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Management Discussion & Analysis Report

30 April 2025

FIRST QUARTER

**20
25**

Mashreq generated over AED 3.1 billion in operating income, supported by double-digit growth of balance sheet.

Dubai, 2025 – Mashreq Bank PSC (MASQ) reported its financial results for Q1 2025.

2.1 Billion
AED
Net Profit Before Tax
(AED 1.8 Billion NPAT)

3.1 Billion
AED
Revenue

2.2 Billion
AED
Operating Profit

14%
YoY Loans & Advances Growth

10%
YoY Customer Deposits Growth
(CASA 65%)

21%
Return on Equity

2.5%
Return on Assets

3.3%
Net Interest Margin

29%
Cost to Income Ratio

18.5%
Capital Adequacy Ratio

1.3%
NPL to Gross Loans Ratio

Note: Figures may not add up due to rounding differences

Mashreq continues to deliver market-leading returns, supported by best-in-class asset quality and a robust capital structure. The bank's first quarter of 2025 results underscores the strength and resilience of Mashreq's diversified business model, even in a softer interest rate environment.

Revenues

Mashreq delivered **AED 3.1 billion** in operating income, reflecting its resilience and strategic focus, as the Bank continued to seize market opportunities and drive performance.

- Mashreq's client asset growth combined with healthy client margins helped cushion the impact of the **100bps** reduction in the UAE Central Bank's benchmark interest rate, limiting year-on-year **Net Interest Margin (NIM)** compression to just **62bps** and remaining a strong NIM at **3.3%**.
- Non-interest income increased by **16%** year-on-year, underscoring the effectiveness of the bank's strategy to diversify revenue streams beyond traditional interest-based income, reducing total revenue exposure to interest rate fluctuations.

Net Profit

Mashreq delivered a solid quarterly **Profit Before Tax** of **AED 2.1 billion**, driven by strong balance sheet growth, including a **14%** year-on-year increase in **loans and advances** and a **10%** year-on-year rise in customer deposits, double digit growth in non-interest income, controlled expense growth and relative low risk costs.

- **Return on Equity (ROE)** of **21%** reflects strong profitability and effective capital deployment, underscoring the bank's disciplined execution of its growth and digital strategies and underlying its financial strength.

Expenses

Ongoing strategic investments in digital transformation and international expansion led to marginal increase in operating expenses.

- **Operating expenses** increased by **9.5%** year-on-year while **Cost-to-Income Ratio** stood at **29%** compared to **27%** in Q1 2024 and **30%**⁽¹⁾ in full-year 2024.

Asset Quality

Mashreq continues to set the standard for asset quality, with the Non-Performing Loan ratio improving to **1.3%** from **1.4%** year-on-year — a clear reflection of the Bank's disciplined risk management and proactive credit oversight.

- Despite double digit growth in **loans and advances**, the **provision charges** have remained low at **AED 101 million** driven by robust asset quality of the lending book and disciplined credit risk management.
- The **Non-Performing Loans to Gross Loans (NPL)** stood at just **1.3%**, reaffirming Mashreq's position among the best in class for asset quality.
- The **Coverage Ratio** remained strong at **204%**, underlining the bank's prudent provisioning strategy and its capacity to navigate evolving credit conditions.

Balance Sheet

First quarter 2025 marked a period of strong balance sheet expansion, driven by continued growth across Mashreq's UAE and international franchises.

- **Loans and advances** — including to customers and banks — grew by a strong **14%** year-on-year, driven by healthy expansion in customer deposits. This reflects growing demand across key segments and highlights the Bank's continued momentum in delivering disciplined, well-funded growth.
- **Total assets** rose by **9%** to reach **AED 273 billion**, reflecting the Bank's continued focus on sustainable growth, strong client activity, and effective deployment of capital across core markets.
- **Customer deposits** reached **AED 171 billion**, underpinned by continued client trust and engagement. Notably, **Current and Savings Accounts (CASA)** made up **65%** of total deposits, further strengthening the Bank's low-cost funding base and reflecting the depth of its retail and corporate franchise across core markets.

Liquidity and Capital

Mashreq continues to demonstrate a resilient capital and liquidity foundation, driven by consistent internal capital generation and rigorous, forward-looking risk management strategy.

- The Bank reported a **Liquid Assets Ratio** of **32.5%** and a **Liquidity Coverage Ratio (LCR)** of **126%**, comfortably above the **regulatory minimum** of **100%**, reflecting its prudent liquidity stance.
- Capitalization metrics continued to strengthen, driven by solid profitability with **Capital Adequacy Ratio (CAR)**: **18.5%**, **Tier 1 Capital Ratio**: **17.0%** and **Common Equity Tier 1 (CET1) Ratio**: **15.4%**.
- These capital levels underscore Mashreq's sound capital management strategy and its ability to support sustainable growth and execute on its long-term strategic priorities.

(1) 27.5% including the one-off gain from partial sale of a subsidiary



H.E. Abdul Aziz Al Ghurair

Chairman of Mashreq

The beginning of 2025 marks another chapter in Mashreq's journey of innovation, resilience and regional leadership. As the UAE and the broader GCC region continue to accelerate their digital and economic transformation, Mashreq remains deeply aligned with these national priorities. We are expanding our reach, advancing our capabilities and enabling inclusive growth across markets.

While ongoing geopolitical uncertainties and trade tensions continue to test global economic confidence, their direct impact on the GCC has remained limited thanks to strategic oil exemptions and the region's prudent macroeconomic policies. The banking sector across the UAE and wider GCC continues to demonstrate resilience and adaptability, supported by sound regulation, digital innovation and diversification-led growth. Mashreq's own trajectory mirrors this momentum.

We remain steadfast in our ambition to contribute to the UAE's evolution as a global financial hub while supporting the wider region in building a diversified and future-ready economy. Our role is to act as an enabler of this progress by empowering clients through technology, pioneering sustainable finance and investing in digital infrastructure that will define the future of banking.



Ahmed Abdelaal

Group Chief Executive Officer

Mashreq entered 2025 with strong momentum, delivering AED 3.1 billion of operating income in the first quarter and achieving 14 percent year-on-year growth in loans and advances. These results reflect the continued strength of our diversified business model and our disciplined execution, even amid a more measured interest rate environment.

We advanced several strategic priorities during the quarter, including the launch of Mashreq Oman and the successful pilot of digital retail banking in Pakistan. We also continued to strengthen our presence across key markets in MENA and Egypt, aligning our expansion strategy with client demand for more connected, innovative banking solutions.

We introduced Mashreq Biz to empower SMEs, expanded our partnership with Mastercard to Pakistan, and launched a collaboration between NEOBIZ and NEOPAY to enhance digital access for entrepreneurs. These initiatives underscore our commitment to financial inclusion, innovation, and scalable growth.

Our NEO platform continues to gain momentum across international markets, and we became the first bank in the region to obtain external assurance for our full ESG data set. This milestone affirms our leadership in responsible banking and reflects the trust placed in us by clients and regulators alike.

Looking ahead, we remain focused on scaling our Banking-as-a-Service model, deepening embedded finance capabilities, and accelerating the deployment of AI-driven solutions to deliver seamless, hyper-personalized client experiences across every touchpoint. Enhancing the customer experience is central to our strategy, ensuring that our products, platforms, and people work together to meet evolving expectations.

As we shape the next chapter of our journey, Mashreq will continue to lead with agility and purpose, building a future-ready bank that redefines the financial landscape across our core markets and beyond.

1Q 2025 Financial Review

Income statement Highlights (AED mn)	Quarterly Trend							
	1Q		Δ%	1Q		4Q	1Q	Δ%
	2025	2024	YoY	2025	2024	2024	QoQ	YoY
Net Interest Income & Income from Islamic Financing	1,967	2,144	-8%	1,967	2,054	2,144	-4%	-8%
Fees & Commission	348	548	-37%	348	301	548	16%	-37%
Investment Income	112	67	67%	112	21	67	442%	67%
Insurance, FX & Other Income	694	382	82%	694	1,941	382	-64%	82%
Non Interest Income	1,154	997	16%	1,154	2,263	997	-49%	16%
Total Operating Income	3,120	3,141	-1%	3,120	4,317	3,141	-28%	-1%
Operating Expenses	-918	-839	9%	-918	-1,155	-839	-20%	9%
Operating Profit	2,202	2,303	-4%	2,202	3,162	2,303	-30%	-4%
Impairment Allowance	-101	-38	166%	-101	239	-38	-142%	166%
Net Profit before Tax	2,101	2,265	-7%	2,101	3,402	2,265	-38%	-7%
Tax	-309	-224	38%	-309	-225	-224	37%	38%
Net Profit After Tax	1,792	2,041	-12%	1,792	3,177	2,041	-44%	-12%
Non-Controlling Interest	-36	-34	6%	-36	-34	-34	8%	6%
Profit attributable to Owners of the Parent	1,756	2,007	-13%	1,756	3,143	2,007	-44%	-13%
EPS (AED)	8.5	9.8	-13%	8.5	15.7	9.8	-46%	-13%
Cost to Income Ratio	29%	27%	272	29%	28%	27%	187	272
Return on Assets	2.5%	3.3%	-77	2.5%	3.5%	3.3%	-98	-77
Return on Equity	21%	28%	-715	21%	29%	28%	-808	-715

Note: Figures may not add up due to rounding differences

(1) 30.3% excluding the one-off gain from partial sale of a subsidiary

- **Net Interest Income** declined by 8% year-on-year due to a 62bps contraction in NIM to 3.3%, which was driven by a 100bps rate cut by UAE Central Bank.
- **Non-Interest Income** representing 37% of Total Operating Income witnessed a 16% year-on-year growth in Q1 2025 to AED 1.1 billion. Mashreq's strategic presence across the key trade corridors enables it to drive higher trade and Fx income, resulting in strong improvement in non-interest income.
- **Total Operating Income** remained flat at AED 3 billion in Q1 2025 supported by robust non-interest income and growth in the loan and advances.
- **Operating expenses** grew by 9% reflecting continued investment in digital innovation and strategic business expansion – initiatives focused on boosting operational efficiency and reinforcing the Bank's regional and international footprint.
- **Impairment allowances** remained low at AED 101 million in Q1 2025, reflecting the solid fundamentals of the Bank's lending book and disciplined credit practices.
- **Income tax expense** of AED 309 million – up 38% quarter-on-quarter – reflecting the impact of the new BEPS Pillar 2 Global Minimum Top-up Tax. Despite this, net profit after tax reached AED 1.8 billion, with a strong ROE of 21%.

	Mar	Mar	Δ%	Mar	Dec	Mar	Δ%
	2025	2024	YoY	2025	2024	2024	YTD YoY
Balance Sheet Highlights (AED mn)							
Loans to Customers	125,817	110,484	14%	125,817	124,758	110,484	0.8% 14%
Loans to Banks	55,266	48,973	13%	55,266	52,272	48,973	5.7% 13%
Investments	37,578	41,675	-10%	37,578	36,421	41,675	-3% -10%
Cash & Due from Central Bank	41,423	35,337	17%	41,423	40,593	35,337	2.0% 17%
Other Assets	12,467	12,608	-1%	12,467	13,258	12,608	-6.0% -1%
Investments in Properties	152	514	-70%	152	152	514	0.0% -70%
Total Assets	272,703	249,592	9%	272,703	267,453	249,592	2.0% 9%
Customer Deposits	171,442	155,498	10%	171,442	160,940	155,498	6% 10%
Balances due to banks	42,905	40,869	5%	42,905	43,374	40,869	-1% 5%
Medium Term notes	3,613	4,616	-28%	3,613	3,903	4,616	-7% -28%
Other Liabilities	19,396	18,079	7%	19,397	19,380	18,079	0% 7%
Repo	-	1,063	-100%	-	2,076	1,063	-100% -100%
Minority Interest	1,078	994	8%	1,078	1,067	994	1% 8%
Total Equity	34,269	28,473	20%	34,269	36,713	28,473	-7% 20%
Total Liabilities	272,703	249,592	9%	272,703	267,453	249,592	2% 9%

	Mar	Mar	Δ%	Mar	Dec	Mar	Δ%
	2025	2024	YoY	2025	2024	2024	YTD YoY
Key Metrics (%)							
CAR (Capital Adequacy Ratio - Basel III)	18.5%	17.7%	74 bps	18.5%	17.5%	17.7%	96 bps 74 bps
CET1 (Common Equity Tier 1) Ratio	15.4%	14.9%	50 bps	15.4%	14.5%	14.9%	95 bps 50 bps
Tier 1 Ratio	16.9%	15.5%	139 bps	16.9%	16.0%	15.5%	94 bps 139 bps

Note: Figures may not add up due to rounding differences

- **Total Assets** grew to **AED 273 billion** in Q1 2025, marking a **9%** year-on-year and **2%** quarter-on-quarter increase, fueled by sustained growth in loans and advances and the Bank's strategic focus on scaling its core business.
- The growth in the balance sheet is supported by year-on-year growth in total assets of **wholesale banking segment** by **16.9%** to **AED 148 billion** and retail banking segment by **9%** to **AED 33 billion**.
- **Customer Deposits** increased **10%** year-on-year to **AED 171 billion** with CASA accounting for **65%** of total deposits.
- NPL Ratio stood at **1.3%** and remained the lowest in the industry.
- Strong **capitalization** in Q1 2025 with **Capital Adequacy Ratio** of **18.5%**, **CET1 ratio** of **15.4%** and **Tier 1 ratio** of **16.9%**, a **74bps**, **50bps** and **139bps** improvement year-on-year, respectively.

Looking Ahead

Mashreq delivered a solid and stable performance in Q1 2025, reflecting the strength of its diversified business model and disciplined execution. The Bank remains focused on driving forward its strategic priorities for 2025 – with innovation, regional growth, and an enhanced client experience at the core.

With a strong foundation and a forward-looking approach, Mashreq is accelerating its ambition to be a digital banking leader in the region. The continued rollout of its Banking-as-a-Service strategy is reshaping how financial services are delivered – creating scalable, seamless solutions that meet the evolving needs of clients across markets.

1Q 2025 Awards

Euromoney Private Banking Award for 2025

- United Arab Emirates' Best for Family Office Services for the 2nd consecutive year.

Global Brands Magazine Awards 2025

- Most Innovative Banking Brand – UAE

Global Banking & Finance Awards (GBAF)

- Islamic Banking CEO of the Year UAE 2024
- Best Islamic Retail Bank UAE 2024

MEED's MENA Banking Excellence – Retail, Digital & SME Awards (30th of April)

- MENA Islamic Digital Bank of the Year

The Great Marketing Minds Awards

- Regional Campaign of the Year – The Beat of Unity (National Day 2024)
- Digital Campaign of the Year – Early Risers (Ramadan Campaign 2024)
- Campaign of the Year – Climb2Change (mountain clean up initiative)
- Experiential Marketing Campaign of the Year – Climb2Change (mountain clean up initiative)
- Content Marketing Award of the Year – NEO NXT
- Online Lead Generation Campaign of the Year – NEO

Euromoney Trade Finance Survey

- Best Trade Finance Bank in the Middle East
- Best Trade Finance Bank in Qatar
- Best Trade Finance Bank for Products, Client Service, and Islamic trade finance products in the Middle East
- Best Trade Finance Bank for Products in Bahrain
- Best Trade Finance Bank for Products, Technology and Client Service in Qatar

Global Banking & Markets Middle East Awards

- M&A Deal of the Year – NEOPAY deal, Tech Ventures' USD 385m Dual Currency Acquisition Financing.

MEA Smarties Awards 2024

- Gold Winner in the Brand Purpose/Activism category
- Bronze Winner in the Social Impact Marketing category.

MEA Finance SME Business and Finance Awards 2025

- Best Overall Bank for SMEs – Innovative Business Accounts
- Best Digital Banking Solution for SMEs

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