CREDIT OPINION
10 July 2026

Update

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National Bank of Umm Al-Qaiwain (PSC)

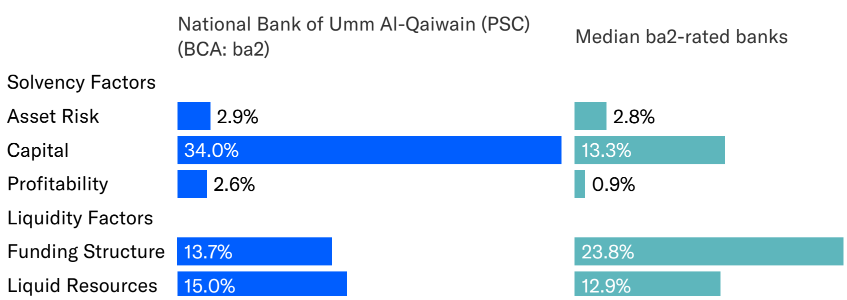
Update following rating affirmation, outlook remains stable

Summary

The Baa2 long-term local and foreign currency deposit ratings assigned to National Bank of Umm Al-Qaiwain (PSC)'s (NBQ) reflect: (1) the bank's standalone creditworthiness, expressed in a ba2 notional Baseline Credit Assessment (BCA) and (2) our assumption of a very high probability of support from the Government of the United Arab Emirates (UAE, Aa2 stable), in case of need, which results in three notches of uplift, also reflecting the Government of Umm Al Qaiwain's 34% stake in NBQ.

NBQ's ba2 BCA reflects the bank's sound core profitability, which reflects its corporate franchise, and strong loss absorption capacity and solid liquidity buffers. These strengths are moderated by the loan book's high exposure to sector and borrower concentrations, a concentrated funding profile, limited business diversification and execution risks associated with the bank's medium-term growth plan.

Exhibit 1
Rating Scorecard - Key financial ratios



The problem loan and profitability ratios are the weaker of the three-year averages and the latest reported figures; the capital ratio is the latest reported figure; and the funding structure and liquid assets ratios are the latest year-end figures.
Source: Moody's Ratings

Credit strengths

» Capital buffers likely to remain strong

» Profitability, supported by solid margins and low operating costs

» High liquidity buffers

» Very high probability of support from the UAE government in case of need

Credit challenges

» Asset quality exposed to high borrower and sector concentrations

» Concentrated funding book

RATINGS

National Bank of Umm Al-Qaiwain (PSC)

Domicile	United Arab Emirates
Long Term CRR	Baa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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» Limited business diversification

» Medium-term growth plan entailing execution risks

Outlook

The stable outlook on NBQ's long-term deposit ratings reflects our expectation that the bank will continue to maintain strong capital, a lower-risk asset structure and high liquidity buffers, while profitability will return to sound levels after a deterioration in the outlook period amid regional conflict.

Factors that could lead to an upgrade

Upward pressure on NBQ's long-term ratings could result from achieving diversification of its revenue from less volatile segments, while maintaining strong capital and liquidity buffers. Upward pressure could also result from the bank building a track record in terms of management executing a consistent growth strategy and/or an improvement in the risk management and control framework.

Factors that could lead to a downgrade

Downward pressure on NBQ's long-term ratings could materialise in the event of a sustained deterioration in the operating environment - including an escalation or expansion of the conflict beyond our central scenario - leading to worse than initially anticipated deterioration in asset quality with significantly lower profitability and strain on core capital as well as a weakening in funding and liquidity. Downward pressure on NBQ's ratings could also materialise if the bank fails to upgrade its risk management framework while implementing its growth strategy.

Key indicators

Exhibit 2

National Bank of Umm Al-Qaiwain (PSC) (Consolidated Financials) [1]

	03-26[2]	12-25[2]	12-24[2]	12-23[2]	12-22[2]	CAGR/Avg.[3]
Total Assets (AED Million)	23,200.2	22,889.9	17,880.5	14,777.2	13,605.1	17.8[4]
Total Assets (USD Million)	6,315.9	6,232.1	4,868.0	4,023.5	3,704.4	17.8[4]
Tangible Common Equity (AED Million)	5,474.5	5,722.7	5,470.8	5,252.7	4,943.3	3.2[4]
Tangible Common Equity (USD Million)	1,490.3	1,558.1	1,489.4	1,430.2	1,346.0	3.2[4]
Problem Loans / Gross Loans (%)	0.4	0.3	4.0	6.8	9.5	4.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	34.0	35.4	39.9	45.5	46.5	40.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	0.7	0.5	5.7	9.0	11.8	5.5[5]
Net Interest Margin (%)	2.7	3.3	4.2	4.3	3.0	3.5[5]
PPI / Average RWA (%)	4.3	3.8	4.8	5.1	3.1	4.2[6]
Net Income / Tangible Assets (%)	2.6	2.5	2.8	3.4	2.7	2.8[5]
Cost / Income Ratio (%)	22.8	27.4	23.4	23.1	31.6	25.7[5]
Gross Loans / Due to Customers (%)	51.7	58.3	69.8	82.2	83.7	69.1[5]
Core Banking Liquidity (Non-HQLA) / Tangible Banking Assets (%)	17.0	15.0	17.4	--	--	16.5[5]
Less-stable Funds (Non-LCR) / Tangible Banking Assets (%)	14.2	13.7	12.8	--	--	13.5[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities. Sources: Moody's Ratings and company filings

Profile

National Bank of Umm Al-Qaiwain (NBQ) is a public shareholding company incorporated in the Emirate of Umm Al Qaiwain in the UAE in 1982. The bank provides retail, corporate and Islamic banking services through a network of nine branches, ATMs, CCDMs, mobile banking and online banking in the UAE.

As of March 2026, the bank reported AED23.2 billion of total assets ($6.3 billion) corresponding to a domestic market share at 0.4% as of December 2025. The bank's largest shareholder is the Government of Umm Al Qaiwain, which owns 34% of its total shares.

Detailed credit considerations

Asset quality exposed to high borrower and sector concentrations

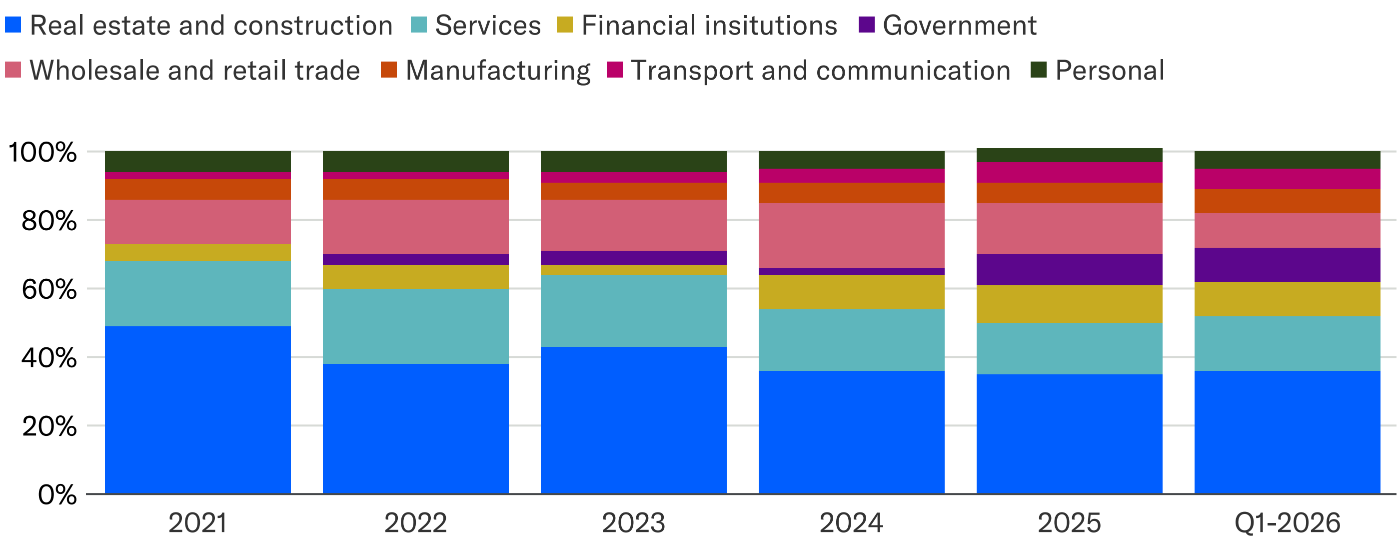
We assign a b3 asset risk score to NBQ, that reflects our Problem Financing to Gross Financing ratio of 2.9%, which we consider to be Strong, and is negatively adjusted for high borrower and sector concentrations.

Within the loan book, NBQ has significant exposure to large borrower and to the cyclical real estate and construction sectors, which together accounted for 36% of total loans as of March 2026 (Exhibit 3)— one of the highest concentrations among UAE banks. As a partial mitigant, the bank reports that these borrowers typically have alternative sources of cash flow for debt repayment and/or exposures are well collateralised. We expect NBQ to continue to manage down its exposure to the real estate and construction sectors in line with the Central Bank of the UAE's real estate regulation.

Exhibit 3

Loan book concentration to real estate and construction persists

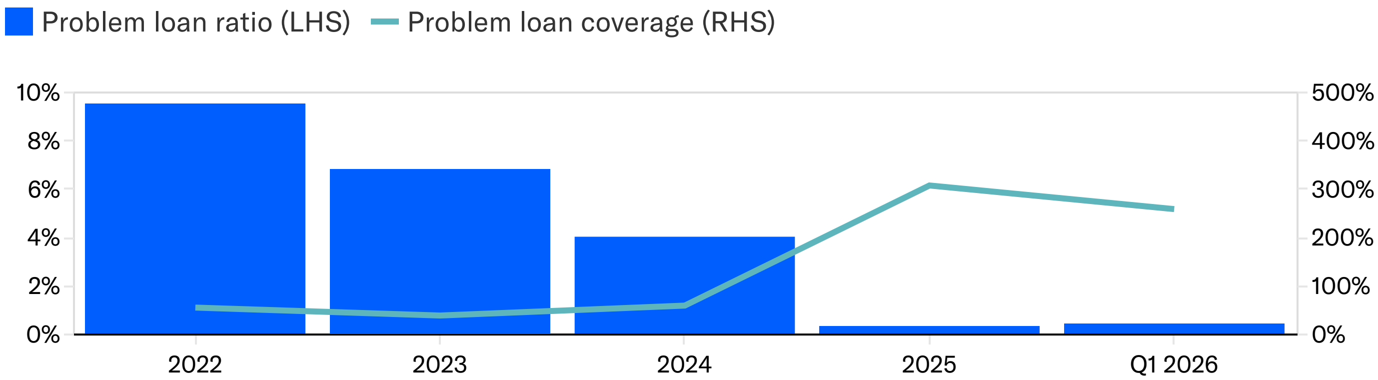
Breakdown of NBQ's gross loans by sector



Source: NBQ's financial statements

The bank's strategic growth plans could further increase asset risk through the build-up of an unseasoned portion in the loan book and, in the near term, we expect asset quality to come under pressure amid current operating environment. Nevertheless, we do not expect problem loans to exceed 4% of gross loans despite the bank's high concentrations. NBQ's problem loans to gross loans ratio has improved in recent years reaching low levels (0.4% as of March 2026 and 0.3% as of year-end 2025), from 6.8% in 2023 (Exhibit 4) supported by write-offs and recoveries on the legacy portfolio, as well as a benign pre-conflict operating environment that enabled the restoration of creditworthiness for some borrowers.

Exhibit 4
Headline asset quality metrics have improved significantly
Problem loan ratio and problem loan coverage, 2022–Q1 2026



Source: Moody's Ratings

We also note that the loan book accounted for only 36% of total assets as of end-March 2026, with the remainder of credit exposures largely in the form of cash equivalents, placements with investment-grade rated banks, investment-grade fixed income securities, and liquid equity holdings in UAE banks and corporates.

Capital buffers likely to remain strong

We assign an a2 capital score that reflects our Tangible Common Equity to Risk-Weighted Assets ratio of 34.0%, which we consider Very Strong, and is negatively adjusted for our expectation that buffers will be pressured by asset quality pressures.

As of March 2026, NBQ's tangible common equity to risk-weighted assets stood at 34.0% (35.4% as of December 2025), providing high loss-absorption capacity to mitigate asset quality pressures stemming from the bank's high credit concentrations to cyclical and conflict sensitive sectors. Loan loss reserves to problem loans were very strong at 257% as of March 2026, significantly above peers, providing additional loss-absorption capacity (Exhibit 4).

The bank has decelerated new business generation and growth in risk-weighted assets in response to geopolitical pressures, although we expect growth to resume once conditions stabilise. NBQ intends to advance its strategy to diversify away from real estate sector concentration, including through SME lending. We expect capitalisation to moderate modestly over the outlook period but remain very strong, supported by measured growth and limited pressure on leverage despite higher provisioning and dividend distributions.

Profitability benefits from solid margins and low operating costs

We assign a baa3 profitability score that reflects our Net Income to Tangible Assets ratio of 2.6%, which we consider Very Strong, and is negatively adjusted for earnings volatility and expected trend, reflecting higher cost of risk.

In the near term, we expect NBQ's profitability to come under pressure from a higher cost of risk and slower growth in the loan portfolio, which generates higher yields than other asset classes. Nevertheless, profitability will return to sound levels, as economy rebounds, underpinned by high margins and low efficiency costs.

NBQ's cost of risk has remained very low in recent years, reflecting years of supportive operating environment where the bank recorded write-backs and recoveries. The cost of risk stood at just 0.05% in Q1 2026, and we expect it to gradually normalise as asset quality pressures from the regional conflict materialise.

NBQ reported net income to tangible assets of 2.5% in full-year 2025 (2.6% in Q1 2026), down from 2.8% in 2024. This trend was driven mainly by declining margins, as assets repriced down faster than liabilities reflecting interest rate cuts in 2025. Nonetheless, NIM remained at a high 3.3% in 2025 (2.7% at end March 2026) supported by the bank's strong ties with UAE corporate groups and families, and by high equity funding (shareholders' equity to total assets is three times the domestic average) - which helps minimise interest expenses. NBQ's profitability benefits from a low cost-to-income ratio at 22.8% in the first three months of 2026, well below domestic peers, reflecting concentrated operations and disciplined efficiency measures.

Established deposits franchise, albeit exposed to concentration risks

We assign a baa1 funding structure score that reflects our Less Stable Funds to Tangible Banking Assets ratio of 13.7%, which we consider Strong, and is negatively adjusted for the bank's deposit concentrations.

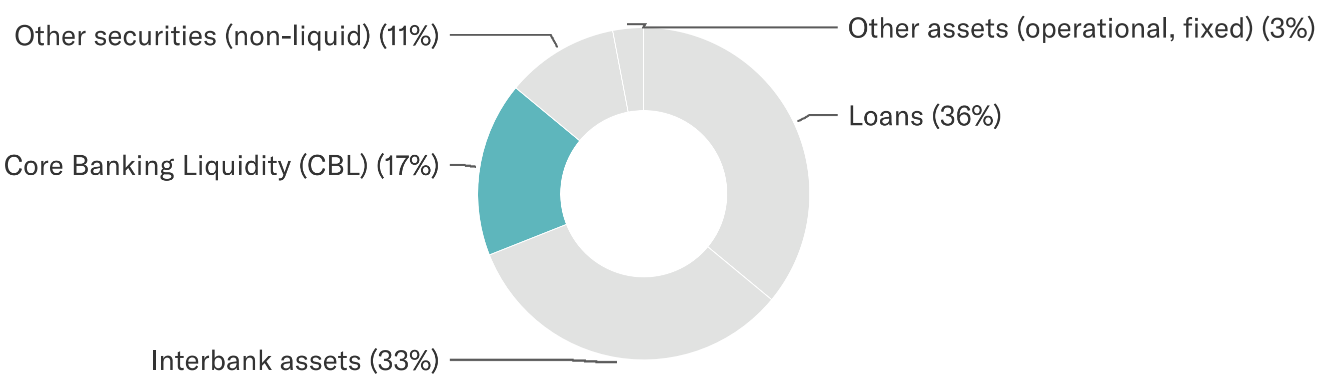
The bank funds its assets mainly by deposits (around 70% of total assets is funded by deposits). We also note NBQ's close relationships with its largest depositors provide some stability to the funding base, as demonstrated through recent periods of geopolitical volatility in the Middle East. We also note related party deposits account for 43% of its total deposits.

Solid liquidity buffers

We assign a ba1 liquid resources score that reflects our Core Banking Liquidity to Tangible Banking Assets ratio of 15.0%, which we consider Moderate, and is negatively adjusted for expected trend to reflect the bank's growth plan.

This reflects our expectation that, as the operating environment stabilizes, the bank's liquid assets will resume their downward trajectory as NBQ implements its medium-term growth plan, although liquidity will remain at solid levels.

Exhibit 5
Core Banking Liquidity account for one-fifth of NBQ's assets
NBQ's asset composition as of end-March 2026 (%)



Notes: For banks that do not report HQLA, we calculate the numerator using accounting-based metrics
Source: Moody's Ratings

NBQ's core banking liquidity to tangible banking assets stood at 17.0% as of March 2026 (15.0% as of December in 2025). In addition, the bank holds substantial investments in highly liquid securities. We estimate that NBQ's liquidity cushion would cover around 40% of potential outflows from its deposit base, partially mitigating the concentration risk in its funding profile.

CBUAE's Financial Resilience Package announced in March 2026 remains precautionary. With central bank liquidity injections and forborne customer loans negligible to date, banks are navigating the conflict independently, supported by their own buffers.

Limited business diversification

The negative adjustment for Business and Geographic Diversification reflects NBQ's limited diversification, which constrains its credit strength by increasing sensitivity to stress in a single business line. NBQ's heavy reliance on medium-sized corporate banking limits its income diversification and increases earnings volatility, especially given its high exposure to the real estate and construction sectors.

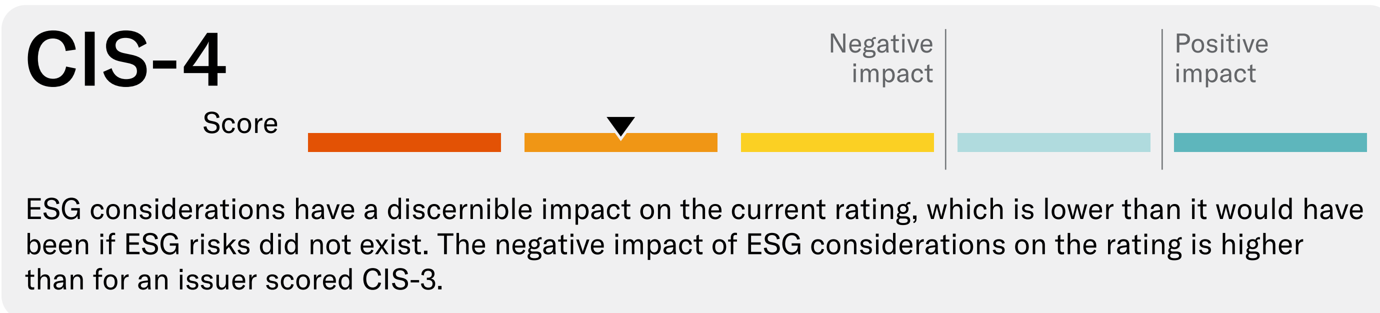
Medium-term growth plan entails execution risks

The negative adjustment for Strategy, Risk Appetite and Governance reflects the execution risks associated with the bank's growth plan to diversify away from its concentration in real estate. The lack of a track record for its diversification and growth strategy, constrains the bank's credit strengths and creates uncertainty regarding the evolution of its risk profile. The bank's intention to grow SME sectors give rise to additional risks, given the potential procyclical nature of the SME borrowers. The bank's ability to balance risks and returns in this business line has yet to be tested.

ESG considerations

National Bank of Umm Al-Qaiwain (PSC)'s ESG credit impact score is CIS-4

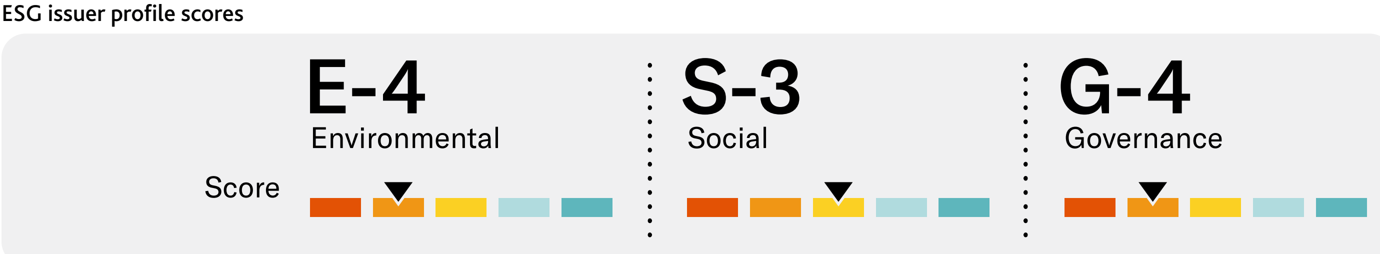
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

National Bank of Umm Al-Qaiwain's **CIS-4** indicates a material impact of ESG considerations on the bank's ratings, mostly because of the bank's high governance risks incorporated in a one-notch negative rating adjustment for corporate behavior. The bank's corporate governance risks mainly stems from lack of track record of growth strategy execution combined with risk management framework in place. Environmental and social factors have a limited impact on the bank's credit profile to date.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

National Bank of Umm Al-Qaiwain faces relatively high exposure to environmental risks, mainly because of carbon transition risk. Although the bank has limited direct lending exposure to carbon-intensive sectors, the contribution of the hydrocarbon industry to the UAE economy (although low hydrocarbon production costs provide a degree of insulation to carbon transition), as well as its dependence on desalinated water and exposure to rising sea levels, increases its vulnerability to environmental risks, potentially affecting the creditworthiness of the bank's counterparties.

Social

National Bank of Umm Al-Qaiwain faces moderate social risks, mostly related to customer relations and associated regulatory and litigation risks. Demographic trends have favored financial inclusion and adaptation innovation of the population in the city centers. National Bank of Umm Al-Qaiwain and UAE banks are generally focused on the intermediation of simple, plain vanilla products. Less prone to mis-selling.

Governance

National Bank of Umm Al-Qaiwain faces high governance risks, reflecting lack of track record of strategy execution in recent years and current risk management framework in place. Government of Umm al Qaiwain owning around one-third of the bank does not result in incremental governance risks because of the country’s developed institutional framework and is also mitigated by the composition of the Board which is by the majority independent. The bank is a publicly-listed firm and provides timely external reporting.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Very high likelihood of government support in case of need

We incorporate a Very High probability of government support from the Government of the United Arab Emirates for NBQ's Baa2 long-term deposit ratings which result in three notches of uplift. This reflects our view on (1) the Government of Umm Al Qaiwain's 34% stake in NBQ; and (2) the UAE authorities' track record of supporting domestic banks in case of need.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 8

Rating Factors

Macro Factors							
Weighted Macro Profile	**Strong -**	**100%**					

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.9%	a3	↓	b3	Single name concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	34.0%	aa3	↔	a2	Expected trend	
Profitability						
Net Income / Tangible Assets	2.6%	aa3	↓	baa3	Earnings volatility	Expected Trend
Combined Solvency Score		a1		ba1		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	13.7%	a3	↔	baa1	Funding concentration	
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	15.0%	baa3	↔	ba1	Expected trend	
Combined Liquidity Score		baa1		baa2		
Financial Profile		a2		baa3		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				-1		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				-1		
Total Qualitative Adjustments				-2		
Sovereign or Affiliate constraint				Aa2		
BCA Scorecard-indicated Outcome - Range				ba1 - ba3		
Assigned BCA				ba2		
Affiliate Support notching				0		
Adjusted BCA				ba2		

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency Rating**	**Foreign Currency Rating**
Counterparty Risk Rating	1	0	ba1	3	Baa1	Baa1
Counterparty Risk Assessment	1	0	ba1 (cr)	3	Baa1(cr)	
Deposits	0	0	ba2	3	Baa2	Baa2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 9

Category	Moody's Rating
NATIONAL BANK OF UMM AL-QAIWAIN (PSC)	
Outlook	Stable
Counterparty Risk Rating	Baa1/P-2
Bank Deposits	Baa2/P-2
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)

Source: Moody's Ratings

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454