Credit Rating Report

NATIONAL BANK OF UMM AL QAIWAIN

Country: United Arab Emirates; **Report Date**: 11 September 2024

Rating Action Snapshot

- **Foreign Currency**: LT and ST Affirmed; Outlook Remains Stable.
- **Core Financial Strength**: CFS Affirmed.

Current Bank Ratings

International Issuer Credit Ratings	
Long-Term Foreign Currency (LT FCR)	**A-**
Short-Term Foreign Currency (ST FCR)	**A2**
LT FCR Outlook	**Stable**
Other	
Bank Standalone Rating (BSR)	**bbb**
BSR Outlook	**Stable**
Core Financial Strength (CFS)	**bbb**
Extraordinary Support Level (ESL)	**High**
Operating Environment Risk Anchor (OPERA)	**bbb**

Financial Highlights

AEDmn	**H1 24**	**2023**
Total Assets	15,572	14,777
Gross Customer Loans	8,988	8,168
Customer Deposits	9,439	8,729
Total Equity	5,632	5,641
Net Profit	285	503
Total Assets (USDmn)	*4,239*	*4,023*
Selected Ratios, %		
NPLs/ Gross Loans	3.7	6.0
LLR/ NPLs	52.0	37.2
Tier 1 Ratio	41.9	41.6
Loans/ Deposits	93.4	91.5
Cost/ Income	20.3	23.1
ROAA	3.8	3.5

Key Rating Factors

Credit Strengths

- High likelihood of support from the federal government.
- Large capital base; solid, peer-group-best capital ratios and strong balance sheet leverage.
- Wide NIM and a low-cost base underpin the Bank’s strong operating profitability and ROAA.
- Good liquidity, high level of deposits with medium-term maturities.

Credit Challenges

- Sector concentration in real estate/construction. Customer concentrations in loans and deposits.
- Small size, low market share and limited business diversification.
- Low LLR coverage, mitigated by sizeable collateral and capital cushion.
- Slow global economic growth and increased geopolitical risks in the region. However the UAE economy continues to do well.

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RATING RATIONALE

Rating Action

Capital Intelligence Ratings (CI Ratings or CI) has affirmed the LT FCR and ST FCR of National Bank of Umm Al Qaiwain (NBQ) at 'A-' and 'A2', respectively. At the same time, CI Ratings has affirmed the Bank's BSR of 'bbb', CFS rating of 'bbb' and ESL of High. The Outlook for the LT FCR and BSR is Stable.

Rating Drivers

NBQ's LT FCR is set two notches above the BSR and reflects the ESL of High. CI expects the Bank to receive extraordinary support from the UAE government (sovereign ratings: 'AA-'/'A1+'/Stable) in case of need. The government has demonstrated such support in the past and, in CI's view, has the means and willingness to continue to do so in the future. Additionally, NBQ can also expect support from the government of Umm Al Quwain, a founding shareholder.

NBQ's BSR is derived from a CFS rating of 'bbb' and an Operating Environment Risk Anchor (OPERA) of 'bbb'. The CFS reflects the Bank's long track record of generating strong earnings, very solid capital ratios and good liquidity. Principal challenges are high (though declining) NPLs, low loan-loss reserve (LLR) coverage (partially mitigated by substantial collateral and capital), customer concentrations in loans and deposits, and sector concentration in real estate/construction. Slow global economic growth and increased geopolitical risks in the region are also challenges (although the UAE economy is doing well) along with the Bank's undiversified business base, low market share and small balance sheet size.

The OPERA assessment reflects the UAE's continuing dependence on hydrocarbons, although less so than neighbouring countries, with the economic risk partially mitigated by the support of the wealthy emirate of Abu Dhabi. The banking sector remained strong in 2023, with high levels of capitalisation and moderately low NPLs, fuelled by UAE's improving macroeconomic performance and favourable hydrocarbon prices.

NBQ's current strategies focus on using its large capital base to grow its balance sheet and market share, and diversify its business in terms of customer segments, products, services and income streams. This is essential to protect the franchise over the coming years in a consolidating and very competitive market. For decades the Bank had followed a very conservative strategy emphasising the preservation of capital and liquidity. It also generated good earnings and rewarded shareholders generously despite the disadvantages of small size and a narrow business base. However, its share of business in the UAE has shrunk over the years and it is currently among the smallest commercial banks in the country.

NBQ aims to grow its wholesale banking book in the coming years with a focus on lending to governments (federal and Emirati), GREs, large corporates and multinationals via bilateral arrangements and through syndications in a wide range of sectors. This will help to reduce the present sector concentration in real estate and construction. The Bank is also looking to expand its cash-flow-based lending and reduce the proportion of asset-based financing on its books. This is expected to raise the proportion of short-term loans and improve the overall risk profile of the credit portfolio. The Bank has a large due from banks portfolio which is of good quality, and a moderate sized investment book comprising mainly equities of blue-chip banks and companies in the UAE and a small bond portfolio. There are customer concentrations in the loan portfolio, in common with peer banks.

The high NPL ratio has improved over the last few years due to recoveries and write-offs and is now better than the sector median. The Stage 2 loans to gross loans ratio is at a reasonable level. The NPL ratio could decline further with the anticipated growth in gross loans and given the good quality of new credits. The LLR coverage ratio is low and below the sector median; this is partly mitigated by the sizeable collateral cover. Including impairment reserves in capital (being the excess of provisions calculated as per central bank rules over IFRS), the coverage ratio was 74% in H1 24. NBQ's reported coverage ratio which includes the value of collateral was 344% at end-H1 24.

Other redeeming factors are the steady, though slow, pace of recoveries over the years through court action, and the large capital base and good operating profits that provide a sizeable additional buffer. Provisioning expenses could rise in the future if the central bank requires all banks to discount the value of collateral held against impaired loans. In our view, the Bank would be able to absorb additional provisioning requirements fairly comfortably given its strong income generation.

NBQ's profitability ratios, which have historically been good, strengthened further in 2023 and Q1 24, reflecting the growth in lending, a wider net interest margin (NIM), good cost efficiency ratio and rising non-interest income (non-II). The Bank's strong and better than peer group average NIM is mainly attributed to its low funding cost (one of the lowest in the banking sector), which in turn reflects its large capital base, almost negligible borrowings, and a moderately good CASA ratio. Rising interest rates therefore have a strong positive impact on income generation. The Bank's small fee income base is augmented by other income such as trading gains and dividend income. NBQ is introducing new initiatives that could boost fee income in the future and partly offset the impact of a possible decline in interest rates later this year or next year. The Bank's ROAA is among the highest in the banking sector, however, income sources are not diversified and dependent on corporate banking activities. That said, we note that profitability metrics have shown resilience even during difficult periods over many years.

Liquidity ratios continue to be strong and stable. A high capital base supports the overall strong liquidity giving NBQ one of the lowest net loans to stable funds ratios in the banking sector. Deposit growth matched credit expansion last year. In common with most banks, customer concentration in the deposit base is high. However, major funding sources, including related party and government deposits, have proved to be stable even during stressed liquidity conditions in the past. While the CASA ratio declined last year due to the high interest rate environment, it remains at a moderate level in line with other banks with small retail franchises. Borrowings are presently negligible although the Bank has raised funds through the capital markets in the past.

Capital ratios are very strong and among the best in the industry. Capital is also only slightly impaired by unprovided NPLs. While dividend payouts have been generous, this is acceptable given the high capital ratios. The Basel III leverage ratio is also very high. The Bank can raise Tier 1 and Tier 2 debt in the future if required. Capital can also be increased by reducing dividend payouts as has been done in the past. However, capital is currently more than sufficient to power a substantial increase in risk weighted assets (RWAs). NBQ's capital ratios are expected to stay strong given its high earnings and despite a possible rise in risk assets over the next few years.

Rating Outlook

The Stable Outlook on the LT FCR and BSR indicates a better than even chance that the ratings will not change over the next 12 months. We expect key financial parameters to be maintained at least at current levels.

Rating Dynamics: Upside Scenario

An upgrade in the LT FCR and BSR or a change in the Outlook to Positive over the next 12 months would require a strengthening in the Bank's standalone profile. This could come from a significant improvement in asset quality, lower customer concentrations, a more diversified business base and a larger balance sheet.

Rating Dynamics: Downside Scenario

Though a remote possibility, a one-notch downgrade of the LT FCR and BSR or a change in the Outlook to Negative would be likely in the event of a deterioration in the Bank's credit profile. This could be caused by a significant weakening of asset quality or profitability that the Bank may not be able to correct in a reasonable period.

DETAILED RATING ANALYSIS

Business Model and Strategy

CI View

New strategies focusing on growing the balance sheet and diversifying the business base in terms of customer segments, products and services and income streams will go a long way to protect the Bank's franchise in a consolidating and very competitive business environment.

Business Model

NBQ is a small bank with a just 0.4% share of the total assets of the UAE banking sector. It provides a range of corporate, commercial and retail banking services. Its activities are primarily UAE-based and the Bank has no physical presence outside the country. Dubai is the Bank's principal market and accounts for a little less than two-thirds of its gross loans. NBQ's revenue streams tend to be narrow given the limited business diversification. There is a sizeable sector concentration in real estate, although current strategies focus on diversifying to other sectors. NBQ provides working capital loans, trade finance, project finance and syndicated loans. The wholesale banking division makes major contributions to both sides of NBQ's balance sheet and services medium-to-large companies, governments and GREs, multinationals, expat owned businesses and high net worth individuals. The Institutional Banking Division handles investment banking, financial institutions, debt capital market, treasury and international banking functions. SME financing is limited given the inherent risks in this business. The retail banking business is being grown with a focus on personal and mortgage loans, however, the business is still very small.

Franchise Strength

NBQ's customer base is small compared to the larger banks in the country. However, it has built a fairly loyal clientele among small, medium-sized and large entities. It operates a network of 11 branches, which is fairly large given the small size of the Bank's balance sheet. However, the network is likely to be rationalised with growing use of fintech and digitisation. Despite its size and limited franchise strength, CI believes that there are opportunities for the Bank to grow given the recent increased in management's risk appetite. NBQ has been able to generate good earnings over the last few years, while at the same time conserving its capital, overcoming the disadvantages of size and low growth rates (at least when compared with other small banks in the country).

Management and Strategy

The Bank's long-standing top management team has many years of experience working in the region and a solid track record of generating good earnings. The current CEO was appointed in 2021. A good second line of management is in place. Current strategies focus on growing the non-real estate sector in the wholesale banking business with a view to diversifying the portfolio and reducing concentration. Some of the areas the Bank is looking at are manufacturing, trading, education, logistics, transportation, oil and gas, aviation, healthcare, and services. An enhanced trade finance product range and a revamped FI business along with digital initiatives are expected to bring more fee income. Cash management products will be introduced this year. The Bank aims to grow its retail banking business with the aid of digitisation, a new loan origination process and strategies focusing on mortgages and personal loans to expatriates and employees of large organisations. The Bank may close branches in the near future as digitisation levels rise. The liabilities strategy focuses on growing CASA balances and reducing concentration.

Ownership and Governance

CI View

The Bank can rely on the principal owners to provide ordinary support. Risk standards are well established and there are no major concerns here. Disclosures in the interim financials are good.

History and Ownership

Main Shareholders (%) (end-Dec 2023)	
Government of Umm Al Quwain	30.0
Salem Abdullah Salem Al-Hosni	13.3
Group of Abdul Wahed Al Rostamani LLC	10.1
Abdulla Ahmed Abdulla Al Moosa	5.6

The National Bank of Umm Al Qaiwain (NBQ) was established in 1982 by the ruler of Umm Al Quwain (UAQ), a small emirate in the northern part of the country with limited natural resources and largely dependent on federal support. The Bank's principal shareholders are the government of UAQ (30%) and major UAE-based business groups. The shares of the principal stakeholders have not changed for some years. The chairman of the board is the crown prince of the emirate of Umm Al Quwain. The government of Umm Al Quwain provides substantial funding support to the Bank – it is a major depositor – and is likely to extend capital support when required.

Risk Management and Control

The board comprises seven individuals of which five are independent directors. Risk standards are well established and there are no major concerns here. Underwriting standards are conservative. The Bank uses the 'three lines of defence' approach to its risk management architecture. The credit risk department monitors risks at the micro and macro levels and handles all control functions. The Bank has a rating system in place to assess the creditworthiness of borrowers. Credit is extended mainly based on primary cash flows, secondary cash flows and collateral. There are Risk Acceptance Criteria in place for wholesale borrowers. The Bank prefers to deal with borrowers who have multiple sources of income. Management of stressed accounts is centralised. NPLs are defined as loans in which there is loss due to default or are past due for 90 days or more.

Accounting, Disclosure and Transparency

The 2023 accounts were audited by Ernst & Young in accordance with International Standards on Auditing. The auditor's report is unqualified. The financial statements have been prepared to International Financial Reporting Standards (IFRS). The consolidated accounts include the financials of the Bank's small marketing management subsidiary. In addition to the disclosures in the financial statements, NBQ has provided CI with additional information on key areas. The adoption of new standards last year had no material impact on the financial statements. The following analysis is also based on the Bank's unaudited, but auditor reviewed, H1 24 financials.

Risk Profile and Risk Mitigation

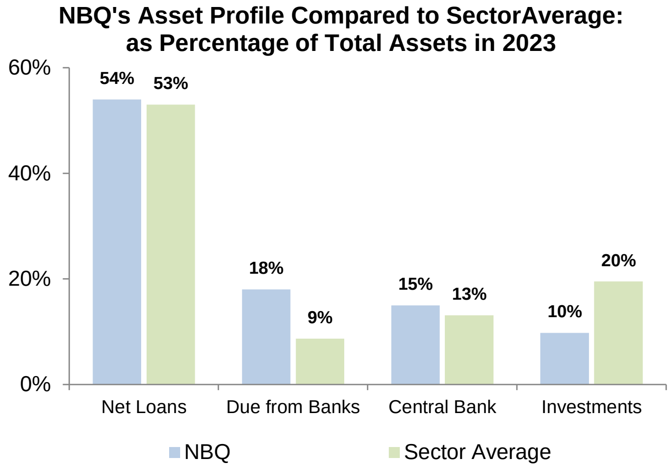
CI View

The NPL ratio has strengthened over the last several years due to recoveries and write-offs. The LLR coverage remains low but is mitigated by the sizeable collateral against NPLs, as well as the large capital base and good operating profits that provide sizeable additional buffer. New credit policies focusing on cash flow-based lending to GREs and top tier companies could reduce the average maturity of the loan book and improve the overall risk profile. Additionally, new lending is being driven by the non-real estate sector, which would reduce sector concentration in real estate and construction.

Balance Sheet Structure and Concentration Risk

Total assets rose by 9% in 2023 due to good loan growth and, for the first time in many years, net loans increased as a percentage of total assets – to 47% at end-2023 from 46% in the previous year. In earlier years, the net loans to total assets ratio had steadily declined, reflecting management's low risk appetite. Net loans (including loans to financial institutions) rose by 10% in H1 24, and the balance sheet total recorded a 5% increase. CI expects full year growth to be equally robust given new strategies focusing on growth and diversification. NBQ's share of banking sector assets however is likely to remain very low for many years; its share of assets at end-2023 was 0.4%.

NBQ's loans to customers and FIs formed 54% of total assets at end-2023, close to the sector average (see adjacent chart). The Bank's due from banks portfolio has historically been high; at end-2023 due from banks represented 18% of the balance sheet compared with 9% for the sector. This is partly because the Bank deploys excess liquidity in bank deposits, apart from central bank balances. The investment portfolio is moderately small compared to the average for the banking sector (see adjacent chart).



Changes to the balance sheet structure at end-H1 24 include a higher proportion of loans to customers and FI (57% of total assets), a rise in central bank balances to 20% and a decline in due from banks to 11%.

Bank deposits are of good quality with no Stage 2 or 3 exposures. Bank exposures and loans to FIs were mainly to UAE and GCC entities (61% in 2023), and to banks rated 'BBB' and higher by external agencies (61%).

The investment portfolio is moderately small at 10% of total assets in 2023, well below the levels maintained by peers. Roughly two-thirds comprised equities and a third consisted of debt at end-2023; issuers are mainly UAE entities – banks, public sector entities and blue-chip private sector companies. FVOCI investments accounted for a large portion of investments (66% at end-2023) and the remainder was carried at amortised cost with a very small amount in FVTPL. Fair value gains recorded in OCI have had only a minimal impact on total comprehensive income. The equity portfolio has generated good dividend income for the Bank over the years.

Gross loans rose by 5% in 2023, reflecting increases in exposures to real estate and construction, as well as lending to governments, GREs, and the trading, transport and services sectors, partly offset by lower exposures to banks and FIs. In H1 24, gross loans rose by 10% due to increases in loans to banks, FIs and insurance companies, as well higher exposures to manufacturing and trade offsetting declines in other sectors. The loan book has a high concentration in real estate, although the levels have fallen – to 34% in H1 24 from 38% at end-2023. The Bank expects future growth to be driven mainly by loans to the non-real estate corporate sector which will be acquired either bilaterally or through syndications. Given that there is a good pipeline of business the Bank expects the wholesale banking business to grow this year. Its lending activity is mainly in Dubai, Sharjah and Al Ain. Personal loans, which are currently very small (4% of gross loans in H1 24), are likely to rise this year with the focus on mortgages and personal loans to employees of approved companies.

Loans by Sector		
H1 24	**AEDmn**	**% of Total**
Real Estate/ Construction	3,028	33.7
Wholesale/Retail Trading	1,124	12.5
Personal Loans	393	4.4
Banks and Fis	2,279	25.4
Manufacturing	437	4.9
Transport	201	2.2
Government	147	1.6
Services and Others	1,379	15.3
Gross Loans	**8,988**	**100.0**

Underwriting standards are stringent, and loans are typically given to customers with multiple sources of income. A good increase in lending is likely this year given that over AED1.2bn loan commitments were outstanding at end-June 2024 and loan demand remains good. However, we expect NBQ to continue to adopt a very cautious attitude to loan growth.

NBQ's gross loans are concentrated primarily in Dubai, which also accounts for a sizeable portion of the non-oil GDP of the country. There are no overseas exposures. The majority of loans to customers (77% at end-2023) have maturities of over one year.

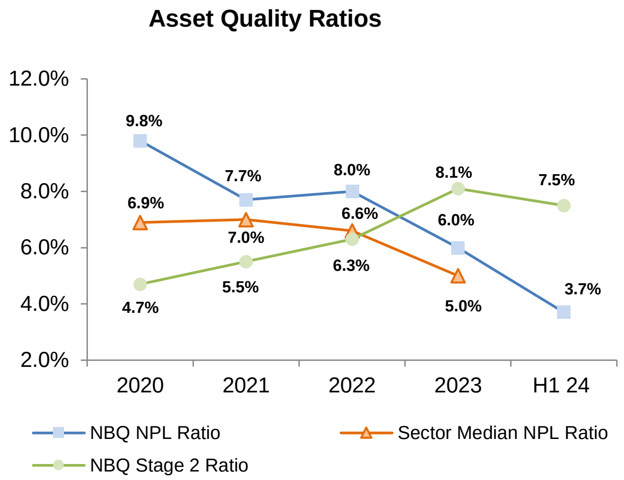
Related party exposures are negligible. Moreover, related parties are major placers of funds with the Bank – AED4.1bn or 47% of customer deposits were placed by related parties at end-2023.

In common with other banks in the region, customer concentration in the funded credit book is high. Loans to the 20 largest borrowing customers amounted to 51% of total loans (excluding loans to banks) in Q1 24 (net of interest in suspense).

The contingent account portfolio consists mainly of guarantees issued on behalf of customers and loan commitments. Contingent balances represented 19% of total assets in 2023 which is about average for the banking sector.

Asset Quality and Credit Risk

The NPLs to gross loans ratio has declined in recent periods – to 3.7% in H1 24 from 8% in 2022. This reflects the steady decline in NPLs over this period as well as the growth in lending. The Bank wrote off AED262mn of impaired loans last year, partly offsetting the migration of loans from Stages 1 and 2 to 3. There was a further write off in H1 24. The Bank's NPL ratio is likely to have dropped lower than the sector median at end-H1 24. NBQ's Stage 2 loans to gross loans ratio rose between 2020 and 2023 (see adjacent chart). It declined marginally to 7.5% in H1 24 – this is only slightly higher than the average for CI-rated banks.



Impairment provisioning expenses to gross loans ratio had been very low for many years partly due to recoveries and low new NPL accretions, which in turn partly reflects low credit disbursements every year. In 2023, that ratio rose to 1.4% (from a much lower 0.2% in 2022) due to write-offs and NPL accretions. The ratio rose slightly in H1 24 on account of write-offs. Any recoveries of previously written off loans are added to other income in the profit and loss statement.

NBQ's moderately high NPL ratio over the last several years is attributed to the steady decline in the denominator over the last several years. The Bank is still fighting cases in the courts relating to its legacy impaired loans. It has had some success over the years – particularly in 2021 – but overall, the process has been very time consuming.

Due from banks and investment securities are all classified as Stage 1. Off-balance sheet items have low Stage 2 and Stage 3 items.

Market Risk

The Bank has some exposure to equity price risk. Data on equity price risk sensitivity provided by the Bank showed that if equity prices were 20% higher or lower at the reporting date, and other variables held constant, the consolidated statement of comprehensive income would have increased/decreased by AED191mn (total comprehensive income was AED514mn in 2023). Given the Bank's large capital base, this is unlikely to significantly impact its overall financial position. Since the AED/USD peg has not changed for decades, exposure to currency risk is limited. Interest rate risks are low, however a decline in interest rates would lead to a lower net interest income (NII).

Credit Loss Absorption Capacity

Due to the Bank's reliance on collateral, the LLR coverage ratio has historically been very low and much lower than the sector median. The decline in the coverage ratio in 2023 was due to write offs. At end-June 2024, LLR coverage improved to 52% due to the decline in NPLs. Including impairment reserves in capital (being the excess of provisions calculated as per central bank rules over IFRS), the coverage ratio was 74% in H1 24, which is still moderately low. NBQ's reported coverage ratio which includes the value of collateral was 278% in 2023, and 344% at end-H1 24.

Historically, all credit provided by the Bank has been backed by tangible collateral. While enforcing security can be very time consuming in the UAE (often taking several years), the Bank has aggressively pursued recovery of NPLs via collateral sales. Over the years it has acquired properties in settlement of debt which have been disposed of. At end-2023, assets in settlement of debt amounted to AED79mn, down from AED156mn in the previous year. The Bank earns rental income from these properties till they are sold. NBQ is confident of recovering much of its legacy impaired loans. Over the years it has recovered loans written off in earlier years – AED57mn in H1 24, AED63mn in 2023 and AED45mn in 2022.

CI does not consider collateral security a sufficient substitute for cash provisions. However, the Bank has a large capital base that provides additional cover. Tier 1 capital and provisions together covered NPLs nearly 13 times in Q1 24. The Bank is also able to absorb high provision charges, if necessary, given its good operating profitability.

More recently, with the diversification of the target customer base to include GREs and top tier companies, the Bank is looking increasingly at cash flow based lending, which results in mainly short-term exposures and could further improve the overall credit risk profile.

Asset Quality, Selected Metrics
(% unless stated otherwise)

	H1 24	2023	2022	2021
NPL Ratio	3.7	6.0	8.0	7.7
NPL Coverage Ratio	52.0	37.2	53.6	51.0
Loan-loss Provision Expense to Gross Loans	0.3	0.6	-0.4	-0.6
Extended NPL coverage ratio	-	1,021.6	789.7	844.9

Earnings Strength

CI View

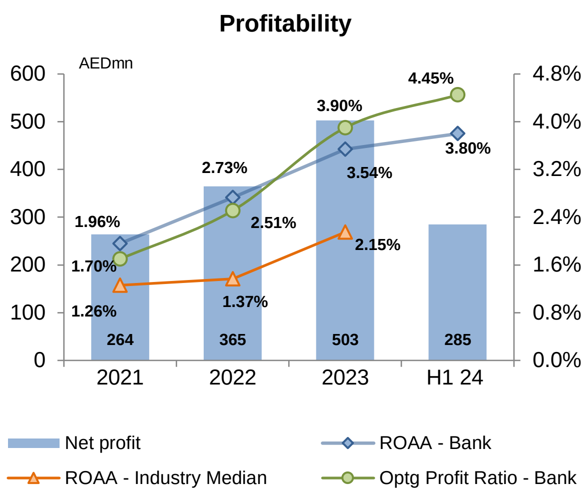
Profitability metrics are strong and have shown resilience through difficult periods. Key ratios are currently among the best in the sector. CI expects the Bank to continue to generate reasonably good earnings in the coming years, especially given the implementation of growth oriented strategies in recent months.

Profitability and Efficiency

Profitability ratios continued to rise in 2023 and H1 24 on the back of strong growth in both NII and non-II. Rising interest rates and the growth in lending in 2023 contributed to the sizeable 52% increase in NII, while the 25% growth in non-II was primarily due to trading gains and dividend income. Operating income rose by a substantial 47% last year and the operating income to average assets ratio strengthened to 5.1% from 3.7% in the previous year, well above the 4.2% average for CI-rated banks in the UAE. There was a further rise in this ratio to 5.6% (annualised) in H1 24, reflecting good growth in NII.

The Bank has a wide NIM, which has risen over the last few years to 4.3% in 2023, from 2.1% in 2021 – the sector average last year was 3.1%. The NIM rose further to 4.5% (annualised) in H1 24. This is attributed mainly to the Bank's historically low funding cost reflecting its high capital, minimal borrowings and a good low-cost deposit base. CI measures interest income on average assets and not interest earning assets, and since the Bank has a relatively small investment portfolio unlike most banks, its NIM is likely to be understated when compared with the peer group average. Despite this, it is one of the highest among local banks.

Operating costs have grown in a controlled manner – up by 7.5% last year in line with the growth in business volumes. Operating profit increased by 66% in 2023 and the operating profitability ratio strengthened to 3.9% from 2.5% in 2022 – the 2023 average for CI-rated banks in the UAE was 2.8%. The operating profitability ratio was a strong 4.5% (annualised) in H1 24 and one of the highest in the sector.



The Bank's non-II contributes to its high operating income base. Although not as large as those of other banks with a high level of Dubai-based business, NBQ's non-II was a moderate 0.8% of average assets in 2023; of this fee income has been fairly low. Fee and commission income has also been falling y-o-y – there was a decline in both 2023 and H1 24. However, this has been offset by dividend income and gains from securities trading. The Bank is looking to grow its fee income from new initiatives. This could partly offset a possible fall in NIM and NII as interest rates decline in the future. While changes in interest rates play an important role in the Bank's revenue growth leading to some fluctuation in income, we note that the operating profitability ratio has been reasonably good (1.90%) even during a difficult year like 2021.

ROAA has historically been high. It rose from an already high 2.0% in 2021 to 3.5% in 2023 and rose further to 3.8% (annualised) in H1 24. The rise in the ROAA reflects rising income and recoveries of written off loans which offset an increase in provisioning expenses.

Earnings Quality and Stability

The Bank's business base is not diversified; it continues to earn the bulk of its income from corporate banking activities. Also interest income is its main source of revenue and fee and commissions earnings have tended to be low especially compared to the larger banks in the country. Additionally, its equity holdings have a moderate impact on total comprehensive income, both via dividend income earned and fair value gains and losses through OCI, which could give rise to some volatility. That said, CI notes that the Bank's income generation has been tested through several economic cycles and its management has built a good track record of delivering strong results every year. The Bank's recent growth oriented strategies is a favourable development that could enable the Bank to stay relevant in this intensely competitive market. The Bank's future growth is also closely linked to the development of the UAE economy.

Earnings and Profitability, Selected Metrics
(% unless stated otherwise)

	H1 24	2023	2022	2021
Return on Average Assets (ROAA)	3.80	3.54	2.73	1.96
Operating Income to Average Assets	5.58	5.07	3.67	2.71
Operating Profit to Average Assets	4.45	3.90	2.51	1.69
Net Interest Margin (NIM)	4.49	4.26	2.98	2.06
Non-interest income to Gross Income	19.6	16.0	18.6	24.0
Cost-to-Income Ratio	20.3	23.1	31.6	37.5

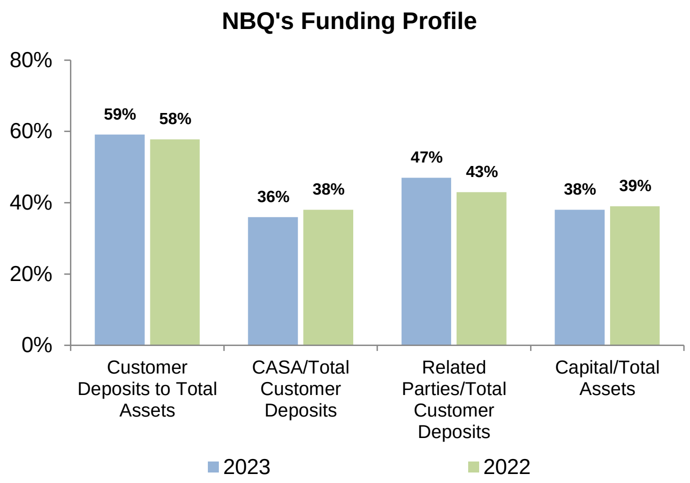
Funding and Liquidity

CI View

NBQ's customer deposits and capital support its overall good liquidity. Key liquidity ratios continue to be strong. In common with most banks, there is some customer concentration in the deposit base, but the major funding sources, including related parties, have proved to be stable in stressed conditions in the past.

Funding Diversification and Stability

The funds base comprises mainly customer deposits (59% at end-2023) and capital (38%). Given negligible term borrowings and short-term interbank liabilities, customer deposits accounted for a substantial 96% of total financial and other liabilities, well above the sector median ratio of 78%. The large capital base provides substantial funding support. This structure has not changed for many years. In the past, however, the Bank had raised money from the international markets.



The Bank's funds base is characterised by a high level of related party deposits (47% of customer deposits at end-2023) which have been stable over many years. However, this does contribute to a high level of customer concentrations in the deposit base. The CASA ratio is at a moderately high level (see chart above) and in line with banks with small retail banking franchises; the ratio dropped in 2023 due to the high interest rate environment. The Bank has a high percentage of deposits with medium-term tenors (34% at end-2023), unlike most other banks in the country, which have almost no deposits in the over-one-year-tenor category.

Customer deposits grew by 11% in 2023 in line with credit expansion. In previous years, the Bank did not actively seek deposits due to the contraction in lending. As a small bank with a limited branch network, NBQ depends partly on wholesale deposits placed by companies and institutions. The 20 largest depositors accounted for a substantial 68% of total customer deposits in Q1 24; but excluding deposits placed by the sovereign, customer concentration levels are much lower. Deposits placed by the government and public sector entities tend to be sticky.

Liquidity Risk

Liquidity ratios continue to be strong. With deposits growing faster than net loans (including loans to banks), the loan-to-deposit ratio improved to 92% in 2023, from 95% in the previous year, but was above the sector median ratio of 76%. The net loans to stable funds ratio, which includes capital in the denominator, may be a more accurate measure of liquidity; that ratio was a strong 56% at end-2023 while the sector average of CI-rated banks in the country was 62%. NBQ's stable funds consist only of customer deposits and capital with, therefore, little refinance risk. CI expects the Bank to maintain strong liquidity ratios going forward.

The Bank comfortably meets regulatory ratios; for smaller banks like NBQ the applicable ratios are Eligible Liquid Asset Ratio (ELAR) of minimum 10% and the Advances to Stable Funds Ratio (ASSR) of maximum 100%, which are applicable to small banks in the country. NBQ's ELAR of 28% and ASSR of 66% are the best in the sector. CI's proprietary liquid asset ratio was a satisfactory 17% in 2023, with liquid assets comprising mostly cash and balances with central banks. The net broad liquid asset ratio, which includes net interbank assets in the numerator, was much higher at 35%. Additionally, the Bank holds equity and debt securities which amounted to nearly 10% of total assets; the bulk of these securities can be disposed of quickly to create liquidity. Although the Bank is not required to report the

Basel III Liquidity Coverage Ratio and the Net Loans to Stable Funds Ratio, it regularly measures both ratios and comfortably meets the regulatory requirements.

Funding and Liquidity, Selected Metrics (% unless stated otherwise)				
	H1 24	**2023**	**2022**	**2021**
Loan-to-Deposit Ratio	93.4	91.5	94.6	95.3
Net Loans to Stable Funds	58.5	55.6	56.4	57.6
Liquid Asset Ratio	21.8	17.0	15.2	11.9
Net Broad Liquid Asset Ratio	32.7	35.1	34.0	32.2

Capitalisation and Leverage

CI View

The Bank is very strongly capitalised and its key ratios are the best in the industry. Capital is also large enough to comfortably absorb unprovided NPLs. NBQ has paid generous dividends in recent years but despite that its capital has grown at a good pace, reflecting good income generation. NBQ's capital ratios are expected to stay strong in the medium-term despite a possible growth in RWAs.

Capital Quality and Adequacy

Capital ratios have been above 40% between 2020 and 2023, and prior to that they were above 30%, reflecting management's cautious stance for many years. Now that the Bank is in growth mode, key ratios could fall over the coming years. In 2023, with RWAs rising at almost 9% and regulatory capital buoyed by higher retained earnings growing at a slower pace of 5%, the CAR dropped slightly to a still strong 42.8%. There was a marginal increase in the CAR to 43.0% in H1 24. The Bank's CET 1 and Tier 1 ratios are also high and differ only very slightly from the CAR (see table below). NBQ has no AT1 capital and its Tier 2 funds consist of general provisions and fair value reserves. Capital ratios are well above regulatory requirements (minimum 13% CAR) and apart from being significantly better than the peer group average, they are also the highest among UAE banks. The Bank has more than enough capital to support a significant increase in RWAs. Capital is only slightly impaired by unprovided NPLs.

Capital Flexibility

NBQ has primarily built its capital over the years from retained earnings, and shareholders had last injected equity in 2008. While NBQ's dividend payout ratio has been high – 60% in 2023, 55% in 2022 and 56% in 2021 – this is acceptable given that it has more than adequate capital to support its balance sheet. The Bank can raise debt capital in the future if required. Capital can also be increased by reducing dividend payouts as has been done in the past.

Capital Adequacy and Leverage, Selected Metrics (% unless stated otherwise)				
	H1 24	**2023**	**2022**	**2021**
Common Equity Tier 1 Ratio	41.9	41.6	43.1	43.5
Tier 1 Ratio	41.9	41.6	43.1	43.5
Capital Adequacy Ratio	43.0	42.8	44.3	44.7
Internal Capital Generation	-	5.7	4.3	2.5
Dividend Payout Ratio	-	59.7	54.9	56.0

Operating Environment

Operating Environment Risk Anchor (OPERA)

The OPERA for UAE is 'bbb' (indicating modest risk). This reflects the relative dependence of the economy on hydrocarbons, moderate institutional strength, and limited monetary policy flexibility as the AED is pegged to the USD. Moreover, the economic risk is partially mitigated by the support of the wealthy emirate of Abu Dhabi to the federation and the availability of a very large buffer of external assets under the management of the Abu Dhabi Investment Authority (ADIA). The UAE banking sector remained strong in 2023, fuelled by improving macroeconomic performance and high hydrocarbon prices. The banking system is sound at present, with high levels of capitalisation and moderately low NPLs. Sovereign support in case of distress is available and most local banks are mostly government-owned, whether directly or indirectly. Most banks rely partly on government funding and GRE deposits, and the customer deposit base is characterised by a high level of large-value deposits leading to significant customer concentrations in the funding structure. Credit portfolios have some sector concentration to real estate and construction, and customer concentration levels are high. Central bank supervision standards have strengthened, and the sector is on the whole reasonably well regulated.

Economic and Financial Conditions

In the short to medium term, economic performance is likely to continue to remain upbeat due to strong domestic activity and the implementation of reforms. Real GDP moderated to 3.5% in 2023 (from 7.4% in 2022), with lower oil production offset by the brisk expansion of the non-hydrocarbon sectors. Real output is likely to expand by 4.1% in 2024, on the back of solid growth in the non-oil sectors. The UAE holds the seventh largest proven oil and gas reserves in the world, and oil still accounts for about 26% of GDP and around 40% of consolidated government revenues. However, the economy is being diversified.

Notwithstanding the favourable growth outlook, risks could stem from uncertainties relating to the spillovers from slowing global economies and tense geopolitical conditions, aggravated by the war in Gaza and Yemen and continued tension with Iran. CI notes that the implementation of reforms under the UAE Strategy for the Future could help to reduce economic risks stemming from the dependence on hydrocarbons as such measures aim to strengthen the private sector, diversify the economy, and further reduce labour market segmentation given that the government still acts as the largest employer of the nationals. In a first, corporate entities will be taxed on their income from 2024 – this replaces a labyrinth of fees that companies are paying.

The local economy is resilient due to the country's comparatively diversified business base and the general ease of doing business. The housing and real estate market is seeing a revival with the increase in transaction volumes, property prices, rental yields and investment activity. The outlook for the sector is positive for 2024. Likewise, the construction sector, which had problems in the years leading up to the pandemic in 2020, experienced a good recovery and its overall outlook is positive, partly clouded by ongoing shortages in skilled labour and building materials. The construction sector's growth will be driven by large-scale projects in the oil, gas, power, transportation and infrastructure sectors apart from residential and commercial complexes.

The UAE's external accounts remain very strong, supported by the main emirates, especially Abu Dhabi. The current account surplus is expected to remain very high in 2024 despite declining to an estimated 7.8% of GDP from 9.4% in 2023. CI also expects the current account to remain in surplus in 2025-26, averaging 6.8% of GDP. This is based on our expectation that hydrocarbon prices will remain high throughout the forecast period (although lower than their peak in 2022) and that tourism receipts and non-hydrocarbon exports will register robust growth.

The UAE's external position continues to benefit from a large stock of external assets. There is limited disclosure on the assets of the sovereign wealth funds, but it is estimated that the ADIA, the largest of the UAE funds, had about USD790bn under management in 2022, which is expected to have increased significantly in 2023. CI expects ADIA's assets to be around 1.84 times the size of the country's total external debt stock in 2023. While the net creditor position of the country cannot be taken as a solvency risk indicator for individual emirates, CI expects that Abu Dhabi – being the wealthiest emirate – would provide financial assistance to the federal government, including the UAE central bank, in the event of need.

At present, consolidated government refinancing risks are low given the relative size of the budget surplus. Although Abu Dhabi and Dubai have not tapped the international markets since 2021, their access likely remains strong. The federal government recently issued a 10-year USD1.5bn eurobond maturing in July 2034. Contingent liabilities are deemed moderate; however, tighter local and international monetary policies could lead to higher refinancing risks for GREs. Dubai's GREs are the most exposed to refinancing risk. According to the IMF, the maturing debt of GREs is estimated at USD15.6bn (3% of GDP) in 2024, with the stock of UAE non-bank GRE debt estimated at 26% of GDP.

Industry Structure and Performance

The UAE banking sector performed very well last year and is poised for further growth in 2024, on the back of economic expansion partly driven by increased spending by the major emirates.

Banking sector assets (of 61 licensed banks) expanded by 11% in 2023 to AED4.1tn on the back of increased lending and investments. Gross loans rose by 6% y-o-y, reflecting higher personal loans and increased lending to the private and public sector. Asset quality ratios have improved gradually in recent years with the decline in NPLs and increased lending; the NPL ratio fell to 5.0% in 2023, from 6.6% in 2022. Banks have made sizeable provisions but the peer median LLR coverage ratio of 83% in 2023 remains below the historical average for UAE banks. This could strengthen over the coming years after the central bank introduces a new credit standard (currently still in a draft stage) requiring banks to progressively discount the value of collateral held against NPLs. High customer concentration levels and sector concentration in real estate and construction are credit challenges for the sector.

Banking sector profits continued to rise in 2023, reflecting wider NIMs and increased business volumes, and the average ROAA for the sector rose to 2.2% in 2023 from 1.4% a year earlier. Although margins are likely to be stable this year (especially if interest rates rise in the second half) and banks would have to provide for corporate income tax for the first time ever, earnings are expected to stay strong in 2024 on the back of good business growth. Capital ratios are high with the sector median CAR at 17.4% at end-2023. There is ample liquidity in the banking sector – bank deposits rose by 13.5% in 2023 led by increased placements by the private sector – and key ratios remain sound.

Regulatory Environment

The regulator is proactive and has been very supportive of the banking sector over the years. Its policies in 2020 were helpful in limiting the impact of the economic lockdowns that year. In January 2023, the central bank issued new and tighter guidelines to combat money laundering. In 2024 it is expected to introduce a new credit standard that would require banks to provide more aggressively on loans secured by collateral. From January 2021, the central bank began issuing monetary bills which are auctioned and traded. The objective is to develop the secondary market for AED denominated securities, contribute to the establishment of a yield curve, and provide a stable collateralised source of funds to banks. In December 2021, the central bank developed new standards for real estate lending which define risks and measure and monitor concentration levels; a bank's exposure to real estate is presently capped at 30% of its RWAs. Banks with higher risk-weighted real estate exposures in their portfolios will be subjected to a more extensive supervisory review of their underwriting and risk management practices in this segment. The central bank has strengthened its regulatory oversight in recent years, pushing some of the local banks to recognise impaired loans early and make more aggressive provisions.

The banking law was revamped in 2018, giving more power to the central bank and setting out clear guidelines for financial institutions regarding promotions, advertising and communications. Corporate governance standards have been strengthened over the years. There are four systemically important domestic banks in the country – First Abu Dhabi Bank, Emirates NBD, Dubai Islamic Bank and Abu Dhabi Commercial Bank.

Extraordinary Support

Official Support

NBQ can expect extraordinary support from the UAE government, which has the financial capacity and willingness to provide timely assistance in case of need. Support was demonstrated in 2009 when the central bank provided liquidity in the form of term deposits to all banks in the country, which were later converted into subordinated debt. We also expect the government of Umm Al Quwain, the Bank's largest shareholder, to extend support if required.

KEY PERFORMANCE METRICS

NATIONAL BANK OF UMM AL QAIWAIN

	(All figures are percentages, unless otherwise stated)	H1 24	2023Y	2022Y	2021Y	2020Y
A	**SIZE FACTORS**					
1	Total Assets (AED000)	15,572,447	14,777,159	13,605,122	13,142,025	13,546,044
2	Total Assets (USD000)	4,239,246	4,022,966	3,704,090	3,578,008	3,688,005
3	Employees (FTE)	-	-	-	-	-
B	**ASSET QUALITY**					
4	Total Assets Growth Rate	5.4	8.6	3.5	-3.0	-5.3
5	Customer Loan Growth Rate	10.0	5.1	1.6	-6.3	-5.6
6	Customer Deposit Growth Rate	8.1	11.0	2.1	-6.4	-9.0
7	NPL Growth Rate	-31.9	-21.6	5.2	-25.6	5.7
8	NPL Ratio	3.7	6.0	8.0	7.7	9.8
9	NPL Coverage Ratio	52.0	37.2	53.6	51.0	44.3
10	Extended NPL Coverage Ratio	-	1,021.6	789.7	844.9	608.3
11	Unprovided NPLs to Total Equity	2.8	5.4	5.4	5.7	9.4
12	Loan Loss Provisioning Expenses to Gross Loans	0.3	0.6	-0.4	-0.6	1.3
13	Government Bond Exposure	5.3	5.4	6.4	2.3	0.0
14	Related Party Exposure	0.2	0.1	3.5	5.7	7.3
15	Off Bal Sheet Exposures to Total Assets	18.6	18.7	23.8	26.9	27.0
C	**EARNINGS AND PROFITABILITY**					
16	Return on Average Assets (ROAA)	3.80	3.54	2.73	1.96	1.53
17	Return on Average Risk-Weighted Assets (RWAs)	-	4.62	3.35	2.38	1.83
18	Operating Profit (pre-impairment) to Average Assets	4.45	3.90	2.51	1.69	2.34
19	Operating Income to Average Assets	5.58	5.07	3.67	2.71	3.42
20	Net Interest Margin (NIM)	4.49	4.26	2.98	2.06	2.38
21	Cost of Funds (COF)	2.62	2.05	0.83	0.61	0.99
22	Interest income on Average Assets	6.05	5.47	3.46	2.43	3.01
23	Non-Interest Income to Gross Income	19.6	16.0	18.6	24.0	30.3
24	Net Fee and Commission Income to Non-Interest Income	17.9	23.4	39.7	50.1	51.5
25	Cost to Income Ratio (CIR)	20.3	23.1	31.6	37.5	31.6
26	Loan Loss Provisioning Expenses to Operating Profit	3.9	9.2	-8.2	-19.0	31.7
27	Total Impairment on Financial Assets to Operating Profit	4.5	9.2	-9.2	-17.6	32.0
28	Return on Average Equity (ROAE)	10.2	9.3	7.0	5.4	4.6
D	**FUNDING AND LIQUIDITY**					
29	Customer Deposits to Total Liabilities	95.0	95.5	95.0	95.2	93.0
30	Loan-to-Deposit Ratio (LDR)	93.4	91.5	94.6	95.3	94.9
31	Net Loans to Stable Funds	58.5	55.6	56.4	57.6	59.5
32	Wholesale Funding Ratio	0.0	0.0	0.0	0.0	1.5
33	Short-term Wholesale Funding Ratio	-	-	-	-	-
34	Net Stable Funding Ratio (NSFR)	-	-	-	-	-
35	Liquidity Coverage Ratio (LCR)	-	-	-	-	-
36	Liquid Asset Ratio	21.8	17.0	15.2	11.9	11.2
37	Net Broad Liquid Asset Ratio	32.7	35.1	34.0	32.2	31.7
38	Interbank Ratio	-	1,033,503.9	31,998,037.5	-	11,127,376.0
39	FX Assets to FX Liabilities	-	-	-	-	-
E	**CAPITALISATION AND LEVERAGE**					
40	Common Equity Tier 1 (CET 1) Ratio	41.9	41.6	43.1	43.5	40.3
41	Tier 1 Ratio	41.9	41.6	43.1	43.5	40.3
42	Total Capital Adequacy Ratio (CAR)	43.0	42.8	44.3	44.7	41.5
43	Basel III Leverage Ratio	-	28.9	29.1	30.9	-
44	Balance Sheet Leverage	36.2	38.2	39.2	38.4	34.7
45	RWA Density	-	78.1	78.1	84.7	82.1
46	Internal Capital Generation	-	5.7	4.3	2.5	0.2
47	Dividend Payout Ratio	-	59.7	54.9	56.0	69.8

Note: Ratios annualised where appropriate.

Sources: CI Ratings, Bank financials, S&P Global Market Intelligence (SNL financial data).

SUMMARY FINANCIALS

BALANCE SHEET - ASSETS (AED 000)	H1 24	2023Y	2022Y	Growth (%)		% of Total Assets	
End of Period Date	**30/06/2024**	**31/12/2023**	**31/12/2022**	**30/06/2024**	**31/12/2023**	**30/06/2024**	**31/12/2023**
Cash and Balances with Central Banks	3,101,313	2,210,574	1,724,400	40.3%	28.2%	19.9%	15.0%
Due from Banks	1,689,900	2,676,775	2,559,843	-36.9%	4.6%	10.9%	18.1%
Gross Loans to Customers	8,987,891	8,167,947	7,768,727	10.0%	5.1%	57.7%	55.3%
o/w Non-performing Loans	332,764	488,344	622,672	-31.9%	-21.6%	2.1%	3.3%
Loan Loss Reserves (-)	172,960	181,810	333,845	-4.9%	-45.5%	1.1%	1.2%
Net Loans to Customers	8,814,931	7,986,137	7,434,882	10.4%	7.4%	56.6%	54.0%
Total Securities	1,513,071	1,442,539	1,338,077	4.9%	7.8%	9.7%	9.8%
o/w Debt issued / gdt. By Natl. Gov.	299,000	304,000	343,000	-1.6%	-11.4%	1.9%	2.1%
Total Financial Assets	**15,119,215**	**14,316,025**	**13,057,202**	**5.6%**	**9.6%**	**97.1%**	**96.9%**
Equity Accounted Investments	610	420	705	45.2%	-40.4%	0.0%	0.0%
Fixed Assets	60,273	71,468	73,826	-15.7%	-3.2%	0.4%	0.5%
Total Other Assets	392,349	389,246	473,389	0.8%	-17.8%	2.5%	2.6%
Total Assets	**15,572,447**	**14,777,159**	**13,605,122**	**5.4%**	**8.6%**	**100.0%**	**100.0%**

BALANCE SHEET - LIABILITIES (AED 000)	H1 24	2023Y	2022Y	Growth (%)		% of Total Assets	
Total Deposits from Banks	0	259	8	-100.0%	3137.5%	0.0%	0.0%
Total Deposits from Customers	9,438,685	8,729,229	7,861,976	8.1%	11.0%	60.6%	59.1%
Senior Debt	1,851	1,948	3,689	-5.0%	-47.2%	0.0%	0.0%
Derivative Liabilities	84	1	45	8300.0%	-97.8%	0.0%	0.0%
Total Financial Liabilities	**9,440,620**	**8,731,437**	**7,865,718**	**8.1%**	**11.0%**	**60.6%**	**59.1%**
Total Other Liabilities	499,614	404,781	412,384	23.4%	-1.8%	3.2%	2.7%
Total Liabilities	**9,940,234**	**9,136,218**	**8,278,102**	**8.8%**	**10.4%**	**63.8%**	**61.8%**
Equity Attributable to Parent Company	5,632,213	5,640,941	5,327,020	-0.2%	5.9%	36.2%	38.2%
Total Equity	**5,632,213**	**5,640,941**	**5,327,020**	**-0.2%**	**5.9%**	**36.2%**	**38.2%**

INCOME STATEMENT (AED 000)	H1 24	2023Y	2022Y	Growth (%)		% of Avg Total Assets	
Interest Income	454,123	776,424	462,475	17.0%	67.9%	6.1%	5.5%
Interest Expense	117,425	170,916	64,010	37.4%	167.0%	1.6%	1.2%
Net Interest Income	**336,698**	**605,508**	**398,465**	**11.2%**	**52.0%**	**4.5%**	**4.3%**
Net Fee & Commission Income	**14,668**	**26,991**	**36,173**	**8.7%**	**-25.4%**	**0.2%**	**0.2%**
Gains on Securities & Other Trading *	50,751	52,608	39,164	92.9%	34.3%	0.7%	0.4%
Equity Accounted Results	-	-285	11	-	-2690.9%	-	0.0%
Other Operating Income	16,589	35,832	15,738	-7.4%	127.7%	0.2%	0.3%
Operating Income	**418,706**	**720,654**	**489,551**	**16.2%**	**47.2%**	**5.6%**	**5.1%**
Personnel Expense	-	100,927	92,421	-	9.2%	-	0.7%
Other Operating Expense	-	65,388	62,352	-	4.9%	-	0.5%
Operating Expense	**85,076**	**166,315**	**154,773**	**2.3%**	**7.5%**	**1.1%**	**1.2%**
Operating Profit (Pre-Impairment)	**333,630**	**554,339**	**334,778**	**20.4%**	**65.6%**	**4.4%**	**3.9%**
Loans and Credit Commit. Impairment	14,976	50,907	-28,989	-41.2%	-275.6%	0.2%	0.4%
Bank Loans Impairment Exp	1,928	74	-1,594	5110.8%	-104.6%	0.0%	0.0%
Customer Loans Impairment Exp	13,048	50,833	-27,395	-48.7%	-285.6%	0.2%	0.4%
Impairment on Securities	4	-24	-1,792	-133.3%	-98.7%	0.0%	0.0%
Impairment on Financial Assets	**14,980**	**50,883**	**-30,781**	**-41.1%**	**-265.3%**	**0.2%**	**0.4%**
Non-Financial Inv Impairment	10,354	850	1,043	2336.2%	-18.5%	0.1%	0.0%
Asset Writedowns	**25,334**	**51,733**	**-29,738**	**-2.1%**	**-274.0%**	**0.3%**	**0.4%**
Pre-tax Profit	**308,296**	**502,606**	**364,516**	**22.7%**	**37.9%**	**4.1%**	**3.5%**
Provision for Taxes	22,931	0	0	-	-	0.3%	0.0%
Net Profit	**285,365**	**502,606**	**364,516**	**13.6%**	**37.9%**	**3.8%**	**3.5%**
Net Profit Attributable to Parent	285,365	502,606	364,516	13.6%	37.9%	3.8%	3.5%

Ratios annualised where appropriate.

**Includes Dividend Income*

Abbreviated versions of Balance Sheet and Income Statement. Individual items may not sum to totals.

Total Other Assets excludes insurance and non-current assets.

Sources: CI Ratings, Bank financials, S&P Global Market Intelligence (SNL financial data).

SUPPLEMENTARY INFORMATION

I. Ratings History (Past Four Actions)

Bank's Issuer Ratings and Outlook

	Current	Sep 2023	Sep 2022	Sep 2021
LT Foreign Currency	A-	A-	A-	A-
ST Foreign Currency	A2	A2	A2	A2
Outlook Foreign Currency	Stable	Stable	Stable	Stable
Bank Standalone	bbb	bbb	bbb	bbb
Outlook Bank Standalone	Stable	Stable	Stable	Stable
Core Financial Strength	bbb	bbb	bbb	bbb-

Memo:
Sovereign Ratings – United Arab Emirates

	Current
Long-Term Foreign Currency	AA-
Short-Term Foreign Currency	A1+
Outlook Foreign Currency	Stable
Long-Term Local Currency	AA-
Short-Term Local Currency	A1+
Outlook Local Currency	Stable

II. Regulatory Disclosures

About the Ratings

The credit ratings have been issued by Capital Intelligence Ratings Ltd, P.O. Box 53585, Limassol 3303, Cyprus.

The following information sources were used to prepare the credit ratings: public information and information provided by the rated entity. Financial data and metrics have been derived by CI from the rated entity's financial statements for FY2020-23 and H1 2024. CI may also have relied upon non-public financial information provided by the rated entity and may also have used financial information from credible, independent third-party data providers. CI considers the quality of information available on the rated entity to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

The principal methodology used to determine the ratings is the Bank Rating Methodology, dated 3 April 2019 (see www.ciratings.com/page/rating-methodologies/bank-ratings). Information on rating scales and definitions, the time horizon of rating outlooks, and the definition of default can be found at www.ciratings.com/page/our-policies-procedures. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at http://cerep.esma.europa.eu

This rating action follows a scheduled periodic (annual) review of the rated entity. Ratings on the entity were first released in August 1994. The ratings were last updated in September 2023. The ratings and rating outlook were disclosed to the rated entity prior to publication and were not amended following that disclosure. The ratings have been assigned or maintained at the request of the rated entity or a related third party.

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