First Look Note | 2Q26

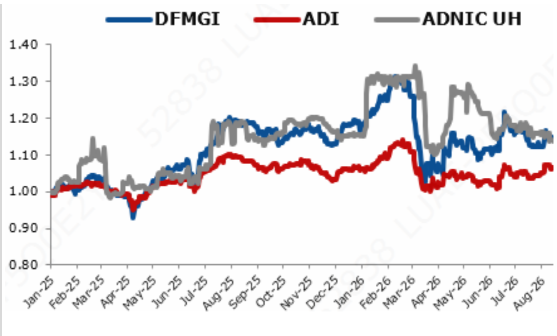
UAE Equity Research | Sector: Insurance | Market: ADX

Abu Dhabi National Insurance Co (ADNIC)

Resilient underwriting performance supports earnings despite higher claims

Current Price	Target Price	Upside/Downside (%)	Rating
AED 6.99	AED 9.35	+34%	BUY

- Gross written premiums (GWP) stood at AED 6.1 Bn in 1H26, compared to AED 5.5 Bn in 1H25, reflecting resilient underwriting performance.
- Premium retention ratio decreased from 42.9% in 1H25 to 33.7% in 1H26.
- Expense ratio declined 30 bps YOY to 20.7% in 1H26, while net claims ratio grew 250 bps YOY to 74.5% in 1H26.
- ADNIC signed a strategic agreement with the UAE Ministry of Foreign Affairs to provide a tailored insurance program for employees and their families.
- ADNIC expanded its international presence with the opening of a planned branch in GIFT City, Gujarat, India, following its entry into the Saudi Arabia market.



Stock Information	
Market Cap (AED, Mn)	3,984.30
Paid Up Capital (Mn)	570.00
52 Week High	8.24
52 Week Low	6.68
3M Avg. daily value (AED)	353,687

2Q26 Result Review (AED, Mn)	
Total Assets	12,968
Total Liabilities	9,303
Total Equity	3,664
Insurance Service Result	101
Net Profit	119

Financial Ratios	
Dividend Yield (12m)	6.73
Dividend Pay-out (%)	56.39
Price-Earnings Ratio(x)	8.59
Price-to-Book Ratio (x)	1.20
Book Value (AED)	5.84
Return-on Equity (%)	14.27

Stock Performance	
5 Days	0.29%
1 Months	-0.43%
3 Months	-5.80%
6 Months	-12.63%
1 Year	0.00%
Month to Date (MTD%)	-1.41%
Quarter to Date (QTD%)	-2.78%
Year to Date (YTD%)	-0.71%

2Q26 Net Profit higher than our estimate

Abu Dhabi National Insurance Co PJSC (ADNIC/the Company) reported a 6.3% YOY increase in net profit to AED 119 Mn in 2Q26, higher than our estimate of AED 102 Mn. The increase in net profit was primarily driven by higher insurance revenue, income from reinsurance contracts and net investment income, along with lower other operating expenses, partially offset by higher insurance service expenses, expenses from reinsurance contracts and finance expenses from insurance contracts, as well as lower finance income from reinsurance contracts.

P&L Highlights

ADNIC's total insurance revenue increased 10.7% YOY to AED 2,199 Mn in 2Q26, driven primarily by growth in the Commercial segment, partially offset by a decline in the Consumer segment. The Company reported a rise in Gross Written Premium (GWP) to AED 2.3 Bn in 2Q26, compared to AED 1.6 Bn in 2Q25, supported by solid underwriting performance. The Consumer segment revenue declined 8.0% YOY to AED 850 Mn, while the Commercial insurance segment revenue grew 27.0% YOY to AED 1,349 Mn in 2Q26. Meanwhile, insurance service expenses increased significantly from AED 1,163 Mn in 2Q25 to AED 2,682 Mn in 2Q26. Income from reinsurance contracts rose from AED 376 Mn in 2Q25 to AED 1,933 Mn in 2Q26, while reinsurance contract expenses increased 24.6% YOY to AED 1,350 Mn in 2Q26. Consequently, ADNIC's insurance service result declined 13.6% YOY to AED 101 Mn in 2Q26. Net investment income rose 20.2% YOY to AED 85 Mn in 2Q26. Finance expense from insurance contracts, net increased 2.4% YOY to AED 32 Mn in 2Q26, while finance income from reinsurance contracts, net declined 11.6% YOY to AED 23 Mn in 2Q26. Other operating expenses decreased 5.4%

YOY to AED 52 Mn in 2Q26, while tax expense grew 1.7% YOY to AED 12 Mn in 2Q26. Loss attributable to NCI stood at AED 5 Mn in 2Q26, compared to a profit of AED 4 Mn in 2Q25. ADNIC's expense ratio decreased 30 bps YOY to 20.7% in 1H26. The net claims ratio increased by 250 bps YOY to 74.5% in 1H26. Consequently, the combined ratio rose 220 bps YOY to 95.2% in 1H26. The premium retention ratio declined from 42.9% in 1H25 to 33.7% in 1H26.

Balance Sheet Highlights

ADNIC's total financial assets (including investment properties) increased from AED 5.4 Bn in 1Q26 to AED 5.5 Bn in 2Q26, driven by an increase in financial assets at fair value through other comprehensive income, partially offset by decrease in financial assets for unit-linked contracts, financial assets at amortized cost and financial assets at fair value through profit or loss. Total equity increased to AED 3.7 Bn in 2Q26 from AED 3.5 Bn in 1Q26. Insurance contract liabilities increased from AED 6.5 Bn in 1Q26 to AED 8.6 Bn in 2Q26. Net cash generated from operating activities increased to AED 193 Mn in 2Q26 compared with AED 186 Mn in 2Q25. Cash and cash equivalents increased to AED 520 Mn in 2Q26 from AED 348 Mn in 1Q26.

Target Price and Rating

We maintain our BUY rating on ADNIC with a target price of AED 9.35. ADNIC delivered resilient operating performance in 1H26, despite a complex and volatile global environment. The Company reported Gross Written Premium (GWP) of AED 6.1 Bn and a combined ratio of 95.2% as of 1H26, reflecting strong underwriting performance. ADNIC continued to focus on cost efficiency and operational discipline, with an expense ratio of 15.5% in 1H26, despite continued investments in business growth. The Company also maintained adequate reinsurance protection for major events and solvency above minimum regulatory requirements, supported by strong governance and risk management practices. The Company consolidated investment income reached AED 150.4 Mn, up 5.7% YOY in 1H26, supported by higher bond interest income and rental income, alongside robust disposal activity reflecting proactive portfolio management. Strategically, ADNIC continued to expand its presence in international markets, with the opening of a planned branch in GIFT City, Gujarat, India, building on its existing cross-border reinsurance business and following its entry into Saudi Arabia. The expansion is expected to diversify revenue and support clients in a high-growth market. During 2Q26, the Company established a long-term strategic partnership with Allianz Trade to expand Trade Credit Insurance solutions in the UAE, enabling businesses to mitigate customer payment default risks, safeguard cash flows, optimize working capital and support growth in local and international markets. The partnership will also leverage Allianz Trade's risk assessment and underwriting expertise and database monitoring more than 40,000 businesses across key GCC industries. During 2Q26, the Company also signed a strategic agreement with the UAE Ministry of Foreign Affairs to provide a tailored insurance program for employees and their families, supporting the Company's focus on innovative insurance solutions and UAE national priorities. Looking ahead, ADNIC maintains a positive outlook for the remainder of 2026, supported by the strength of its underlying business and expectations of normalizing market conditions. The Company remains focused on supporting the long-term economic visions of the UAE and its other operating markets while pursuing sustainable growth. Thus, based on these factors, we continue to assign a BUY rating on the stock.

ADNIC - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	9.84	10.47	9.86	9.43	8.24	10.57
PB	1.40	1.41	1.33	1.12	1.06	1.34
BVPS	4.967	4.922	5.212	6.174	6.557	6.972
EPS	0.705	0.663	0.704	0.736	0.842	0.884
DPS	0.400	0.400	0.400	0.450	0.470	0.470
Dividend yield	5.7%	5.7%	5.7%	6.4%	6.7%	6.7%

FABS Estimates & Co Data

ADNIC – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch.	QOQ Ch.	2025	2026F	Change
Insurance revenue	1,987	1,888	2,199	1,985	10.8%	10.7%	16.5%	8,254	8,306	0.6%
Insurance service expenses	-1,163	-1,965	-2,682	-2,005	33.8%	130.6%	36.5%	-4,523	-9,552	NM
Income from reinsurance contracts	376	1,201	1,933	1,193	62.1%	NM	60.9%	1,226	7,164	NM
Expenses from reinsurance contracts	-1,083	-1,010	-1,350	-1,052	28.3%	24.6%	33.6%	-4,462	-5,399	21.0%
Insurance Service Result	**117**	**114**	**101**	**121**	**-16.4%**	**-13.6%**	**-11.5%**	**495**	**519**	**4.9%**
Net Investment Income	71	65	85	70	22.5%	20.2%	31.1%	296.9	313	5.3%
Finance expense from insurance contracts, net	-31	-47	-32	-44	-26.3%	2.4%	-31.2%	-149	-146	-1.7%
Finance income from reinsurance contracts, net	26	31	23	33	-31.4%	-11.6%	-25.6%	110	90	-18.9%
Net Finance Result	**182**	**163**	**177**	**180**	**-1.8%**	**-2.9%**	**8.4%**	**753**	**775**	**2.9%**
Other operating expense	-55	-64	-52	-65	-21.3%	-5.4%	-19.3%	-220	-235	6.7%
Profit Before tax	**128**	**99**	**126**	**115**	**9.3%**	**-1.9%**	**26.2%**	**533**	**540**	**1.3%**
Tax expense	-12	-12	-12	-12	6.6%	1.7%	7.8%	-53	-55	3.4%
Profit for the period	**116**	**88**	**113**	**103**	**9.7%**	**-2.3%**	**28.7%**	**480**	**485**	**1.1%**
Non-controlling interest	4	-6	-5	2	NM	NM	NM	5	-5	NM
Profit attributable	**112**	**94**	**119**	**102**	**16.7%**	**6.3%**	**25.8%**	**475**	**490**	**3.1%**

FABS estimate & Co Data

ADNIC - Margins

	1H25	1Q26	1H26	YOY Ch.
Premium Retention	42.9%	32.3%	33.7%	-920
Net claims ratio	72.0%	72.4%	74.5%	250
Expense ratio	21.0%	23.3%	20.7%	-30
Combined ratio	93.0%	95.7%	95.2%	220
Net Profit ratio	5.7%	5.0%	5.2%	-49

FABS estimate & Co Data

Key Developments:

- **22 June 2026:** ADNIC entered into a long-term strategic partnership with Allianz Trade to expand Trade Credit Insurance solutions in the UAE, enabling businesses to mitigate customer payment default risks, safeguard cash flows, optimize working capital, and support growth in local and international markets. The partnership will also leverage Allianz Trade's risk assessment and underwriting expertise and database monitoring over 40,000 businesses across key GCC industries.

Valuation:

We use the Residual Income, Dividend Discount Method (DDM), and Relative Valuation (RV) method to value ADNIC. We have assigned 50% weight to Residual Income and 25% weight each to DDM and RV methods.

Valuation Method	Target	Weight	Weighted Value
Residual Income Method	10.90	50.0%	5.45
Dividend Discount Method (DDM)	7.52	25.0%	1.88
Relative Valuation (RV)	8.09	25.0%	2.02
Weighted Average Valuation (AED)			**9.35**
Current market price (AED)			6.99
Upside/Downside (%)			+34%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. Cost of equity is calculated by using the 10-year government bond yield of 4.9%, beta of 0.90, and equity risk premium of 4.8%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	740
Terminal value (AED, Mn)	2,146
Shareholder's equity (As of Jun 2026)	3,328
FV to Common shareholders (AED, Mn)	**6,214**
No. of shares (Mn)	570
Current Market Price (AED)	6.99
Fair Value per share (AED)	**10.90**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net profit	509	525	570	586	631
Equity Charge	311	333	357	384	410
Excess Equity	**198**	**192**	**213**	**202**	**222**
Discounting Factor	*0.97*	*0.89*	*0.81*	*0.74*	*0.68*
Present Value of Excess Equity	**96**	**170**	**173**	**150**	**151**

Source: FAB Securities

2) DDM Method:

ADNIC's dividend grew in line with profit and paid regular dividends to its shareholders. Thus, we have valued ADNIC using the DDM valuation method. The dividend is discounted at the cost of equity of 9.2%.

Sum of PV (AED, Mn)	1,072
Terminal value (AED, Mn)	3,214
FV to Common shareholders (AED, Mn)	**4,286**
No. of share (Mn)	570
Current Market Price (AED)	6.99
Fair Value per share (AED)	**7.52**

DDM Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend	268	276	300	308	332
Total Dividend	**268**	**276**	**300**	**308**	**332**
Discounting Factor	*0.97*	*0.89*	*0.81*	*0.74*	*0.68*
Present Value of Dividend	**129**	**244**	**243**	**229**	**226**

Source: FAB Securities

3) Relative Valuation:

We have used local peers to value ADNIC, and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.3x compared to a peer multiple of 3.6x.

Company	Market (USD Mn)	P/B (x) 2026F	P/B (x) 2027F	P/E (x) 2026F	P/E (x) 2027F
GULF INSURANCE GROUP	459	NA	NA	16.2	15.1
BUPA	6,791	4.0	3.5	20.0	16.4
COMPANY FOR COOPERATIVE INSURANCE	5,465	3.3	2.8	16.2	13.1
Average		**3.6x**	**3.1x**	**16.2x**	**15.1x**
Median		**3.6x**	**3.1x**	**17.5x**	**14.8x**
Max		**3.8x**	**3.3x**	**18.1x**	**15.7x**
Min		**3.4x**	**3.0x**	**16.2x**	**14.1x**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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