

Management discussion and analysis report

31 December 2025



مصرف الشارقة الإسلامي
SHARJAH ISLAMIC BANK

KEY HIGHLIGHTS

Sharjah Islamic Bank PJSC (the “Bank” or “SIB”) and its subsidiaries (together referred to as the “Group”) demonstrated impressive financial performance for the year ended 31 December 2025, where the Group's net profit surged by 25.7%, reaching an impressive AED 1,317.5 million. This notable growth is in comparison to the net profit of AED 1,047.9 million recorded for the previous year 2024.

- +25.7% ↑ The Group demonstrated strong financial performance for the year ended 31 December 2025, characterized by a notable 25.7% increase in net profit to AED 1,317.5 million, compared to AED 1,047.9 million for the year 2024, which underscores the efficacy of the Group's management and the success of its profit-generating strategies.
- +14.0% ↑ The total operating income for the year ended 31 December 2025 amounted to AED 2,485.9 million, showing an increase of 14.0% or AED 304.8 million compared to AED 2,181.1 million reported for the year 2024.
- +13.3% ↑ Net operating income, before impairment of financial assets, reached AED 1,588.4 million, an increase of 13.3% compared to AED 1,402.0 million in the previous year 2024. This improvement demonstrates the Group's efficiency in managing its core business operations.
- +26.7% ↑ Earnings per share for the year ended 31 December 2025, were recorded at AED 0.38 per share, compared to AED 0.30 per share for the previous year 2024. This increase reflects the Group's ability to generate higher earnings for its shareholders.
- +7.6% ↑ Annualized return on average assets – after tax for the year ended 31 December 2025 stood at 1.55%, compared to 1.44% for the previous year ended 31 December 2024. This improvement demonstrates the Group's effective utilization of its assets to generate profits.
- +15.8% ↑ Annualized return on average equity – after tax for the year ended 31 December 2025 was 14.78%, an increase from 12.76% for the previous year ended 31 December 2024. This metric reflects the Group's strong performance for the year ended 31 December 2025.
- +1.1% ↑ The Group's cost-to-income ratio stands at 36.1% for the year ended 31 December 2025, compared to 35.7% for the year ended 31 December 2024. This reflects the Group's ongoing strategic investment aimed at driving long term growth.

KEY HIGHLIGHTS

The Group demonstrated robust asset growth highlighted by 14.0% increase in total assets, 19.6% increase in Investment in Islamic financing and 7.6% growth in customer deposits.

- +14.0%  The Group's total assets increased to AED 90.3 billion as of 31 December 2025, reflecting a robust 14.0% increase as compared to AED 79.2 billion as of 31 December 2024. This expansion in total assets underscores the Group's capacity to enhance its asset portfolio, thereby reinforcing its financial strength.
- +19.6%  The Group's Investments in Islamic financing saw a notable increase of AED 7.5 billion, resulting an increase of 19.6%. As of 31 December 2025, the total Investments in Islamic financing reached AED 45.6 billion, compared to AED 38.1 billion as of 31 December 2024. This expansion underscores the Group's steadfast commitment to providing Islamic financial services and fostering sectoral growth.
- +1.0%  Investment securities measured at amortized cost remained stable at AED 12.9 billion. The Group's investment securities measured at fair value increased by 405 million and reached at AED 5.0 billion as of 31 December 2025 as compared to AED 4.6 billion as of 31 December 2024.
- +7.6%  Customer deposits increased by 7.6% to reach AED 55.7 billion as of 31 December 2025 as compared to AED 51.8 billion as of 31 December 2024 demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products and profit rates.
- +11.2%  As of 31 December 2025, the financing to deposit ratio, a key indicator of the Group's lending activity compared to its deposit base, was recorded at 81.8%, compared to 73.6% as of 31 December 2024. This ratio underscores the Group's judicious strategy in overseeing its financing portfolio, ensuring a well-balanced risk profile.
- +3.2%  Liquid assets, pivotal in bolstering the Group's liquidity profile, constituted 22.3% of the total assets, equating to AED 20.2 billion as of 31 December 2025, compared to 21.6% equating to AED 17.1 billion as of 31 December 2024. Liquidity levels are crucial for the Group to fulfill short-term obligations.
- 22.4%  The Non-Performing Financing ("NPF") ratio improved to 3.8% as of 31 December 2025, compared to 4.9% as of 31 December 2024, while total coverage ratio has improved to 109.0% as of 31 December 2025 compared to 99.6% as of 31 December 2024. These metrics highlight the Group's prudent approach to managing credit risk and its ability to mitigate potential losses.
- +0.0%  The Group maintained a robust capital position, with a total capital adequacy ratio stands at 16.2% (after proposed dividend) as of 31 December 2025, similar to 31 December 2024. This ratio demonstrates the Group's ability to meet regulatory requirements and indicates its strong financial foundation.



PERFORMANCE

Total assets of the Group reached at AED 90.3 billion as of 31 December 2025, a testament to the Group's growth strategy formulated in light of prudent risk management. Stable growth in total assets by 14.0% is a composition of growth in assets across all business units of the Group including liquid assets, Investment in Islamic financing and Investment securities.

The net investment in Islamic financing reached AED 45.6 billion as of 31 December 2025, reflecting a net increase of 19.6% or AED 7.5 billion, compared to the balance as of 31 December 2024. Investment in Islamic financing has continually increased for the Group with CAGR of 11.9%. This growth implies strong strategy and optimal utilisation of capital and liquidity resources.

The Group's liquid assets comprised 22.3% of total assets, totaling AED 20.2 billion as of 31 December 2025. These liquidity levels signal a liquidity position that enables the Group to seamlessly navigate short-term obligations. Such numbers resonates with the Group's strategic vision of maintaining a minimum liquidity threshold of 20%.

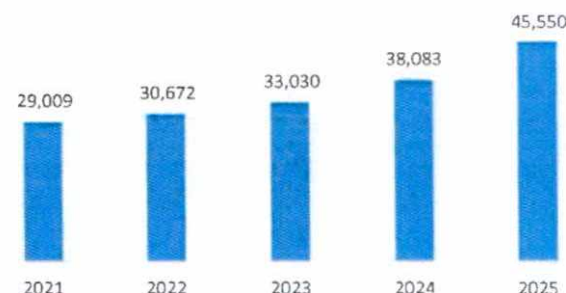
Investment securities measured at amortised cost remained stable at AED 12.9 billion as of 31 December 2025, compared to AED 13.2 billion as of 31 December 2024. This is a key investment portfolio for the Group and is driven by favorable market conditions in the UAE during 2025, including increased liquidity, rising investor demand for stable, Sharia-compliant instruments, and the government's push for infrastructure and economic development projects.

Customer deposits increased by 7.6% to reach AED 55.7 billion as compared to AED 51.8 billion as of 31 December 2024. Customer deposits have increased with a CAGR of 9.7%, demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products. *CASA balance remained stable at 42.7% of total customer deposits as of 31 December 2025 and 42.2% as of 31 December 2024.

*Includes Current account, Saving account and other similar products.

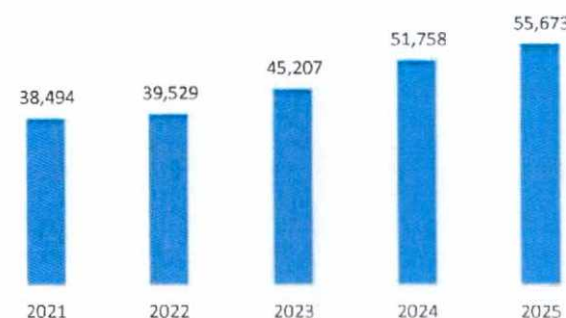
↑ CAGR 11.9%

Islamic financing



↑ CAGR 9.7%

Customer deposits





PERFORMANCE

BALANCE SHEET

Balance due to banks increased by AED 3.5 billion, reaching at AED 16.3 billion as of 31 December 2025 as against AED 12.9 billion as of 31 December 2024, in line with Group's liquidity management policies.

NPF ratio of the Group stands at 3.8% as of 31 December 2025 as against 4.9% as of 31 December 2024. Improvement in NPF ratio is a resultant of strong recovery on doubtful financing and increase in overall investments in Islamic financing. Coverage ratio (including general impairment reserve) stands at 109.0% as of 31 December 2025, as compare to 99.6% at 31 December 2024.

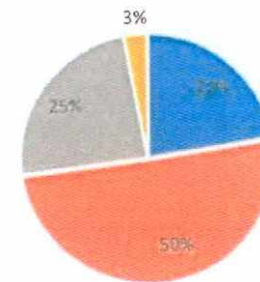
PROFIT AND LOSS

The Group posted a profit before tax of AED 1,447.6 million for the year ended 31 December 2025, compared to AED 1,148.8 million for the same period of the year 2024, an increase of 26.0%. The Group achieved a profit after tax of AED 1,317.5 million for the year ended 31 December 2025, an increase of 25.7% compared to same period of the year 2024. Strong profitability is driven by a significant increase in non-profit income, reflecting the Group's enhanced focus on diversifying revenue streams through fee-based activities and other non-financing income sources.

The distribution to depositors and sukuk holders reached AED 2,317.9 million for the year ended 31 December 2025 compared to AED 2,215.2 million for the same period of year 2024, an increase of 4.6%. These profit allocations represent the depositors' share of the Group's net operating profits based on the profit sharing mechanism between shareholders and depositors as approved by the Group's Sharia'a Committee.

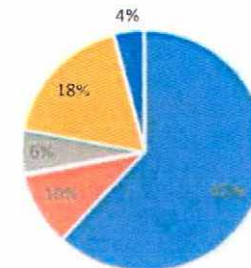
Investment, fees, commission and other income reached AED 903.9 million for the year ended 31 December 2025, compared to AED 671.3 million for the same period of year 2024, an increase of AED 232.6 million or 34.7%.

SIB Asset Structure



■ Liquid assets ■ Islamic financing ■ Investments ■ Other Assets

SIB Liabilities structure



■ Customer deposits ■ Shareholders' equity ■ Sukuk payable
■ Due to banks ■ Other liabilities



PERFORMANCE

PROFIT AND LOSS

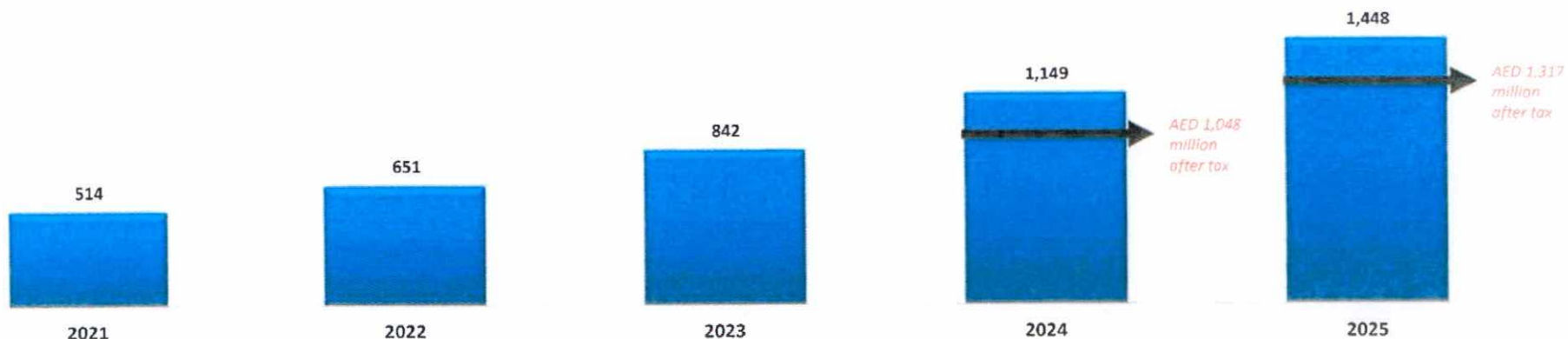
On the expenses side, general and administration expenses reached AED 897.5 million for the year ended 31 December 2025 compared to AED 779.1 million for the same period of year 2024, an increase of 15.2%, while cost to income ratio stood at 36.1% for the year ended 31 December 2025, compared to 35.7% for the year ended 31 December 2024.

The Group recognised impairment on financial assets - net of recoveries amounting to AED 217.0 million for the year ended 31 December 2025, compared to a provision charge of AED 210.4 million for the same period of year 2024, a change of AED 6.6 million or 3.1%.

Return on average equity (ROAE) reached 14.78% for the year ended 31 December 2025 compared to 12.76% for the year ended 31 December 2024, while Return on average assets (ROAA) was 1.55% for the year ended 31 December 2025 compared with 1.44% for the year ended 31 December 2024.

↑ CAGR 29.6%

Net Profit before tax





FINANCIAL HIGHLIGHTS

Numbers in AED '000	31 December	31 December	Variance
	2025	2024	%
Consolidated statement of financial position			
Investment securities measured at amortised cost	12,944,543	13,172,684	-1.7%
Investment in Islamic financing	45,550,061	38,082,819	19.6%
Customer deposits	55,672,922	51,758,444	7.6%
NPF ratio	3.8%	4.9%	-22.4%
NPF coverage ratio	109.0%	99.6%	9.5%
Risk weighted assets	57,243,516	50,620,696	13.1%
Common equity tier 1 ratio*	11.9%	11.5%	3.1%
Tier 1 capital ratio*	15.1%	15.2%	-0.4%
Capital adequacy ratio*	16.2%	16.2%	0.0%
Financing to deposit ratio	81.8%	73.6%	11.2%
ASFR	80.5%	82.7%	-2.7%
ELAR	17.4%	14.6%	18.9%
Liquid asset ratio	22.3%	21.6%	3.2%
Cost to income ratio	36.1%	35.7%	1.1%
ROAE	14.78%	12.76%	15.8%
ROAA	1.55%	1.44%	7.6%

* After proposed dividend

Prudent growth strategy across diversified industry segments as well as continuous customer demand has resulted in increase in Investment in Islamic financing.

Introduction of retail deposit products, focused approach and excellent customer service has resulted in growth of customer deposits.

Increase in financing portfolio and strong recovery resulted in improved NPF ratio.

The Group has maintained a high coverage ratio as a result of prudent risk management policies coupled with recovery efforts.

FINANCIAL HIGHLIGHTS

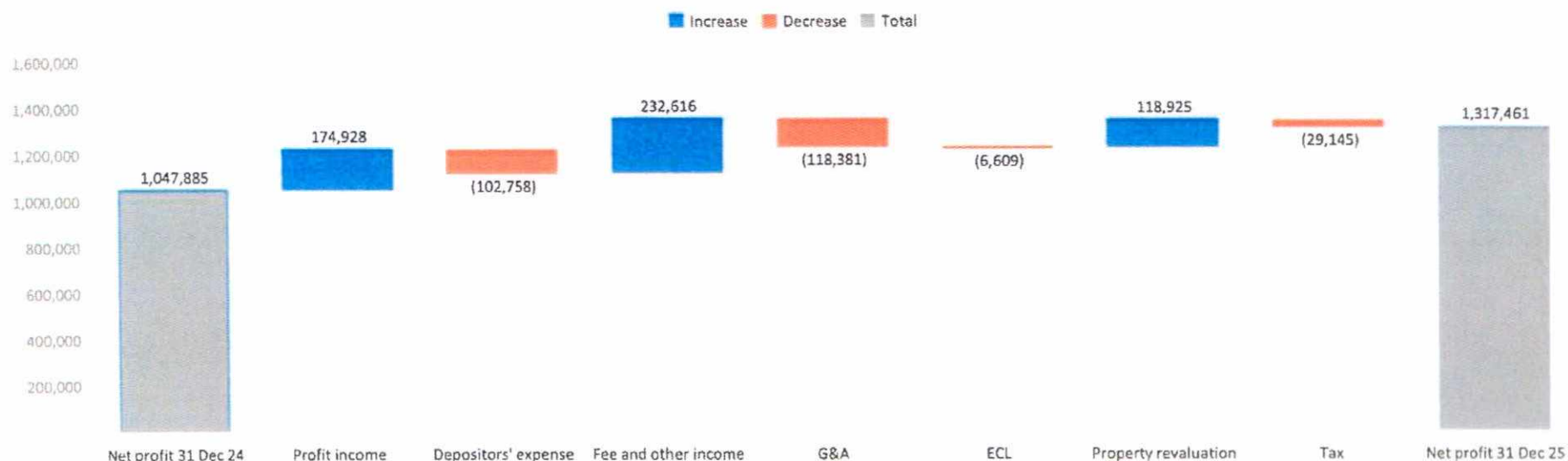
Numbers in AED '000	31 December	31 December	Variance
	2025	2024	%
Consolidated statement of profit or loss			
Income from investments in Islamic financing and sukuks	3,899,998	3,725,070	4.7%
Distribution to depositors and sukuk holders	(2,317,937)	(2,215,179)	4.6%
Investment, fee, commission and other income	903,868	671,252	34.7%
Total operating income	2,485,929	2,181,143	14.0%
General and administrative expenses	(897,494)	(779,113)	15.2%
Net operating income before impairment	1,558,435	1,402,030	13.3%
Impairment on financial assets - net of recoveries	(217,023)	(210,414)	3.1%
Revaluation gain / (loss) on properties	76,153	(42,772)	278.0%
Profit before tax	1,447,565	1,148,844	26.0%
Tax	(130,104)	(100,959)	28.9%
Profit for the year	1,317,461	1,047,885	25.7%
Earnings per share	0.38	0.30	26.7%

Increase in financing volume across diversified industry segments resulted in increased profit income.

Increase in deposit portfolio resulted in higher profit expense.

Increase in transactional activity (investing, financing), resulting in improved fees and commission income.

Profit and Loss Waterfall For the year ended 31 December 2025



- Islamic financing, sukuk investments and deposit portfolio increase resulting in increase in profit income and expense;
- Increase in transactional activity (investing, financing), resulting in improved fees and commission income; and
- Higher rental yield and real estate income resulting in improved other income.



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Thank You

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Mohamed Ahmed Abdalla
Chief Executive Officer

