

Mashreq Bank (MASQ)

Stronger client activity and ongoing diversification led to higher operating income

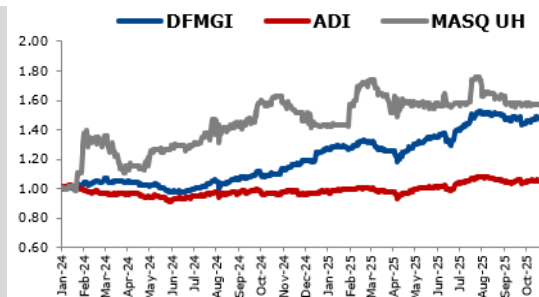
Current Price
AED 237.00

Target Price
AED 270.00

Upside/Downside (%)
+14%

Rating
ACCUMULATE

- MASQ's non-funded income continued to grow and now accounts for 33.8% of total operating income in 3Q25, compared to 29.1% in 3Q24.
- The Bank recorded impairment charges of AED 121 Mn in 3Q25 compared to AED 118 Mn in 3Q24.
- Customer deposits increased 19.9% YOY and 5.4% QOQ to AED 187.1 Bn in 3Q25, and net advances rose 20.7% YOY to AED 143.1 Bn.
- MASQ maintained a healthy capitalization with a CET1 ratio of 14.2% and a total CAR of 16.8% in 3Q25.
- CASA deposits remained flat at 66% of total deposits in 3Q25, continuing to provide a stable, low-cost funding base.



Stock Information

Market Cap (AED, Mn)	47,143.31
Paid Up Capital (Mn)	2,006.10
52 Week High	275.00
52 Week Low	198.90
3M Avg. daily value(AED)	294,825

3Q25 Net Profit in line with our estimate

Mashreq Bank ("MASQ"/The Bank) net profit fell 4.9% YOY to AED 1,685 Mn in 3Q25, in line with our estimate of AED 1,668 Mn. The net profit was primarily impacted by increased general and administrative expenses, tax charges, impairments and non-controlling interest, partially offset by significant growth in non-funded income.

P&L Highlights

MASQ's interest income remained flat on YOY basis to AED 3,616 Mn in 3Q25, primarily due to a decrease in asset yield, offset by an increase in average interest-earning assets. However, income from Islamic financing grew 11.7% YOY to AED 491 Mn in 3Q25, driven by an increase in average Islamic financing assets, but offset by a contraction in the yield on Islamic assets. Thus, total funded income increased 1.2% YOY to AED 4,106 Mn in 3Q25. Moreover, funded expenses increased 1.9% YOY to AED 1,988 Mn in 3Q25 due to distribution to depositors of Islamic products. As a result, net funded income increased 0.5% YOY to AED 2,119 Mn in 3Q25 due to broad-based strength across segments and geographies. MASQ's net fee and commission income increased 38.6% YOY to AED 388 Mn in 3Q25. The Bank recorded robust growth in income from investment securities, reaching AED 99 Mn in 3Q25, compared to AED 71 Mn in 3Q24. In addition, MASQ's other operating income grew 16.4% YOY to AED 597 Mn in 3Q25. Resultantly, the Bank's total non-funded income grew 25.5% YOY to AED 1,083 Mn in 3Q25 reflecting stronger client activity, market opportunities captured across investment and trading portfolios, and ongoing diversification of Mashreq's revenue base. Thus, MASQ total operating income surged 7.8% YOY to AED 3,202 Mn in 3Q25, mainly driven by ongoing double-digit increases in loans and advances, as well as non-interest income. Furthermore, the Bank's G&A expenses increased 17.0% YOY to AED 1,015 Mn in 3Q25

3Q25 Result Review (AED, Mn)

Total Assets	305,464
Total Liabilities	266,540
Total Equity	38,924
Total Deposits	187,167
Net Profit	1,685

Financial Ratios

Dividend Yield (12m)	8.83
Dividend Pay-out (%)	47.47
Price-Earnings Ratio(x)	5.80
Price-to-Book Ratio (x)	1.35
Book Value (AED)	173.63
Return-on Equity (%)	24.54

Stock Performance

5 Days	-1.67%
1 Months	-2.08%
3 Months	-6.37%
6 Months	-1.67%
1 Year	-1.26%
Month to Date (MTD%)	-1.88%
Quarter to Date (QTD%)	-2.08%
Year to Date (YTD%)	7.80%

with continued investments in digital innovation, automation, Gen-AI-led initiatives and strategic business expansion. Resultantly, the cost-to-income ratio increased from 29.2% in 3Q24 to 31.7% in 3Q25, highlighting Mashreq's focus on growth and modernisation while maintaining cost discipline through automation and technology. MASQ's impairment charges increased 2.5% YOY to AED 121 Mn in 3Q25. MASQ tax expenses surged from AED 197 Mn in 3Q24 to AED 357 Mn in 3Q25 driven by UAE's adoption of the corporate income tax regime and the introduction of Global Minimal Tax. The Bank's NCI increased from AED 17 Mn in 3Q24 to AED 23 Mn in 3Q25.

Balance Sheet Highlights

The Bank's total assets grew 20.1% YOY and 4.0% QOQ to AED 305.5 Bn in 3Q25, supported by strong lending activity, expanding client relationships and a growing contribution from international markets. MASQ's net advances rose 20.7% YOY and 6.7% QOQ to AED 143.1 Bn in 3Q25, with growth concentrated in strategically important sectors, funded by an increase in customer deposits due to a robust funding franchise. Customer deposits rose by 19.9% YOY to AED 187.2 Bn in 3Q25, highlighting Mashreq's robust funding capabilities and its success in attracting stable deposits through improved transaction flows and product innovation. Furthermore, the CASA ratio improved to 66% of total deposits in 3Q25, continuing to provide a stable, low-cost funding base that supports both profitability and liquidity strength. The loan-to-deposit ratio expanded by 49 bps to 76.4% in 3Q25. On the other hand, total equity rose 10.3% YOY and 5.2% QOQ to AED 38.9 Bn in 3Q25.

Target Price and Rating

We maintain our ACCUMULATE rating on MASQ with a target price of AED 270.0. MASQ recorded a decline in profitability in 3Q25 on a YOY basis, primarily due to marginal growth in net funded income and higher tax expenses. However, the Bank's non-funded income continued to grow, accounting for 33.8% of total operating income in 3Q25, compared to 29.1% in 3Q24, mainly due to the Bank's strategy to diversify revenue sources. Net advances grew 20.7% YOY and 6.7% QOQ to AED 143.1 Bn in 3Q25, with growth in strategically important sectors such as mortgage, manufacturing, construction and FIs. Customer deposits grew 19.9% YOY and 5.4% QOQ to AED 187.2 Bn in 3Q25, with a significant portion contributed by CASA accounts, demonstrating Mashreq's strong funding franchise and ability to attract stable deposits through enhanced transaction flow and product innovation. Moreover, CASA deposits represented 66% of total deposits in 3Q25, continuing to offset rate-driven margin pressure and preserve spread stability. However, the Bank's NIMs fell 68 bps YOY but expanded 8 bps QOQ to 3.5% in 3Q25. MASQ, asset quality improved as the calculated NPL ratio fell from 1.9% in 3Q24 to 1.4% in 3Q25, reflecting disciplined underwriting, prudent exposure management, and sustained portfolio quality across businesses and geographies. Additionally, MASQ reported a Liquid Assets Ratio of 27% and a Liquidity Coverage Ratio of 123% in 3Q25, above the regulatory requirement, which reflects the Bank's measured funding strategy, stable deposit base, and prudent management of liquidity risk. In 3Q25, MASQ reported a CET1 ratio of 14.2% and a total CAR of 16.8%. This highlights Mashreq's strong capital base, supported by solid internal capital generation and stable asset quality, which enables the Bank to fund growth and meet regulatory requirements. MASQ reported strong returns in 3Q25, with a calculated ROAE at 24.1%, supported by disciplined capital deployment, a capital-light operating model, and diversified revenue streams. The Bank strengthened regional footprint by opening a representative office in Türkiye and launching operations in Oman, expanding its presence across MENA and India (GIFT City). MASQ also introduced digital retail banking and deepened its partnership with Mastercard in Pakistan. Building on strong 2025 progress, Mashreq aims to advance long-term strategy, focusing on scalability, innovation, and international expansion. The Bank is embedding advanced digital and AI capabilities to enhance client experience, strengthen risk management, and improve efficiency. Thus, considering the above-mentioned reasons, we assign an ACCUMULATE rating on the stock.

MASQ - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	47.94	12.88	5.66	5.49	7.32
PB	2.47	2.38	2.14	1.64	1.42	1.31
EPS	NA	4.996	18.590	42.349	43.657	32.725
BVPS	96.863	100.839	112.152	145.720	168.367	183.131
DPS	NA	1.000	9.000	18.500	21.100	16.500
Dividend yield	NA	0.4%	3.8%	7.7%	8.8%	6.9%

FABS Estimates & Co Data
MASQ - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Interest income	3,619	3,426	3,616	3,493	3.5%	-0.1%	5.5%	14,271	13,883	-2.7%
Inc. from Islamic financing	439	464	491	470	4.5%	11.7%	5.7%	1,667	1,851	11.1%
Funded income	4,058	3,890	4,106	3,962	3.6%	1.2%	5.6%	15,938	15,735	-1.3%
Funded expense	-1,950	-1,895	-1,988	-1,972	0.8%	1.9%	4.9%	-7,550	-7,482	-0.9%
Net funded income	2,108	1,995	2,119	1,991	6.4%	0.5%	6.2%	8,388	8,252	-1.6%
Fee & Commission inc.	280	296	388	326	19.1%	38.6%	31.1%	1,465	1,347	-8.0%
Inc. from Invst. securities	71	100	99	101	-2.6%	38.9%	-1.7%	229	423	85.0%
Other Operating inc., net	512	676	597	683	-12.6%	16.4%	-11.8%	3,335	2,501	-25.0%
Total other OI	863	1,072	1,083	1,110	-2.4%	25.5%	1.0%	5,028	4,271	-15.0%
Total Op income	2,971	3,067	3,202	3,101	3.3%	7.8%	4.4%	13,416	12,523	-6.7%
G&A expenses	-868	-948	-1,015	-946	7.4%	17.0%	7.1%	-3,696	-3,870	4.7%
Pre provision profit	2,103	2,119	2,187	2,155	1.5%	4.0%	3.2%	9,720	8,654	-11.0%
Impairment allowance	-118	-144	-121	-150	-19.4%	2.5%	-15.8%	166	-513	NM
Income tax exp.	-197	-295	-357	-303	18.0%	81.4%	21.1%	-869	-1,221	40.6%
Non-controlling interests	-17	-32	-23	-34	-31.3%	38.8%	-27.2%	-100	-130	30.0%
Net Profit	1,771	1,648	1,685	1,668	1.0%	-4.9%	2.2%	8,917	6,790	-23.9%

FABS estimate & Co Data
MASQ - KPI

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Net FI/OI	70.9%	65.0%	66.2%	-478	114	62.5%	65.9%	337
NIM	4.2%	3.4%	3.5%	-68	8	4.1%	3.6%	-55
NIS	4.2%	3.3%	3.4%	-75	11	4.1%	3.5%	-61
Fees & comms/OI	9.4%	9.7%	12.1%	270	246	10.9%	10.8%	-16
Trading/OI	2.4%	3.3%	3.1%	69	-19	1.7%	3.4%	167
Cost to income	29.2%	30.9%	31.7%	250	80	27.5%	30.9%	335
Provisions/PPP	5.6%	6.8%	5.5%	-8	-125	-1.7%	5.9%	763
NP/OI	59.6%	53.7%	52.6%	-699	-111	66.5%	54.2%	-1,225
Cost of risk - Calculated	0.5%	0.5%	0.4%	-7	-11	-0.2%	0.4%	56
Loan-to-deposit - Calculated	76.0%	75.5%	76.4%	49	95	77.5%	75.6%	-194
NPL - Calculated	1.9%	1.6%	1.4%	-52	-19	1.9%	1.7%	-22
Coverage excluding collateral-Calculated	117.1%	116.8%	121.3%	428	453	106.4%	117.0%	1,064
CET 1	16.1%	14.8%	14.2%	-188	-57	14.4%	13.4%	-103
Capital adequacy	19.8%	17.5%	16.8%	-301	-79	17.5%	16.1%	-143
ROAE	29.6%	26.0%	24.1%	-549	-194	27.8%	18.6%	-918
ROAA	3.6%	3.0%	2.9%	-70	-10	3.5%	2.3%	-118

FABS estimate & Co Data

MASQ - Key B/S items

AED Mn	3Q24	4Q24	1Q25	2Q25	3Q25	YOY Ch
Net advances	118,534	124,758	125,817	134,120	143,085	20.7%
QOQ change	4.1%	5.3%	0.8%	6.6%	6.7%	
Total assets	254,411	267,453	272,703	293,635	305,464	20.1%
QOQ change	0.4%	5.1%	2.0%	7.7%	4.0%	
Customer deposits	156,063	160,940	171,442	177,645	187,167	19.9%
QOQ change	1.4%	3.1%	6.5%	3.6%	5.4%	
Total equity	35,302	37,780	35,346	36,996	38,924	10.3%
QOQ change	9.5%	7.0%	-6.4%	4.7%	5.2%	

FABS estimate & Co Data

Valuation:

We use the Residual Income and Relative Valuation (RV) method to value MASQ. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	286.5	70%	200.6
Relative Valuation (RV)	231.5	30%	69.4
Weighted Average Valuation (AED)			270.0
Current market price (AED)			237.0
Upside/Downside (%)			+14%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.7%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.82 and equity risk premium of 4.4%. Government bond yield is calculated after adding Dubai 10-year CDS spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	9,763
Terminal value (AED, Mn)	12,885
Book Value of Equity (as of Sept 2025)	34,832
FV to Common shareholders (AED, Mn)	57,480
No. of share (Mn)	201
Current Market Price (AED)	237.0
Fair Value per share (AED)	286.5

Residual Income Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	6,565	6,268	6,131	5,955	5,740	5,497
(-) Equity Charge	-2,934	-3,191	-3,448	-3,708	-3,959	-4,199
Excess Equity	3,631	3,077	2,683	2,246	1,781	1,298
Discounting Factor	0.99	0.91	0.84	0.77	0.71	0.65
Present Value of Excess Equity	896¹	2,794	2,242	1,727	1,260	845

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local peers to value MASQ, and it is valued using the P/B multiple. It is valued at a 2026 P/B multiple of 1.2x in line with the peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
RAK Bank	4,271	1.1	1.2	5.91	7.91	8.0%	6.0%
Commercial Bank of Dubai (CBD)	7,801	1.6	1.6	8.39	10.27	6.0%	4.0%
Emirates NBD	46,943	1.2	1.1	7.19	7.34	4.0%	4.0%
Abu Dhabi Islamic Bank (ADIB)	22,800	3.1	2.7	12.72	11.92	4.0%	4.0%
Sharjah Islamic Bank (SIB)	2,519	1.3	1.1	7.72	9.07	0.1%	NA
Average		1.7x	1.5x	8.4x	9.3x	4.4%	4.5%
Median		1.3x	1.2x	7.7x	9.1x	4.0%	4.0%
Max		1.6x	1.6x	8.4x	10.3x	6.0%	4.5%
Min		1.2x	1.1x	7.2x	7.9x	4.0%	4.0%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.