

Ajman Bank

Decline in Impairments and Funded expenses support profits

1Q21 profit higher than our estimate

Ajman bank reported a significant increase in Net profit to AED31 mm in 1Q21 from AED5 mm in 1Q20, beating our estimate of AED27 mm. This is mainly attributed to a decline in both Impairment charges and Funded expenses.

P&L highlights

Funded income declined by 21.6% YOY to AED182 mm in 1Q21 from AED232 mm in 1Q20. Funded expenses declined by 57.8% YOY to AED60 mm in 1Q21 from AED141 mm in 1Q20. Resultantly, the Net funded income rose by 34.5% YOY to AED122 mm from AED91 mm in 1Q20. Fees and Commissions declined by 29.5% YOY to AED26 mm in 1Q21 from AED37 mm in 1Q20. Trading income declined by 31.6% YOY to AED20 mm in 1Q21 from AED29 mm in 1Q20. Total Operating income rose by 3.8% YOY to AED166 mm from AED160 mm in 1Q20. Total operating expenses declined slightly by 0.5% YOY to AED76.8 mm from AED77.2 mm in 1Q20. Impairment charges have declined by 25.7% YOY to AED58 mm in 1Q21 from AED78 mm in 1Q20, supporting the profit. The bank's Cost to Income ratio declined to 46.2% in 1Q21 from 48.2% in 1Q20, which is a positive attribute.

Balance sheet highlights

The Bank's Net Advances declined by 3.7% YOY to AED16.9 bn in 1Q21 from AED17.6 bn in 1Q20. whereas the Customer Deposits dropped by 6.6% YOY to AED13.8 bn in 1Q21 from AED14.8 in 1Q20. Therefore, the ADR ratio rose by 361 bps to 122.2% in 1Q21 from 118.6% in 1Q20. Total assets have dropped by 5.5% YOY to AED21.9 bn in 1Q21, while the Total Equity rose by 6.5% YOY to AED2.5 bn in 1Q21 compared to AED2.3 bn in 1Q20.

Target price and rating

We maintain our HOLD rating on AJMANBAN with a target price of AED0.78. Ajman Bank's Net Profit improved tremendously by 5.7x to AED31 mm in 1Q21, as compared to AED5 mm. The Net Profit increased despite a 21.6% YOY decrease in Funded Income to AED182 mm in 1Q21, from AED232 mm in 1Q20. However, the growth in Net Profit was supported by 57.8% YOY decrease in Funded Expenses to AED60 mm in 1Q21, down from AED141 mm in 1Q20. The Bank's NIM has slightly decreased to 2.9% in 1Q21 from 3.5% in 1Q20 while NIS remained decreased as well to 3.0%. Furthermore, ADR level increased from 118.6% in 1Q20 to 122.2% in 1Q21 while both loans and deposits decreased in first quarter 2021 on a year-on-year comparison by 3.7% and 6.6% respectively. The bank's Net Debt to Equity ratio stood at 7.75x in 1Q21 as compared to 8.86x in 1Q20; this number indicates that the bank is still highly leveraged despite the witnessed decrease on a year-on-year basis. Based on the above, we maintain our HOLD rating on the stock.

Rating : HOLD

First Look Note – 1Q21

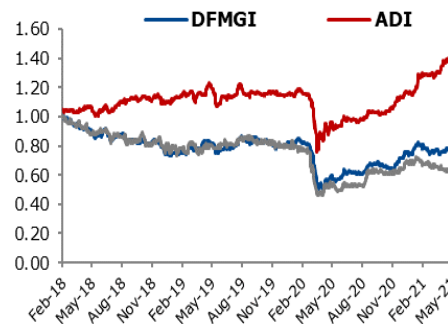
Sector: Banking

Recommendation

Current Price (06-May)	0.72
Target Price	0.78
Upside/(Downside) (%)	8.3%

Stock Information

Market Cap (mm)	1,512.00
Paid Up Capital (mm)	2,100.00
52 Week High	0.83
52 Week Low	0.54
3M Avg. daily value (AED)	183,965



Financial Ratios

Dividend Yield (12m)	NA
Dividend Pay-out (%)	0.00
Price-Earnings Ratio (x)	19.34
Price-to-Book Ratio (x)	0.60
Book Value (AED)	1.20
Return-on Equity (%)	3.24
Earning Per Share (AED)	0.04
Beta	0.89

Stock Performance

5 Days	1.69%
1 Months	1.12%
3 Months	-4.13%
6 Months	1.55%
1 Year	20.60%
Month to Date (MTD)	1.69%
Quarter to Date (QTD)	-2.70%
Year to Date (YTD)	-7.69%

AJMANBANK - Relative Valuation

(at CMP)	2017	2018	2019	2020	2021E
P/E (x)	9.35	7.42	18.46	28.80	8.00
P/B (x)	0.57	0.62	0.60	0.60	0.56
Dividend yield	4.9%	4.9%	0.0%	0.0%	0.0%

FABS estimate & Company data
Ajman Bank-P&L

AED mm	1Q20	4Q20	1Q21	1Q21F	Var.	YOY Ch.	QOQ Ch.	2020	2021F	YOY Ch.
Funded income	232	222	182	227	-19.7%	-21.6%	-18.1%	879	934	6.2%
Funded expenses	-141	-72	-60	-100	-40.3%	-57.8%	-17.5%	-435	-411	-5.5%
Net funded income	91	150	122	127	-3.5%	34.5%	-18.3%	444	523	17.7%
Fees and commissions	37	6	26	11	NM	-29.5%	NM	49	50	2.1%
Trading income	29	28	20	29	-30.5%	-31.6%	-29.1%	109	118	8.5%
Share of result of associate	3	7	-2	7	NM	NM	NM	13	27	NM
Total non-funded income	69	41	44	47	-5.9%	-36.5%	8.4%	170	196	14.8%
Total operating income	160	191	166	174	-4.1%	3.8%	-12.7%	615	719	16.9%
Operating expenses	-77.2	-53	-76.8	-66	16.5%	-0.5%	46.0%	-261	-258	-1.1%
Pre provision profit	83	138	90	108	-16.8%	7.9%	-35.0%	353	460	30.3%
Impairment	-78	-140	-58	-81	-27.9%	-25.7%	-58.5%	-300	-278	-7.4%
Net profit	5	-2.5	31	27	16.4%	NM	NM	53	183	NM

FABS estimate & Co data
Ajman Bank P&L- KPI

AED mm	1Q20	4Q20	1Q21	YoY ch	QOQ ch	2020	2021F	YOY ch
Net FI/OI	56.8%	78.7%	73.6%	1679	-512	72.3%	72.8%	50
NIM	3.5%	2.8%	2.9%	-61	11	2.9%	3.4%	51
Fees & comms/OI	23.4%	3.1%	7.9%	-1542	487	7.9%	6.9%	-100
Trading/OI	18.2%	14.8%	12.0%	-622	-278	17.7%	16.5%	-127
Cost to income	48.2%	27.6%	46.2%	-202	1854	42.5%	35.9%	-656
Impairment/PPP	94.5%	101.8%	65.0%	-2942	-3675	84.9%	60.3%	-2457
NP/OI	2.9%	-1.3%	18.8%	1596	2012	8.7%	25.4%	1673
ROAE	0.2%	-0.1%	1.3%	110	138	2.1%	7.0%	491
ROAA	0.0%	0.0%	0.1%	12	15	0.2%	0.8%	60

FABS estimate & Co data
Ajman Bank BS key items

AED mm	1Q20	2Q20	3Q20	4Q20	1Q21	YOY Ch.
Net advances	17,641	17,763	17,231	16,961	16,982	-3.7%
QOQ change	3.1%	0.7%	-3.0%	-1.6%	0.1%	
Total assets	23,242	23,554	22,611	21,507	21,967	-5.5%
QOQ change	-1.6%	1.3%	-4.0%	-4.9%	2.1%	
Customer deposits	14,874	14,775	14,477	14,226	13,895	-6.6%
QOQ change	-0.3%	-0.7%	-2.0%	-1.7%	-2.3%	
Total equity	2,358	2,489	2,515	2,503	2,511	6.5%
QOQ change	-6.1%	5.6%	1.0%	-0.5%	0.4%	

FABS estimate & Co data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Above +10% to +15%
HOLD	Between +10% to -5%
REDUCE	Below -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:
Research Analysts

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shiv Prakash	+971-2-6161628	shiv.prakash@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	
Sales and Marketing	+971-2-6161703	

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