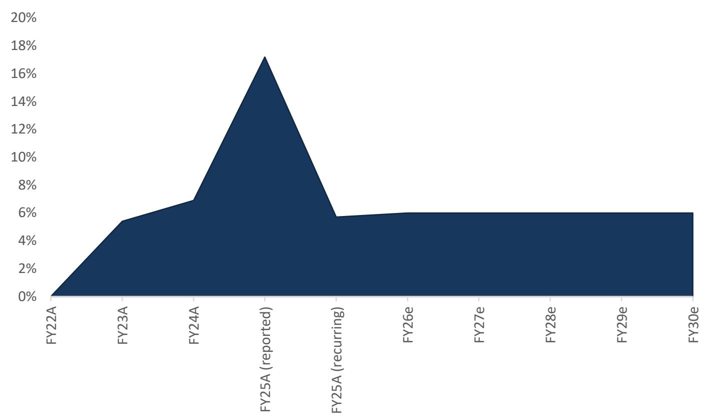
100bps compression worth c.BHD 0.035 TP; combined stress c.BHD 0.07. We see investment sensitivity as a manageable but asymmetric risk profile. A 100bps yield compression on the BHD 91m average book cuts gross investment income by BHD 0.91m; net of T1 sukuk profit absorption (BHD 0.18m offset) NI drops BHD 0.73m to BHD 3.09m FY26e or -19%, equivalent to c.BHD 0.035 on TP. The 200bps adverse stress (a 2-σ move on a 5-yr historical Bahrain sukuk sample with 95bps yield σ) absorbs c.38% of FY26e NI (-BHD 1.5m post-T1) or c.BHD 0.07 on TP; recoverable within 2 years on rate normalisation and no impact on solvency given AmC instruments held at amortised cost. The equity book (BHD 12.0m FVOCI Quoted + Unquoted) 20% drawdown cuts BVPS by BHD 2.4m via OCI (BVPS impact -14 fils, P/B impact -0.03x) but has no immediate NP impact under FVOCI treatment unless the asset is disposed. Credit downgrade risk on 5% of the book (BHD 4.6m exposure) triggers c.BHD 0.5m loss recognition on assumed 11% mark-down to non-investment grade; materially manageable given the BHD 12.7m capital surplus over CBB Module CA.

Exhibit 27: Investment Book Breakdown



Source: CBB Insurance Market Review, Arqaam Capital Research

Exhibit 28: Investment Yields



Source: Company Data, Arqaam Capital Research

Solvency and capital adequacy: coverage 194% FY26e moderating to 182% FY30e

- **Coverage moderates to 182% FY30e on the stepped-up payout. 201% FY25A → 194% FY26e → 187% FY27e → 186% FY28e → 186% FY29e → 182% FY30e; comfortably above CBB 100% minimum and 125% warning throughout. Audited solvency reports FY25A capital available BHD 14.8m vs required BHD 7.6m = coverage 194%, excess capital BHD 7.2m: our BHD 12.5m required / BHD 12.7m surplus runs modestly above the audited spot; forecast trajectory directionally consistent.**
- **Insurance risk dominates RBC build at 53% of total. Required capital BHD 12.5m FY25A to BHD 19.2m FY30e at 8.9% CAGR; FY26e split market 19% / credit 20% / insurance 53% / op 8%.**
- **Combined adverse stress holds 134%, above CBB warning. Equity -10% + yield +100bps + 1-in-200 catastrophe concurrent; Family Takaful Fund 116% FY26e the binding per-fund constraint.**

Coverage eases to 182% FY30e, well above CBB 125% warning. We hold solvency coverage at 201% FY25A moderating to 182% FY30e as the stepped-up payout absorbs retained earnings growth. Coverage trajectory: 535% FY22A → 432% FY23A → 467% FY24A → 201% FY25A (-266ppt on goodwill consumption of Tier 1 plus sukuk-financed BNL acquisition) → 194% FY26e → 187% FY27e → 186% FY28e → 186% FY29e → 182% FY30e. The FY25A step-down reflects goodwill consumption of Tier 1 (BHD 38m); the glide from FY28e reflects the payout step-up toward management guidance. Coverage comfortably above CBB Module CA 100% minimum and 125% warning thresholds throughout the forecast horizon, and above the 150% internal target throughout.

Insurance risk drives 53% of FY26e required capital. Required capital BHD 12.5m FY25A grows to BHD 19.2m FY30e at 8.9% CAGR; insurance risk dominates at 53% of pre-diversification requirements. FY26e required capital build (BHD m): Market risk 3.4 (19%); Credit risk 3.6 (20%); Insurance risk 9.7 (53%); Operational risk 1.5 (8%); sum BHD 18.2m before the 25% diversification benefit; total BHD 13.6m post-diversification. Insurance risk dominates on the BHD 6.2m premium risk + BHD 3.5m reserve risk components, driven by a BHD 34.2m FY26e NEP base growing c.6% p.a. Total available capital BHD 25.2m FY25A consisting of Tier 1 BHD 16.8m + Tier 2 BHD 8.4m; CET1 BHD 5.0m post BHD 38m goodwill deduction; AT1 sukuk BHD 11.8m.

Combined adverse stress holds 134%, no dividend restriction triggered. We see the FY26e base case 194% coverage as robust to single-factor stresses, with combined adverse scenario at 134% remaining above CBB 125% warning threshold. Stress trajectory from FY26e 194% base: -10% equity shock → 187% (-7ppt); +100bps yield shift → 178% (-16ppt); 1-in-200 catastrophe event → 157% (-37ppt); combined adverse scenario (all three concurrent) → 134% (-60ppt). All stresses remain above the 125% warning and 100% minimum, providing material capital resilience. Combined adverse FY26e probability c.0.1-0.3% under independence assumption; recovery to 180%+ within 2 years on capital regeneration from underlying earnings. No regulatory dividend restriction triggered in any stress scenario.

Family Takaful Fund 116% the binding per-fund constraint. Per-fund coverage FY26e: General Takaful 170%; Family Takaful 116%; Shareholders' Fund 143%; Family Takaful is the binding

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