

## Sharjah Islamic Bank (SIB)

Substantial growth in transactional activities supported the profit

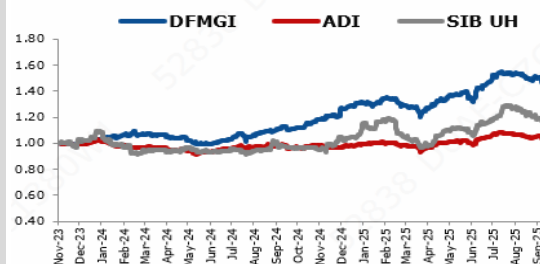
**Current Price**  
AED 2.80

**Target Price**  
AED 3.10

**Upside/Downside (%)**  
+11%

**Rating**  
**ACCUMULATE**

- SIB's funded income rose 4.7% YOY to AED 1,002 Mn in 3Q25, mainly driven by an increase in net advances, partially offset by a decline in asset yield.
- SIB's net advances grew 19.5% YOY and 1.6% QOQ to AED 43.7 Bn in 3Q25, while Customer deposits grew 13.7% YOY and 3.5% QOQ to AED 54.6 Bn.
- The Bank's cost-to-income ratio fell 50 bps YOY to 31.3% in 3Q25 due to the Bank's efforts towards strategic investment for long-term growth.
- NPL declined from 4.3% in 2Q25 to 4.0% in 3Q25, while the stage 2 loan as a percentage of gross loans declined from 4.5% in 2Q25 to 4.2% in 3Q25.



### Stock Information

Market Cap (AED, Mn)	9,059.90
Paid Up Capital (Mn)	3,235.68
52 Week High	3.08
52 Week Low	2.20
3M Avg. daily value (AED)	22,828,210

### 3Q25 Result Review (AED, Mn)

Total Assets	86,580
Total Liabilities	77,580
Total Equity	9,000
Total Deposits	54,573
Net Profit	408

### Financial Ratios

Dividend Yield (12m)	5.36
Dividend Pay-out (%)	30.88
Price-Earnings Ratio(x)	6.90
Price-to-Book Ratio (x)	1.26
Book Value (AED)	2.21
Return-on Equity (%)	18.49

### Stock Performance

5 Days	-1.06%
1 Months	-2.44%
3 Months	1.08%
6 Months	21.21%
1 Year	22.81%
Month to Date (MTD%)	-0.71%
Quarter to Date (QTD%)	-0.71%
Year to Date (YTD%)	12.45%

### 3Q25 Net Profit higher than our estimate

Sharjah Islamic Bank's (SIB) net profit rose 22.7% YOY to AED 408 Mn in 3Q25, above our estimate of AED 359 Mn. The strong earnings performance was driven by robust growth in fee-based income, supported topline momentum, alongside higher financing volumes, and disciplined cost management. Stable funding costs and improved recoveries further enhanced profitability.

### P&L Highlights

Funded income rose 4.7% YOY to AED 1,002 Mn in 3Q25, supported by expansion in financing assets, somewhat offset by a decline in asset yield. Depositors' share of profit increased modestly 2.2% YOY to AED 596 Mn in 3Q25, reflecting higher mobilisation of deposits, partially offset by a decline in funding costs. Consequently, net funded income grew 8.5% YOY to AED 405 Mn in 3Q25, with the NIMs improving marginally 5 bps QOQ to 1.8%. The increase in funded income reflects continued loan book expansion, though margins remain compressed versus last year due to a higher decline in asset yield compared to the cost of funding. Non-funded income surged 31.3% YOY to AED 278.0 Mn in 3Q25, primarily driven by a substantial rise in fee and commission income, which grew 77.9% YOY to AED 242 Mn on higher transaction volumes and financing activity. Foreign exchange income improved 5.9% YOY to AED 24 Mn in 3Q25, reflecting steady treasury flows, while other income rose 21.2% YOY to AED 55 Mn on higher income from the disposal of properties. Investment income turned negative at AED 12 Mn in 3Q25, impacted by mark-to-market losses. However, the overall contribution of non-funded income to total operating income strengthened to 40.7% in 3Q25 from 36.2% in 3Q24. G&A expenses increased 14.9% YOY to AED 214 Mn in 3Q25, reflecting continued investment in technology, digital channels, and franchise growth.

Despite the rise, the cost-to-income ratio improved to 31.3% in 3Q25 from 31.8% in 3Q24, aided by higher operating income. Impairment charges declined 36.3% YOY to AED 21 Mn in 3Q25, supported by stable asset quality and improved recoveries. Corporate tax expenses grew 21.0% YOY to AED 40 Mn in 3Q25 owing to higher profitability.

### Balance Sheet Highlights

Total assets expanded 15.8% YOY to AED 86.6 Bn in 3Q25, supported by strong growth in financing activities. Net advances rose 19.5% YOY to AED 43.7 Bn, due to a rise in corporate and retail lending. Similarly, customer deposits grew 13.7% YOY to AED 54.6 Bn, supported by ongoing customer engagement and competitive product offerings. CASA deposits held a substantial proportion of total deposits, accounting for 42.1% in 3Q25 compared to 40.7% in 2Q25, indicating moderation in the cost of funding. The loan-to-deposit ratio increased from 76.2% in 3Q24 to 80.0% in 3Q25, reflecting effective asset deployment. Similarly, liquidity position remained robust, with liquid assets accounting for 21% of total assets in 3Q25. The Bank's asset quality strengthened, NPL ratio fell from 4.3% in 2Q25 to 4.0% in 3Q25, while coverage increased to 90.7% in 3Q25 from 87.4% in 2Q25, demonstrating efficient credit risk management and substantial recoveries. The capital adequacy ratio remained healthy at 16.3%, while the CET1 ratio stood at 12.0%, comfortably above regulatory minimum requirements, supporting growth capacity and dividend sustainability.

### Target Price and Rating

We revised our rating to ACCUMULATE from Hold on Sharjah Islamic Bank with a revised Target Price of AED 3.10 per share. The Bank's net profit recorded a significant increase during 3Q25, supported by growth in both funded and non-funded income. The Bank's fee-based income reported double-digit growth in 3Q25, supported by higher transaction activity, while funded income benefited from balance sheet expansion and steady margins. Net interest margin experienced marginal decline during 3Q25 on a YOY basis, supported by an improved mix and efficient liquidity management. SIB's NIMs are likely to remain under pressure amid the declining interest rate environment. However, sustained growth in non-funded income is expected to support overall profitability. Additionally, lower impairments further supported bottom-line performance, reflecting stable asset quality and effective risk management. On the balance sheet front, the Bank maintained strong growth momentum, with total assets and net advances rising 15.8% and 19.5% YOY, respectively in 3Q25. CASA deposits stood at 42.1% of total deposits in 3Q25 compared to 40.7% in 2Q25. The loan-to-deposit ratio expanded to 80.0% in 3Q25 compared to 73.6% in 2024, indicating improved inflow utilisation, while liquidity coverage and capital buffers remain comfortably above regulatory requirements. Furthermore, asset quality continued to improve, with NPLs declining to 4.0% in 3Q25, compared to 4.9% in 2024 and 4.3% in 2Q25. Moreover, NPL coverage also increased to 90.7% in 3Q25 from 87.4% in 2Q25. Additionally, Stage 2 loans as a share of gross loans continue to decline from 6.9% in 3Q24 and 4.5% in 2Q25 to 4.2% in 3Q25, reflecting continued recoveries and stronger asset quality. The Bank's liquid assets stood at AED 18.2 Bn in 3Q25, representing 21.0% of total assets, exceeding its strategic minimum liquidity threshold of 20%, indicating a strong liquidity position to meet short-term obligations. Furthermore, capitalization remained strong, with a CAR of 16.3% and CET1 of 12.0% in 3Q25, providing adequate space for growth. SIB enhanced its operational efficiency, with the cost-to-income ratio improving to 31.3% in 3Q25, compared to 31.8% in 3Q24 and 32.8% in 2Q25. Thus, based on these factors, we assign an ACCUMULATE rating.

### SIB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	22.72	17.94	16.49	12.30	9.54	7.47
PB	1.59	1.57	1.59	1.47	1.43	1.25
EPS	0.125	0.159	0.173	0.232	0.299	0.381
BVPS	1.795	1.811	1.791	1.944	1.999	2.271
DPS	0.076	0.076	0.095	0.100	0.150	0.150
Dividend yield	2.7%	2.7%	3.3%	3.5%	5.3%	5.3%

FABS Estimates & Co Data

**SIB – P&L**

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Income from fin. & leasing	957	968	1,002	997	0.5%	4.7%	3.5%	3,725	3,908	4.9%
Depositors' share of profit	-584	-585	-596	-602	-0.9%	2.2%	1.9%	-2,215	-2,362	6.6%
<b>Net funded income</b>	<b>373</b>	<b>383</b>	<b>405</b>	<b>395</b>	<b>2.7%</b>	<b>8.5%</b>	<b>5.9%</b>	<b>1,510</b>	<b>1,546</b>	<b>2.4%</b>
Fees and commissions	136	197	242	193	25.6%	77.9%	23.1%	500	774	55.0%
Fee and commission Exp	-25	-28	-31	-43	-27.7%	23.8%	10.7%	-99	-124	24.9%
Investment income	33	21	-12	31	NM	NM	NM	85	55	-35.0%
Foreign exchange income	23	32	24	29	-16.8%	5.9%	-25.1%	63	113	80.0%
Other income	45	27	55	30	84.1%	21.2%	106.2%	123	148	20.0%
<b>Total non-funded income</b>	<b>212</b>	<b>248</b>	<b>278</b>	<b>239</b>	<b>16.5%</b>	<b>31.3%</b>	<b>12.1%</b>	<b>671</b>	<b>966</b>	<b>43.9%</b>
<b>Total operating income</b>	<b>585</b>	<b>631</b>	<b>683</b>	<b>633</b>	<b>7.9%</b>	<b>16.8%</b>	<b>8.3%</b>	<b>2,181</b>	<b>2,512</b>	<b>15.2%</b>
General & admin. expenses	-186	-207	-214	-228	-6.3%	14.9%	3.2%	-779	-904	16.1%
<b>Pre-provision profit</b>	<b>399</b>	<b>424</b>	<b>470</b>	<b>405</b>	<b>15.9%</b>	<b>17.6%</b>	<b>10.8%</b>	<b>1,402</b>	<b>1,608</b>	<b>14.7%</b>
Provisions	-33	-8	-21	-11	96.0%	-36.3%	NM	-210	-104	-50.5%
<b>Profit before tax</b>	<b>366</b>	<b>416</b>	<b>448</b>	<b>395</b>	<b>13.7%</b>	<b>22.5%</b>	<b>7.8%</b>	<b>1,149</b>	<b>1,504</b>	<b>30.9%</b>
Corporate tax	-33	-38	-40	-36	13.7%	21.0%	7.5%	-101	-135	34.0%
<b>Net Profit attributable</b>	<b>333</b>	<b>378</b>	<b>408</b>	<b>359</b>	<b>13.7%</b>	<b>22.7%</b>	<b>7.9%</b>	<b>1,048</b>	<b>1,368</b>	<b>30.6%</b>

FABS estimate & Co Data

**SIB - KPI**

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	63.8%	60.7%	59.3%	-450	-136	69.2%	61.5%	-768
NIM	1.9%	1.7%	1.8%	-10	5	1.9%	1.7%	-24
NIS	1.9%	1.7%	1.8%	-13	5	2.2%	2.0%	-24
Fees & comms/OI	23.3%	31.2%	35.5%	1,218	426	22.9%	30.8%	792
Cost to income	31.8%	32.8%	31.3%	-50	-156	35.7%	36.0%	28
Provisions/PPP	8.4%	1.9%	4.5%	-383	266	15.0%	6.5%	-853
NP/OI	56.8%	60.0%	59.7%	288	-25	48.0%	54.5%	642
Cost of risk (calculated)	0.4%	0.1%	0.2%	-17	12	0.6%	0.3%	-32
Loan-to-deposit	76.2%	81.5%	80.0%	385	-153	73.6%	78.9%	536
NPL (Calculated)	5.14%	4.3%	4.0%	-118	-29	4.9%	4.2%	-65
NPL Coverage calculated	85.0%	87.4%	90.7%	570	329	90.3%	86.0%	-427
CET 1	12.9%	11.5%	12.0%	-92	50	11.5%	11.5%	-5
Capital adequacy	17.7%	15.8%	16.3%	-138	54	16.2%	15.6%	-58
ROAE	13.4%	16.5%	16.7%	327	18	15.0%	17.7%	268
ROAA	1.4%	1.5%	1.6%	17	7	1.4%	1.5%	8

FABS estimate & Co Data

**SIB - Key B/S items**

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	36,551	38,083	40,309	42,987	43,663	19.5%
QOQ ch	3.8%	4.2%	5.8%	6.6%	1.6%	
Total assets	74,796	79,210	82,770	84,708	86,580	15.8%
QOQ ch	0.8%	5.9%	4.5%	2.3%	2.2%	
Customer deposits	47,995	51,758	52,099	52,721	54,573	13.7%
QOQ ch	-3.0%	7.8%	0.7%	1.2%	3.5%	
Total equity	8,694	8,303	8,162	10,439	9,000	3.5%
QOQ ch	4.3%	-4.5%	-1.7%	27.9%	-13.8%	

FABS estimate & Co Data

## Valuation:

We use Residual Income and Relative Valuation (RV) method to value SIB. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	3.15	70.0%	2.21
Relative Valuation (RV)	2.99	30.0%	0.90
<b>Weighted Average Valuation (AED)</b>			<b>3.10</b>
Current market price (AED)			2.80
Upside/Downside (%)			+11%

### 1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.1%. Cost of equity is calculated by using 10-year government bond yield of 4.9%, beta of 0.90 and equity risk premium of 4.7%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,210
Terminal value (AED, Mn)	1,292
Book Value of Equity (as of Sep 2025)	7,163
<b>FV to Common shareholders (AED, Mn)</b>	<b>9,665</b>
No. of shares (Mn)	3,068
Current Market Price (AED)	2.80
<b>Fair Value per share (AED)</b>	<b>3.15</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	1,220	1,073	1,056	1,048	1,000	1,015
(-) Equity Charge	-589	-669	-723	-774	-826	-873
<b>Excess Equity</b>	<b>632</b>	<b>404</b>	<b>334</b>	<b>274</b>	<b>174</b>	<b>143</b>
Discounting Factor	0.98	0.90	0.82	0.75	0.69	0.63
<b>Present Value of Excess Equity</b>	<b>155</b>	<b>363</b>	<b>275</b>	<b>207</b>	<b>120</b>	<b>91</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 2) Relative Valuation:

We have used local peers to value SIB, and it is valued using the PB multiple. It is valued with a 2026 PB multiple of 1.2x compared to the peer median of 1.3x due to lower ROE and ROA of the Bank.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Mashreq Bank	12,970	1.3	1.2	6.5	6.7	7.2%	8.4%
RAKBank	4,216	1.1	1.2	5.9	7.9	8.4%	6.3%
Emirates NBD	43,676	1.2	1.1	7.2	7.3	4.1%	4.3%
Abu Dhabi Commercial Bank	29,126	1.5	1.4	11.0	10.0	4.4%	4.7%
Dubai Islamic Bank	18,474	1.6	1.5	10.1	10.0	4.9%	5.0%
Commercial Bank of Dubai	7,931	1.6	1.6	8.4	10.3	5.6%	4.1%
<b>Average</b>		<b>1.4x</b>	<b>1.3x</b>	<b>8.5x</b>	<b>8.6x</b>	<b>5.8%</b>	<b>5.5%</b>
<b>Median</b>		<b>1.4x</b>	<b>1.3x</b>	<b>7.9x</b>	<b>8.5x</b>	<b>5.2%</b>	<b>4.9%</b>
<b>Max</b>		<b>1.6x</b>	<b>1.4x</b>	<b>9.7x</b>	<b>10.0x</b>	<b>6.8%</b>	<b>6.0%</b>
<b>Min</b>		<b>1.2x</b>	<b>1.2x</b>	<b>7.0x</b>	<b>7.4x</b>	<b>4.5%</b>	<b>4.4%</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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