

Mashreq Bank (MASQ)

Balance sheet strength and digital scale underpin client expansion and growth

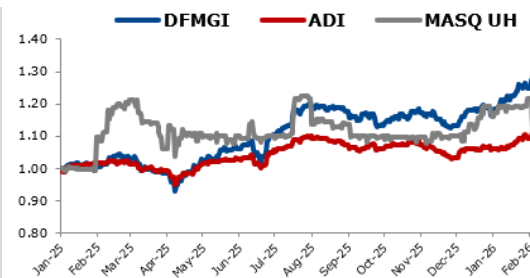
Current Price
AED 253.00

Target Price
AED 270.00

Upside/Downside (%)
+6.7%

Rating
HOLD

- Net profit declined 44.3% YOY to AED 1,751 Mn in 4Q25, impacted by lower other operating income and higher tax expenses.
- Asset quality improved, with the NPL ratio falling to 1.2% in 4Q25 from 1.4% in 3Q25, reflecting disciplined underwriting and prudent portfolio management.
- Total Customer deposits including Islamic deposits increased 27.3% YOY and 9.5% QOQ to AED 204.9 Bn in 4Q25, and net advances rose 31.7% YOY to AED 164.3 Bn.
- MASQ maintained a healthy capitalization with a CET1 ratio of 12.3% and a total CAR of 14.5% in 4Q25.
- CASA deposits remained flat at 62% of total deposits in 4Q25, continuing to provide a stable, low-cost funding base.



4Q25 Net Profit higher than our estimate

Mashreq Bank ("MASQ"/The Bank) net profit attributable to shareholders decreased 44.3% YOY to AED 1,751 Mn in 4Q25, higher than our estimate of AED 1,625 Mn. Net profit in 4Q25 was impacted by lower other income, as other operating income declined due to the absence of one-off gains that had boosted 4Q24 following the partial divestment of IDFAA. The decrease in net profit was also attributed to higher funded expense, tax charges, and non-controlling interests, coupled with higher impairment charges, partially offset by growth in funded income, decline in general and administrative expenses.

P&L Highlights

MASQ's interest income rose 5.0% YOY to AED 3,577 Mn in 4Q25 due to increasing interest earning assets, partially offset by decreasing asset yields. Similarly, income from Islamic financing increased 21.2% YOY to AED 530 Mn in 4Q25, driven by higher average Islamic financing assets and higher yields. As a result, total funded income grew 6.8% YOY to AED 4,107 Mn in 4Q25. Moreover, funded expenses increased 14.3% YOY to AED 2,046 Mn in 4Q25 led by higher interest expense and distribution of Islamic products. Consequently, net funded income increased marginally by 0.3% YOY to AED 2,061 Mn in 4Q25. MASQ's net fee and commission income increased 0.2% YOY to AED 301 Mn in 4Q25. The Bank also recorded higher income from investment securities, rising to AED 39 Mn in 4Q25 compared to AED 21 Mn in 4Q24. However, MASQ's other operating income declined significantly by 59.6% YOY to AED 785 Mn in 4Q25 due to a one-off capital gain from sale of IDFAA Payment Service Ltd recorded in 4Q24. As a result, the Bank's total non-funded income fell 50.2% YOY to AED 1,126 Mn in 4Q25. Consequently, MASQ's total operating income declined 26.2% YOY to AED 3,187 Mn in 4Q25, driven by the decline in other operating income. Furthermore, the Bank's G&A expenses

Stock Information

Market Cap (AED, Mn)	50,754.29
Paid Up Capital (Mn)	2,006.10
52 Week High	298.00
52 Week Low	219.60
3M Avg. daily value (AED)	256,630

4Q25 Result Review (AED, Mn)

Total Assets	334,634
Total Liabilities	294,057
Total Equity	40,577
Total Deposits	204,895
Net Profit	1,751

Financial Ratios

Dividend Yield (12m)	8.44
Dividend Pay-out (%)	29.92
Price-Earnings Ratio(x)	7.37
Price-to-Book Ratio (x)	1.39
Book Value (AED)	181.63
Return-on Equity (%)	19.62

Stock Performance

5 Days	-4.53%
1 Months	-2.69%
3 Months	6.75%
6 Months	0.80%
1 Year	4.12%
Month to Date (MTD%)	-4.53%
Quarter to Date (QTD%)	0.00%
Year to Date (YTD%)	0.00%

declined 14.3% YOY to AED 990 Mn in 4Q25, reflecting cost discipline and increased scalability due to digitisation. The cost-to-income ratio increased from 26.7% in 4Q24 to 31.1% in 4Q25. MASQ recorded impairment charges of AED 78 Mn in 4Q25 compared to impairment reversal of AED 239 Mn in 4Q24. Tax expenses increased sharply from AED 225 Mn in 4Q24 to AED 329 Mn in 4Q25, on account of introduction of corporate income taxation (UAE DMTT). Meanwhile, the Bank's NCI increased from AED 34 Mn in 4Q24 to AED 39 Mn in 4Q25.

Balance Sheet Highlights

The Bank's total assets expanded 25.1% YOY and 9.5% QOQ to AED 334.6 Bn in 4Q25, reflecting broad-based balance-sheet growth across the UAE franchise and selective expansion aligned with client activity. MASQ's net advances increased 31.7% YOY and 14.9% QOQ to AED 164.3 Bn in 4Q25, supported by strong origination across wholesale, retail and financial institutional portfolios, alongside higher transaction and financing volumes. Total Customer deposits grew 27.3% YOY to AED 204.9 Bn in 4Q25, underpinned by continued expansion in granular retail and corporate balance. Furthermore, the CASA ratio improved to 62% of total deposits in 4Q25, continuing to provide a stable, low-cost funding base that supports both profitability and liquidity. The loan-to-deposit ratio increased to 80.2% in 4Q25 compared to 76.4% in 3Q25 supporting by elevated lending and transaction activity. Meanwhile, total equity rose 7.4% YOY and 4.2% QOQ to AED 40.6 Bn in 4Q25.

Target Price and Rating

We maintain our HOLD rating on MASQ with a target price of AED 270.0. MASQ reported a 44.3% YOY decline in 4Q25 profits, primarily due to the absence of one-off gains recorded in 4Q24. Despite margin pressures, balance sheet momentum remained strong, with net advances rising 31.7% YOY and 14.9% QOQ to AED 164.3 Bn, driven by robust origination across wholesale, retail and financial institution portfolios, supported by higher transaction and financing volumes. Customer deposits grew 27.3% YOY and 9.5% QOQ to AED 204.9 Bn, led by strong CASA inflows from granular retail and corporate customers. As a result, CASA deposits accounted for 62% of total deposits, providing a stable, low-cost funding base that supports both profitability and liquidity. While NIMs declined by 64 bps YOY and 23 bps QOQ, they remained stable at 3.3% in 4Q25, reflecting disciplined repricing and funding cost management despite cumulative policy rate cuts. Asset quality continued to improve, with the calculated NPL ratio declining to 1.2% in 4Q25 from 1.4% in 3Q25, supported by disciplined credit execution and strong portfolio performance across geographies. Liquidity metrics remained robust, with a Liquid Assets Ratio of 28% and LCR of 158% in 2025, comfortably above regulatory requirements, supporting elevated lending and transaction activity. Funding resilience was further reinforced through two highly successful and oversubscribed transactions in 2025, including a USD 2 Bn syndicated loan facility and a debut USD 500 Mn Sukuk issuance, highlighting strong investor confidence in Mashreq's credit profile. Capitalisation remained solid, with a CET1 ratio of 12.3% and total CAR of 14.5% in 4Q25, enabling the Bank to fund growth while maintaining regulatory buffers. MASQ continued to deliver strong returns, with a calculated ROAE of 18.8% in 4Q25, underscoring the Bank's ability to generate high-quality earnings through disciplined capital deployment, stable margins and a diversified income base. During the year, Mashreq was designated a Domestic Systemically Important Bank (D-SIB) by the Central Bank of the UAE, reflecting its scale and systemic relevance. Strategically, Mashreq remains differentiated by its global franchise and innovation leadership. The Bank is the only UAE bank with a US commercial license and ranks among the top eight globally in USD clearing, while continuing to expand its footprint across Türkiye, India, Egypt, Pakistan, the US, and Oman, strengthening cross-border and trade corridor capabilities. Ongoing investments in digital transformation, cloud-native infrastructure, AI and GenAI-enabled operations are enhancing scalability, client acquisition and operating leverage across retail, corporate and SME segments. Despite a challenging macro and rate environment, Mashreq delivered a resilient performance in 2025 and enters 2026 well positioned, supported by strong capitalisation, balance sheet momentum and a clear strategic focus on innovation and selective international expansion. The Bank also announced a dividend of AED 10.2 per share for the period of 2025, compared to dividend of AED 21.1 for 2024. Thus, considering the above-mentioned reasons, we assign a HOLD rating on the stock.

MASQ - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	50.64	13.61	5.97	5.80	7.67	8.01
PB	2.51	2.26	1.74	1.50	1.39	1.25
EPS	4.996	18.590	42.349	43.657	32.975	31.603
BVPS	100.839	112.152	145.720	168.367	181.634	203.039
DPS	1.000	9.000	18.500	21.100	10.200	15.000
Dividend yield	0.4%	3.6%	7.3%	8.3%	4.0%	5.9%

FABS Estimates & Co Data
MASQ - P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Interest income	3,408	3,616	3,577	3,701	-3.3%	5.0%	-1.1%	14,271	13,960	-2.2%
Inc. from Islamic financing	438	491	530	509	4.2%	21.2%	8.0%	1,667	1,906	14.3%
Funded income	3,845	4,106	4,107	4,209	-2.4%	6.8%	0.0%	15,938	15,866	-0.5%
Funded expense	-1,791	-1,988	-2,046	-1,953	4.8%	14.3%	2.9%	-7,550	-7,724	2.3%
Net funded income	2,054	2,119	2,061	2,256	-8.6%	0.3%	-2.7%	8,388	8,141	-2.9%
Fee & Commission inc.	301	388	301	330	-8.8%	0.2%	-22.3%	1,465	1,333	-9.0%
Inc. from Invst. securities	21	99	39	112	-64.9%	88.9%	-60.3%	229	350	53.3%
Other Operating inc., net	1,941	597	785	601	30.6%	-59.6%	31.6%	3,335	2,752	-17.5%
Total other OI	2,263	1,083	1,126	1,043	7.9%	-50.2%	3.9%	5,028	4,435	-11.8%
Total Op income	4,317	3,202	3,187	3,299	-3.4%	-26.2%	-0.5%	13,416	12,576	-6.3%
G&A expenses	-1,155	-1,015	-990	-1,242	-20.3%	-14.3%	-2.5%	-3,696	-3,871	4.7%
Pre provision profit	3,162	2,187	2,197	2,057	6.8%	-30.5%	0.5%	9,720	8,705	-10.4%
Impairment allowance	239	-121	-78	-147	-46.6%	NM	-35.1%	166	-444	NM
Income tax exp.	-225	-357	-329	-246	33.7%	46.5%	-7.8%	-869	-1,291	48.6%
Non-controlling interests	-34	-23	-39	-38	0.9%	15.9%	66.0%	-100	-131	30.3%
Net Profit	3,143	1,685	1,751	1,625	7.7%	-44.3%	3.9%	8,917	6,840	-23.3%

FABS estimate & Co Data
MASQ - KPI

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Net FI/OI	47.6%	66.2%	64.7%	1,709	-149	62.5%	64.7%	221
NIM	3.9%	3.5%	3.3%	-64	-23	4.1%	3.4%	-72
NIS	3.8%	3.4%	3.3%	-57	-16	4.0%	3.3%	-68
Fees & comms/OI	7.0%	12.1%	9.5%	249	-266	10.9%	10.6%	-32
Trading/OI	0.5%	3.1%	1.2%	75	-185	1.7%	2.8%	108
Cost to income	26.7%	31.7%	31.1%	NM	-66	27.5%	30.8%	323
Provisions/PPP	-7.6%	5.5%	3.6%	NM	-196	-1.7%	5.1%	681
NP/OI	72.8%	52.6%	54.9%	NM	231	66.5%	54.4%	NM
Cost of risk - Calculated	-0.9%	0.4%	0.2%	113	-17	-0.2%	0.3%	NM
Loan-to-deposit - Calculated	77.5%	76.4%	80.2%	269	376	77.5%	80.2%	269
NPL - Calculated	1.7%	1.4%	1.2%	-47	-12	1.7%	1.2%	-47
Coverage excluding collateral-Calculated	117.6%	121.3%	123.1%	NM	181	117.6%	123.1%	NM
CET 1	14.4%	14.2%	12.3%	-220	-194	14.4%	12.3%	-220
Capital adequacy	17.5%	16.8%	14.5%	-297	-225	17.5%	14.5%	-297
ROAE	27.6%	24.0%	18.8%	-875	-516	27.8%	18.8%	-896
ROAA	3.5%	2.9%	2.3%	-124	-67	3.5%	2.3%	-124

FABS estimate & Co Data

MASQ - Key B/S items

AED Mn	4Q24	1Q25	2Q25	3Q25	4Q25	YOY Ch
Net advances	1,24,758	1,25,817	1,34,120	1,43,085	1,64,349	31.7%
<i>QOQ change</i>	5.3%	0.8%	6.6%	6.7%	14.9%	
Total assets	2,67,453	2,72,703	2,93,635	3,05,464	3,34,634	25.1%
<i>QOQ change</i>	5.1%	2.0%	7.7%	4.0%	9.5%	
Total Customer deposits	1,60,940	1,71,442	1,77,645	1,87,167	2,04,895	27.3%
<i>QOQ change</i>	3.1%	6.5%	3.6%	5.4%	9.5%	
Total equity	37,780	35,346	36,996	38,924	40,577	7.4%
<i>QOQ change</i>	7.0%	-6.4%	4.7%	5.2%	4.2%	

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	267.7	70%	187.4
Relative Valuation (RV)	275.1	30%	82.5
Weighted Average Valuation (AED)			270.0
Current market price (AED)			253.0
Upside/Downside (%)			+7%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 8.8%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.82 and equity risk premium of 4.5%. 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)	8,292
Terminal value (AED, Mn)	8,981
Book Value of Equity (as of Dec 2025)	36,436
FV to Common shareholders (AED, Mn)	53,708
No. of share (Mn)	201
Current Market Price (AED)	253.0
Fair Value per share (AED)	267.7

Residual Income Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit	6,340	6,066	5,890	5,667	5,279
(-) Equity Charge	-3,217	-3,596	-3,868	-4,120	-4,361
Excess Equity	3,123	2,470	2,022	1,547	918
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Present Value of Excess Equity	2,892	2,102	1,581	1,111	606

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value MASQ, and it is valued using the PB multiple. It is valued at a 2026 PB multiple of 1.4x in line with the peers.

Company	Market (USD Mn)	P/B (x)		P/E (x)		Dividend Yield (%)	
		2026F	2027F	2026F	2027F	2026F	2027F
RAK Bank	4,764	1.4	1.3	5.91	7.91	6.1%	6.0%
Commercial Bank of Dubai (CBD)	7,761	1.5	1.4	8.39	10.27	0.0%	0.0%
Emirates NBD	52,622	1.3	1.1	7.19	7.34	3.6%	3.9%
Abu Dhabi Islamic Bank (ADIB)	22,664	2.9	2.5	12.72	11.92	4.2%	4.6%
Sharjah Islamic Bank (SIB)	3,066	1.1	NA	7.72	9.07	NA	NA
Average		1.6x	1.6x	9.6x	9.1x	3.5%	3.6%
Median		1.4x	1.3x	9.1x	8.9x	3.9%	4.3%
Max		1.5x	1.7x	10.1x	9.8x	4.7%	4.9%
Min		1.3x	1.2x	8.2x	8.1x	2.7%	2.9%

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%

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

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