First Look Note | 2Q26

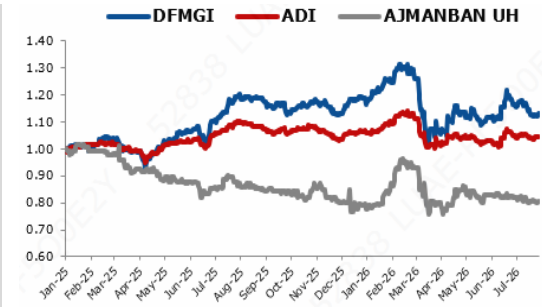
UAE Equity Research   Sector: Banking   Market: DFM

Ajman Bank PJSC

Strong financing growth supported profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.37	AED 1.80	+31.4%	BUY

- Net advances rose 32.8% YOY and 1.2% QOQ to AED 19.7 Bn in 2Q26, reflecting an increase in the Bank's financing activities.
- Calculated cost of risk normalised to 0.2% in 2Q26 from negative 0.4% in both 2Q25 and 1Q26, which Bank attributed to routine IFRS 9 Stage 1 provisioning on a growing financing book rather than any credit deterioration.
- Impairments reversal increased from AED 16 Mn in 2Q25 to AED 24 Mn in 2Q26.
- Net profit margin rose by 16 bps YOY to 2.4% in 2Q26, reflecting lower cost of funding.
- Subsequent to the 2Q26 end, in July 2026, Bank successfully completed its inaugural USD 300 Mn Additional Tier 1 perpetual Sukuk issuance.



Stock Information	
Market Cap (AED, Mn)	3,758.43
Paid Up Capital (Mn)	2,723.50
52 Week High	1.66
52 Week Low	1.28
3M Avg. daily value(AED)	1,445,424

2Q26 Result Review (AED, Mn)	
Total Assets	33,865
Total Liabilities	30,450
Total Equity	3,416
Total Deposits	22,875
Net Profit	117

Dividend Yield (12m)	6.65
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	7.49
Price-to-Book Ratio (x)	1.10
Book Value (AED)	1.25
Return-on Equity (%)	15.11

Stock Performance	
5 Days	0.00%
1 Months	-1.43%
3 Months	-6.12%
6 Months	-7.38%
1 Year	-7.38%
Month to Date (MTD%)	-1.43%
Quarter to Date (QTD%)	-1.43%
Year to Date (YTD%)	3.76%

2Q26 Net Profit in line with our estimate

Ajman Bank (AJMANBANK/ the Bank) net profit increased 5.8% YOY to AED 117 Mn in 2Q26, in line with our estimates of AED 119 Mn. The growth in net profit is largely driven by growth in funded and non-funded income coupled with increase in impairment reversal, partially offset by higher funded expenses, operating expenses and corporate tax.

P&L Highlights

Ajman Bank's funded income grew 13.2% YOY to AED 318 Mn in 2Q26, driven by growth in interest earning assets, partially offset by a decline in asset yield. Funded expenses rose by 18.5% YOY to AED 222 Mn in 2Q26 driven by growth in customer deposits and amounts due to banks and other financial institutions. As a result, net funded income increased 2.8% YOY to AED 96 Mn in 2Q26. Calculated NIM contracted 37 bps YOY and 6 bps QOQ to 1.5% in 2Q26. The Bank's fees and commission income declined by 19.3% YOY to AED 48 Mn in 2Q26, while income from investment securities increased significantly from AED 47 Mn in 2Q25 to AED 71 Mn in 2Q26. Thus, total non-funded income increased from AED 107 Mn in 2Q25 to AED 119 Mn in 2Q26. As a result, the total operating income increased from AED 200 Mn in 2Q25 to AED 216 Mn in 2Q26. Furthermore, operating expenses increased by 15.5% YOY to AED 111 Mn in 2Q26. Thus, the pre provision profit remained stable at AED 104 Mn in 2Q26 as compared to 2Q25. However, the cost-to-income ratio deteriorated from 48.0% in 2Q25 to 51.5% in 2Q26. Impairments reversal increased from AED 16 Mn in 2Q25 to AED 24 Mn in 2Q26. Thus, the profit before tax increased from AED 120 Mn in 2Q25 to AED 129 Mn in 2Q26. Additionally, income tax expenses increased 16.3% YOY to AED 12 Mn in 2Q26. Thus, net profit grew 5.8% YOY to AED 117 Mn in 2Q26.

Balance Sheet Highlights

Total assets increased 27.2% YOY and 3.2% QOQ to AED 33.9 Bn in 2Q26. Ajman Bank's net advances rose 32.8% YOY and 1.2% QOQ to AED 19.7 Bn in 2Q26, reflecting an increase in the Bank's financing activities. The Bank's customer deposits grew 14.5% YOY, but declined 5.0% QOQ to AED 22.9 Bn in 2Q26. Within deposits, current account deposits rose 2.5% YOY, however declined 10.6% QOQ to AED 5.1 Bn in 2Q26, and savings account deposits decreased 3.5% YOY and 6.2% QOQ to AED 498 Mn in 2Q26. Moreover, CASA deposits stood at 32.9% in 2Q26 as compared to 32.7% in 1Q26. The Bank's headline loan-to-deposits ratio increased to 86.1% in 2Q26 from 80.8% in 1Q26. Additionally, Ajman Bank's total equity post non-controlling interest grew 5.9% YOY and 6.6% QOQ to AED 3.4 Bn in 2Q26.

Target Price and Rating

We maintain BUY rating on AJMANBANK with a target price of AED 1.80. AJMANBANK delivered another quarter of resilient financial performance in 2Q26, supported by continued expansion in its financing portfolio and healthy growth in non-funded income. Net profit increased 5.8% YOY to AED 117 Mn in 2Q26, driven by higher net funded income and stronger non-funded income coupled with a higher impairment reversal. AJMANBANK continued to deliver healthy balance sheet growth during 2Q26, with net advances increasing 32.8% YOY and 1.2% QOQ to AED 19.7 Bn, reflecting sustained expansion in financing activities. Total assets grew 27.2% YOY and 3.2% QOQ to AED 33.9 Bn in 2Q26, while customer deposits increased 14.5% YOY but declined 5.0% QOQ to AED 22.9 Bn, which the Bank attributed to a deliberate strategy of deploying excess liquidity into customer financing rather than central bank placements and CDs. Accordingly, the Bank revised its 2026 deposit growth guidance down to low double digits (>10%) from above 15% and now guides to single-digit to low-double-digit growth (>15%) in the customer financing portfolio over the remainder of the year. The Bank maintained a stable funding profile, with the CASA ratio improving marginally to 32.9% in 2Q26 from 32.7% in 1Q26, and Bank targeting a CASA share of 35% supported by the 1Q26 launch of corporate and retail digital banking platforms. Asset quality continued to improve during 2Q26, with the calculated NPF ratio declining to 6.2% in 2Q26 from 7.7% in 1Q26, while the calculated provision coverage ratio strengthened to 47.6% in 2Q26 from 43.2% in 1Q26. The Bank disclosed a Stage 3 NPF ratio of 5.3% as of 2Q26 compared to 8.5% in 2Q25, alongside a reduction in Stage 2 assets to 4.9% from 7.0%, with Bank guiding to an NPF ratio below 5.5% by year-end on continued recoveries and progress on resolution of the legacy non-performing book. The calculated cost of risk normalised to 0.2% in 2Q26 from negative 0.4% in both 2Q25 and 1Q26, which Bank attributed to routine IFRS 9 Stage 1 provisioning on a growing financing book rather than any credit deterioration; also noted that deferments granted under the CBUAE financial resilience package amounted to c. 0.5% of the total financing book, with 90-95% expected to be recovered. The Bank remained well capitalized, with a Capital Adequacy Ratio of 14.1% and a Tier 1 capital ratio of 13.0% in 2Q26, while ROAE stood at 15.1% and ROAA remained stable at 1.7%, demonstrating the Bank's ability to sustain healthy profitability despite a moderating benchmark rate environment. Furthermore, the Bank continues to invest in automation and digitalisation initiatives to enhance operational efficiency and support sustainable long-term growth, with Bank guiding the cost-to-income ratio towards 35-40% over the next two to three years and medium-term ROAE settling around 15%. Subsequent to the 2Q26 end, in July 2026, Bank successfully completed its inaugural USD 300 Mn Additional Tier 1 perpetual Sukuk issuance, lifting total capital to AED 4.5 Bn from AED 3.5 Bn and taking the Capital Adequacy Ratio to a guided c. 15.5%, strengthening its capital position and supporting future growth initiatives while enhancing its presence in regional and international capital markets. The Bank continues to focus on disciplined growth, diversified income generation, prudent risk management and operational efficiency to deliver sustainable financial performance. Thus, based on our analysis, we maintain our BUY rating on the stock.

AJMAN BANK - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	28.89	20.70	NM	9.21	7.41	7.61
P/B (x)	1.27	1.33	1.31	1.19	1.07	1.02
BVPS	1.076	1.027	1.046	1.156	1.284	1.337
EPS	0.047	0.066	NA	0.149	0.185	0.180
DPS	NA	NA	NA	0.073	0.092	0.089
Dividend Yield	NA	NA	NA	5.3%	6.7%	6.5%

FABS Estimates & Co Data

AJMAN BANK – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	281	321	318	331	-4.0%	13.2%	-1.0%	1,127	1,344	19.3%
Funded expenses	-187	-221	-222	-224	-1.2%	18.5%	0.2%	-750	-879	17.1%
Net funded income	**94**	**100**	**96**	**107**	**-9.8%**	**2.8%**	**-3.4%**	**376**	**465**	**23.6%**
Fees and commissions	60	63	48	69	-30.9%	-19.3%	-24.0%	262	241	-8.0%
Income from Invest. Securities	47	59	71	59	21.1%	51.0%	20.8%	261	289	10.9%
Total non-funded income	**107**	**122**	**119**	**128**	**-7.1%**	**11.8%**	**-2.3%**	**522**	**530**	**1.4%**
Total operating income	**200**	**222**	**216**	**235**	**-8.3%**	**7.6%**	**-2.8%**	**899**	**995**	**10.7%**
Operating expenses	-96	-108	-111	-109	2.3%	15.5%	3.0%	-412	-446	8.0%
Pre provision profit	**104**	**114**	**104**	**126**	**-17.4%**	**0.3%**	**-8.3%**	**486**	**549**	**13.0%**
Impairment	16	20	24	4	494.0%	47.6%	19.3%	62	-14	NM
Profit before tax	**120**	**134**	**129**	**130**	**-1.5%**	**6.7%**	**-4.2%**	**548**	**535**	-2.4%
Corporate tax	-10	-5	-12	-12	-0.3%	16.3%	155.0%	-48	-48	-0.4%
Profit for the period	**110**	**130**	**117**	**119**	**-1.6%**	**5.8%**	**-9.8%**	**500**	**487**	**-2.6%**

FABS estimate & Co Data

AJMAN BANK – KPI

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	46.7%	44.9%	44.6%	-207	-28	41.9%	46.8%	488
NIM	1.9%	1.6%	1.5%	-37	-6	1.7%	1.7%	0
NIS	2.0%	1.7%	1.7%	-31	-3	1.9%	1.9%	0
Fees & comms/OI	29.7%	28.5%	22.3%	-743	-620	29.1%	24.2%	-493
Invt Securities/OI	23.6%	26.6%	33.1%	951	648	29.0%	29.0%	5
Cost to income	48.0%	48.6%	51.5%	354	291	45.9%	44.8%	-111
Impairment/PPP	-15.7%	-17.7%	-23.1%	-739	-533	-12.8%	2.6%	NM
NP/OI	55.1%	58.4%	54.2%	-91	-420	55.6%	49.0%	-669
Cost of risk	-0.4%	-0.4%	0.2%	66	65	-0.4%	0.3%	64
Loan-to-deposit	74.2%	80.8%	86.1%	NM	532	74.7%	75.0%	34
NPL (Calculated)	10.2%	7.7%	6.2%	-401	-153	8.3%	5.5%	-278
Coverage excl. collateral (Calculated)	46.4%	43.2%	47.6%	122	437	45.1%	46.5%	141
Tier 1	16.1%	12.6%	13.0%	-318	34	12.9%	14.4%	156
Capital adequacy	17.3%	13.8%	14.1%	-318	33	14.1%	15.8%	170
ROAA	1.7%	1.7%	1.7%	-3	-7	1.8%	1.4%	-37
ROAE	14.1%	15.8%	15.1%	101	-66	15.2%	13.7%	-149

FABS estimate & Co Data

AJMAN BANK - Key B/S items

AED Mn	2Q25	3Q25	4Q25	1Q26	2Q26	YOY Ch
Net advances	14,825	15,207	17,730	19,454	19,693	32.8%
QOQ change	6.5%	2.6%	16.6%	9.7%	1.2%	
Total assets	26,633	28,033	32,863	32,829	33,865	27.2%
QOQ change	8.7%	5.3%	17.2%	-0.1%	3.2%	
Customer deposits	19,977	20,562	23,746	24,084	22,875	14.5%
QOQ change	7.9%	2.9%	15.5%	1.4%	-5.0%	
Total equity	3,224	3,370	3,472	3,204	3,416	5.9%
QOQ change	4.8%	4.5%	3.0%	-7.7%	6.6%	

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	1.85	70.0%	1.29
Relative Valuation (RV)	1.71	30.0%	0.51
Weighted Average Valuation (AED)			**1.80**
Current market price (AED)			1.37
Upside/Downside (%)			+31%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.2%. Cost of equity is calculated by using the 10-year government bond yield of 5.1%, the beta of 0.68 and the equity risk premium of 4.5%. 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)	451
Terminal value (AED, Mn)	1,155
Book Value of Equity (as of Jun 2025)	3,410
FV to Common shareholders (AED, Mn)	**5,016**
No. of share (Mn)	2,717
Current Market Price (AED)	1.37
Fair Value per share (AED)	**1.85**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	487	434	424	449	455
(-) Equity Charge	-285	-299	-314	-331	-351
Excess Equity	**202**	**135**	**109**	**117**	**104**
Discounting Factor	0.92	0.85	0.79	0.73	0.67
Present Value of Excess Equity	**93**[1]	**115**	**86**	**86**	**70**

Source: FAB Securities [1]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 2026 PB multiple of 1.3x in line with peers.

Company	Market	P/E (x)		P/B (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Emirates NBD	52,727	8.5	7.7	1.3	1.1	3.3%	3.7%
Mashreq Bank	14,146	7.6	7.0	1.3	1.2	4.0%	NA
RAK Bank	4,967	6.4	8.6	1.1	1.3	7.8%	5.7%
Sharjah Islamic Bank	2,564	8.6	NA	1.1	NA	7.6%	NA
Abu Dhabi Commercial Bank	30,953	10.0	8.9	1.3	1.2	4.5%	4.8%
Average		**8.2x**	**8.1x**	**1.2x**	**1.2x**	**5.4%**	**4.8%**
Median		**8.5x**	**8.2x**	**1.3x**	**1.2x**	**4.5%**	**4.8%**
Max		**8.6x**	**8.7x**	**1.3x**	**1.2x**	**7.6%**	**5.3%**
Min		**7.6x**	**7.5x**	**1.1x**	**1.2x**	**4.0%**	**4.3%**

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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