Paid Up Capital: Dhs. 500,000,000

Registered under Federal Law No. (6) of 2007
Certificate No. 14 dated 29th December 1984
Commercial Registration 51814

رأس المال المدفوع: ٥٠٠،٠٠٠،٠٠٠ درهم
مسجلة طبقاً للقانون الإتحادي رقم (٦) لسنة ٢٠٠٧م
شهادة رقم ١٤ بتاريخ ١٩٨٤/١٢/٢٩م
رقم السجل التجاري ٥١٨١٤

إفصاح بشأن رفع التصنيف الإئتماني لشركة أورينت للتأمين (مساهمة عامة)
Upgraded the Credit Rating for Orient Insurance PJSC Disclosure

Date: 1 June 2023

التاريخ: 1 يونيو 2023

We would like to inform you that the Standard & Poor's (S&P) Credit Rating has been upgraded for Orient Insurance PJSC "UAE" from "A" Rating to "A+" which is the highest rating in GCC and the Middle East.

This Rating has been granted to Orient Insurance PJSC due to the strong performance and track record of success and stability over many years.

This distinguished rating will be circulated to all subsidiaries of Orient Takaful Company - UAE and Orient Takaful Insurance Company - Egypt.

Yours Faithfully,

نود إعلامكم بأن الوكالة الدولية للتصنيف الإئتماني "S&P" قد قامت برفع التصنيف الائتماني الصادر لشركة أورينت للتأمين - الأمارات (مساهمة عامة) من التصنيف "A" إلى التصنيف "A+" وهو التصنيف الأعلى في منطقة الخليج والشرق الأوسط.

وقد تم منح هذا التصنيف لشركة أورينت للتأمين (مساهمة عامة) نظراً للأداء القوي للشركة والسجل الحافل بالنجاح على مدار السنوات العديدة.

تم منح هذا التقييم المتميز لكل الشركات التابعة وهى شركة اورينت تكافل – الأمارات وشركة أورينت للتأمين التكافلي - مصر .

وتفضلوا بقبول فائق الاحترام والتقدير

عمر حسن الأمين
الرئيس التنفيذي
مجموعة أورينت للتأمين

نسخة/ السادة هيئة الأوراق المالية والسلع
نسخة/ السادة مصرف الإمارات العربية المركزي

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S&P Global
Ratings

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Research Update:

Orient Insurance And Subsidiaries Upgraded To 'A+' On Improved Asset Quality And Strong Profitability; Outlook Stable

May 25, 2023

Overview

- During the past 12 months, Orient significantly improved the average asset quality of its investment portfolio by shifting large amounts of bank deposits from lower rated or unrated banks to higher rated banks.
- Orient also maintained its above-market average profitability and market share, reflecting its strong competitive position as the largest and most profitable listed insurer in the United Arab Emirates (UAE).
- We therefore raised our long-term issuer credit and insurer financial strength ratings on Orient to 'A+' from 'A'.
- The stable outlook reflects our view that over the next two years Orient will retain its position as a leading insurer in the UAE. We also expect profitability to remain above the market average and significant capital adequacy buffer above our 'AAA' benchmark.

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Rating Action

On May 25, 2023, S&P Global Ratings raised to 'A+' from 'A' its long-term issuer credit and insurer financial strength ratings on United Arab Emirates (UAE)-based Orient Insurance P.J.S.C. (Orient) and its guaranteed subsidiaries (Orient Takaful PJSC and Orient Takaful Insurance Company (S.A.E)). The outlook is stable.

Rationale

Over the past 12 months, Orient's management has taken strategic steps to improve the average asset quality of its investment portfolio by shifting a significant amount of fixed deposits from lower rated or unrated banks to higher rated banks. As of first-quarter 2023, about 86% of investments are in investment-grade entities compared with only 19% at year-end 2021.

Orient has always maintained a highly liquid investment portfolio with about 60% of total invested assets lying in cash and short-term bank deposits. However, during the low interest rate environment in 2020-2021, Orient shifted a large portion of its bank deposits into lower rated banks to maintain its investment income. With an increase in interest rates since 2022, Orient started moving these deposits back to higher rated banks, resulting in average asset quality being restored to the 'BBB' range. We believe Orient will maintain asset quality at least at the current level and gradually improve it to the 'A' level over next 12 months.

Further, as a result of the shift of assets from lower rated to investment-grade securities, the liquidity ratio (as per our calculations) also significantly improved above 500%, which is among the highest in the region and similar to that of some global peers rated 'A+'.

However, we also note that Orient has some single-counterparty concentration in its investment portfolio, mainly with a local bank, accounting for about 19% of the total investment portfolio on Dec. 31, 2022. This is reflected in our assessment of risk exposure.

Orient has maintained its leading insurer position in the UAE among 28 listed insurers. For 2022, Orient continues to be the market leader with a market share of 21% in terms of gross written premiums (GWP). Its GWP rose by 21% in 2022 compared with the market average of 11%. Over the next two years, we expect the insurer will maintain a premium growth rate of at least 10% as it plans to further diversify its business lines and widen its geographic footprint.

Orient's market leadership is further evidenced by a market share of 34% in terms of net income. Orient's net income has been rising consistently over the last five years, reaching UAE dirham (AED)521 million (about $142 million) in 2022. Orient's operating performance (underwriting and investments) has been consistently strong for many years. The company reported a five-year average combined (loss and expense) ratio of 78.8% during 2018-2022. We anticipate that Orient will maintain a net combined ratio of about 80% over the next two years, supported by its conservative underwriting approach.

In 2022, Orient ceded about 68% of its premiums to reinsurers. This high reinsurance utilization is not unusual for UAE insurers and a feature of the market, which has helped companies to write profitable, large-scale business in return for lucrative inward reinsurance commissions. We believe that it somewhat reflects dependence on highly rated reinsurers to offer capacity for large risks, but at the same time some large international insurers are dependent on Orient as a local partner. We believe that the company's reinsurance utilization will remain at 65%-70% in 2023-2024.

The ratings on Orient Takaful PJSC and Orient Takaful Insurance Company (S.A.E) reflect the unconditional guarantee provided by Orient Insurance PJSC. The explicit support agreements satisfy our criteria (see "General Criteria: Guarantee Criteria," published Oct. 21, 2016, on RatingsDirect), which means that we equalize the ratings on the two subsidiaries with those on the guarantor.

Outlook

The stable outlook reflects our view that over the next two years Orient will retain its position as a leading insurer in the UAE. We also expect profitability to remain above the market average and significant capital adequacy buffer above our 'AAA' benchmark.

Downside scenario

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

- We see long-term, fundamental, and prolonged weakening in the company's capital adequacy. This could be caused, for example, by a major change in its dividend policy, material investment losses, or a significant deterioration in its performance because of rapid business growth.
- Contrary to our expectations, Orient's asset quality deteriorates and falls below the 'BBB' level.

Upside scenario

We see limited likelihood of an upgrade during the two-year outlook period. However, we could consider a positive rating action if the insurer significantly expands its geographic presence and capital base from current levels.

Ratings Score Snapshot

	To	From
Financial strength rating	A+	A
Anchor*	a+	a
Business risk	Strong	Strong
IICRA	Intermediate Risk	Intermediate Risk
Competitive position	Strong	Strong
Financial risk	Very Strong	Very Strong
Capital and earnings	Excellent	Excellent
Risk exposure	Moderately High	Moderately High
Funding structure	Neutral	Neutral
Modifiers		
Governance	-	-
Liquidity	Exceptional	Exceptional
Comparable ratings analysis	0	0
Support	-	-
Group support	-	-
Government support	-	-

IICRA--Insurance Industry And Country Risk Assessment.

*The anchor is influenced by our view of Orient's improved asset quality and significant buffers in capital adequacy.

ESG credit indicators: E-2, S-2, G-2

ESG factors have no material influence on our credit rating analysis of Orient.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology , July 1, 2019
- General Criteria: Group Rating Methodology , July 1, 2019
- General Criteria: Guarantee Criteria , Oct. 21, 2016
- 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
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model , June 7, 2010

Ratings List

Upgraded

	To	From
Orient Insurance P.J.S.C.		
Orient Takaful PJSC		
Orient Takaful Insurance Company S.A.E		
Issuer Credit Rating		
Local Currency	A+/Stable/--	A/Positive/--
Financial Strength Rating		
Local Currency	A+/Stable/--	A/Positive/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; or Stockholm (46) 8-440-5914

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