

Ajman Bank PJSC

Growth in impairment reversal coupled with higher non-funded income supported net profit growth

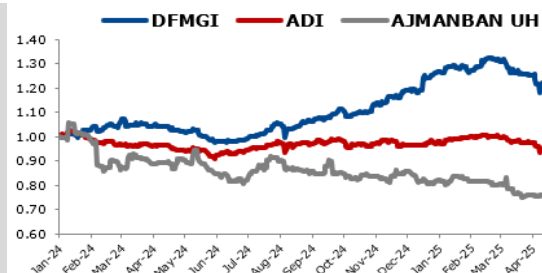
Current Price
AED 1.55

Target Price
AED 1.60

Upside/Downside (%)
+3%

Rating
HOLD

- Net advances rose 6.1% YOY and 7.4% QOQ to AED 13.9 Bn in 1Q25, while customer deposits rose 0.4% YOY and 2.5% QOQ at AED 18.5 Bn in 1Q25.
- NIMs fell by 28 bps YOY to 1.9% in 1Q25, however, rose 32 bps QOQ due to the lower cost of funds.
- Calculated NPL declined from 16.6% in 1Q24 to 11.4% in 4Q24 and further declined to 11.3% in 1Q25, with calculated coverage ratio 48.6% in 1Q25.
- Capitalization declined marginally on a QOQ basis with a Tier 1 ratio of 17.03% and a total CAR ratio of 18.2% in 1Q25.
- Distributed a cash dividend of AED 0.0725 per share for 2024 amounting to AED 197 Mn with a dividend yield of 4.6%.



Stock Information

Market Cap (AED, mn)	4,221.43
Paid Up Capital (mn)	2,723.50
52 Week High	1.99
52 Week Low	1.49
3M Avg. daily value(AED)	6,190,639

1Q25 Result Review (AED, Mn)

Total Assets	24,497
Total Liabilities	21,420
Total Equity	3,077
Total Deposits	18,511
Net Profit	135

Financial Ratios

Dividend Yield (12m)	4.68
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	9.60
Price-to-Book Ratio (x)	1.37
Book Value (AED)	1.13
Return-on Equity (%)	14.65

Stock Performance

5 Days	-1.27%
1 Months	-0.64%
3 Months	-10.40%
6 Months	-12.43%
1 Year	-16.22%
Month to Date (MTD%)	-1.90%
Quarter to Date (QTD%)	-1.90%
Year to Date (YTD%)	-9.36%

1Q25 Net Profit higher than our estimate

Ajman Bank (AJMANBANK/ the Bank) recorded a net profit growth of 25.4% YOY to AED 135 Mn in 1Q25, surpassing our forecast of AED 81 Mn due to impairment reversal. The growth in net profit is mainly attributable to an increase in non-funded income and impairment reversal, partially offset by a fall in net funded income and higher operating expenses.

P&L Highlights

Ajman Bank's funded income declined 17.7% YOY to AED 254 Mn in 1Q25, mainly due to a lower asset yield. Funded expenses declined 19.7% YOY to AED 165 Mn in 1Q25 due to a lower cost of funds. Thus, net funded income fell 13.9% YOY to AED 89 Mn in 1Q25. However, fees and commission income rose 51.7% YOY to AED 70 Mn in 1Q25, whereas income from investment securities fell 12.4% YOY to AED 39 Mn in 1Q25. Thus, total non-funded income grew 20.2% YOY to AED 110 Mn in 1Q25. Total operating income increased 2.1% YOY to AED 199 Mn in 1Q25. Furthermore, operating expenses grew 2.3% YOY to AED 93 Mn in 1Q25. However, the cost-to-income ratio increased marginally by 10 bps YOY to 46.8% in 1Q25. Ajman Bank witnessed an impairment reversal of AED 39 Mn in 1Q25 compared to AED 13 Mn in 1Q24. Income tax rose 7.6% YOY to AED 10 Mn in 1Q25.

Balance Sheet Highlights

Ajman Bank's net advances rose 6.1% YOY and 7.4% QOQ to AED 13.9 Bn in 1Q25. Total assets also increased 6.2% YOY and 7.2% QOQ to AED 24.5 Bn in 1Q25. The Bank's customer deposits grew 0.4% YOY and 2.5% QOQ to AED 18.5 Bn in 1Q25. Out of the total deposits, current account deposits rose 11.3% QOQ to AED 4.8 Bn, while savings account deposits grew 13.5% QOQ to AED 531 Mn in 1Q25. Moreover, CASA deposits as a percentage of total deposits stood at

29.1% in 1Q25 compared to 26.7% in 4Q24. The Bank's headline loan-to-deposits ratio increased from 71.8% in 4Q24 to 75.2% in 1Q25. Additionally, Ajman Bank's total equity grew 11.3% YOY and declined 1.1% QOQ to AED 3.1 Bn in 1Q25.

Target Price and Rating

We maintain our HOLD rating AJMANBANK with a target price of AED 1.60. AJMANBANK reported a significant growth in profitability owing to an impairment reversal and healthy growth in non-funded income during 1Q25. Ajman's Loan to Deposit ratio improved from 71.8% in 4Q24 to 75.2% in 1Q25. NIMs rose 32 bps QOQ to 1.9% in 1Q25 due to the lower cost of funds but declined on YOY basis. The Bank's cost-to-income ratio improved from 69.5% in 4Q24 to 46.8% in 1Q25, mainly due to a higher operating income. However, increased by marginal 10 bps on YOY basis in 1Q25. AJMANBANK's asset quality improved as the calculated NPL ratio declined from 16.6% in 1Q24 and 11.4% in 4Q24, further to 11.3% in 1Q25. Calculated provision coverage ratio rose from 26.8% in 1Q24 to 48.6% in 1Q25, however lower compared to 53.6% in 4Q24. AJMANBANK's Tier 1 ratio stood at 17.03% and CAR ratio stood at 18.2% in 1Q25. Customer deposits increased to AED 18.5 Bn in 1Q25, supported by strong growth in Wakala accounts from institutional clients. The Bank distributed AED 197.4 Mn in dividends (AED 0.0725/share) for 2024, underlining management's confidence in sustainable earnings. Under the Strategic Initiatives, Ajman Bank initiated a USD 1.5 Bn sukuk program to access international debt markets, enhancing funding flexibility. In addition, the bank made progress in settling legal disputes over foreclosed assets, which could unlock additional value to Real Estate Exposure Resolution. Despite all the positive developments, such as a marginal growth in operating expenses and improvement in NPLs coupled with higher fees and commission income, the overall decline in core income highlights some significant challenges. The high cost-to-income ratio compared to industry peers further underlines the pressure on profitability in this quarter. The Bank trades at a 2025 P/B ratio of 1.3x as compared to its peer average of 1.1x, 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	71.55	32.89	23.58	NM	10.48	14.78
PB	1.53	1.45	1.52	1.59	1.37	1.32
Dividend yield	NM	NM	NM	NM	4.6%	4.6%

FABS Estimates & Co Data

AJMAN BANK - P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Funded income	309	257	254	300	-15.3%	-17.7%	-0.9%	1,172	1,131	-3.5%
Funded expenses	-205	-182	-165	-185	-10.7%	-19.7%	-9.2%	-765	-737	-3.6%
Net funded income	103	75	89	115	-22.7%	-13.9%	19.1%	407	394	-3.2%
Fees and commissions	46	24	70	48	47.3%	51.7%	194.6%	191	210	10.0%
Income from Invest. Securities	45	22	39	42	-5.6%	-12.4%	82.8%	138	169	22.2%
Share of result of associate	0	0	0	0	NM	NM	NM	0	0	NM
Total non-funded income	91	45	110	90	22.6%	20.2%	NM	329	379	15.1%
Total operating income	195	120	199	205	-2.9%	2.1%	65.4%	736	773	5.0%
Operating expenses	-91	-84	-93	-95	-2.0%	2.3%	11.4%	-370	-388	5.1%
Pre provision profit	104	37	106	110	-3.6%	1.9%	NM	367	384	4.9%
Impairment	13	90	39	-21	NM	NM	NM	73	-72	NM
Profit before tax	117	127	145	89	63.2%	23.9%	14.2%	440	312	-29.1%
Corporate tax	-10	-16	-10	-8	30.2%	7.6%	-34.6%	-39	-28	-28.3%
Profit for the period	107	111	135	81	66.4%	25.4%	21.2%	401	284	-29.2%

FABS estimate & Co Data

AJMAN BANK – KPI

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	53.1%	62.2%	44.8%	-830	-1,741	55.3%	51.0%	-433
NIM	2.2%	1.6%	1.9%	-28	32	2.2%	2.1%	-3
NIS	2.5%	1.8%	2.2%	-36	35	2.4%	2.4%	0
Fees & comms/OI	23.8%	19.9%	35.4%	1,157	1,552	25.9%	27.1%	124
Invst Securities/OI	23.1%	17.9%	19.8%	-327	189	18.8%	21.8%	308
Cost to income	46.7%	69.5%	46.8%	10	-2,267	50.2%	50.3%	5
Impairment/PPP	-12.8%	-246.2%	-37.2%	-2,436	20,906	-20.0%	18.9%	NM
NP/OI	55.1%	92.4%	67.7%	1,257	-2,466	54.4%	36.7%	-1,770
Cost of risk	-0.4%	-2.6%	-1.1%	-72	149	-0.5%	0.5%	NM
Loan-to-deposit	71.1%	71.8%	75.2%	402	342	71.8%	72.5%	75
NPL (Calculated)	16.6%	11.4%	11.3%	-538	-16	11.4%	10.5%	-93
Coverage excl. collateral (Calculated)	26.8%	53.6%	48.6%	2,183	-501	53.6%	57.0%	335
Tier 1	15.5%	18.0%	17.0%	154	-93	18.0%	17.6%	-37
Capital adequacy	16.6%	19.1%	18.2%	154	-92	19.1%	18.7%	-44
ROAA	-1.4%	1.7%	1.8%	325	12	1.7%	1.2%	-48
ROAE	-12.4%	13.8%	14.6%	2,708	80	13.8%	9.0%	-487

FABS estimate & Co Data

AJMAN BANK - Key B/S items

AED Mn	1Q24	2Q24	3Q24	4Q24	1Q25	YOY Ch
Net advances	13,113	13,906	13,404	12,959	13,915	6.1%
QOQ change	-4.8%	6.1%	-3.6%	-3.3%	7.4%	
Total assets	23,070	24,235	24,440	22,854	24,497	6.2%
QOQ change	-7.5%	5.0%	0.8%	-6.5%	7.2%	
Customer deposits	18,431	19,306	19,310	18,062	18,511	0.4%
QOQ change	-6.6%	4.7%	0.0%	-6.5%	2.5%	
Total equity	2,766	2,881	3,025	3,112	3,077	11.3%
QOQ change	3.4%	4.2%	5.0%	2.9%	-1.1%	

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	1.75	70.0%	1.23
Relative Valuation (RV)	1.24	30.0%	0.37
Weighted Average Valuation (AED)			1.60
Current market price (AED)			1.55
Upside/Downside (%)			+3%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.8%. Cost of equity is calculated by using 10-year government bond yield of 5.6%, beta of 0.68 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)	323
Terminal value (AED, Mn)	1,304
Book Value of Equity (as of Mar 2025)	3,077
FV to Common shareholders (AED, Mn)	4,704
No. of share (Mn)	2,688
Current Market Price (AED)	1.55
Fair Value per share (AED)	1.75

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	284	300	342	361	388
(-) Equity Charge	-232	-239	-248	-258	-266
Excess Equity	52	61	94	103	121
Discounting Factor	0.94	0.87	0.80	0.74	0.68
Present Value of Excess Equity	37¹	53	75	76	83

Source: FAB Securities, ¹Adjusted 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 1.0x in line with peers.

Company	Market (USD Mn)	P/E (x)		P/B (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Emirates NBD	33,448	5.9	5.6	0.9	0.8	5.4%	5.9%
Mashreq Bank	13,217	6.5	6.8	1.3	1.2	8.3%	8.3%
RAK Bank	3,461	6.5	6.7	1.0	0.9	7.3%	7.4%
Sharjah Islamic Bank	2,053	8.6	8.0	1.0	1.0	5.2%	5.6%
Abu Dhabi Commercial Bank	21,119	8.8	8.2	1.1	1.0	5.7%	5.9%
Average		7.3x	7.1x	1.1x	1.0x	6.4%	6.6%
Median		6.5x	6.8x	1.0x	1.0x	5.7%	5.9%
Max		8.6x	8.0x	1.1x	1.0x	7.3%	7.4%
Min		6.5x	6.7x	1.0x	0.9x	5.4%	5.9%

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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