First Look Note | 3Q26

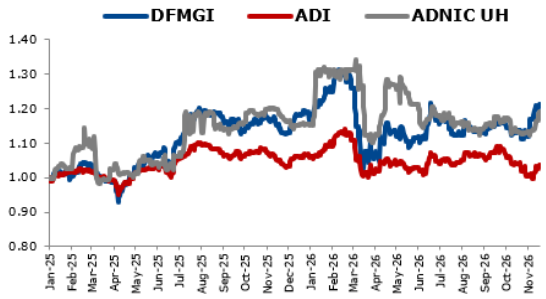
UAE Equity Research | Sector: Insurance | Market: ADX

Abu Dhabi National Insurance Co (ADNIC)

Stronger insurance service result and lower opex drive earnings

Current Price	Target Price	Upside/Downside (%)	Rating
AED 7.34	AED 9.35	+27%	BUY

- Gross written premiums (GWP) stood at AED 8.1 Bn in 9M26, compared to AED 7.2 Bn in 9M25, reflecting resilient underwriting performance.
- Premium retention ratio decreased from 42.7% in 9M25 to 31.1% in 9M26.
- Expense ratio declined 320 bps YOY to 18.2% in 9M26, while net claims ratio grew 260 bps YOY to 74.6% in 9M26.
- ADNIC's partnership with Allianz Trade Middle East, in its first year, has added value to the Company's product offerings and overall business performance.
- ADNIC's branch in GIFT City, India, became fully operational on 1 April 2026, while Mutakamela's business trajectory and positive outlook in Saudi Arabia support revenue diversification.



Stock Information	
Market Cap (AED, Mn)	4,183.80
Paid Up Capital (Mn)	570.00
52 Week High	8.24
52 Week Low	6.68
3M Avg. daily value (AED)	693,256

3Q26 Result Review (AED, Mn)	
Total Assets	13,519
Total Liabilities	9,749
Total Equity	3,769
Insurance Service Result	146
Net Profit	149

Financial Ratios	
Dividend Yield (12m)	6.42
Dividend Pay-out (%)	56.39
Price-Earnings Ratio(x)	8.50
Price-to-Book Ratio (x)	1.26
Book Value (AED)	5.84
Return-on Equity (%)	14.27

Stock Performance	
5 Days	3.38%
1 Months	6.22%
3 Months	5.01%
6 Months	-1.74%
1 Year	1.66%
Month to Date (MTD%)	6.07%
Quarter to Date (QTD%)	3.09%
Year to Date (YTD%)	4.26%

3Q26 Net Profit higher than our estimate

Abu Dhabi National Insurance Co PJSC (ADNIC/the Company) reported a 24.8% YOY increase in net profit attributable to equity shareholders to AED 149 Mn in 3Q26, higher than our estimate of AED 116 Mn. The increase in net profit was primarily driven by higher insurance revenue, income from reinsurance contracts, along with lower other operating expenses and lower finance expenses from insurance contracts. This was partially offset by higher insurance service expenses, expenses from reinsurance contracts and higher share of profit attributable to NCI coupled with lower net investment income, and finance income from reinsurance contracts.

P&L Highlights

ADNIC's total insurance revenue increased 34.1% YOY to AED 2,787 Mn in 3Q26, driven primarily by growth in the Commercial segment, partially offset by a decline in the Consumer segment. The Company reported Gross Written Premium (GWP) of AED 2.0 Bn in 3Q26, compared to AED 1.7 Bn in 3Q25. Commercial segment revenue rose from AED 1,118 Mn in 3Q25 to AED 1,896 Mn in 3Q26, while Consumer segment revenue declined 7.2% YOY to AED 891 Mn in 3Q26. Meanwhile, insurance service expenses increased 41.1% YOY to AED 1,649 Mn in 3Q26. Income from reinsurance contracts increased significantly from AED 275 Mn in 3Q25 to AED 912 Mn in 3Q26, while reinsurance contract expenses increased from AED 1,060 Mn in 3Q25 to AED 1,904 Mn in 3Q26. Consequently, ADNIC's insurance service result increased 18.0% YOY to AED 146 Mn in 3Q26. Net investment income declined 4.1% YOY to AED 78 Mn in 3Q26. Finance expense from insurance contracts decreased 11.7% YOY to AED 27 Mn in 3Q26, while finance income from reinsurance contracts, net declined 6.0% YOY to AED 20 Mn. Other operating expenses decreased 22.5% YOY to AED 48 Mn in 3Q26. Tax expense remained

stable at AED 14 Mn in 3Q26 compared to 3Q25. Profit attributable to NCI stood at AED 6 Mn in 3Q26, compared to AED 0.2 Mn in 3Q25. ADNIC's expense ratio decreased 320 bps YOY to 18.2% in 9M26. The net claims ratio increased by 260 bps YOY to 74.6% in 9M26. Consequently, the combined ratio declined 60 bps YOY to 92.8% in 9M26. The premium retention ratio declined from 42.7% in 9M25 to 31.1% in 9M26.

Balance Sheet Highlights

ADNIC's total financial assets (including investment properties) decreased from AED 5.5 Bn in 2Q26 to AED 5.4 Bn in 3Q26, driven by a decrease in financial assets at fair value through other comprehensive income and financial assets for unit-linked contracts, partially offset by an increase in financial assets at fair value through profit or loss and financial assets at amortized cost. Total equity increased to AED 3.8 Bn in 3Q26 from AED 3.7 Bn in 2Q26. Insurance contract liabilities decreased from AED 8.6 Bn in 2Q26 to AED 8.5 Bn in 3Q26. Net cash generated from operating activities stood at AED 606 Mn in 3Q26, compared with net cash used of AED 57 Mn in 3Q25. Cash and cash equivalents increased to AED 1,065 Mn in 3Q26 from AED 520 Mn in 2Q26.

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 9M26, despite a complex and volatile global environment. The Company reported Gross Written Premium (GWP) of AED 8.1 Bn and a combined ratio of 92.8% as of September 2026, reflecting strong underwriting performance. Insurance revenue grew 12.9% YOY to AED 6.9 Bn in 9M26, while the net insurance service result decreased 5.4% YOY to AED 361 Mn due to elevated claims activity. Profit after tax increased marginally 0.4% YOY to AED 356 Mn in 9M26, incorporating prudent provisions related to geopolitical risks, flood-related claims and short-term investment market volatility. ADNIC continued to focus on cost efficiency and operational discipline, with an expense ratio of 15.4% in 9M26, 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's consolidated investment income reached AED 228 Mn, up 2.1% YOY in 9M26, supported by higher bond interest income and rental income, alongside robust disposal activity reflecting proactive portfolio management. Strategically, ADNIC's branch in GIFT City, Gujarat, India became fully operational on 1 April 2026, building on the existing cross-border reinsurance business and following the entry into Saudi Arabia, where Mutakamela's business trajectory and positive outlook support revenue diversification. The partnership with Allianz Trade Middle East, in its first year, has added value to product offerings and overall business performance. Looking ahead, ADNIC maintains a positive outlook for the remainder of 2026, supported by the strength of the underlying business and an expected normalization in performance as conditions stabilize. The Company remains focused on supporting the long-term economic visions of the UAE and 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	10.24	10.89	10.26	9.81	8.58	10.28
PB	1.45	1.47	1.39	1.17	1.10	1.34
BVPS	4.967	4.922	5.212	6.174	6.557	6.997
EPS	0.705	0.663	0.704	0.736	0.842	0.910
DPS	0.400	0.400	0.400	0.450	0.470	0.493
Dividend yield	5.5%	5.5%	5.5%	6.1%	6.4%	6.7%

FABS Estimates & Co Data

ADNIC – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch.	QOQ Ch.	2025	2026F	Change
Insurance revenue	2,078	2,199	2,787	2,150	29.6%	34.1%	26.7%	8,254	9,148	10.8%
Insurance service expenses	-1,169	-2,682	-1,649	-2,462	-33.0%	41.1%	-38.5%	-4,523	-8,389	NM
Income from reinsurance contracts	275	1,933	912	1,726	-47.1%	NM	NM	1,226	5,453	NM
Expenses from reinsurance contracts	-1,060	-1,350	-1,904	-1,301	46.4%	NM	41.1%	-4,462	-5,699	27.7%
Insurance Service Result	**124**	**101**	**146**	**113**	**29.1%**	**18.0%**	**44.5%**	**495**	**513**	**3.6%**
Net Investment Income	81	85	78	96	-18.7%	-4.1%	-9.0%	297	309	4.0%
Finance expense from insurance contracts, net	-31	-32	-27	-52	-46.9%	-11.7%	-14.8%	-149	-135	-8.9%
Finance income from reinsurance contracts, net	22	23	20	28	-26.4%	-6.0%	-11.2%	110	95	-13.5%
Net Finance Result	**195**	**177**	**217**	**185**	**17.3%**	**10.9%**	**22.3%**	**753**	**782**	**3.7%**
Other operating expense	-62	-52	-48	-57	-16.2%	-22.5%	-7.4%	-220	-209	-5.3%
Profit Before tax	**134**	**126**	**169**	**128**	**32.2%**	**26.3%**	**34.5%**	**533**	**573**	**7.5%**
Tax expense	-14	-12	-14	-13	11.6%	-2.4%	11.9%	-53	-54	2.2%
Profit for the period	**119**	**113**	**155**	**115**	**34.4%**	**29.7%**	**37.0%**	**480**	**519**	**8.1%**
Non-controlling interest	0	-5	6	-1	NM	NM	NM	5	-16	NM
Profit attributable to shareholders	**119**	**119**	**149**	**116**	**28.2%**	**24.8%**	**25.5%**	**475**	**534**	**12.4%**

FABS estimate & Co Data

ADNIC - Margins

	9M25	1H26	9M26	YOY Ch.
Premium Retention	42.7%	33.7%	31.1%	NM
Net claims ratio	72.0%	74.5%	74.6%	260
Expense ratio[1]	21.4%	20.7%	18.2%	-320
Combined ratio	93.4%	95.2%	92.8%	-60
Net Profit ratio	5.7%	5.2%	5.3%	-45

FABS estimate & Co Data, [1]incl. bad debt, risk adjustment and finance income (expense)

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.
- **1 April 2026:** ADNIC's branch in GIFT City, India, became fully operational with an experienced local team in place, building on the established cross-border reinsurance business in the market.

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	11.24	50.0%	5.62
Dividend Discount Method (DDM)	8.33	25.0%	2.08
Relative Valuation (RV)	6.60	25.0%	1.65
Weighted Average Valuation (AED)			**9.35**
Current market price (AED)			7.34
Upside/Downside (%)			+27%

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 5.4%, beta of 0.90, and equity risk premium of 4.3%. 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)	1,008
Terminal value (AED, Mn)	1,972
Shareholder's equity (As of Sept 2026)	3,426
FV to Common shareholders (AED, Mn)	**6,406**
No. of shares (Mn)	570
Current Market Price (AED)	7.34
Fair Value per share (AED)	**11.24**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net profit	534	594	639	636	672	674
Equity Charge	312	337	366	396	424	455
Excess Equity	**222**	**257**	**273**	**240**	**248**	**219**
Discounting Factor	0.99	0.91	0.83	0.76	0.70	0.64
Present Value of Excess Equity	**55[1]**	**232**	**226**	**182**	**172**	**140**

Source: FAB Securities, [1]Adjusted for partial year

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)	1,563
Terminal value (AED, Mn)	3,184
FV to Common shareholders (AED, Mn)	**4,749**
No. of share (Mn)	570
Current Market Price (AED)	7.34
Fair Value per share (AED)	**8.33**

DDM Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend	281	312	336	334	353	355
Total Dividend	**281**	**312**	**336**	**334**	**353**	**355**
Discounting Factor	*0.99*	*0.91*	*0.83*	*0.76*	*0.69*	*0.64*
Present Value of Dividend	**278**	**283**	**279**	**254**	**245**	**225**

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 2027 PB multiple of 1.0x compared to a peer multiple of 2.9x.

Company	Market (USD Mn)	P/B (x)		P/E (x)	
		2026F	2027F	2026F	2027F
GULF INSURANCE GROUP	385	NA	NA	NA	NA
BUPA	5,712	3.4	3.1	17.7	15.0
COMPANY FOR COOPERATIVE INSURANCE	5,397	3.3	2.8	17.9	14.2
Average		**3.4x**	**2.9x**	**17.8x**	**14.6x**
Median		**3.4x**	**2.9x**	**17.8x**	**14.6x**
Max		**3.4x**	**3.0x**	**17.8x**	**14.8x**
Min		**3.3x**	**2.9x**	**17.7x**	**14.4x**

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

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