

## Ajman Bank PJSC

Impairment reversals supported profitability despite lower operating income

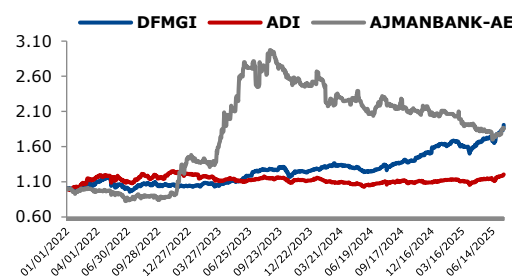
**Current Price**  
AED 1.50

**Target Price**  
AED 1.60

**Upside/Downside (%)**  
+6.7%

**Rating**  
HOLD

- Net advances grew 6.6% YOY and 6.5% QOQ to AED 14.8 Bn in 2Q25, while customer deposits rose 3.5% YOY and 7.9% QOQ to AED 20.0 Bn in 2Q25.
- Cost-to-income ratio rose 680 bps YOY to 48.0% in 2Q25.
- NPL ratio declined from 12.3% in 2Q24 to 10.2% in 2Q25, while stage 2 loans as a percentage of total loans fell from 10.5% in 1Q25 to 7.6% in 2Q25.
- Return ratio improved, as calculated ROAA and ROAE stood at 1.7% and 14.1% in 2Q25 compared to negative 1.2% and negative 10.0% in 2Q24.



### Stock Information

Market Cap (AED, Mn)	4,085.21
Paid Up Capital (Mn)	2,689.02
52 Week High	1.92
52 Week Low	1.32
3M Avg. daily value(AED)	6,893,409

### 2Q25 Result Review (AED, Mn)

Total Assets	26,633
Total Liabilities	23,409
Total Equity	3,224
Total Deposits	19,977
Net Profit	110

Dividend Yield (12m)	4.9
Dividend Pay-out (%)	48.72
Price-Earnings Ratio(x)	11.49
Price-to-Book Ratio (x)	1.48
Book Value (AED)	1.16
Return-on Equity (%)	13.85

### Stock Performance

5 Days	-1.96%
1 Months	4.90%
3 Months	-3.23%
6 Months	-13.79%
1 Year	-21.05%
Month to Date (MTD%)	2.04%
Quarter to Date (QTD%)	2.04%
Year to Date (YTD%)	-12.28%

### 2Q25 Net Profit higher than our estimate

Ajman Bank (AJMANBANK/ the Bank) recorded a net profit growth of 2.1% YOY to AED 110 Mn in 2Q25, surpassing our forecast of AED 69 Mn. The growth in net profit is primarily due to reversals in impairments, partially offset by a decline in net funded and non-funded income, as well as growth in tax charges.

### P&L Highlights

Ajman Bank's funded income declined 5.9% YOY to AED 281 Mn in 2Q25, mainly due to lower asset yield, partially offset by a growth in interest earnings assets. Funded expenses grew 4.2% YOY to AED 187 Mn in 2Q25. Thus, net funded income fell 21.1% YOY to AED 94 Mn in 2Q25. Calculated NIMs also contracted 75 bps YOY and 7 bps QOQ to 1.9% during 2Q25, primarily due to elevated funding costs. The Bank's fees and commission income declined 24.9% YOY to AED 60 Mn in 2Q25, whereas income from investment securities increased 33.2% YOY to AED 47 Mn in 2Q25. Thus, total non-funded income declined 6.9% YOY to AED 107 Mn in 2Q25. Total operating income fell 14.1% YOY to AED 200 Mn in 2Q25. Furthermore, operating expenses remained relatively stable at AED 96 Mn in 2Q25, compared to 2Q24. However, the calculated cost-to-income ratio grew 680 bps YOY to 48.0% in 2Q25. AJMANBANK witnessed an impairment reversal of AED 16 Mn in 2Q25 compared to impairment charges of AED 22 Mn in 2Q24. Income tax expenses rose 35.2% YOY to AED 10 Mn in 2Q25.

### Balance Sheet Highlights

Total assets also increased 9.9% YOY and 8.7% QOQ to AED 26.6 Bn in 2Q25, mainly due to an increase cash and bank balance, net advances and investment portfolio. Ajman Bank's net advances rose 6.6% YOY and 6.5% QOQ to AED 14.8 Bn in 2Q25. The Bank's

customer deposits grew 3.5% YOY and 7.9% QOQ to AED 20.0 Bn in 2Q25. Out of the total deposits, current account deposits rose 1.6% QOQ to AED 4.9 Bn, while savings account deposits fell 2.8% QOQ to AED 516 Mn in 2Q25. Moreover, CASA deposits as a percentage of total deposits stood at 27.2% in 2Q25. The Bank's headline loan-to-deposits ratio declined from 75.2% in 1Q25 to 74.2% in 2Q25. Additionally, Ajman Bank's total equity grew 11.9% YOY and 4.8% QOQ to AED 3.2 Bn in 2Q25.

### Target Price and Rating

We maintain our HOLD rating on AJMANBANK with a target price of AED 1.60. AJMANBANK reported an improved profitability driven by impairment reversals during 2Q25. The Bank's core income declined during the quarter, primarily due to higher funding costs. However, the Bank recorded robust loan growth, with net advances rising by 6.6% YOY and 6.5% QOQ to AED 14.8 Bn in 2Q25. Customer deposits also grew 3.5% YOY and 7.9% QOQ to AED 20.0 Bn in 2Q25, with CASA ratio accounting for 27.2% of total deposits in 2Q25. The Bank's calculated NIMs declined 75 bps YOY and 7 bps QOQ to 1.9% in 2Q25. Despite flat growth in total operating expenses during 2Q25, the Bank's cost-to-income ratio increased 680 bps YOY and 117 bps QOQ to 48.0% in 2Q25, reflecting pressure on operating efficiency. The Bank further remains committed to enhancing its cost structure and improving efficiency going forward. Furthermore, AJMANBANK's asset quality continued to improve, supported by a sustained decline in the NPL ratio over the past few quarters. NPL ratio declined from 11.3% in 1Q25 to 10.2% in 2Q25. Calculated provision coverage ratio declined from 48.6% in 1Q25 to 46.4% in 2Q25. However, Stage 2 loans as a percentage of total loans declined from 10.5% in 1Q25 to 7.6% in 2Q25, indicating an improvement in credit quality. AJMANBANK also maintained healthy capitalization with a Tier 1 ratio of 16.1% and total CAR of 17.3% in 2Q25, both above the regulatory requirements. The Bank return ratio also improved, as calculated ROAA and ROAE stood at 1.7% and 14.1% in 2Q25 compared to negative 1.2% and negative 10.0% in 2Q24, reflecting a significant turnaround in profitability. Thus, based on our analysis, we maintain our HOLD rating on the stock.

#### AJMAN BANK - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	69.71	32.05	22.97	NM	10.21	10.03
P/B (x)	1.49	1.41	1.48	1.55	1.33	1.24
BVPS	1.022	1.076	1.027	0.982	1.143	1.224
EPS	0.022	0.047	0.066	NA	0.149	0.152
DPS	NA	NA	NA	NA	0.073	0.073
Dividend Yield	NA	NA	NA	NA	4.9%	4.9%

FABS Estimates & Co Data

**AJMAN BANK – P&L**

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	298	254	281	254	10.3%	-5.9%	10.4%	1,172	1,148	-2.1%
Funded expenses	-179	-165	-187	-161	16.0%	4.2%	13.3%	-765	-760	-0.6%
<b>Net funded income</b>	<b>119</b>	<b>89</b>	<b>94</b>	<b>93</b>	<b>0.6%</b>	<b>-21.1%</b>	<b>5.0%</b>	<b>407</b>	<b>388</b>	<b>-4.8%</b>
Fees and commissions	79	70	60	60	-0.6%	-24.9%	-15.5%	191	259	36.0%
Income from Invest. Securities	35	39	47	40	18.1%	33.2%	19.8%	138	185	34.1%
<b>Total non-funded income</b>	<b>115</b>	<b>110</b>	<b>107</b>	<b>100</b>	<b>6.9%</b>	<b>-6.9%</b>	<b>-2.8%</b>	<b>329</b>	<b>410</b>	<b>24.8%</b>
<b>Total operating income</b>	<b>233</b>	<b>199</b>	<b>200</b>	<b>193</b>	<b>3.9%</b>	<b>-14.1%</b>	<b>0.7%</b>	<b>736</b>	<b>760</b>	<b>3.2%</b>
Operating expenses	-96	-93	-96	-95	1.3%	0.0%	3.2%	-370	-400	8.2%
<b>Pre provision profit</b>	<b>137</b>	<b>106</b>	<b>104</b>	<b>98</b>	<b>6.4%</b>	<b>-24.1%</b>	<b>-1.5%</b>	<b>367</b>	<b>433</b>	<b>18.1%</b>
Impairment	-22	39	16	-22	NM	NM	-58.5%	73	15	NM
<b>Profit before tax</b>	<b>116</b>	<b>145</b>	<b>120</b>	<b>76</b>	<b>59.3%</b>	<b>4.2%</b>	<b>-17.0%</b>	<b>440</b>	<b>448</b>	<b>1.8%</b>
Corporate tax	-7	-10	-10	-7	47.9%	35.2%	-3.4%	-39	-40	2.9%
<b>Profit for the period</b>	<b>108</b>	<b>135</b>	<b>110</b>	<b>69</b>	<b>60.5%</b>	<b>2.1%</b>	<b>-18.0%</b>	<b>401</b>	<b>407</b>	<b>1.7%</b>

*FABS estimate & Co Data*
**AJMAN BANK – KPI**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	50.9%	44.8%	46.7%	-414	193	55.3%	46.6%	-873
NIM's	2.6%	1.9%	1.9%	-75	-7	2.2%	2.0%	-19
NIS	2.9%	2.2%	2.0%	-95	-20	2.4%	2.0%	-37
Fees & comms/OI	33.9%	35.4%	29.7%	-424	-568	25.9%	31.2%	525
Invst Securities/OI	15.2%	19.8%	23.6%	838	375	18.8%	22.2%	348
Cost to income	41.2%	46.8%	48.0%	680	117	50.2%	48.0%	-219
Impairment/PPP	15.8%	-37.2%	-15.7%	NM	NM	-20.0%	-3.4%	1,655
NP/OI	46.4%	67.7%	55.1%	877	-1,258	54.4%	48.9%	-550
Cost of risk	0.6%	-1.1%	-0.4%	NM	67	-0.5%	-0.1%	42
Loan-to-deposit	72.0%	75.2%	74.2%	218	-96	71.8%	74.0%	225
NPL (Calculated)	12.3%	11.3%	10.2%	-213	-111	11.4%	9.8%	-163
Coverage excl. collateral (Calculated)	35.1%	48.6%	46.4%	1,124	-227	53.6%	48.0%	-565
Tier 1	16.4%	17.0%	16.1%	-27	-89	18.0%	16.3%	-168
Capital adequacy	17.5%	18.2%	17.3%	-26	-88	19.1%	17.2%	-186
ROAA	-1.2%	1.8%	1.7%	285	-11	1.7%	1.6%	-7
ROAE	-10.0%	14.6%	14.1%	2,412	-55	13.8%	12.6%	-121

*FABS estimate & Co Data*
**AJMAN BANK - Key B/S items**

AED Mn	2Q24	3Q24	4Q24	1Q25	2Q25F	YOY Ch
Net advances	13,906	13,404	12,959	13,915	14,825	6.6%
QOQ change	6.1%	-3.6%	-3.3%	7.4%	6.5%	
Total assets	24,235	24,440	22,854	24,497	26,633	9.9%
QOQ change	5.0%	0.8%	-6.5%	7.2%	8.7%	
Customer deposits	19,306	19,310	18,062	18,511	19,977	3.5%
QOQ change	4.7%	0.0%	-6.5%	2.5%	7.9%	
Total equity	2,881	3,025	3,112	3,077	3,224	11.9%
QOQ change	4.2%	5.0%	2.9%	-1.1%	4.8%	

*FABS estimate & Co Data*

## Valuation:

We use the Residual Income and Relative Valuation (RV) method to value AJMANBANK. We have assigned 70% weight to Residual Income and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	1.62	70.0%	1.13
Relative Valuation (RV)	1.57	30.0%	0.47
<b>Weighted Average Valuation (AED)</b>			<b>1.60</b>
Current market price (AED)			1.50
Upside/Downside (%)			+6.7%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.5%. Cost of equity is calculated by using the 10-year government bond yield of 5.6%, the beta of 0.68 and the equity risk premium of 4.2%. Government bond yield is calculated after adding the Dubai 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	445
Terminal value (AED, Mn)	<b>682</b>
Book Value of Equity (as of June 2025)	3,224
<b>FV to Common shareholders (AED, Mn)</b>	<b>4,351</b>
No. of share (Mn)	2,690
Current Market Price (AED)	1.50
<b>Fair Value per share (AED)</b>	<b>1.62</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	407	428	410	392	361
(-) Equity Charge	-246	-263	-277	-289	-297
<b>Excess Equity</b>	<b>161</b>	<b>166</b>	<b>133</b>	<b>102</b>	<b>64</b>
Discounting Factor	0.94	0.87	0.80	0.74	0.68
<b>Present Value of Excess Equity</b>	<b>76<sup>1</sup></b>	<b>144</b>	<b>107</b>	<b>75</b>	<b>43</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 2) Relative Valuation:

We have used local peers to value AJMANBANK, and it is valued using the PB multiple. It is valued at a 2025 PB multiple of 1.3x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Emirates NBD	41,615	7.1	7.4	1.2	1.0	4.3%	4.5%
Mashreq Bank	13,214	7.0	6.8	1.3	1.2	7.2%	8.3%
RAK Bank	4,009	6.7	7.4	1.2	1.1	7.4%	6.6%
Sharjah Islamic Bank	2,458	NA	9.1	NA	1.1	NA	NA
Abu Dhabi Commercial Bank	28,251	11.3	10.4	1.5	1.3	4.3%	4.6%
<b>Average</b>		<b>8.0x</b>	<b>8.2x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>5.8%</b>	<b>6.0%</b>
<b>Median</b>		<b>7.0x</b>	<b>7.4x</b>	<b>1.3x</b>	<b>1.1x</b>	<b>5.7%</b>	<b>5.6%</b>
<b>Max</b>		<b>8.2x</b>	<b>9.1x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>7.2%</b>	<b>7.0%</b>
<b>Min</b>		<b>6.9x</b>	<b>7.4x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>4.3%</b>	<b>4.6%</b>

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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