

## Sharjah Islamic Bank (SIB)

Advanced profit-generating strategies resulted in higher net profit

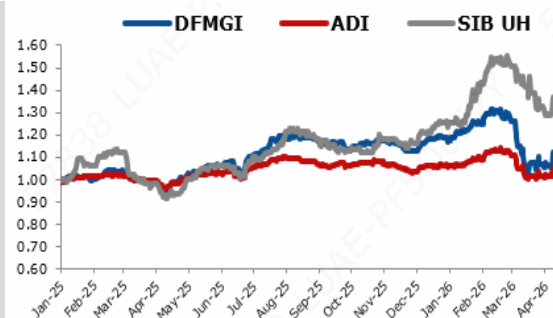
**Current Price**  
AED 3.62

**Target Price**  
AED 3.85

**Upside/Downside (%)**  
**+6.4%**

**Rating**  
**HOLD**

- Net advances rose 16.0% YOY and 2.6% QOQ to AED 46.7 Bn in 1Q26, supported by strong lending momentum across key sectors
- CASA deposits remained stable at 42.7% of total deposits in 1Q26, unchanged from 4Q25, indicating a stable and low-cost funding base
- The Bank's asset quality remained broadly stable, with the calculated NPL ratio declining marginally from 3.8% in 4Q25 to 3.7% in 1Q26, while coverage moderated to 93.4% from 97.5% in 4Q25.
- Paid cash dividend of AED 647 Mn for the period of 2025, equivalent to 20 fils per share



### 1Q26 Net Profit higher than our estimate

Sharjah Islamic Bank's (SIB) net profit rose 19.4% YOY to AED 381 Mn in 1Q26, significantly above our estimate of AED 324 Mn. The strong earnings performance was driven by growth in net funded income due to higher financing volumes, coupled with growth in non-funded income, partially offset by higher general & admin expenses, decline in reversal of provisions and higher corporate tax charges.

### P&L Highlights

Funded income rose 14.4% YOY to AED 1,046 Mn in 1Q26, supported by robust expansion in net loan and advances, due to strong demand across diversified sectors, and stable asset yield. Depositors share of profit rose 6.4% YOY to AED 582 Mn in 1Q26, due to strong growth in customer deposits, partially offset by decrease in cost of funds. Consequently, net funded income grew 26.4% YOY to AED 464 Mn, with the NIMs improving 22 bps YOY, and 11 bps QOQ to 1.9% in 1Q26. Non-funded income grew 9.3% YOY to AED 180 Mn in 1Q26, supported by the Bank's continued focus on diversifying its revenue streams. Net fees and commission income grew 25.5% YOY to AED 135 Mn in 1Q26, due to higher transaction activity. Furthermore, the Bank recorded investment loss of AED 20 Mn in 1Q26 compared to income of AED 2 Mn in 1Q25. Additionally, foreign exchange income declined 12.5% YOY to AED 22 Mn in 1Q26. Similarly, other income grew from AED 29 Mn in 1Q25 to AED 42 Mn in 1Q26, due to higher income from hospitality, rental income, income from disposal of properties, partially offset by decline in other income. Thus, the total operating income strengthened 21.1% YOY to AED 644 Mn in 1Q26. G&A expenses increased 17.9% YOY to AED 234 Mn in 1Q26. As a result, the calculated cost-to-income ratio improved 100 bps YOY to 36.3% in 1Q26, reflecting strategic investments undertaken to

### Stock Information

Market Cap (AED, Mn)	11,777.87
Paid Up Capital (Mn)	3,235.68
52 Week High	3.88
52 Week Low	2.30
3M Avg. daily value (AED)	27,927,600

### 1Q26 Result Review (AED, Mn)

Total Assets	90,867
Total Liabilities	81,681
Total Equity	9,186
Total Deposits	61,390
Net Profit	381

### Financial Ratios

Dividend Yield (12m)	5.04
Dividend Pay-out (%)	55.34
Price-Earnings Ratio(x)	8.92
Price-to-Book Ratio (x)	1.53
Book Value (AED)	2.38
Return-on Equity (%)	17.16

### Stock Performance

5 Days	12.35%
1 Months	3.41%
3 Months	15.92%
6 Months	30.00%
1 Year	53.59%
Month to Date (MTD%)	13.75%
Quarter to Date (QTD%)	13.75%
Year to Date (YTD%)	16.67%

support long-term growth. Impairment reversal declined substantially from AED 17 Mn in 1Q25 to AED 9 Mn in 1Q26. Corporate tax expenses increased 21.3% YOY to AED 38 Mn in 1Q26, owing to higher profit before tax.

### Balance Sheet Highlights

Total assets expanded by 9.8% YOY and 0.6% QOQ to AED 90.9 Bn in 1Q26, reflecting the Bank's ability to expand its asset base. Net advances rose 16.0% YOY and 2.6% QOQ to AED 46.7 Bn in 1Q26, driven by strong lending activity across key sectors. Similarly, customer deposits grew 17.8% YOY and 10.3% QOQ to AED 61.4 Bn in 1Q26, supported by ongoing customer engagement and competitive product offerings. CASA deposits remained stable at 42.7% of total deposits in 1Q26, compared to 4Q25. The loan-to-deposit ratio declined from 81.8% in 4Q25 to 76.1% in 1Q26. The Bank's asset quality remained broadly stable, with calculated NPL ratio declining marginally from 3.76% in 4Q25 to 3.72% in 1Q26, while calculated coverage declined to 93.4% in 1Q26, from 97.5% in 4Q25. The capital adequacy ratio remained at 15.55%, while the CET1 ratio stood at 11.54% in 1Q26, comfortably above regulatory minimum requirements.

### Target Price and Rating

We revise our rating from BUY to HOLD on SIB with a revised target price of AED 3.85. Stock price increased 13.1% since our last rating. SIB's recorded strong growth in profitability in 1Q26, driven by effective management execution and the successful implementation of its profit-generating strategies. This is evidenced by the Bank's fee-based income performance, which recorded double-digit growth in 1Q26, supported by higher transaction activity. Furthermore, the net advances expanded 16.0% YOY and 2.6% QOQ to AED 46.7 Bn in 1Q26, with strong lending momentum across key sectors. This growth highlights the Bank's continued commitment to providing Islamic financial solutions and supporting sectoral expansion. However, despite strong loan growth and provision releases supported by recoveries and write-offs, asset quality remains mixed. Deposit rose 17.8% YOY and 10.3% QOQ to AED 61.4 Bn in 1Q26, reflecting strong customer relationships as well as the competitiveness of the Group's products and profit rates. Additionally, CASA deposits remained stable at 42.7% of total deposits in 1Q26, compared to 4Q25, indicating a stable and low-cost funding base, thereby supporting margin sustainability and overall funding resilience. Furthermore, the Bank's NIM expanded 22 bps YOY to 1.9% in 1Q26, reflecting improved asset yields and funding dynamics. Additionally, the cost-to-income ratio declined 100 bps YOY to 36.3%, indicating enhanced operating efficiency and positive operating leverage. Furthermore, asset quality continued to improve, with calculated NPLs declining to 3.7% in 1Q26, compared to 3.8% in 4Q25. However, calculated NPL coverage fell to 93.4% in 1Q26 from 97.5% in 4Q25. The Bank's liquid assets accounted for 21.8% 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 15.5% and CET1 of 11.5% in 1Q26. Furthermore, calculated ROAA reached 1.6% in 1Q26 compared to 1.5% in 1Q25, reflecting the Bank's efficient utilization of its assets to generate profits. Similarly, ROAE stood at 18.7% in 1Q26 compared to 16.2% in 1Q25. The Bank paid cash dividend of AED 647 Mn for the period of 2025, equivalent to 20 fils per share. Thus, based on these factors, we assign a HOLD rating.

#### SIB - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	22.79	20.95	15.62	12.11	9.55	8.81
PB	2.00	2.02	1.86	1.71	1.52	1.40
BVPS	1.811	1.791	1.944	2.115	2.383	2.591
EPS	0.159	0.173	0.232	0.299	0.379	0.411
DPS	0.076	0.095	0.100	0.150	0.200	0.217
Dividend yield	2.1%	2.6%	2.8%	4.1%	5.5%	6.0%

FABS Estimates & Co Data

**SIB – P&L**

	1Q25	4Q25	1Q26	1Q26F	var.	YOY Ch	QOQ Ch	2025	2026F	Change
<b>AED Mn</b>										
Income from fin. & leasing	914	1,016	1,046	1,035	1.0%	14.4%	3.0%	3,900	4,226	8.4%
Depositors' share of profit	-547	-589	-582	-598	-2.8%	6.4%	-1.3%	-2,318	-2,319	0.0%
<b>Net funded income</b>	<b>367</b>	<b>427</b>	<b>464</b>	<b>437</b>	<b>6.3%</b>	<b>26.4%</b>	<b>8.8%</b>	<b>1,582</b>	<b>1,907</b>	<b>20.6%</b>
Fees and commissions	136	151	169	165	2.3%	24.0%	11.5%	726	748	3.0%
Fee and commission Exp	-28	-39	-34	-33	2.0%	18.3%	-14.6%	-127	-148	16.2%
Investment income	2	11	-20	11	NM	NM	NM	22	33	NM
Foreign exchange income	26	31	22	25	-11.2%	-12.5%	-27.1%	112	101	-10.0%
Other income	29	60	42	40	3.2%	41.7%	-29.9%	170	162	-5.0%
<b>Total non-funded income</b>	<b>164</b>	<b>213</b>	<b>180</b>	<b>209</b>	<b>-14.0%</b>	<b>9.3%</b>	<b>-15.8%</b>	<b>904</b>	<b>896</b>	<b>-0.8%</b>
<b>Total operating income</b>	<b>532</b>	<b>640</b>	<b>644</b>	<b>646</b>	<b>-0.3%</b>	<b>21.1%</b>	<b>0.6%</b>	<b>2,486</b>	<b>2,804</b>	<b>12.8%</b>
General & admin. expenses	-198	-279	-234	-233	0.5%	17.9%	-16.1%	-897	-998	11.2%
<b>Pre-provision profit</b>	<b>333</b>	<b>362</b>	<b>410</b>	<b>413</b>	<b>-0.8%</b>	<b>23.1%</b>	<b>13.5%</b>	<b>1,588</b>	<b>1,806</b>	<b>13.7%</b>
Provisions	17	-205	9	-58	NM	-49.0%	NM	-217	-223	2.6%
<b>Profit before tax</b>	<b>351</b>	<b>233</b>	<b>419</b>	<b>356</b>	<b>17.7%</b>	<b>19.5%</b>	<b>80.1%</b>	<b>1,448</b>	<b>1,583</b>	<b>9.3%</b>
Corporate tax	-32	-20	-38	-32.0	20.0%	21.3%	NM	-130	-142	9.5%
<b>Net Profit attributable</b>	<b>319</b>	<b>212</b>	<b>381</b>	<b>324</b>	<b>17.5%</b>	<b>19.4%</b>	<b>79.4%</b>	<b>1,317</b>	<b>1,440</b>	<b>9.3%</b>

*FABS estimate & Co Data*
**SIB - KPI**

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Net FI/OI	69.1%	66.7%	72.1%	302	545	63.6%	68.0%	439
NIM	1.7%	1.8%	1.9%	22	11	1.7%	1.9%	18
NIS	1.8%	1.9%	2.0%	21	13	1.8%	2.0%	23
Fees & comms/OI	25.6%	23.6%	26.2%	61	256	29.2%	26.7%	-253
Cost to income	37.3%	43.5%	36.3%	-100	-721	36.1%	35.6%	-50
Provisions/PPP	-5.2%	56.7%	-2.1%	302	-5,885	13.7%	12.3%	-133
NP/OI	60.0%	33.2%	59.1%	-88	2,595	53.0%	51.4%	-162
Cost of risk (calculated)	-0.2%	1.8%	-0.1%	9	-185	0.5%	0.5%	-3
Loan-to-deposit	77.4%	81.8%	76.1%	-123	-567	81.8%	80.9%	-88
NPL (Calculated)	4.5%	3.8%	3.7%	-82	-4	3.8%	3.7%	-8
NPL Coverage (Calculated)	88.5%	97.5%	93.4%	495	-407	97.5%	99.0%	152
CET 1	11.3%	11.9%	11.5%	21	-34	13.0%	12.6%	-42
Capital adequacy	15.8%	16.2%	15.5%	-22	-63	17.3%	16.5%	-79
ROAE	16.2%	16.5%	18.7%	243	216	16.5%	16.5%	1
ROAA	1.5%	1.6%	1.6%	14	3	1.6%	1.5%	-1

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

	1Q25	2Q25	3Q25	4Q25	1Q26	YOY Ch
<b>AED Mn</b>						
Net advances	40,309	42,987	43,663	45,550	46,745	16.0%
QOQ ch	5.8%	6.6%	1.6%	4.3%	2.6%	
Total assets	82,770	84,708	86,580	90,313	90,867	9.8%
QOQ ch	4.5%	2.3%	2.2%	4.3%	0.6%	
Customer deposits	52,099	52,721	54,573	55,673	61,390	17.8%
QOQ ch	0.7%	1.2%	3.5%	2.0%	10.3%	
Total equity	8,162	10,439	9,000	9,530	9,186	12.5%
QOQ ch	-1.7%	27.9%	-13.8%	5.9%	-3.6%	

*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	4.21	70.0%	2.95
Relative Valuation (RV)	3.02	30.0%	0.90
<b>Weighted Average Valuation (AED)</b>			<b>3.85</b>
Current market price (AED)			3.62
Upside/Downside (%)			+6.4%

### 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)	1,973
Terminal value (AED, Mn)	4,284
Book Value of Equity (as of Mar 2026)	7,349
<b>FV to Common shareholders (AED, Mn)</b>	<b>13,606</b>
No. of shares (Mn)	3,233
Current Market Price (AED)	3.62
<b>Fair Value per share (AED)</b>	<b>4.21</b>

### Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	1,328	1,317	1,322	1,318	1,356
(-) Equity Charge	-689	-750	-806	-862	-918
<b>Excess Equity</b>	<b>639</b>	<b>567</b>	<b>516</b>	<b>456</b>	<b>438</b>
Discounting Factor	0.94	0.86	0.79	0.73	0.67
<b>Present Value of Excess Equity</b>	<b>450<sup>1</sup></b>	<b>489</b>	<b>409</b>	<b>331</b>	<b>292</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 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	11,906	1.1	1.2	6.3	7.0	7.5%	NA
RAK Bank	4,518	1.0	1.2	5.8	7.9	8.7%	6.3%
Emirates NBD	51,450	1.2	1.1	8.0	7.4	3.5%	3.9%
Abu Dhabi Commercial Bank	27,941	1.2	1.1	8.7	7.7	5.2%	5.5%
Dubai Islamic Bank	14,500	1.1	1.1	8.1	7.7	5.2%	5.7%
Commercial Bank of Dubai	7,477	1.4	1.4	7.8	9.5	6.7%	NA
<b>Average</b>		<b>1.2x</b>	<b>1.2x</b>	<b>7.4x</b>	<b>7.9x</b>	<b>6.1%</b>	<b>5.3%</b>
<b>Median</b>		<b>1.2x</b>	<b>1.1x</b>	<b>7.9x</b>	<b>7.7x</b>	<b>5.9%</b>	<b>5.6%</b>
<b>Max (Quartile 3)</b>		<b>1.4x</b>	<b>1.4x</b>	<b>8.7x</b>	<b>9.5x</b>	<b>8.7%</b>	<b>6.3%</b>
<b>Min (Quartile 1)</b>		<b>1.0x</b>	<b>1.1x</b>	<b>5.8x</b>	<b>7.5x</b>	<b>3.5%</b>	<b>5.1%</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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