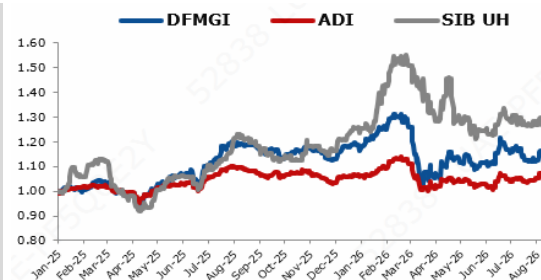


Sharjah Islamic Bank (SIB)

Growth in funded income offset weaker fee income and elevated operating expenses

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.93	AED 3.85	+31%	BUY

- Net advances rose 24.0% YOY and 8.6% QOQ to AED 54.1 Bn in 3Q26, reflecting the Bank's commitment to Islamic financial services and sectoral growth.
- Customer deposits increased 10.6% YOY and 1.7% QOQ to AED 60.4 Bn in 3Q26.
- CASA deposits increased to 43.0% of total deposits in 3Q26 from 42.1% in 3Q25.
- The Bank's asset quality improved, with the calculated NPL ratio declining from 3.6% in 2Q26 to 3.1% in 3Q26, while calculated NPL coverage edged up from 91.8% to 93.3% over the same period.



Stock Information

Market Cap (AED, Mn)	12,640.71
Paid Up Capital (Mn)	4,314.24
52 Week High	3.56
52 Week Low	2.56
3M Avg. daily value (AED)	14,356,330

3Q26 Result Review (AED, Mn)

Total Assets	99,668
Total Liabilities	87,282
Total Equity	12,385
Total Deposits	60,356
Net Profit	401

Financial Ratios

Dividend Yield (12m)	6.26
Dividend Pay-out (%)	55.34
Price-Earnings Ratio(x)	8.07
Price-to-Book Ratio (x)	1.20
Book Value (AED)	2.45
Return-on Equity (%)	14.73

Stock Performance

5 Days	0.34%
1 Months	-2.33%
3 Months	0.00%
6 Months	-11.21%
1 Year	13.75%
Month to Date (MTD%)	-2.33%
Quarter to Date (QTD%)	-2.33%
Year to Date (YTD%)	2.45%

3Q26 Net Profit is in line with our estimate

Sharjah Islamic Bank's (SIB) net profit decreased 1.7% YOY to AED 401 Mn in 3Q26, in line with our estimate of AED 400 Mn. This was driven by decline in non-funded income, coupled with higher general & admin expenses, and corporate tax. This was partially offset by increase in net funded income coupled with declined provisions.

P&L Highlights

Funded income increased 10.9% YOY to AED 1,111 Mn in 3Q26, driven by strong growth in net loans and advances amid broad-based demand across sectors, partially offset by lower asset yields. Depositors share of profit increase 6.0% YOY to AED 632 Mn in 3Q26, reflecting the impact of higher customer deposits, despite the decline in the cost of funds. Consequently, net funded income rose 18.1% YOY to AED 479 Mn in 3Q26, with the NIMs improving 5 bps YOY and decreased 14 bps QOQ to 1.8% in 3Q26. Non-funded income decreased 22.1% YOY to AED 216 Mn in 3Q26, due to lower fees and commission income, higher investment loss coupled with higher fees and commission expense, partially offset by higher foreign exchange income and other income. Fees and commission income declined 38.7% YOY to AED 148 Mn in 3Q26, driven by decline in commission income, Fees and charges on banking services and Takaful commission partially offset by an increase in card related fees. Fees and commission expense increased 36.7% YOY to AED 43 Mn in 3Q26, due to an increase in commission and card related expenses. Meanwhile, investment loss increased 21.6% to AED 14 Mn in 3Q26. Additionally, foreign exchange income increased 8.6% YOY to AED 26 Mn in 3Q26. Similarly, Other income increased from AED 55 Mn in 3Q25 to AED 99 Mn in 3Q26, supported by higher hospitality income, rental income, property disposal income, gains on disposal of property and equipment, and other income. As a result, total operating income

increased 1.7% YOY to AED 695 Mn in 3Q26. G&A expenses rose 17.7% YOY to AED 251 Mn in 3Q26. However, the calculated cost-to-income ratio deteriorated by 490 bps YOY to 36.2% in 3Q26. Impairment charges decreased substantially from AED 21 Mn in 3Q25 to AED 1 Mn in 3Q26. Corporate tax expense increased 3.0% YOY to AED 42 Mn in 3Q26.

Balance Sheet Highlights

Total assets increased 15.1% YOY and 5.4% QOQ to AED 99.7 Bn in 3Q26, reflecting the Bank's capacity to enhance its asset portfolio, further strengthening its financial position. Net advances grew 24.0% YOY and 8.6% QOQ to AED 54.1 Bn in 3Q26, driven by increase in loans to Government departments, Construction & contracting, Real estate, Trade, Financial institutions, Individuals, Consumer home finance and High net worth individuals during the quarter. Customer deposits also increased 10.6% YOY and 1.7% QOQ to AED 60.4 Bn in 3Q26. CASA deposits increased to 43.0% of total deposits in 3Q26, compared to 42.1% in 3Q25. The financing-to-deposit ratio increased from 84.0% in 2Q26 to 89.7% in 3Q26. The Bank's asset quality improved, with the calculated NPL ratio declining 82 bps YOY and 43 bps QOQ to 3.1% in 3Q26, while the calculated coverage increased to 93.3% in 3Q26 from 91.8% in 2Q26. Meanwhile, the capital adequacy ratio stood at 19.4% in 3Q26, while the CET1 ratio remained stable to 15.6% in 3Q26 compared to 2Q26, remaining comfortably above the regulatory minimum requirements.

Target Price and Rating

We maintain BUY rating on SIB with a target price of AED 3.85. SIB recorded declining profit in 3Q26, driven by decline in non-funded income, coupled with higher general & admin expenses, and corporate tax. However, net advances rose 24.0% YOY and 8.6% QOQ to AED 54.1 Bn in 3Q26. This growth reflects the Bank's firm dedication to delivering Islamic financial services and supporting growth across sectors. Customer deposits also increased 10.6% YOY to AED 60.4 Bn in 3Q26, reflecting strong customer relationships and the competitiveness of the Bank's products and profit rates. Additionally, the financing-to-deposit ratio increased to 89.7% in 3Q26, compared to 84.0% in 2Q26, reflecting financing growth outpacing deposit growth. The Bank describes this as reflecting a prudent approach to managing the financing portfolio and a well-balanced risk profile. Additionally, CASA balances stood to 43.0% of total customer deposits in 3Q26, while the Bank's NIM expanded 5 bps YOY to 1.8% in 3Q26. Furthermore, the cost-to-income ratio deteriorated to 36.2% in 3Q26 from 31.3% in 3Q25, as operating expenses grew faster than income. Asset quality also improved, with the calculated NPL ratio declining to 3.1% in 3Q26 from 3.6% in 2Q26. Calculated NPL coverage increased to 93.3% in 3Q26 from 91.8% in 2Q26. Liquid assets represented 21.3% of total assets in 3Q26, remaining above the Bank's strategic minimum liquidity threshold of 20% and indicating a strong liquidity position to meet its short-term obligations. The Bank issued USD 500 Mn in Sukuk, equivalent to AED 1.8 Bn, increasing its Sukuk balance to AED 7.3 Bn as of 9M26. The issuance attracted strong regional and international investor demand, reflecting confidence in the Bank's creditworthiness and Islamic finance market position. Furthermore, the Bank maintained a strong capital position, with the CAR stood at 19.4% in 3Q26, due to higher equity following the successful rights issue, while the CET 1 ratio remained stable to 15.6% in 3Q26 compared to 2Q26. Furthermore, calculated ROAA decreased to 1.5% in 3Q26 compared to 1.6% in 2Q26. ROAE decreased to 14.7% in 3Q26 from 14.8% in 2Q26. During the 2Q26 period, the Bank completed a successful rights issue of 1.1 Bn shares at an issue price of AED 2.4 per share and the change in the EPS and BVPS were reflected accordingly. Thus, based on these factors, we assign a BUY rating.

SIB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	20.12	18.50	13.79	10.70	8.46	8.54
PB	1.77	1.79	1.65	1.60	1.34	1.17
BVPS	1.660	1.640	1.780	1.830	2.180	2.509
EPS	0.146	0.158	0.212	0.274	0.346	0.343
DPS	0.076	0.095	0.100	0.150	0.200	0.223
Dividend yield	2.6%	3.2%	3.4%	5.1%	6.8%	7.6%

FABS Estimates & Co Data

SIB – P&L

	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
AED Mn										
Income from fin. & leasing	1,002	1,064	1,111	1,103	0.7%	10.9%	4.4%	3,900	4,382	12.3%
Depositors' share of profit	-596	-573	-632	-602	5.0%	6.0%	10.3%	-2,318	-2,449	5.7%
Net funded income	405	491	479	501	-4.5%	18.1%	-2.5%	1,582	1,932	22.1%
Fees and commissions	242	174	148	193	-23.2%	-38.7%	-14.7%	726	690	-5.0%
Fee and commission Exp	-31	-38	-43	-37	16.8%	36.7%	13.5%	-127	-159	24.5%
Investment income	-12	75	-14	15	NM	21.6%	NM	22	74	NM
Foreign exchange income	24	29	26	25	5.3%	8.6%	-11.3%	112	101	-10.0%
Other income	55	25	99	48	NM	NM	NM	170	213	25.0%
Total non-funded income	278	266	216	244	-11.2%	-22.1%	-18.6%	904	919	1.7%
Total operating income	683	757	695	745	-6.7%	1.7%	-8.2%	2,486	2,851	14.7%
General & admin. expenses	-214	-241	-251	-242	3.8%	17.7%	4.1%	-897	-1,004	11.8%
Pre-provision profit	470	515	444	503	-11.8%	-5.5%	-13.9%	1,588	1,848	16.3%
Provisions	-21	-50	-1	-63	NM	NM	NM	-217	-254	17.0%
Profit before tax	448	465	443	440	0.6%	-1.2%	-4.9%	1,448	1,594	10.1%
Corporate tax	-40	-42	-42	-40	5.0%	3.0%	-1.5%	-130	-143	10.3%
Net Profit attributable	408	423	401	400	0.2%	-1.7%	-5.2%	1,317	1,450	10.1%

FABS estimate & Co Data
SIB - KPI

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	59.3%	64.8%	68.9%	954	401	63.6%	67.8%	413
NIM	1.8%	1.9%	1.8%	5	-14	1.7%	1.8%	14
NIS	1.8%	2.0%	1.8%	1	-22	1.8%	1.9%	8
Fees & comms/OI	35.5%	23.0%	21.4%	-1,410	-164	29.2%	24.2%	-502
Cost to income	31.3%	31.9%	36.2%	490	426	36.1%	35.2%	-90
Provisions/PPP	4.5%	9.7%	0.2%	-433	-951	13.7%	13.7%	8
NP/OI	59.7%	55.9%	57.7%	-199	182	53.0%	50.9%	-213
Cost of risk (calculated)	0.2%	0.4%	0.0%	-18	-39	0.5%	0.5%	0
Loan-to-deposit	80.0%	84.0%	89.7%	969	569	81.8%	91.3%	946
NPL (Calculated)	4.0%	3.6%	3.1%	-82	-43	3.8%	3.1%	-71
NPL Coverage (Calculated)	90.7%	91.8%	93.3%	262	146	97.5%	95.0%	-248
CET 1	12.0%	15.6%	15.6%	357	-7	11.9%	15.5%	365
Capital adequacy	16.3%	19.5%	19.4%	306	-11	16.2%	19.2%	307
ROAE	16.7%	14.8%	14.7%	-195	-6	16.5%	14.5%	-206
ROAA	1.6%	1.6%	1.5%	-4	-7	1.6%	1.5%	-5

FABS estimate & Co Data
SIB - Key B/S items

	3Q25	4Q25	1Q26	2Q26	3Q26	YOY Ch
AED Mn						
Net advances	43,663	45,550	46,745	49,873	54,138	24.0%
QOQ ch	1.6%	4.3%	2.6%	6.7%	8.6%	
Total assets	86,580	90,313	90,867	94,545	99,668	15.1%
QOQ ch	2.2%	4.3%	0.6%	4.0%	5.4%	
Customer deposits	54,573	55,673	61,390	59,368	60,356	10.6%
QOQ ch	3.5%	2.0%	10.3%	-3.3%	1.7%	
Total equity	9,000	9,530	9,186	12,177	12,385	37.6%
QOQ ch	-13.8%	5.9%	-3.6%	32.6%	1.7%	

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	4.28	70.0%	2.99
Relative Valuation (RV)	2.85	30.0%	0.85
Weighted Average Valuation (AED)			3.85
Current market price (AED)			2.93
Upside/Downside (%)			+31%

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 4.8%, beta of 0.90 and equity risk premium of 4.1%. 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)	1,575
Terminal value (AED, Mn)	3,107
Book Value of Equity (as of June 2026)	13,774
FV to Common shareholders (AED, Mn)	18,455
No. of shares (Mn)	4,314
Current Market Price (AED)	2.93
Fair Value per share (AED)	4.28

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Profit	1,338	1,441	1,396	1,433	1,465	1,555
(-) Equity Charge	-699	-983	-1,026	-1,084	-1,148	-1,213
Excess Equity	639	459	370	348	317	342
Discounting Factor	0.98	0.90	0.82	0.76	0.69	0.64
Present Value of Excess Equity	157¹	413	305	263	220	217

Source: FAB Securities, ¹Adjusted 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 2027 PB multiple of 1.1x in line with its peers.

BANK	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Mashreq Bank	17,315	0.0	0.0	0.0	0.0	0.0%	0.0%
RAK Bank	5,510	1.3	1.2	7.6	6.6	6.2%	8.0%
Emirates NBD	52,764	1.3	1.1	8.1	7.4	3.3%	3.7%
Abu Dhabi Commercial Bank	33,951	1.3	1.2	10.1	9.1	4.3%	4.7%
Dubai Islamic Bank	13,958	1.1	1.0	7.9	8.1	4.9%	5.0%
Commercial Bank of Dubai	7,884	1.6	0.0	8.8	0.0	5.9%	0.0%
Average		1.1x	0.8x	7.1x	5.2x	4.1%	3.6%
Median		1.3x	1.1x	8.0x	7.0x	4.6%	4.2%
Max (Quartile 3)		1.3x	1.2x	8.6x	7.9x	5.7%	4.9%
Min (Quartile 1)		1.1x	0.3x	7.6x	1.6x	3.6%	0.9%

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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