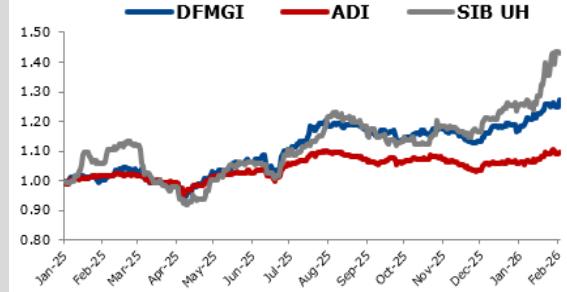


Sharjah Islamic Bank (SIB)

Solid profit growth offset by emerging credit risk and margin pressure

Current Price AED 3.56	Target Price AED 3.70	Upside/Downside (%) +3.9%	Rating HOLD
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- Net advances expanded 19.6% YOY and 4.3% QOQ to AED 45.6 Bn, while customer deposits increased 7.6% YOY and 2.0% QOQ to AED 55.7 Bn in 4Q25.
- CASA deposits accounted for 42.7% of total deposits in 4Q25, compared to 42.2% in 4Q24.
- Calculated NPL ratio declined from 4.0% in 3Q25 to 3.8% in 4Q25, while calculated coverage increased to 97.5% in 4Q25, from 90.7% in 3Q25.
- Stage 2 loans as a share of gross loans increased to 4.7% in 4Q25 from 4.5% in 3Q25.
- Capitalization remained strong, with a CAR of 17.3% and CET1 of 13.0% in 4Q25.



4Q25 Net Profit lower than our estimate

Sharjah Islamic Bank's (SIB) net profit rose 35.5% YOY to AED 212 Mn in 4Q25, lower than our estimate of AED 329 Mn. The strong earnings performance was driven by growth in net funded income, driven by higher volumes, coupled with growth in non-funded income, partially offset by higher general & admin expenses, a substantial increase in provisions and higher corporate tax charges.

P&L Highlights

Funded income rose 1.7% YOY to AED 1,016 Mn in 4Q25, supported by robust expansion in net loan and advances, due to strong demand across diversified sectors, partially offset by a decline in asset yield. Depositors share of profit declined modestly 1.4% YOY to AED 589 Mn in 4Q25, reflecting decline in funding costs, partially offset by a higher growth of deposits. Consequently, net funded income grew 6.3% YOY to AED 427 Mn, with the NIMs declining 14 bps QOQ, but improved 2 bps YOY to 1.8% in 4Q25. Non-funded income surged 29.0% YOY to AED 213.0 Mn in 4Q25, driven by a rise in fee and commission income, foreign exchange income and other income, partially offset by lower investment income. Fees and commission income grew 11.3% YOY to AED 151 Mn in 4Q25, due to higher transaction volumes. Furthermore, investment income declined from AED 22 Mn in 4Q24 to AED 11 Mn in 4Q25. Additionally, foreign exchange income rose substantially from AED 9 Mn in 4Q24 to AED 31 Mn in 4Q25. Similarly, other income grew significantly from AED 22 Mn in 4Q24 to AED 60 Mn in 4Q25, due to robust higher income from the disposal of properties, coupled with strong growth in income from hospitality and brokerage, and rental income, partially offset by decline in other income. Thus, the overall contribution of non-funded income to total operating income strengthened to 33.3% in 4Q25,

Stock Information	
Market Cap (AED, Mn)	11,648.44
Paid Up Capital (Mn)	3,235.68
52 Week High	3.67
52 Week Low	2.22
3M Avg. daily value (AED)	19,455,670

4Q25 Result Review (AED, Mn)	
Total Assets	90,313
Total Liabilities	80,783
Total Equity	9,530
Total Deposits	55,673
Net Profit	212

Financial Ratios	
Dividend Yield (12m)	4.21
Dividend Pay-out (%)	55.34
Price-Earnings Ratio(x)	9.56
Price-to-Book Ratio (x)	1.52
Book Value (AED)	2.38
Return-on Equity (%)	17.16

Stock Performance	
5 Days	1.41%
1 Months	15.02%
3 Months	22.45%
6 Months	18.81%
1 Year	35.85%
Month to Date (MTD%)	0.84%
Quarter to Date (QTD%)	15.38%
Year to Date (YTD%)	15.38%

from 29.2% in 4Q24. G&A expenses increased 13.1% YOY to AED 279 Mn in 4Q25. As a result, the calculated cost-to-income ratio remained stable at 43.5% in 4Q25, compared to 4Q24. Impairment charges expanded substantially from AED 110 Mn in 4Q24 to AED 205 in 4Q25. Corporate tax expenses increased from AED 11 Mn in 4Q24 to AED 20 Mn in 4Q25, owing to higher profit before tax.

Balance Sheet Highlights

Total assets expanded 14.0% YOY and 4.3% QOQ to AED 90.3 Bn in 4Q25, driven by growth in financing activities, and cash and bank balance. Net advances rose 19.6% YOY and 4.3% QOQ to AED 45.6 Bn in 4Q25, driven by higher lending across key sectors. Similarly, customer deposits grew 7.6% YOY and 2.0% QOQ to AED 55.7 Bn in 4Q25, supported by ongoing customer engagement and competitive product offerings. CASA deposits accounted for 42.7% of total deposits in 4Q25, compared to 42.2% in 4Q24. The loan-to-deposit ratio increased from 73.6% in 4Q24 to 81.8% in 4Q25, indicating effective asset deployment. Similarly, liquidity position remained robust, with liquid assets accounting for 22.3% of total assets in 4Q25. The Bank's asset quality strengthened, with calculated NPL ratio declining from 4.0% in 3Q25 to 3.8% in 4Q25, while calculated coverage increased to 97.5% in 4Q25, from 90.7% in 3Q25, demonstrating efficient credit risk management and substantial recoveries. The capital adequacy ratio remained healthy at 17.3%, while the CET1 ratio stood at 13.0% in 4Q25, comfortably above regulatory minimum requirements.

Target Price and Rating

We maintain our HOLD rating on SIB with a revised target price of AED 3.70. SIB's net profit recorded an increase of 35.5% during 4Q25, supported by growth across funded and non-funded income, indicating effective execution and the success of its profit-generation strategies. The Bank's fee-based income reported double-digit growth in 4Q25, supported by higher transaction activity, along with the rise in foreign exchange income and other income. While funded income benefited from strong lending activities across the sectors, indicating the Bank's efficiency in managing its core business operations. The Bank's net advances grew 19.6% YOY and 4.3% QOQ to AED 45.6 Bn in 4Q25, driven by robust lending across key sectors. Deposit rose 7.6% YOY and 2.0% QOQ to AED 55.7 Bn in 4Q25, reflecting strong customer relationships as well as the competitiveness of the Group's products and profit rates. CASA deposits stood at 42.7% of total deposits in 4Q25, compared to 42.2% in 4Q24. However, the Bank's NIMs experienced a decline of 14 bps YOY to 1.8% in 4Q25. Furthermore, NIMs are expected to remain under pressure amid the declining interest rate environment. Furthermore, asset quality continued to improve, with calculated NPLs declining to 3.8% in 4Q25, compared to 4.0% in 3Q25. Moreover, reported NPL coverage strengthened to 97.5% in 4Q25 from 90.7% in 3Q25. However, despite the improvement in headline asset quality metrics, the Bank's underlying credit risk profile shows emerging signs of stress. Total credit exposure expanded sharply on a YOY basis in 4Q25, accompanied by a build-up in Stage 2 balances, particularly within non-investment grade and watch-list Islamic financing, indicating rising early-stage credit risk. Consequently, Stage 2 loans as a share of gross loans increased to 4.7% in 4Q25 from 4.5% in 3Q25. The Bank's liquid assets accounted 22.3% 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 17.3% and CET1 of 13.0% in 4Q25. Thus, based on these factors, we assign a HOLD rating.

SIB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	22.41	20.60	15.36	11.91	9.39	10.40
PB	1.97	1.99	1.83	1.78	1.50	1.42
BVPS	1.811	1.791	1.944	1.999	2.378	2.504
EPS	0.159	0.173	0.232	0.299	0.379	0.342
DPS	0.076	0.095	0.100	0.150	0.200	0.200
Dividend yield	2.1%	2.7%	2.8%	4.2%	5.6%	5.6%

FABS Estimates & Co Data

SIB - P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	var	YOY Ch	QOQ Ch	2024	2025	Change
Income from fin. & leasing	999	1,002	1,016	1,024	-0.8%	1.7%	1.4%	3,725	3,900	4.7%
Depositors' share of profit	-598	-596	-589	-633	-7.0%	-1.4%	-1.2%	-2,215	-2,318	4.6%
Net funded income	401	405	427	391	9.2%	6.3%	5.3%	1,510	1,582	4.8%
Fees and commissions	136	242	151	234	-35.4%	11.3%	-37.5%	500	726	45.4%
Fee and commission Exp	-24	-31	-39	-41	-4.8%	NM	25.6%	-99	-127	28.6%
Investment income	22	-12	11	23	-51.2%	-48.8%	NM	85	22	-73.8%
Foreign exchange income	9	24	31	31	-0.7%	NM	28.8%	63	112	79.6%
Other income	22	55	60	37	60.5%	NM	8.8%	123	170	38.2%
Total non-funded income	165	278	213	284	-24.8%	29.0%	-23.2%	671	904	34.7%
Total operating income	567	683	640	675	-5.1%	12.9%	-6.3%	2,181	2,486	14.0%
General & admin. expenses	-246	-214	-279	-263	5.8%	13.1%	30.4%	-779	-897	15.2%
Pre-provision profit	321	470	362	411	-12.1%	12.8%	-23.0%	1,402	1,588	13.3%
Provisions	-110	-21	-205	-51	NM	NM	NM	-210	-217	3.1%
Profit before tax	168	448	233	361	-35.5%	38.5%	-48.1%	1,149	1,448	26.0%
Corporate tax	-11	-40	-20	-32	-36.4%	NM	NM	-101	-130	28.9%
Net Profit attributable	157	408	212	329	-35.4%	35.5%	-48.0%	1,048	1,317	25.7%

FABS estimate & Co Data

SIB - KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	70.8%	59.3%	66.7%	NM	NM	69.2%	63.6%	NM
NIM	1.9%	1.8%	1.8%	-14	2	1.9%	1.7%	-21
NIS	2.0%	1.8%	1.9%	-15	7	2.0%	1.8%	-23
Fees & comms/OI	24.0%	35.5%	23.6%	-34	NM	22.9%	29.2%	NM
Cost to income	43.5%	31.3%	43.5%	5	NM	35.7%	36.1%	38
Provisions/PPP	34.2%	4.5%	56.7%	NM	NM	15.0%	13.7%	NM
NP/OI	27.6%	59.7%	33.2%	NM	NM	48.0%	53.0%	NM
Cost of risk (calculated)	1.1%	0.2%	1.8%	65	158	0.6%	0.5%	-7
Loan-to-deposit	73.6%	80.0%	81.8%	NM	181	73.6%	81.8%	NM
NPL (Calculated)	4.9%	4.0%	3.8%	-109	-20	4.9%	3.8%	-109
NPL Coverage (Calculated)	90.3%	90.7%	97.5%	NM	NM	90.3%	97.5%	NM
CET 1	12.4%	12.0%	13.0%	58	103	12.4%	13.0%	58
Capital adequacy	17.1%	16.3%	17.3%	22	100	17.1%	17.3%	22
ROAE	15.0%	16.7%	16.5%	153	-17	15.0%	16.5%	153
ROAA	1.4%	1.6%	1.6%	11	-1	1.4%	1.6%	11

FABS estimate & Co Data

SIB - Key B/S items

AED Mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	38,083	40,309	42,987	43,663	45,550	19.6%
QOQ ch	4.2%	5.8%	6.6%	1.6%	4.3%	
Total assets	79,210	82,770	84,708	86,580	90,313	14.0%
QOQ ch	5.9%	4.5%	2.3%	2.2%	4.3%	
Customer deposits	51,758	52,099	52,721	54,573	55,673	7.6%
QOQ ch	7.8%	0.7%	1.2%	3.5%	2.0%	
Total equity	8,303	8,162	10,439	9,000	9,530	14.8%
QOQ ch	-4.5%	-1.7%	27.9%	-13.8%	5.9%	

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	3.72	70.0%	2.61
Relative Valuation (RV)	3.64	30.0%	1.09
Weighted Average Valuation (AED)			3.70
Current market price (AED)	3.56		
Upside/Downside (%)	+3.9%		

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 9.0%. Cost of equity is calculated by using 10-year government bond yield of 5.0%, beta of 0.90 and equity risk premium of 4.4%. 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)	1,255
Terminal value (AED, Mn)	2,470
Book Value of Equity (as of Dec 2025)	7,694
FV to Common shareholders (AED, Mn)	11,418
No. of shares (Mn)	3,068
Current Market Price (AED)	3.56
Fair Value per share (AED)	3.72

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	1,055	1,063	1,096	1,101	1,109
(-) Equity Charge	-693	-729	-767	-807	-848
Excess Equity	363	333	330	293	261
Discounting Factor	0.92	0.85	0.78	0.72	0.66
Present Value of Excess Equity	335	283	257	209	171

Source: FAB Securities

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 1.4x in line with its peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
Mashreq Bank	14,200	1.3	1.2	7.3	7.0	NA	NA
RAK Bank	4,764	1.4	1.3	8.2	8.3	6.1%	6.0%
Emirates NBD	52,622	1.3	1.1	8.2	7.7	3.6%	3.9%
Abu Dhabi Commercial Bank	30,362	1.4	1.3	9.9	8.8	4.5%	4.8%
Dubai Islamic Bank	19,183	1.5	1.4	10.0	9.6	4.9%	5.0%
Commercial Bank of Dubai	7,761	1.5	1.4	10.1	9.5	NA	NA
Average		1.4x	1.3x	9.0x	8.5x	3.8%	4.0%
Median		1.4x	1.3x	9.1x	8.5x	4.5%	4.8%
Max		1.5x	1.4x	10.0x	9.3x	4.9%	5.0%
Min		1.3x	1.2x	8.2x	7.8x	3.6%	3.9%

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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