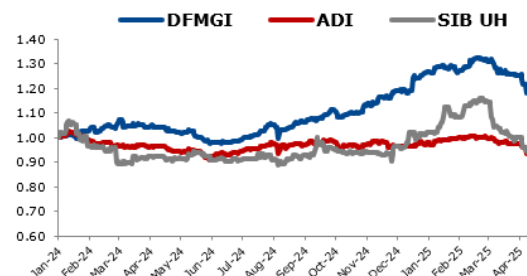


Sharjah Islamic Bank (SIB)

Strong non-core income and impairments reversals boosted profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.31	AED 2.60	+13%	ACCUMULATE

- SIB's funded income rose 6.0% YOY to AED 914 Mn in 1Q25, mainly driven by an increase in net advances.
- SIB's net advances grew 20.8% YOY and 7.0% QOQ to AED 40.3 Bn in 1Q25, while Customer deposits grew 15.6% YOY and 0.7% QOQ to AED 52.1 Bn in 1Q25.
- The Bank's cost-to-income ratio increased 201 bps YOY to 37.3% in 1Q25 due to the organisation's effort towards strategic investment for long-term growth.
- SIB also distributed a dividend payment of 15 fils per share, generating a dividend yield of 6.5% in 2024.



Stock Information

Market Cap (AED, Mn)	7,474.42
Paid Up Capital (Mn)	3,235.68
52 Week High	2.86
52 Week Low	2.16
3M Avg. daily value (AED)	6,182,905

1Q25 Result Review (AED, Mn)

Total Assets	82,770
Total Liabilities	74,608
Total Equity	8,162
Total Deposits	52,099
Net Profit	319

Financial Ratios

Dividend Yield (12m)	6.49
Dividend Pay-out (%)	30.88
Price-Earnings Ratio(x)	6.68
Price-to-Book Ratio (x)	1.18
Book Value (AED)	1.95
Return-on Equity (%)	17.65

Stock Performance

5 Days	-1.70%
1 Months	-5.71%
3 Months	-13.81%
6 Months	0.87%
1 Year	5.00%
Month to Date (MTD%)	-5.33%
Quarter to Date (QTD%)	-5.33%
Year to Date (YTD%)	-7.23%

1Q25 Net Profit higher than our estimate

Sharjah Islamic Bank's (SIB/the Bank) net profit grew 24.6% YOY to AED 319 Mn in 1Q25, higher than our estimate of AED 294 Mn. The growth in net profit is mainly driven by a rise in funded income, coupled with solid growth in non-funded income and reversals of impairments, partially offset by a decline in net funded income, growth in G&A expense and tax charges.

P&L Highlights

SIB's funded income rose 6.0% YOY to AED 914 Mn in 1Q25, mainly driven by an increase in net advances. On the other hand, funded expenses increased 11.6% YOY to AED 547 Mn in 1Q25. However, cost of funds declined 25 bps YOY to 3.1% in 1Q25. SIB's net funded income declined 1.4% YOY to AED 367 Mn in 1Q25. As per our calculation, SIB's NIMs fell 36 bps YOY to 1.7% in 1Q25. The Bank's fee and commission income increased from AED 102 Mn in 1Q24 to AED 136 Mn in 1Q25, whereas the fee and commission expense grew from AED 25 Mn in 1Q24 to AED 28 Mn in 1Q25. Investment income amounted to AED 2 Mn in 1Q25, compared to AED 8 Mn in 1Q24. Foreign exchange income surged 48.0% YOY to AED 26 Mn in 1Q25. The Bank's other income grew 1.3% YOY to AED 29 Mn in 1Q25. As a result, SIB's non-funded income rose 24.3% YOY to AED 164 Mn in 1Q25. The Bank's total operating income increased 5.3% YOY to AED 532 Mn in 1Q25. G&A rose 11.4% YOY to AED 198 Mn in 1Q25. Thus, the Bank's cost-to-income ratio surged 201 bps YOY to 37.3% in 1Q25, owing to increased operating expenses. The Bank recorded an impairment reversal of AED 17 Mn in 1Q25, compared to an impairment charge of AED 45 Mn in 1Q24. The Bank tax expense reached AED 32 Mn in 1Q25 compared to AED 26 Mn in 1Q24.

Balance Sheet Highlights

SIB's total assets grew 18.0% YOY and 4.5% QOQ to AED 82.8 Bn in 1Q25, primarily due to the rise in cash and bank balance, investments, and net advances. Investment securities grew 13.4% YOY and declined 0.2% QOQ to AED 17.8 Bn in 4Q24. Investment securities measured at amortized cost remained steady at AED 13.2 Bn, driven by favourable market conditions in the UAE including increased liquidity, growing investor demand, and government support for infrastructure as well as economic development projects. Net advances rose 20.8% YOY and 7.0% QOQ to AED 40.3 Bn in 1Q25. SIB's total liquid assets reached AED 18.1 Bn, representing 21.8% of total assets in 1Q25. The Bank's customer deposits grew 15.6% YOY & 0.7% QOQ to AED 52.1 Bn in 1Q25. CASA deposits represented 42.5% of the total deposits during 1Q25.

Target Price and Rating

We revise our rating on SIB from HOLD to ACCUMULATE with an unchanged target price of AED 2.60. The Bank showcased substantial profit growth supported by a surge in non-core income and reversal of impairments during 1Q25. SIB's net advances grew 20.8% YOY and 7.0% QOQ to AED 40.3 Bn in 1Q25. However, NIMs contracted 36 bps YOY and 25 bps QOQ to 1.7% in 1Q25. Customer deposits grew 15.6% YOY and 0.7% QOQ to AED 52.1 Bn in 1Q25. The Bank's CASA deposits rose marginally to 42.5% of total deposits in 1Q25 from 42.2% in 2024. The Bank's cost-to-income ratio increased 201 bps to 37.3% in 1Q25 due to the organisation's effort towards strategic investment for long term growth. Furthermore, asset quality strengthened as the calculated NPL declined from 4.8% in 4Q24 to 4.5% in 1Q25. Stage 2 loan as a percentage of gross loan also declined from 5.3% in 4Q24 to 5.0% in 1Q25. SIB provision coverage ratio stood at 88.5% in 1Q25, indicating bank's ability to manage default risks and mitigate potential losses. The Bank's financing to deposit ratio was 77.4% in 1Q25, compared to 72.8% in 4Q24, indicating a well-balanced risk profile. The Bank's maintained a capital adequacy ratio of 15.8% and CET 1 ratio of 11.3% in 1Q25, indicating a strong financial position and adherence to regulatory requirements. SIB also distributed a dividend payment of 15 fils per share generating a dividend yield of 6.5% in 2024. Thus, based on the above analysis, we revise our rating from HOLD to ACCUMULATE on the stock.

SIB - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	18.58	14.67	13.48	10.06	7.80	7.46
PB	1.30	1.29	1.30	1.20	1.17	1.07
Dividend yield	3.4%	3.4%	4.2%	4.4%	6.5%	6.5%

FABS Estimates & Co Data

SIB – P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Income from fin. & leasing	862	999	914	990	-7.6%	6.0%	-8.5%	3,725	3,688	-1.0%
Depositors' share of profit	-490	-598	-547	-579	-5.5%	11.6%	-8.5%	-2,215	-2,225	0.4%
Net funded income	373	401	367	411	-10.6%	-1.4%	-8.5%	1,510	1,464	-3.1%
Fees and commissions	102	136	136	139	-1.9%	32.8%	0.1%	500	549	10.0%
Fee and commission Exp	-25	-24	-28	-26	10.8%	15.4%	20.5%	-99	-104	5.3%
Investment income	8	22	2	23	-93.1%	-80.1%	-92.7%	85	95	12.0%
Foreign exchange income	17	9	26	9	NM	48.0%	192.2%	63	64	2.0%
Other income	29	22	29	20	48.2%	1.3%	31.0%	123	117	-5.0%
Total non-funded income	132	165	164	165	-0.3%	24.3%	-0.6%	671	721	7.4%
Total operating income	505	567	532	576	-7.7%	5.3%	-6.2%	2,181	2,185	0.2%
General & admin. expenses	-178	-254	-198	-190	4.3%	11.4%	-21.9%	-779	-830	6.6%
Pre provision profit	327	313	333	386	-13.6%	2.1%	6.5%	1,402	1,355	-3.4%
Provisions	-45	-110	17	-66	NM	NM	NM	-210	-156	-25.8%
Profit before tax	282	161	351	320	9.7%	24.5%	118.5%	1,149	1,199	4.3%
Corporate tax	-26	-11	-32	-26	24.0%	23.1%	178.3%	-101	-108	6.8%
Net Profit attributable	256	149	319	294	8.5%	24.6%	113.9%	1,048	1,091	4.1%

FABS estimate & Co Data

SIB - KPI

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	73.8%	70.8%	69.1%	-471	-173	69.2%	67.0%	-224
NIM	2.0%	1.9%	1.7%	-36	-25	1.9%	1.6%	-27
NIS	2.2%	2.0%	1.8%	-37	-23	2.2%	2.1%	-15
Fees & comms/OI	20.3%	24.0%	25.6%	528	161	22.9%	25.1%	225
Cost to income	35.3%	44.8%	37.3%	201	-748	35.7%	38.0%	228
Provisions/PPP	13.8%	35.1%	-5.2%	NM	NM	15.0%	11.5%	-349
NP/OI	50.7%	26.3%	60.0%	928	NM	48.0%	49.9%	188
Cost of risk (calculated)	0.5%	1.1%	-0.2%	-69	-130	0.6%	0.4%	-17
Loan-to-deposit	74.0%	72.8%	77.4%	336	456	72.8%	72.7%	-8
NPL (Calculated)	5.6%	4.8%	4.5%	-102	-29	4.8%	5.0%	16
NPL Coverage calculated	83.0%	89.9%	88.5%	546	-145	89.9%	86.0%	-390
CET 1	12.6%	11.5%	11.3%	-131	-20	12.4%	12.5%	7
Capital adequacy	17.7%	16.2%	15.8%	-190	-42	17.1%	16.9%	-14
ROAE	13.0%	15.0%	16.2%	323	126	15.0%	14.8%	-23
ROAA	1.3%	1.4%	1.5%	13	1	1.4%	1.3%	-14

FABS estimate & Co Data

SIB - Key B/S items

AED Mn	1Q24	2Q24	3Q24	4Q24	1Q25	YOY Ch
Net advances	33,364	35,199	36,551	37,687	40,309	20.8%
QOQ ch	1.0%	5.5%	3.8%	3.1%	7.0%	
Total assets	70,116	74,237	74,796	79,210	82,770	18.0%
QOQ ch	6.4%	5.9%	0.8%	5.9%	4.5%	
Customer deposits	45,079	49,462	47,995	51,758	52,099	15.6%
QOQ ch	-0.3%	9.7%	-3.0%	7.8%	0.7%	
Total equity	8,056	8,333	8,694	8,303	8,162	1.3%
QOQ ch	-0.9%	3.4%	4.3%	-4.5%	-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	2.67	70.0%	1.87
Relative Valuation (RV)	2.44	30.0%	0.73
Weighted Average Valuation (AED)			2.60
Current market price (AED)			2.31
Upside/Downside (%)			+13%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.2%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.6%. 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)	837
Terminal value (AED, Mn)	1,038
Book Value of Equity (as of Mar 2025)	6,326
FV to Common shareholders (AED, Mn)	8,201
No. of share (Mn)	3,068
Current Market Price (AED)	2.31
Fair Value per share (AED)	2.67

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	999	968	971	997	983
(-) Equity Charge	-654	-707	-761	-816	-871
Excess Equity	345	261	210	180	113
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Present Value of Excess Equity	243¹	224	165	130	74

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 2025 PB multiple of 1.1x compared to the peer median of 1.2x 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	13,217	1.3	1.2	6.5	6.8	8.3	8.3
RAKBank	3,461	1.0	0.9	6.5	6.7	7.3	7.4
Emirates NBD	33,448	0.9	0.8	5.9	5.6	5.4	5.9
Abu Dhabi Commercial Bank	21,119	1.1	1.0	8.8	8.2	5.7	5.9
Dubai Islamic Bank	14,737	1.3	1.2	8.7	8.8	6.1	6.1
Commercial Bank of Dubai	6,258	1.4	1.3	7.5	7.9	6.2	5.8
Average		1.2x	1.1x	7.3x	7.3x	6.5x	6.6x
Median		1.2x	1.1x	7.0x	7.4x	6.1x	6.0x
Max		1.3x	1.2x	8.4x	8.1x	7.0x	7.1x
Min		1.0x	0.9x	6.5x	6.7x	5.8x	5.9x

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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