Solidarity

CMP: BHD 0.415, Target Price: Not Covered, ESG Rating*:NA

GCC Equities
Financials
Company Note

Fatema AlHashemi
+973 1751 5000 Ext: 5078
falhashemi@sicobank.com

Chiro Ghosh, CFA
+973 1751 5703
CGhosh@sicobank.com

7 June 2026

Solidarity 1Q26: Scaling Through Synergies

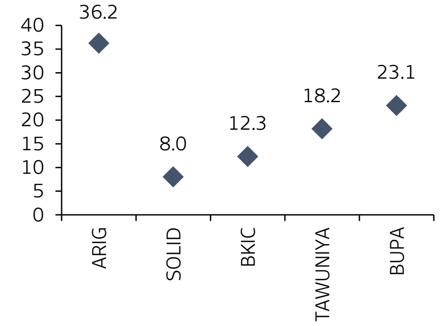
- **A 35% market share continues to reinforce Solidarity's pricing power, supporting stronger top-line growth and strengthening its leadership position within Bahrain's takaful industry.**

- **Post-acquisition efficiencies and disciplined cost optimization are expected to continue supporting stronger profitability while reducing claims pressure.**

- **A conservative, fixed income-focused portfolio provides earnings resilience and limits exposure to market volatility, with 24% YoY increase.**

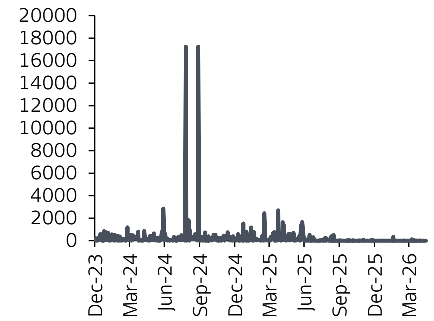
Solidarity is the largest Sharia-compliant insurer in Bahrain, with core operations in the Kingdom as well as in the UAE. Its earnings are driven by a well-diversified portfolio across medical, motor, general, and family takaful segments. In addition to its focus on core takaful operations, Solidarity has further strengthened its earnings profile through strategic acquisitions both domestically and regionally.

Exhibit 1. P/E relative to peers



Source: SICO Research, Bloomberg

Exhibit 2. Volumes traded (normalized)



Source: SICO Research, Bloomberg

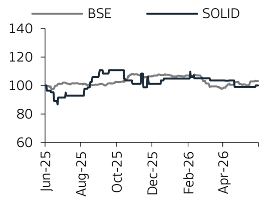
Ratings

Long-term	NA
Risk Profile	Market

Market Data

Sector	Financials
Market Cap	USD 0.187bn
Primary Market	Bahrain Brse
Other	
Reuters	SOLID.BH
Bloomberg	SOLID BI Equity
Free Float	24%

Relative Price Performance



Restated to 100

Relative Price Performance

(%)	1m	3m	12m
Absolute	1.0	(4.8)	0.0
Relative	(1.2)	(4.9)	(3.2)

Valuation Ratio

	2024A	2025A
P/E x	6.08	7.85
P/BV x	1.24	0.87
ROE %	21.27	15.19

Trading Data

Daily Vol (6M Avg)	2079
Daily T/o (6M Avg USD)	2359
Issued Shares	170.0
52 wk High/Low	0.460/0.360

Source: SICO Research, Bloomberg

Quarterly Financial Performance

Solidarity reports BHD 1.8k (46%YoY, 31%QoQ); maintains dividends at 25fils/sh for FY25

Takaful contributions (similar to insurance income) strengthened to BHD 26mn (+97% YoY, +0.5% QoQ), primarily driven by medical and motor segments, which grew by c.69% YoY and c.134% YoY, respectively. This uplift was largely supported by the consolidation of BNI and BNL, which boosted its gross written premiums and translated into a c.46% YoY increase in net profit.

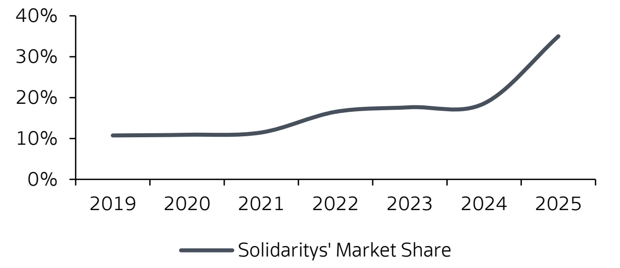
*Please refer to the disclaimer for details of the ESG Rating

The takaful cost (similar to insurance expenses) rose at a faster pace than the takaful contribution. The Wakala fees almost doubled in line with the rise in takaful contribution related to the acquisition.

SICO View:

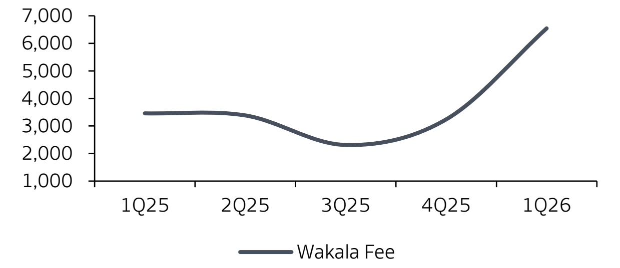
Overall, the quarter reflected healthy performance, with strong takaful contribution growth, primarily driven by the BNI-BNL acquisition, partially offset by higher takaful cost and retakaful expenses. The increase in takaful income also contributed to the strong wakala fee generation during 1Q26. Despite a declining interest rate environment, Solidarity maintained stable investment income during the quarter. The company continues to focus on increasing the share of revenue contribution from its core wakala fees, which would enhance earnings stability as benchmark rates decline. Staff expenses during this quarter increased sharply by 30% compared to the three-quarter average following the acquisition, likely reflecting acquisition and business expansion initiatives. Pricing power remains relatively limited; however, the company is implementing a selective risk-based pricing strategy to offset the impact on the claims.

Exhibit 3. Market share expanded across segments, supported by organic growth and strategic acquisitions.



Source: SICO Research, Company Data

Exhibit 4. Stable wakala fee margins reflect disciplined pricing and operational efficiency.



Source: SICO Research, Company Data

Investment Thesis

- **Market leadership and scale advantage:** Solidarity has established itself as the largest Islamic insurer in Bahrain, supported by both organic growth and strategic acquisitions, notably the BNI–BNL transaction. This has increased its domestic market share to 35% in FY25 and reinforced its leadership in key segments, particularly medical and life, with market shares of 43% and 41%, respectively. The company also benefits from a predominantly corporate customer base, which accounts for c.65% of the portfolio, supporting scale efficiencies and stronger client retention.

- **Benefits of Cost efficiencies:** Integration costs associated with the acquisition have remained limited, largely due to aligned IT systems, with most expenses already incurred in FY25. Further cost efficiencies are expected through branch rationalization, a digital-first distribution strategy, and optimized staffing levels. As a result, we expect the core expense ratio (SH expenses other than commission expenses and TPA fees divided by GWP) to improve toward the 12–13% target range (from c.14%), supported by post-acquisition synergies. Additionally, the insurer is well positioned to lower its claims ratio, benefiting from improved pricing negotiations with vendors and service providers.

- **Investment portfolio resilience:** Solidarity maintains a conservative investment portfolio, primarily allocated to fixed income and deposits, with limited equity exposure. This positioning provides greater resilience relative to peers during periods of market volatility. Moreover, the fixed income portfolio is largely held to maturity, with a duration of 4–5 years, limiting the impact of short-term interest rate fluctuations on performance.

- **Diversified business mix and regional footprint:** Solidarity benefits from a diversified portfolio across motor, medical, general, and family takaful segments, with the life segment further strengthened through the integration of BNL and Al Hilal. Regionally, growth is supported by the acquisition of Alliance Insurance in the UAE, while bancassurance partnerships in Bahrain are expected to underpin stable, long-term growth.

Key Risks

- **Lack of geographical diversifcation:** Bulk of Solidarity's earnings are from within the region. Any stringent regulatory policy changes or any country-specific risk may negatively impact its earnings.

- **Underwritting and claims volatility:** Medical and motor segments remain exposed to claims inflation and pricing pressure, which could compress underwriting margins despite topline growth, in addition to the impact of certain geopolitical events that are not factored in.

- **Investment income sensitivity:** With 4–5-year duration investment portfolio comprising fixed income securities and cash deposits, Solidarity Bahrain remains exposed to reinvestment risk in a declining rate environment, while rising rates could impact returns on cash deposits.

Mergers and Acquisitions

Solidarity Bahrain has completed and integrated around six strategic acquisitions, leveraging bancassurance access, stronger client relationships and operational synergies to transform from a small takaful operator into Bahrain's leading insurance group with c.35% market share.

- **Pre-2016:** Operated in Bahrain as a standalone takaful provider under Solidarity General Takaful.
- **2016:** Solidarity Group, which owns 100% of Solidarity General Takaful, acquired a majority stake in Al Ahlia Insurance and subsequently merged Solidarity General Takaful into Al Ahlia Insurance.
- **2020-2021**: Acquired T'azur Takaful through a share swap transaction, which was subsequently fully integrated into Solidarity Bahrain.
- **2022-2023**: Acquired Al Hilal Takaful and Al Hilal Life, subsidiaries of Ahli United Bank, to expand its life insurance portfolio and strengthen bancassurance distribution access.
- **2024:** Acquired BNI and BNL Insurance to expand market share and enhance balance sheet strength and client relationships.
- **2025:** Completed the merger of BNI and BNL into Solidarity Bahrain, increasing market share to c.35-37% and establishing the company as the market leader in Bahrain.

Financials

Income Statement (Consolidated)

Year ending (BHD'000)	2024	2025	YoY	1Q25	1Q26	YoY
Recognised takaful contributions	59,029	94,133	59%	13,654	26,961	97%
Participants' gross margin	828	3,402	311%	461	513	11%
Wakala fees	13,589	12,394	-9%	3,459	6,544	89%
Investment income	2,217	7,677	246%	642	795	24%
Net Income	6,891	8,724	27%	1,258	1,833	46%

Balance Sheet (Consolidated)

Year ending (BHD'000)	2024	2025	YoY	1Q25	1Q26	YoY
Cash and cash equivalents	26,866	19,651	-27%	42,896	23,132	-46%
Total Assets	108,177	208,261	93%	138,993	185,354	33%
Takaful arrangement liabilities	49,099	79,201	61%	51,894	79,777	54%
Total Equity	39,511	96,344	144%	68,402	93,073	36%

Key Ratios (Consolidated)

Year ending (BHD)	2024	2025	YoY Net change	1Q25	1Q26	YoY Net change
ROA (%)*	6.75	5.51	-124bps	1.02	0.93	-9bps
ROE (%)*	18.17	12.84	-532bps	2.33	1.94	-40bps
EPS - fils	40.55	51.34	11	7.40	10.79	3
BVPS - fils	232.42	566.73	334	402.36	547.49	145
DPS - fils	-	25.00	NM	-	-	-
PE (x)	10.14	8.01	-213bps	13.89	9.52	-436bps
PBV (x)	1.77	0.73	-104bps	1.02	0.75	-27bps

Note: * annualised and based on average assets for ROA and average equity for ROE
Source: SICO Research, Company Data

Contact Details

P.O Box 1331,

Bahrain World Trade Center East Tower

Manama, Kingdom of Bahrain

Investment Research

research@sicobank.com

Group Head of Research

Chiro Ghosh

T: +973 1751 5000 (ext: 5058)

Head of Brokerage

Mariam Isa

Tel: (Direct): +973 – 17515210

KSA – SICO Capital

Brokerage - brokerage@sicocapital.com Tel: +966 11 2799811

UAE - SICO Invest LLC

Brokerage – brokerage@sicouae.com

Head of Arranging & Advice

Tariq Shiyab

tshiyab@sicouae.com

Visit us at

sicobank.com (Head Office) / sicocapital.com (KSA)

Disclaimer

SICO accepts no liability whatsoever for any direct or indirect losses arising from use of this report. This report does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or any invitation to offer to buy or subscribe for any securities. The information and opinions contained in this report have been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness and are subject to change without notice. Opinions, forecasts or projections contained in this report represent SICO's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. SICO reserves the right to amend the views and opinions expressed in this publication at any time." The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. Investment in equities or other securities is subject to various risks, including, among others, market risk, currency risk, default risk and liquidity risk. Income from such securities, and their value or price may, therefore, fluctuate. Basis and levels of taxation may change, which would affect the expected return from such securities. Foreign currency rates of exchange may affect the value or income of any security mentioned in this report." This report does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision we would advise the reader to consider seeking advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients." Therefore, Investors must make their own investment decisions. SICO and/or its clients may have positions in or options on the securities mentioned in this report or any related investments, may affect transactions or may buy, sell or offer to buy or sell such securities or any related Investments. Additional information on the contents of this report is available on request. Among stocks under our coverage, Bank Muscat, BBK and National Bank of Bahrain owns 13.14%, 7.91% and 21.07% respectively in SICO. SICO does liquidity provision for Aluminum Bahrain (ALBA), National Bank of Bahrain and Beyon. SICO also acts as a corporate broker for Bahrain Cinema Company, Zain Bahrain and Nass Corporation.