First Look Note | 3Q26

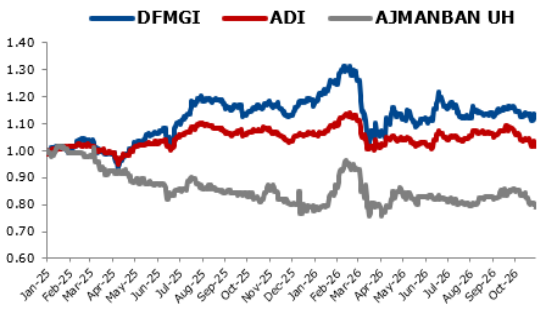
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Ajman Bank PJSC

Lower non funded income and higher impairments weigh on earnings despite financing growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.35	AED 1.80	+34%	BUY

- Net advances increased 32.1% YOY and 2.0% QOQ to AED 20.1 Bn in 3Q26.
- Investment portfolio expanded 34.9% YOY and 12.1% QOQ to AED 6.8 Bn.
- Management Reiterated 2026 with financing growth of >15%, Cost of risk of <60bps, NPF ratio of <5.5% and CAR of >15.5%.
- Customer deposits grew 8.5% YOY but declined 2.4% QOQ to AED 22.3 Bn in 3Q26.
- Calculated cost of risk increased to 0.6% in 3Q26 from 0.2% in 2Q26, with impairment charges reaching AED 32 Mn in 3Q26.
- The Bank's capital adequacy ratio strengthened to 17.1% in 3Q26 from 14.1% in 2Q26, supported by the July 2026 issuance of its inaugural USD 300 Mn Additional Tier 1 perpetual Sukuk.



3Q26 Net Profit lower than our estimate

Ajman Bank (AJMANBANK/the Bank) reported a 40.9% YOY decline in net profit to AED 80 Mn in 3Q26, below our estimate of AED 119 Mn. The decline was mainly due to higher funded expenses, operating expenses and impairment charges coupled with lower income from fees & commission and income from investment securities, partially offset by higher funded income coupled with lower income tax.

P&L Highlights

Ajman Bank's funded income grew 18.7% YOY to AED 338 Mn in 3Q26, driven by growth in interest-earning assets, supported by increase in asset yield on QOQ basis. Funded expenses rose 23.8% YOY to AED 234 Mn in 3Q26, largely due to rise in amounts due to banks and other financial institutions, partially offset by decline in customer deposits. As a result, net funded income increased 8.6% YOY to AED 104 Mn in 3Q26. Calculated NIM contracted 22 bps YOY but expanded 9 bps QOQ to 1.6% in 3Q26. The Bank's fees and commission income declined 22.1% YOY to AED 58 Mn in 3Q26 and income from investment securities decreased 20.3% YOY to AED 71 Mn in 3Q26. Thus, total non-funded income declined 21.1% YOY to AED 130 Mn in 3Q26. As a result, total operating income decreased 10.2% YOY to AED 234 Mn in 3Q26 mainly due to the absence of a one-off AED 40 Mn gain from Sukuk sales in 3Q25, excluding this, underlying operating income grew 6% YOY. Furthermore, operating expenses increased 5.9% YOY to AED 112 Mn in 3Q26 driven by expansion in activities of franchise and technology investments. Thus, pre-provision profit declined 21.2% YOY to AED 121 Mn in 3Q26. The cost-to-income ratio deteriorated from 40.8% in 3Q25 to 48.1% in 3Q26. Impairment charges increased from AED 6 Mn in 3Q25 to AED 32 Mn in 3Q26 due to higher ECL build-up and lower recoveries. Thus, profit before tax decreased from AED 148 Mn in 3Q25 to AED 89 Mn

Stock Information	
Market Cap (AED, Mn)	3,663.11
Paid Up Capital (Mn)	2,723.50
52 Week High	1.66
52 Week Low	1.28
3M Avg. daily value(AED)	4,046,963

3Q26 Result Review (AED, Mn)	
Total Assets	35,787
Total Liabilities	31,380
Total Equity	4,406
Total Deposits	22,317
Net Profit	80

Dividend Yield (12m)	6.83
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	8.24
Price-to-Book Ratio (x)	1.11
Book Value (AED)	1.21
Return-on Equity (%)	13.38

Stock Performance	
5 Days	-0.74%
1 Months	-7.88%
3 Months	-1.82%
6 Months	-6.60%
1 Year	-9.73%
Month to Date (MTD%)	1.89%
Quarter to Date (QTD%)	-8.19%
Year to Date (YTD%)	1.13%

in 3Q26. The Bank's income tax expense declined 28.9% YOY to AED 9 Mn in 3Q26. As a result, net profit fell 40.9% YOY to AED 80 Mn in 3Q26.

Balance Sheet Highlights

Total assets increased 27.7% YOY and 5.7% QOQ to AED 35.8 Bn in 3Q26. Ajman Bank's net advances rose 32.1% YOY and 2.0% QOQ to AED 20.1 Bn in 3Q26, reflecting an increase in the Bank's financing activities. The Bank's customer deposits grew 8.5% YOY but declined 2.4% QOQ to AED 22.3 Bn in 3Q26. Within deposits, current account deposits rose 1.0% YOY but declined 0.7% QOQ to AED 5.0 Bn in 3Q26, while savings account deposits decreased 9.7% YOY and 6.7% QOQ to AED 465 Mn. CASA deposits stood at 33.7% in 3Q26, compared with 32.9% in 2Q26. The Bank's loan-to-deposits ratio increased to 90.0% in 3Q26 from 86.1% in 2Q26. Additionally, Ajman Bank's total equity grew 30.8% YOY and 29.0% QOQ to AED 4.4 Bn in 3Q26, primarily driven by the issuance of AED 1.1 Bn of additional Tier 1 Sukuk during the quarter.

Target Price and Rating

We maintain our BUY rating on AJMANBANK with a target price of AED 1.80. AJMANBANK's profitability came under pressure in 3Q26 despite continued expansion in the Bank's financing portfolio. Net profit declined sharply by 40.9% YOY to AED 80 Mn in 3Q26 mainly due to the absence of a one-off AED 40 Mn gain from Sukuk sales in 3Q25 coupled with investment in expansion and technology investments and higher impairment charges due to higher ECL build-up and lower recoveries, partially offset by growth in net funded income and lower income taxes. Net funded income increased 8.6% YOY to AED 104 Mn, while calculated NIM contracted 22 bps YOY but improved 9 bps QOQ to 1.6% in 3Q26. Despite the pressure on profitability, AJMANBANK continued to deliver healthy balance sheet growth during 3Q26, with net advances increasing 32.1% YOY and 2.0% QOQ to AED 20.1 Bn, reflecting sustained expansion in financing activities. Also, the Bank's investment portfolio increased 34.9% YOY and 12.1% QOQ to AED 6.8 Bn in 3Q26. Thus, total assets grew 27.7% YOY and 5.7% QOQ to AED 35.8 Bn in 3Q26, while customer deposits increased 8.5% YOY but declined 2.4% QOQ to AED 22.3 Bn. The financing growth has outpaced deposit growth, while higher interbank borrowings indicate increased reliance on wholesale funding, therefore maintaining stable deposit growth will be important to support further balance sheet expansion. Also, the loan-to-deposits ratio rose to 90.0% from 86.1% in 2Q26, with the funding gap met through higher amounts due to banks and other financial institutions. The CASA ratio improved to 33.7% in 3Q26 from 32.9% in 2Q26. Asset quality continued to improve during 3Q26. The calculated NPL ratio declined to 5.9% from 6.2% in 2Q26, and the calculated provision coverage ratio strengthened to 51.3% in 3Q26 from 47.6% in 2Q26. Stage 2 financing exposures declined 7.5% YOY however increased 3.5% QOQ to AED 1.1 Bn in 3Q26, with the share of gross loans rising to 5.5% in 3Q26 from 5.4% in 2Q26. The Bank's capital position strengthened considerably following the issuance of its inaugural USD 300 Mn additional Tier 1 perpetual Sukuk in July 2026. Total regulatory capital rose to AED 4.7 Bn from AED 3.7 Bn in 2Q26, lifting the Capital Adequacy Ratio to 17.1% and the Tier 1 capital ratio to 15.9% in 3Q26. Calculated ROAE moderated to 11.5% in 3Q26 from 15.1% in 2Q26, while the ROAA declined to 1.4% in 3Q26 from 1.7% in 2Q26, reflecting the weaker 3Q26 earnings. Going forward, the rising funding requirements and a higher cost of risk remain key monitorable. We expect sustained financing growth, stable deposit mobilization and improved cost efficiency to be important drivers of earnings recovery. However, we believe continued growth in the financing portfolio, improved asset quality and a stronger capital position following the issuance of Additional Tier 1 Sukuk will support earnings expansion. 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)	28.99	20.78	NM	9.24	7.44	8.99
P/B (x)	1.28	1.34	1.31	1.19	1.07	0.83
BVPS	1.076	1.027	1.046	1.156	1.284	1.648
EPS	0.047	0.066	NA	0.149	0.185	0.153
DPS	NA	NA	NA	0.073	0.092	0.076
Dividend Yield	NA	NA	NA	5.4%	6.9%	5.7%

FABS Estimates & Co Data

AJMAN BANK – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Funded income	285	318	338	329	2.7%	18.7%	6.4%	1,127	1,335	18.5%
Funded expenses	-189	-222	-234	-222	5.2%	23.8%	5.5%	-750	-922	22.9%
Net funded income	**96**	**96**	**104**	**107**	**-2.6%**	**8.6%**	**8.3%**	**376**	**412**	**9.5%**
Fees and commissions	75	48	58	71	-17.8%	-22.1%	21.3%	262	229	-12.5%
Income from Invest. Securities	90	71	71	76	-6.1%	-20.3%	0.2%	261	295	13.1%
Total non-funded income	**164**	**119**	**130**	**147**	**-11.7%**	**-21.1%**	**8.7%**	**522**	**524**	**0.3%**
Total operating income	**260**	**216**	**234**	**254**	**-7.9%**	**-10.2%**	**8.5%**	**899**	**936**	**4.1%**
Operating expenses	-106	-111	-112	-113	-0.1%	5.9%	1.2%	-412	-455	10.3%
Pre provision profit	**154**	**104**	**121**	**141**	**-14.0%**	**-21.2%**	**16.3%**	**486**	**481**	**-1.1%**
Impairment	-6	24	-32	-10	NM	NM	NM	62	-24	NM
Profit before tax	**148**	**129**	**89**	**131**	**-32.1%**	**-39.9%**	**-30.7%**	**548**	**457**	**-16.7%**
Income tax	-13	-12	-9	-12	-21.4%	-28.9%	-19.9%	-48	-41	-14.9%
Net Profit for the period	**135**	**117**	**80**	**119**	**-33.1%**	**-40.9%**	**-32%**	**500**	**416**	**-16.8%**

FABS estimate & Co Data

AJMAN BANK – KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	36.9%	44.6%	44.6%	771	-8	41.9%	44.1%	217
NIM	1.8%	1.5%	1.6%	-22	9	1.7%	1.5%	-19
NIS	1.8%	1.7%	1.8%	-5	11	1.9%	1.7%	-23
Fees & comms/OI	28.7%	22.3%	24.9%	-382	262	29.1%	24.5%	-465
Invt Securities/OI	34.4%	33.1%	30.5%	-389	-253	29.0%	31.5%	248
Cost to income	40.8%	51.5%	48.1%	728	-347	45.9%	48.6%	271
Impairment/PPP	4.0%	-23.1%	26.7%	2,274	4,976	-12.8%	5.0%	1,779
NP/OI	51.8%	54.2%	34.1%	-1,775	-2,016	55.6%	44.4%	-1,121
Cost of risk	0.2%	0.2%	0.6%	48	41	-0.4%	0.3%	69
Loan-to-deposit	74.0%	86.1%	90.0%	1,607	394	74.7%	90.0%	1,534
NPL (Calculated)	9.2%	6.2%	5.9%	-337	-29	8.3%	5.9%	-238
Coverage excl. collateral (Calculated)	47.2%	47.6%	51.3%	408	369	45.1%	50.0%	491
Tier 1	15.8%	13.0%	15.9%	17	298	12.9%	16.0%	316
Capital adequacy	16.9%	14.1%	17.1%	18	299	14.1%	17.2%	313
ROAA	1.9%	1.7%	1.4%	-47	-26	1.8%	1.2%	-60
ROAE	15.4%	15.1%	11.5%	-388	-363	15.2%	10.4%	-474

FABS estimate & Co Data

AJMAN BANK - Key B/S items

AED Mn	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
Net advances	15,207	17,730	19,454	19,693	20,091	32.1%
QOQ change	2.6%	16.6%	9.7%	1.2%	2.0%	
Total assets	28,033	32,863	32,829	33,865	35,787	27.7%
QOQ change	5.3%	17.2%	-0.1%	3.2%	5.7%	
Customer deposits	20,562	23,746	24,084	22,875	22,317	8.5%
QOQ change	2.9%	15.5%	1.4%	-5.0%	-2.4%	
Total equity	3,370	3,472	3,204	3,416	4,406	30.8%
QOQ change	4.5%	3.0%	-7.7%	6.6%	29.0%	

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	1.91	70.0%	1.34
Relative Valuation (RV)	1.53	30.0%	0.46
Weighted Average Valuation (AED)			**1.80**
Current market price (AED)			1.35
Upside/Downside (%)			+34%

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 5.6%, the beta of 0.68 and the equity risk premium of 3.9%. 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)	454
Terminal value (AED, Mn)	1,443
Book Value of Equity (as of Sep 2026)	3,229
FV to Common shareholders (AED, Mn)	**5,196**
No. of share (Mn)	2,721
Current Market Price (AED)	1.35
Fair Value per share (AED)	**1.91**

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	416	374	402	443	469	514
(-) Equity Charge	-285	-278	-297	-321	-347	-373
Excess Equity	**131**	**97**	**105**	**121**	**122**	**141**
Discounting Factor	0.92	0.85	0.79	0.73	0.67	0.62
Present Value of Excess Equity	**30[1]**	**83**	**83**	**89**	**82**	**88**

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 2027 PB multiple of 1.2x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Emirates NBD	52,764	8.1	7.4	1.3	1.1	3.3%	3.7%
Mashreq Bank	17,315	NA	NA	NA	NA	NA	NA
RAK Bank	5,510	7.6	6.6	1.3	1.2	6.2%	8.0%
Sharjah Islamic Bank	3,418	9.8	9.8	1.1	1.1	6.8%	3.4%
Abu Dhabi Commercial Bank	33,951	10.1	9.1	1.5	1.3	4.3%	4.7%
Average		**8.9x**	**8.2x**	**1.3x**	**1.2x**	**5.1%**	**4.9%**
Median		**8.9x**	**8.3x**	**1.3x**	**1.2x**	**5.2%**	**4.2%**
Max		**9.9x**	**9.3x**	**1.3x**	**1.2x**	**6.3%**	**5.5%**
Min		**7.9x**	**7.2x**	**1.2x**	**1.1x**	**4.0%**	**3.6%**

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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