Sharjah Islamic Bank

Management discussion and analysis report

For the six month period ended **30 June 2026**

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 six month period ended 30 June 2026, where the Group's net profit **surged by 15.3%**, reaching an impressive **AED 803.9 million**. This notable growth is in comparison to the net profit of AED 697.2 million recorded for the same period of 2025.

+15.3% — The Group demonstrated strong financial performance for the six month period ended 30 June 2026, characterized by a notable 15.3% increase in **net profit** to AED 803.9 million, compared to AED 697.2 million for the six month period ended 30 June 2025, which underscores the efficacy of the Group's management and the success of its profit-generating strategies.

+20.5% — The **total operating income** for the six month period ended 30 June 2026 amounted to AED 1,401.0 million, showing an increase of 20.5% or AED 238.5 million compared to AED 1,162.5 million reported for the six month period ended 30 June 2025.

+22.3% — **Net operating income**, before impairment of financial assets, reached AED 925.8 million, an increase of 22.3% compared to AED 757.2 million for the six month period ended 30 June 2025. This improvement demonstrates the Group's efficiency in managing its core business operations.

+10.5% — **Earnings per share** for six month period ended 30 June 2026, were recorded at AED 0.21 per share, compared to AED 0.19 per share for the same period previous year 2025. This increase reflects the Group's ability to generate higher earnings for its shareholders as the Bank has maintained a stable EPS after the increase in the number of shares during the current period due to a successful rights issue.

+12.3% — **Annualized return on average assets** – after tax for the six month period ended 30 June 2026 stood at 1.74%, compared to 1.55% for the previous year ended 31 December 2025. This improvement demonstrates the Group's effective utilization of its assets to generate profits.

+0.2% — **Annualized return on average equity – after tax** for the six month period ended 30 June 2026 was 14.81%, an increase from 14.78% for the year ended 31 December 2025. This metric reflects the Group's strong performance for the six month period ended 30 June 2026.

-6.1% — The Group's **cost-to-income ratio** stands at 33.9% for the six month period ended 30 June 2026, compared to 36.1% for the year ended 31 December 2025. This underscores the Group's adeptness in managing costs in proportion to its income, ultimately contributing to improved profitability.

KEY HIGHLIGHTS

The Group demonstrated robust asset growth highlighted by **4.7% increase** in total assets, **9.5% increase** in Investment in Islamic financing and **6.6% growth** in customer deposits.

+4.7% The Group's **total assets** increased to AED 94.5 billion as of 30 June 2026, reflecting a robust 4.7% increase as compared to AED 90.3 billion as of 31 December 2025. This expansion in total assets underscores the Group's capacity to enhance its asset portfolio, thereby reinforcing its financial strength.

+9.5% The Group's **Investments in Islamic financing** saw a notable increase of AED 4.3 billion, resulting an increase of 9.5%. As of 30 June 2026, the total Investments in Islamic financing reached AED 49.9 billion, compared to AED 45.6 billion as of 31 December 2025. This expansion underscores the Group's steadfast commitment to providing Islamic financial services and fostering sectoral growth.

+2.2% **Investment securities** measured at amortised cost remained stable at AED 12.6 billion. The Group's investment securities measured at fair value increased by 749.2 million and reached at AED 5.8 billion as of 30 June 2026 as compared to AED 5.0 billion as of 31 December 2025.

+6.6% **Customer deposits** increased by 6.6% to reach AED 59.4 billion as of 30 June 2026 as compared to AED 55.7 billion as of 31 December 2025 demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products and profit rates.

+2.7% As of 30 June 2026, the **financing to deposit ratio**, a key indicator of the Group's lending activity compared to its deposit base, was recorded at 84.0%, compared to 81.8% as of 31 December 2025. This ratio underscores the Group's judicious strategy in overseeing its financing portfolio, ensuring a well-balanced risk profile.

-6.3% **Liquid assets**, pivotal in bolstering the Group's liquidity profile, constituted 20.9% of the total assets, equating to AED 19.7 billion as of 30 June 2026, compared to 22.3% equating to AED 20.2 billion as of 31 December 2025. Liquidity levels are crucial for the Group to fulfill short-term obligations.

-5.3% **Non-Performing Financing ("NPF") ratio** stood at 3.6% as of 30 June 2026 as compared to 3.8% as of 31 December 2025, while total coverage ratio stands at to 106.5% as of 30 June 2026 compared to 109.0% as of 31 December 2025. These metrics highlight the Group's prudent approach to managing credit risk and its ability to mitigate potential losses.

+20.4% The Group maintained a robust capital position, with a total **capital adequacy ratio** of 19.5% as of 30 June 2026 as compared to 16.2% as of 31 December 2025. The increase is largely contributed by an increase in equity due to successful rights issue.

PERFORMANCE

BALANCE SHEET

Total assets of the **Group** reached at **AED 94.5 billion** as of 30 June 2026, a testament to the Group's growth strategy formulated in light of prudent risk management. Stable growth in total assets by 4.7% is attributable to the growth in assets across all business units of the Group including liquid assets, Investment in Islamic financing and Investment securities.

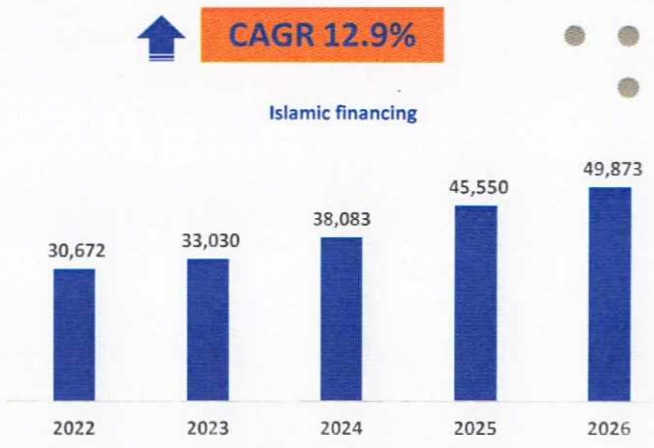
The **net investment in Islamic financing** reached **AED 49.8 billion** as of 30 June 2026, reflecting a net increase of 9.5% or AED 4.3 billion, compared to the balance as of 31 December 2025. Investment in Islamic financing has continually increased for the Group with CAGR of 12.9%. This growth implies strong strategy and optimal utilisation of capital and liquidity resources.

The **Group's liquid assets** comprised 20.9% of total assets, totaling **AED 19.7 billion** as of 30 June 2026. 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 12.6 billion** as of 30 June 2026, compared to AED 12.9 billion as of 31 December 2025. This is a key investment portfolio for the Group and is driven by rising investor demand for stable, Sharia-compliant instruments, and the government's push for infrastructure and economic development projects.

Customer deposits increased by 6.6% to reach **AED 59.4 billion** as compared to AED 55.7 billion as of 31 December 2025. Customer deposits have increased with a CAGR of 10.7%, demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products. *__CASA balances__ have improved to **43.7%** of total customer deposits as of 30 June 2026 from 42.7% as of 31 December 2025.

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



PERFORMANCE

BALANCE SHEET

Balance **due to banks** reduced by AED 2.4 billion, reaching at **AED 13.9 billion** as of 30 June 2026 as against AED 16.3 billion as of 31 December 2025, in line with Group's liquidity management policies.

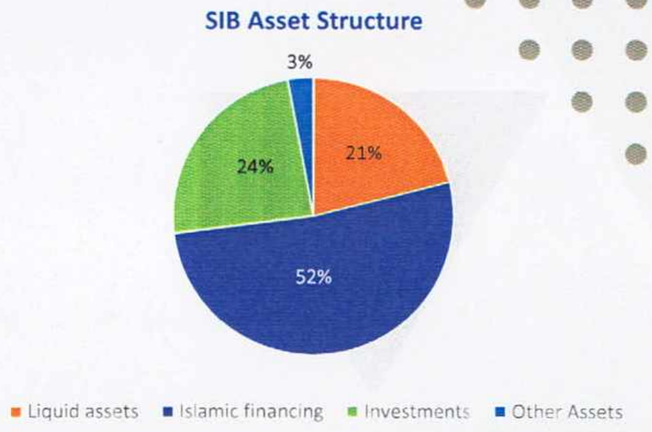
NPF ratio of the Group stands at **3.6%** as of 30 June 2026 as compared to 3.8% as of 31 December 2025. An improving NPF ratio is a resultant of strong recovery on doubtful financing and increase in overall investments in Islamic financing. **Coverage ratio (including general impairment reserve)** stands at **106.5%** as of 30 June 2026, as compared to 109.0% at 31 December 2025.

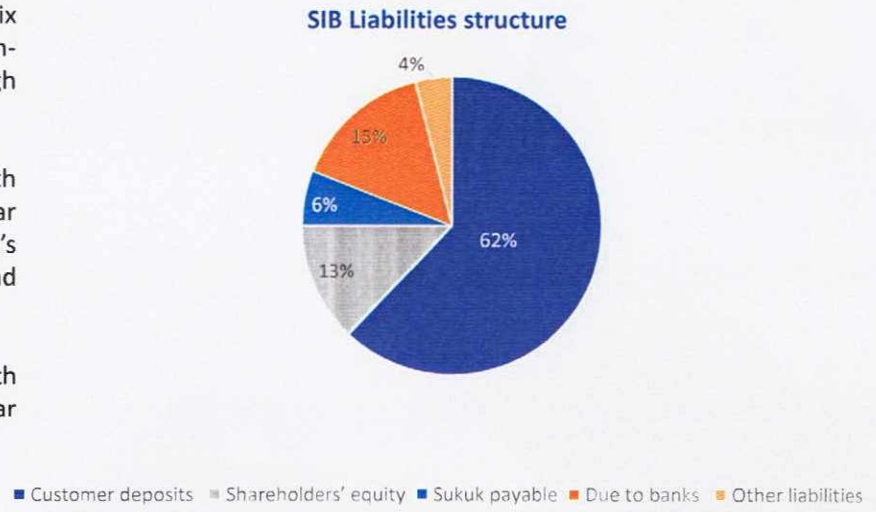
PROFIT AND LOSS

The Group posted a **profit before tax** of **AED 884.6 million** for the six month period ended 30 June 2026, compared to AED 766.5 million for the six month period ended 30 June 2025, an increase of 15.4%. The Group achieved a **profit after tax** of **AED 803.9 million** for the six month period ended 30 June 2026, an increase of 15.3% compared to AED 697.2 million for the six month period ended 30 June 2025. 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 1,154.8 million** for the six month period ended 30 June 2026 compared to AED 1,132.4 million for the same period of the year 2025, an increase of 2.0%. 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 445.7 million** for the six month period ended 30 June 2026, compared to AED 412.4 million for the same period of the year 2025, an increase of AED 33.3 million or 8.1%.





PERFORMANCE

PROFIT AND LOSS

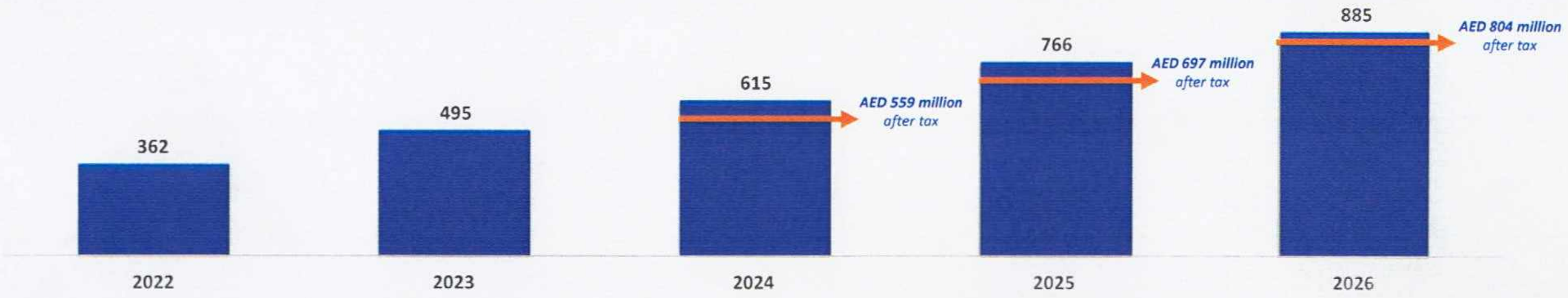
On the expenses side, **general and administration expenses** reached **AED 475.2 million** for the six month period ended 30 June 2026 compared to AED 405.4 million for the same period of the previous year 2025, an increase of 17.2%, while **cost to income ratio** stood at **33.9%** for the six month period ended 30 June 2026, compared to 36.1% for the year ended 31 December 2025.

The Group recognized **provision for impairment of financial assets** amounting to **AED 79.2 million,** while recoveries reached **AED 37.9 million** ***(net charged of AED 41.3 million)*** for the six month period ended 30 June 2026, compared to provision for impairment of financial assets of AED 60.9 million and recoveries of AED 70.2 million *(net reversal of AED 9.3 million)* for the six month period ended 30 June 2025.

Annualized return on average equity (ROAE) reached **14.81%** for the six month period ended 30 June 2026 compared to 14.78% for the year ended 31 December 2025, while **annualized return on average assets (ROAA)** was **1.74%** for the six month period ended 30 June 2026 compared with 1.55% for the year ended 31 December 2025.

CAGR 25%

Net Profit before tax *(all periods presented are for the six month period ended 30 June)*



FINANCIAL HIGHLIGHTS

Numbers in AED '000	Consolidated statement of financial position		
	30 June 2026	31 December 2025	Variance %
Investment in Islamic financing	49,873,452	45,550,062	9.5%
Customer deposits	59,367,812	55,672,922	6.6%
NPF ratio	3.6%	3.8%	-5.3%
NPF coverage ratio	106.5%	109.0%	-2.3%
Risk weighted assets	63,441,690	57,243,516	10.8%
Common equity tier 1 ratio	15.6%	11.9%	31.1%
Tier 1 capital ratio	18.5%	15.1%	22.5%
Capital adequacy ratio	19.5%	16.2%	20.4%
Financing to deposit ratio	84.0%	81.8%	2.7%
Advances to stable fund ratio (ASFR)	79.0%	80.5%	-1.9%
Eligible liquid asset ratio (ELAR)	16.6%	17.4%	-4.6%
Liquid asset ratio	20.9%	22.3%	-6.3%
Cost to income ratio	33.9%	36.1%	-6.1%
ROAE	14.81%	14.78%	0.2%
ROAA	1.74%	1.55%	12.3%

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**.

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	Consolidated statement of profit or loss		
	30 June 2026	30 June 2025	Variance %
Income from investments in Islamic financing and sukuks	2,110,094	1,882,463	12.1%
Distribution to depositors and sukuk holders	(1,154,798)	(1,132,379)	2.0%
Investment, fee, commission and other income	445,736	412,440	8.1%
Total operating income	1,401,032	1,162,524	20.5%
General and administrative expenses	(475,225)	(405,370)	17.2%
Net operating income before impairment	925,807	757,154	22.3%
Impairment on financial assets - net of recoveries	(41,260)	9,302	-543.6%
Profit before tax	884,547	766,456	15.4%
Tax	(80,648)	(69,258)	16.4%
Profit for the period	803,899	697,198	15.3%
Earnings per share	0.21	0.19	10.5%

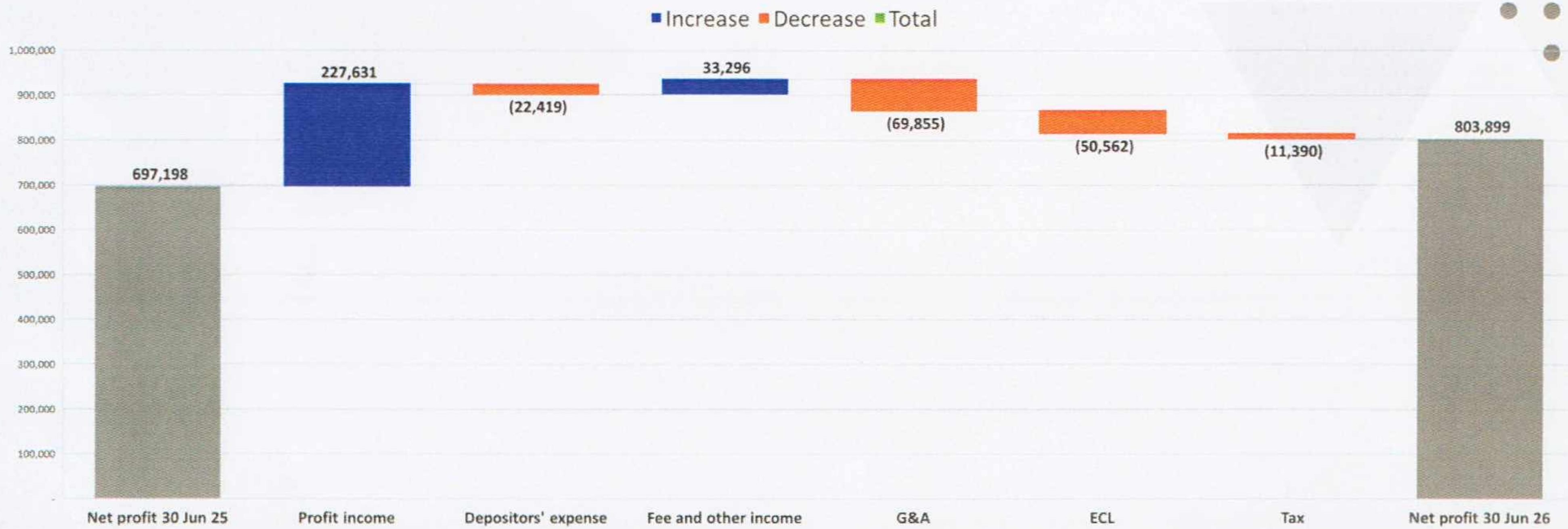
Increase in financing volume across diversified industry segments resulted in increased **profit income**.

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 six month period ended 30 June 2026



- 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.

مصرف الشارقة الإسلامي

Management discussion and analysis report

For the six month period ended **30 June 2026**

THANK YOU

Mohamed Ahmed Abdalla
Chief Executive Officer