

## Ajman Bank PJSC

Large impairment reversal drove profitability

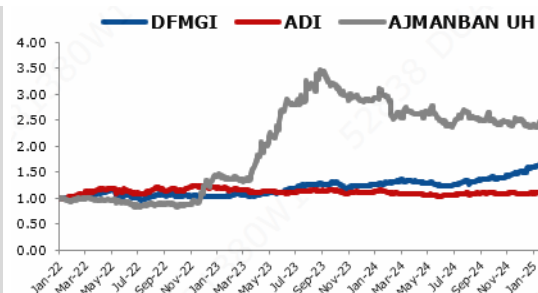
**Current Price**  
AED 1.69

**Target Price**  
AED 1.60

**Upside/Downside (%)**  
-5%

**Rating**  
HOLD

- Net advances declined 5.9% YOY and 3.3% QOQ to AED 13.0 Bn in 4Q24, while customer deposits declined 8.4% YOY and 6.5% QOQ at AED 18.1 Bn in 4Q24
- NIMs fell QOQ to 1.6% in 4Q24 due to the higher cost of funds
- Calculated NPL declined from 11.8% in 3Q24 to 11.4% in 4Q24, with an increase in calculated coverage ratio from 38.9% in 3Q24 to 53.6% in 4Q24
- Capitalization declined marginally on a QOQ basis with a Tier 1 ratio of 18.0% and a total CAR ratio of 19.1% in 4Q24
- Proposed a cash dividend of AED 0.0725 per share from 2024 amounting to AED 197 Mn with a dividend yield of 4.2%



### Stock Information

Market Cap (AED, mn)	4,629.95
Paid Up Capital (mn)	2,723.50
52 Week High	2.10
52 Week Low	1.66
3M Avg. daily value(AED)	7,968,442

### 4Q24 Result Review (AED, mn)

Total Assets	22,854
Total Liabilities	19,743
Total Equity	3,112
Total Deposits	18,062
Net Profit	111

### Financial Ratios

Dividend Yield (12m)	4.3%
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	11.28
Price-to-Book Ratio (x)	1.49
Book Value (AED)	1.14
Return-on Equity (%)	13.85

### Stock Performance

5 Days	-1.73%
1 Months	0.00%
3 Months	-2.30%
6 Months	-10.53%
1 Year	-18.66%
Month to Date (MTD%)	-0.58%
Quarter to Date (QTD%)	-0.58%
Year to Date (YTD%)	-0.58%

### 4Q24 Net Profit higher than our estimate

Ajman Bank (AJMANBANK/ the Bank) recorded a net profit of AED 111 Mn in 4Q24 from a loss of AED 303 Mn in 4Q23, surpassing our forecast of AED 70 Mn. The growth in net profit is mainly attributable to an increase in non-funded income, a decline in operating expenses, and impairments partially offset by a fall in net funded income and higher corporate tax.

### P&L Highlights

Ajman Bank's funded income declined 22.6% YOY to AED 257 Mn in 4Q24, mainly due to a decline in net advances and lower asset yield. Funded expenses declined 15.2% YOY to AED 182 Mn in 4Q24 due to a reduction in deposits. Thus, net funded income fell 36.1% YOY to AED 75 Mn in 4Q24. Moreover, fees and commission income declined 48.1% YOY to AED 24 Mn in 4Q24, whereas income from investment securities significantly fell from AED 79 Mn in 4Q23 to AED 22 Mn in 4Q24. Thus, total non-funded income grew 23.7% YOY to AED 45 Mn in 4Q24. Share of results of associates stood at AED 89 Mn in 4Q23 compared to nil in 4Q24. Thus, total non-funded income increased 23.7% YOY to AED 45 Mn in 4Q24. Total operating income declined 21.8% YOY to AED 120 Mn in 4Q24. Furthermore, operating expenses fell 10.5% YOY to AED 84 Mn in 4Q24. However, the cost-to-income ratio increased from 60.7% in 4Q23 to 69.5% in 4Q24. Ajman Bank witnessed an impairment reversal of AED 90 Mn in 4Q24 from an impairment charge of AED 363 Mn in 4Q23. Income tax expense amounted to AED 16 Mn in 4Q24 compared to nil in 4Q23.

### Balance Sheet Highlights

Ajman Bank's net advances declined 5.9% YOY and 3.3% QOQ to AED 13.0 Bn in 4Q24. Total assets fell 8.3% YOY and 6.5% QOQ to AED 22.9 Bn in 4Q24. The Bank's customer deposits declined 8.4% YOY

and 6.5% QOQ to AED 18.1 Bn in 4Q24. Out of the total deposits, current account deposits declined 9.4% QOQ to AED 4.4 Bn, while savings account deposits grew 3.0% QOQ to AED 468 Mn in 4Q24. Moreover, CASA deposits as a percentage of total deposits stood at 26.7% in 4Q24 compared to 27.3% in 3Q24. The Bank's headline loan-to-deposits ratio increased from 69.4% in 3Q24 to 71.8% in 4Q24. Additionally, Ajman Bank's total equity grew 16.3% YOY and 2.9% QOQ to AED 3.1 Bn in 4Q24.

### Target Price and Rating

We revise our rating from SELL to HOLD on AJMANBANK with a revised target price of AED 1.60. AJMANBANK reported a significant growth in profitability owing to an impairment reversal in 4Q24. The Bank's Loan to Deposit ratio improved from 69.4% in 3Q24 to 71.8% in 4Q24. The bank continued to diversify its portfolio, reducing the risk-weighted real estate concentration by 7.3%, while boosting its exposure to high-quality assets across different sectors. NIMs fell 71 bps QOQ to 1.6% in 4Q24 due to the higher cost of funds. The Bank's cost-to-income ratio increased 878 bps YOY to 69.5% in 4Q24, mainly due to a decline in operating income. AJMANBANK's asset quality improved as the reported NPL ratio decreased from 13.8% to 9.9%, primarily due to the successful resolution of 31% of nonperforming exposures, which also contributed to the bank recovering 19.6% of its specific provisions. Calculated provision coverage ratio rose from 38.9% in 3Q24 to 53.6% in 4Q24. AJMANBANK's Tier 1 ratio stood at 18.0% and CAR stood at 19.1% in 4Q24. The Bank proposed a cash dividend of AED 0.0725 per share from 2024 amounting to AED 197 Mn with a dividend yield of 4.2%. Despite all the positive developments, such as a reduction in operating expenses and improvement in NPLs, the overall decline in core income and fee-based revenue highlights some significant challenges. The increase in the cost-to-income ratio further underlines the pressure on profitability in this quarter. The Bank trades at a 2025 P/B ratio of 1.5x as compared to its peer average of 1.2x, rendering the stock expensive. Hence, we assign HOLD rating on the stock.

#### AJMAN BANK - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	77.97	35.84	25.69	NM	10.41	15.1
PB	1.66	1.58	1.66	1.73	1.49	1.5
Dividend yield	NM	NM	NM	NM	4.3%	4.3%

FABS Estimates & Co Data

#### AJMAN BANK - P&L

AED mn	4Q23	3Q24	4Q24	4Q24F	VAR	YOY Ch	QOQ Ch	2023	2024	Change
Funded income	331	309	257	316	-18.9%	-22.6%	-17.0%	1,210	1,172	-3.1%
Funded expenses	-214	-198	-182	-198	-8.3%	-15.2%	-8.4%	-702	-765	8.9%
<b>Net funded income</b>	<b>117</b>	<b>111</b>	<b>75</b>	<b>118</b>	<b>-36.6%</b>	<b>-36.1%</b>	<b>-32.3%</b>	<b>508</b>	<b>407</b>	<b>-19.8%</b>
Fees and commissions	46	41	24	49	-51.4%	-48.1%	-42.0%	180	191	6.0%
Income from Invest. Securities	79	36	22	45	-52.6%	-72.8%	-40.2%	170	138	-18.7%
Share of result of associate	-89	0	0	0	NM	NM	NM	-89	0	NM
<b>Total non-funded income</b>	<b>37</b>	<b>77</b>	<b>45</b>	<b>95</b>	<b>-52.0%</b>	<b>23.7%</b>	<b>-41.2%</b>	<b>261</b>	<b>329</b>	<b>26.0%</b>
<b>Total operating income</b>	<b>154</b>	<b>188</b>	<b>120</b>	<b>213</b>	<b>-43.5%</b>	<b>-21.8%</b>	<b>-36.0%</b>	<b>769</b>	<b>736</b>	<b>-4.2%</b>
Operating expenses	-93	-99	-84	-97	-13.8%	-10.5%	-15.5%	-370	-370	-0.1%
<b>Pre provision profit</b>	<b>60</b>	<b>89</b>	<b>37</b>	<b>116</b>	<b>-68.3%</b>	<b>-39.3%</b>	<b>-58.7%</b>	<b>399</b>	<b>367</b>	<b>-8.1%</b>
Impairment	-363	-9	90	-33	NM	NM	NM	-789	73	NM
<b>Profit before tax</b>	<b>-303</b>	<b>80</b>	<b>127</b>	<b>82</b>	<b>54.2%</b>	<b>NM</b>	<b>58.6%</b>	<b>-390</b>	<b>440</b>	<b>NM</b>
Corporate tax	0	-6	-16	-12	28.9%	NM	NM	0	-39	NM
<b>Profit for the period</b>	<b>-303</b>	<b>74</b>	<b>111</b>	<b>70</b>	<b>58.7%</b>	<b>NM</b>	<b>50.1%</b>	<b>-390</b>	<b>401</b>	<b>NM</b>

FABS estimate & Co Data

**AJMAN BANK – KPI**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Net FI/OI	76.1%	58.9%	62.2%	-1,391	334	66.0%	55.3%	-1,071
NIM	2.3%	2.3%	1.6%	-71	-71	2.8%	2.2%	-61
NIS	2.6%	2.5%	1.8%	-75	-73	3.0%	2.4%	-62
Fees & comms/OI	29.9%	21.9%	19.9%	-1,005	-207	23.4%	25.9%	249
Invst Securities/OI	51.6%	19.2%	17.9%	-3,370	-127	22.1%	18.8%	-333
Cost to income	60.7%	52.7%	69.5%	878	1,681	48.1%	50.2%	209
Impairment/PPP	601.5%	9.9%	-246.2%	NM	NM	197.9%	-20.0%	NM
NP/OI	NM	39.4%	92.4%	NM	5,297	NM	54.4%	NM
Cost of risk	9.8%	0.2%	-2.6%	-1,240	-284	5.7%	-0.5%	-625
Loan-to-deposit	69.8%	69.4%	71.8%	191	234	69.8%	71.8%	191
NPL (Calculated)	16.1%	11.8%	11.4%	-463	-34	16.1%	11.4%	-463
Coverage excl. collateral (Calculated)	27.4%	38.9%	53.6%	2,625	1,474	27.4%	53.6%	2,625
Tier 1	14.5%	18.4%	18.0%	349	-41	14.5%	18.0%	349
Capital adequacy	15.6%	19.5%	19.1%	348	-41	15.6%	19.1%	348
ROAA	-1.7%	-0.1%	1.7%	337	173	-1.7%	1.7%	NM
ROAE	-15.0%	-0.4%	13.8%	2,889	1,430	-15.0%	13.8%	NM

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

AED mn	4Q23	1Q24	2Q24	3Q24	4Q24	YOY Ch
Net advances	13,776	13,113	13,906	13,404	12,959	-5.9%
QOQ change	-5.9%	-4.8%	6.1%	-3.6%	-3.3%	
Total assets	24,936	23,070	24,235	24,440	22,854	-8.3%
QOQ change	-1.1%	-7.5%	5.0%	0.8%	-6.5%	
Customer deposits	19,725	18,431	19,306	19,310	18,062	-8.4%
QOQ change	0.8%	-6.6%	4.7%	0.0%	-6.5%	
Total equity	2,675	2,766	2,881	3,025	3,112	16.3%
QOQ change	-10.5%	3.4%	4.2%	5.0%	2.9%	

*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	1.63	70.0%	1.14
Relative Valuation (RV)	1.53	30.0%	0.46
<b>Weighted Average Valuation (AED)</b>			<b>1.60</b>
Current market price (AED)			1.69
Upside/Downside (%)			-5%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.4%. Cost of equity is calculated by using 10-year government bond yield of 5.5%, beta of 0.70 and equity risk premium of 4.2%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	231
Terminal value (AED, Mn)	<b>813</b>
Book Value of Equity (as of Dec 2024)	3,112
<b>FV to Common shareholders (AED, Mn)</b>	<b>4,157</b>
No. of share (Mn)	2,557
Current Market Price (AED)	1.69
<b>Fair Value per share (AED)</b>	<b>1.63</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	276	280	302	305	326
(-) Equity Charge	-228	-234	-241	-247	-252
<b>Excess Equity</b>	<b>48</b>	<b>46</b>	<b>62</b>	<b>58</b>	<b>74</b>
Discounting Factor	0.96	0.89	0.82	0.75	0.69
<b>Present Value of Excess Equity</b>	<b>46</b>	<b>40</b>	<b>50</b>	<b>43</b>	<b>51</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 2024 PB multiple of 1.2x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Emirates NBD	38,605	6.1	6.8	1.2	1.1	5.1	5.2
Mashreq Bank	11,889	6.8	7.1	1.3	1.2	6.9	6.9
RAK Bank	3,297	5.7	6.1	1.0	1.0	6.8	7.2
Sharjah Islamic Bank	2,334	10.6	9.8	1.3	1.2	4.2	4.6
Abu Dhabi Commercial Bank	21,596	9.3	9.6	1.2	1.1	5.0	5.1
<b>Average</b>		<b>7.7x</b>	<b>7.5x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>0.1x</b>	<b>0.1x</b>
<b>Median</b>		<b>6.8x</b>	<b>8.0x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>0.1x</b>	<b>0.1x</b>
<b>Max</b>		<b>9.3x</b>	<b>8.1x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>0.1x</b>	<b>0.1x</b>
<b>Min</b>		<b>6.1x</b>	<b>6.8x</b>	<b>1.2x</b>	<b>1.0x</b>	<b>0.1x</b>	<b>0.1x</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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