S&P Global Ratings

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Al Ain Ahlia Insurance Co.

September 16, 2025

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This report does not constitute a rating action.

Business risk: **Satisfactory**

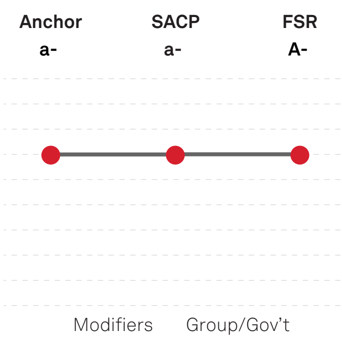
Excellent — Vulnerable

Competitive position: Satisfactory
IICRA: Intermediate risk

Financial risk: **Strong**

Excellent — Vulnerable

Capital and earnings: Very strong
Risk exposure: Moderately high
Funding structure: Neutral



Financial strength rating
A-/Stable/--

FSR--Financial strength rating. ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Capital adequacy materially exceeding our 99.99% benchmark.	Significant exposure to real estate investments, which could lead to earnings volatility.
Despite recent volatility in underwriting results due to severe weather events, AAAIC has good operating performance.	Although improving, there is still reliance on single counterparties to generate a significant share of revenues.

Al Ain Ahlia Insurance Co. (AAAIC) enjoys capital adequacy materially above our 99.99% confidence level. We expect the company to sustain this over the two-year outlook horizon, thanks to prospective earnings generation from both underwriting and investment activities. Our base-case scenario assumes net profits of AED50 million-AED60 million. In our view, AAAIC's strength of capital gives it capacity for higher investment risk. Indeed, the company invests about one-half of its portfolio in properties.

AAAIC generally has a satisfactory operating performance, although it recently experienced some volatility, notably in 2024. This followed the flood events in Al Ain in February 2024 and Dubai in April 2024. We consider last year's performance as a one-off and expect AAAIC to perform in line with its historic average over the next two years. Corrective underwriting measures and a rebalancing of the portfolio should support this.

Outlook

The stable outlook reflects our view that AAAIC will maintain its robust capital buffer and its operating performance will remain at least in line with peers over the next two years.

Downside scenario

We could lower the ratings over the next two years if:

- AAAIC's operating performance weakens for a prolonged period because of its diversification efforts or because of volatility in its top line; or
- There is significant volatility in its investment portfolio, which could weigh on our assessment of the company's risk exposure.

Upside scenario

We view an upgrade as unlikely, but could consider a positive rating action over the next two years if AAAIC:

- Significantly reduces its use of reinsurance while expanding and diversifying its business, outperforming its local and regional peers;
- Significantly reduces its exposure to real estate investments; and
- Maintains capital adequacy in excess of the 99.99% benchmark under our model.

Assumptions

- Buoyant non-oil sector activity and increasing oil production to support economic growth in the United Arab Emirates (UAE) at about 4% over 2025-2028.
- Regional geopolitical tensions will, on balance, have a limited effect on the UAE, given its substantial assets and record of domestic stability.
- Inflation should remain modest, at about 2% per year, until 2028.
- The property/casualty sector in the UAE to expand by about 10%-15% % in 2025 and record combined ratios of about 92%-95%.

Al Ain Ahlia Insurance Co.--Key Metrics

	2026f	2025f	2024	2023	2022
S&P Global Ratings capital adequacy	99.99%	99.99%	99.99%	99.99%	AAA
Insurance revenue/gross premiums written (mil. AED)	1,509	1,312	1,141	1,429	923.4
Net income (mil. AED)	50-60	50-60	-27.9	34.6	63.1
Net combined ratio (%)	94-96	94-96	112.5	97.2	83.9
Return on shareholders' equity (%)	4-5	4-5	-2.1	2.6	4.8

Data for 2023 and later years is based on International Financial Reporting Standard 17 (IFRS 17). Data for 2022 is based on the audited IFRS 4 accounts. The 'AAA' capital adequacy assessment in based on our previous capital model criteria definitions. AED--UAE dirham. f--S&P Global Ratings forecast.

Business Risk Profile

Established in 1975 and listed on the Abu Dhabi Securities Exchange in December 2000, AAAIC is a midsize UAE national insurer writing both life and non-life business. In 2024, AAAIC was the seventh-largest listed insurer in the UAE, recording insurance revenue of AED1,141 million.

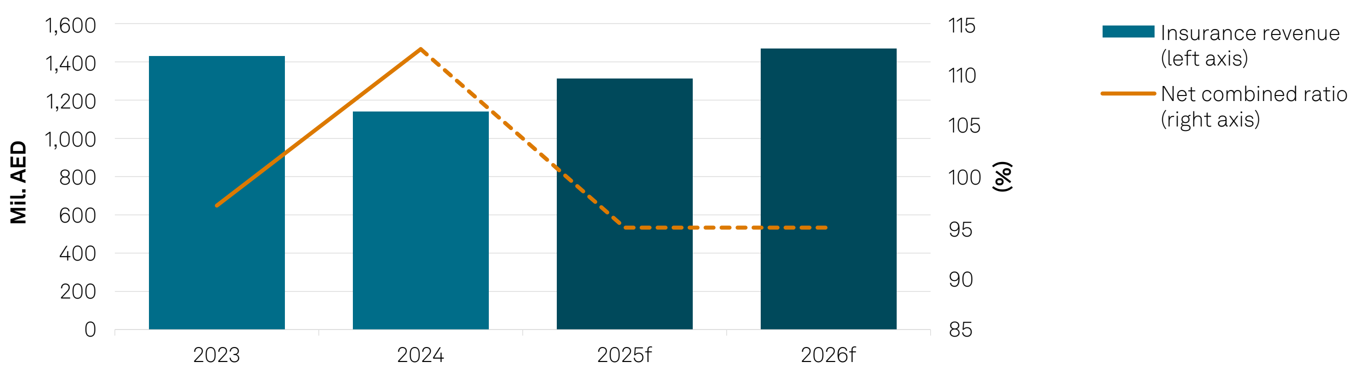
At Q2 2025, AAAIC's combined ratio improved to 100% compared to 112% during the same period last year. AAAIC books the majority of its contracts in the first half of the year, with acquisition expenses fully reflected at the time of acquisition, but revenue not yet fully earned. We therefore expect an improvement in AAAIC's combined ratio, which should converge to about 95% by year-end 2025.

AAAIC completed a strategic rebalance of its portfolio following the underwriting losses recorded in 2024 that resulted from severe weather events in the UAE, notably in Al Ain in February 2024 and Dubai in April 2024. We consider the 2024 performance as a one-off. Following these losses, the motor business contracted in 2025, thanks to stricter underwriting filters and introducing premium adjustments in response to the high-loss experience associated with some aggregators. Furthermore, fire and energy lines showed strong performance, supported by new business acquisitions and selective underwriting.

AAAIC benefits from its well-established business position in Abu Dhabi, which enables it to source large property and energy contracts. We note that such contracts could lead to top line volatility and a material reliance on reinsurance utilization. The latter is a common feature in the UAE insurance market.

Our base-case scenario assumes revenue growth of about 10%-15% per year through to 2027, in line with our expectations for the wider UAE market. In addition to rate improvements in motor, other initiatives that should support top line growth comprise medical business, including in the northern emirates, general insurance lines, as well as new life products.

Despite recent volatility in operating performance, we expect AAAIC's combined ratios to improve in 2025-2026



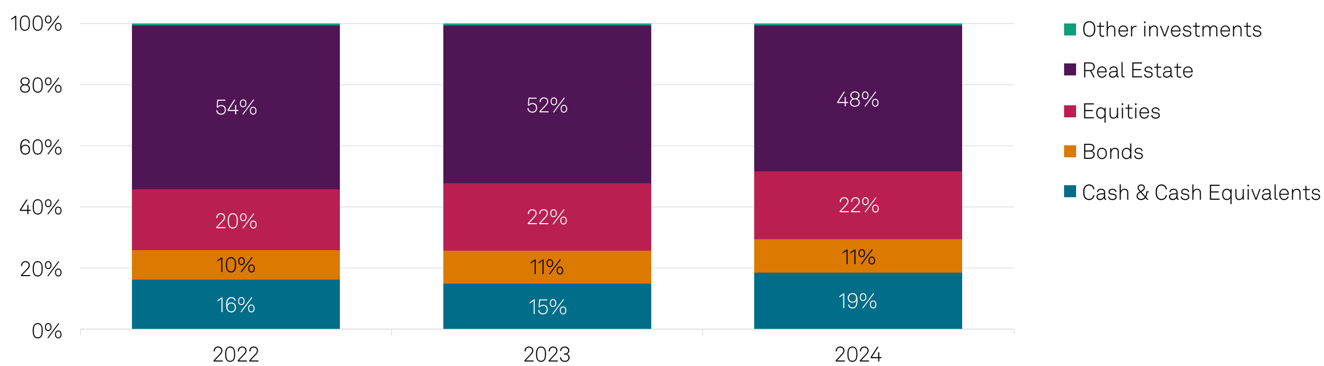
Source: S&P Global Ratings.

Financial Risk Profile

AAAIC enjoys a material capital buffer above our 99.99% confidence level. We expect capital adequacy to sustain at this level over the next two years. Moreover, AAAIC's solvency ratio was 347% at end-2024. Our base-case scenario assumes net profits of AED50 million-AED60 million, allowing a dividend payout at least in line with the company's historic level.

AAAIC has material exposure to property investments, a class of investments we consider as high risk and illiquid. A significant part of this exposure relates to a single property in Dubai. We note that this exposure has gradually declined over time. Indeed, at second-quarter 2025, real estate investments comprised 48% of the portfolio, down from 58% in 2020.

Although declining, AAAIC's exposure to real estate remains high



Source: S&P Global Ratings.

AAAIC's appointed external actuary reviews the reserves regularly. Booked reserves are in line with the actuary's recommendations.

There are no significant foreign currency risks as assets and liabilities are denominated in dirhams or U.S. dollar, and the dirham is pegged to the dollar. Moreover, AAAIC writes relatively simple and short-term insurance products. The company places a significant emphasis on the quality of its reinsurance. Almost all reinsurers on the panel are rated at least 'A'. We therefore consider that AAAIC is not subject to any material sources of potential capital and earnings volatility.

AAAIC's balance sheet strength benefits from a debt-free balance sheet, which we expect will remain the case over the next two years.

Other Credit Considerations

Governance

AAAIC benefits from a stable management team that has developed a successful track record of delivering sustainable operating profits. We regard the expertise and experience of senior management team as a benefit to the company. AAAIC's general manager has been with the company for 50 years, since its inception.

The board consists of seven members elected by the general assembly and the duration of board membership is three years. We believe the board has sufficient independence from the executive team. We have not identified any governance issues in our analysis.

Liquidity

AAAIC has adequate liquidity, despite its high exposure to illiquid real estate investments. At end-2024, stressed liquid assets exceeded stressed liabilities by about 1.6x. If AAAIC's exposure to real estate continues to decline, there could be an improvement in its liquidity over the next two years.

Government support

Mamoura Diversified Global Holding PJSC (AA/Stable/A-1+), a key vehicle in leading the development of a globally integrated and diversified economy for Abu Dhabi, holds 19.7% of AAAIC's share. Although the Abu Dhabi government owns Mamoura, we do not consider AAAIC to be a government-related entity. We therefore rate AAAIC based on its stand-alone characteristics.

Rating Component Scores

Business Risk Profile	**Satisfactory**
Competitive position	Satisfactory
IICRA	Intermediate risk
Financial Risk Profile	**Strong**
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Neutral
Anchor	**a-**
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A-/Stable/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	A-/Stable/--
Foreign currency issuer credit rating	--

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019

- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- United Arab Emirates Property/Casualty And Health, April 8, 2025

Ratings Detail (as of September 16, 2025)*	
Operating Company Covered By This Report	
Al Ain Ahlia Insurance Co. P.S.C.	
Financial Strength Rating	
Local Currency	A-/Stable/--
Issuer Credit Rating	
Local Currency	A-/Stable/--
Domicile	United Arab Emirates

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.