Emirates NBD Bank PJSC

Key Rating Drivers

Emirates NBD Bank PJSC's (ENBD) Issuer Default Ratings (IDRs) are driven by potential support from the UAE (AA-/Stable) authorities, if needed, as reflected in its Government Support Rating (GSR) of 'a+'. ENBD's GSR reflects the authorities' strong ability for, and record of, supporting the banking system, if needed. ENBD's GSR is one notch above other UAE domestic systemically important banks' GSRs of 'a' given ENBD's very high systemic importance in the UAE, and in Dubai in particular.

ENBD's Viability Rating (VR) reflects still significant concentration to the heavily indebted Dubai government and its government-related entities (GREs) and improved capitalisation. The VR also factors in the bank's strong franchise, healthy profitability and strong funding profile. The 'bbb-' VR is assigned below the 'bbb' implied VR due to adjustment related to the risk profile.

Favourable Environment: Operating conditions are solid for UAE banks in 2023. Fitch forecasts the sector credit growth will remain modest at about 5% in 2023 on weak credit demand, tighter underwriting standards and higher interest rates, but the latter may result in stronger profitability, particularly for banks with high shares of current and savings accounts. ENBD's operating environment score of 'bbb-' is one notch lower than the score for domestic banks due to its exposure to Turkiye (B/Stable) through Denizbank A.S. (14% of consolidated assets).

Strong UAE Franchise: ENBD is the second-largest bank in the UAE. It has close links to the Dubai government and the strongest retail franchise across the UAE, which benefits its funding profile and business-generation capacity.

Decreased Related Party Lending: ENBD's related-party lending (direct exposure to the Dubai government) decreased to 23% of gross loans at end-1H23 (end-2020: 33%), while lending to GREs increased to 8% from 5% over the same period.

Reduced Impaired Loans Ratio: ENBD's impaired loans (Stage 3 under IFRS 9) was 5.6% at end-1H23, down from 6% at end-2022, on the back of sizeable recoveries and the absence of new large Stage 3 loans during the period. Impaired loans were 98% covered by specific provisions (147% by total provisions) at end-1H23. We expect the impaired loans ratio to remain at 5%–6% in the medium term.

Strong 1H23 Profitability: The annualised loan impairment charges/loans ratio decreased to 22bp in 1H23 from 110bp in 2022, supported by recoveries at Denizbank. Rising interest rates are beneficial for ENBD's profitability as the bank is largely funded by cheap current and savings accounts (CASA); thus, the net interest margin (NIM) improved to 4.3% in 1H23 (2022: 3.7%; 2021: 2.8%) and the annualised operating profit/risk-weighted assets ratio was a healthy 5.4% (2022: 3%).

Solid CET1 Ratio: ENBD's common equity Tier 1 (CET1) ratio was a high 16.6% at end-1H23 (end-2022: 15.4%), but should be considered in light of still-high concentration to the Dubai government and its GREs. We forecast its CET1 ratio post annual dividend distributions to be 14%–15% in the medium term.

Strong Funding Profile: ENBD's funding and liquidity profile is a rating strength. The bank has a strong deposit base, which is more diversified than at most peers and it benefits from a high portion of current and savings accounts (61% at end-1H23). Its gross loans/deposits ratio was a healthy 86% at end-1H23, and its liquidity coverage was a strong 217%.

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1
Long-Term IDR (xgs)	BBB-(xgs)
Short-Term IDR (xgs)	F3(xgs)
Viability Rating	bbb-
Government Support Rating	a+

Sovereign Risk (United Arab Emirates)

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AA+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

Fitch Affirms Emirates NBD at 'A+'/Stable; Upgrades VR to 'bbb-' (October 2023)

UAE Banks Datawatch 1Q23 (September 2023)

Strong Operating Conditions for GCC Banks; UAE Outperforming (September 2023)

EM100 Banks Tracker – End-2022 (June 2023)

Fitch Affirms the United Arab Emirates at 'AA-'; Outlook Stable (July 2023)

Global Banks Mid-Year Outlook 2023 (June 2023)

Analysts

Anton Lopatin
+971 4 424 1225
anton.lopatin@fitchratings.com

Dmitry Vasilyev
+971 4 424 1238
dmitry.vasilyev@fitchratings.com

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

ENBD's Long-Term IDR would be downgraded following a downgrade of its GSR. The latter would likely stem from either a weaker ability of the sovereign to support the bank, which would be reflected in a UAE sovereign downgrade, or a weaker propensity to support banks.

Increased exposure to high risk markets, losses at subsidiary banks, or lending growth exceeding internal capital generation that results in a material weakening of ENBD's capitalisation could be credit negative, particularly if Fitch considers capitalisation to not be commensurate with the bank's risk profile.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of ENBD's Long-Term IDR could come from an upgrade of its GSR. The latter would likely stem from a stronger ability of the UAE authorities to provide support, reflected in a UAE sovereign upgrade, although this is unlikely in the near term, given the Stable Outlook on the sovereign rating. An upgrade of the GSR is also unlikely given its already high level.

A further sustained reduction in the bank's concentration to the Dubai government and Dubai GREs, in combination with healthy financial profile metrics, could lead to a VR upgrade.

Other Debt and Issuer Ratings

Rating level	Rating
Senior unsecured: long-term	A+
Senior unsecured: short-term	F1
Senior unsecured: long-term (xgs)	BBB-(xgs)
Senior unsecured: short-term (xgs)	F3(xgs)

Source: Fitch Ratings

ENBD's Short-Term IDR of 'F1' is the lower of the two options corresponding to an 'A+' Long Term IDR, as described in Fitch's criteria. This is because a significant proportion of UAE banking sector funding is related to the government and, therefore, stress on ENBD would likely come at a time when the sovereign itself is experiencing some form of stress.

ENBD's senior unsecured programmes and notes issued under these programmes are rated in line with the bank's Long- and Short-Term IDRs and xgs ratings, reflecting Fitch's view that the likelihood of default of these obligations is the same as that of the bank.

ENBD's Long-Term xgs rating is driven by its VR, and in turn drives its Short-Term xgs rating.

Significant Changes from Last Review

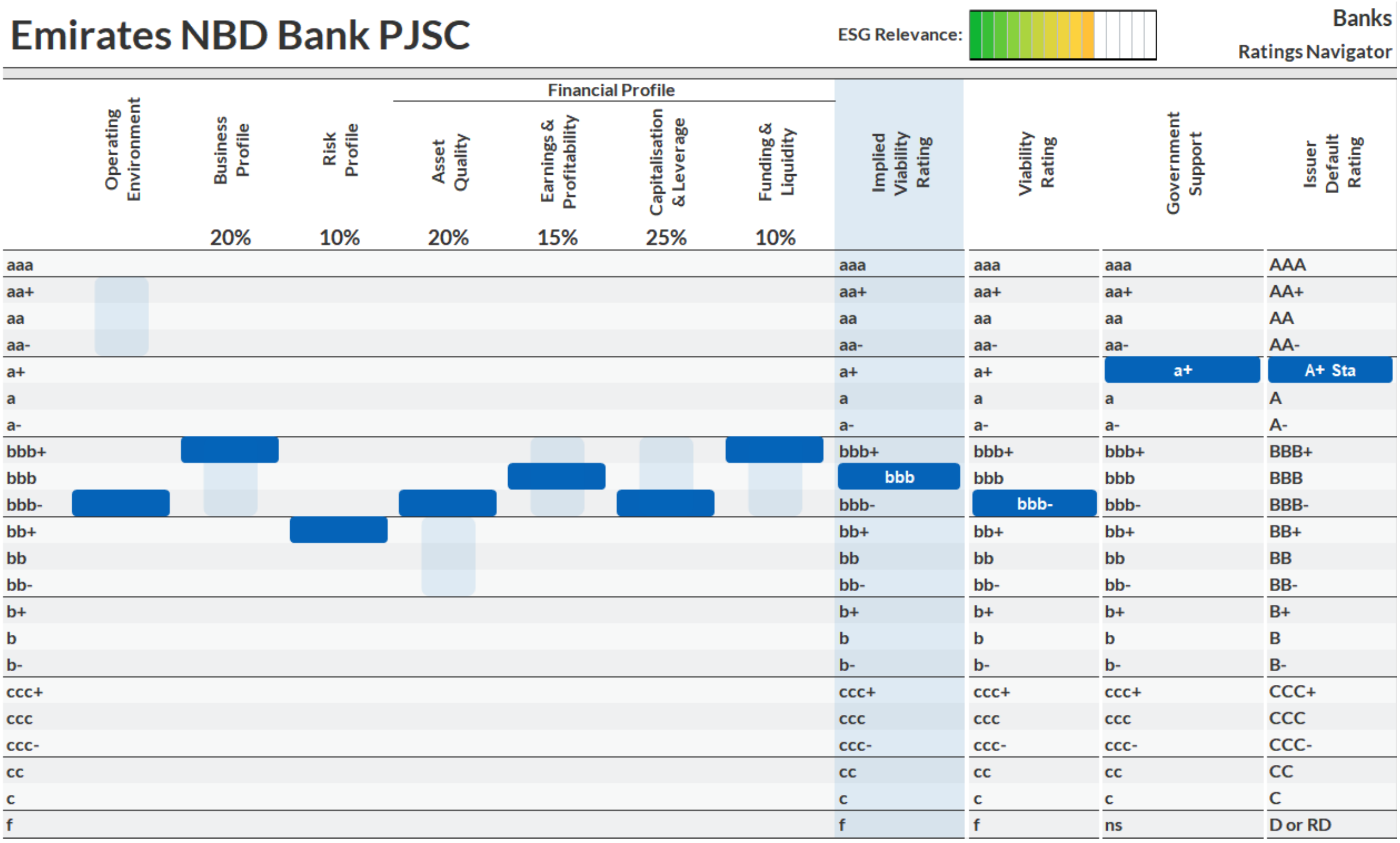
VR Upgraded

Fitch's upgrade of ENBD's VR to 'bbb-' from 'bb+' in October reflected decreased concentration to the Dubai government in recent years (albeit still viewed by Fitch as significant), stronger asset-quality metrics, and healthy profitability – benefitting from higher interest rates and ENBD's strong funding profile, which, in turn, have led to an improvement in the bank's capitalisation.

Ex-Government Support Ratings Assigned

Fitch assigned a Long-Term IDR (xgs) of 'BB+(xgs)' and a Short-Term IDR (xgs) of 'B(xgs)' to ENBD on 2 May 2023, following the April publication of the Bank Ex-Government Support Rating Criteria, which has now been assimilated into the latest Bank Rating Criteria. Ex-government support ratings have been assigned to banks that are not rated as public-sector policy banks, but whose Long-Term IDRs incorporate assumptions of government support. The agency has upgraded ENBD's Long-Term IDR (xgs) to 'BBB-(xgs)' and Short-Term IDR (xgs) to 'F3(xgs)' following the upgrade of the VR on 10 October 2023.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of 'bbb-' is below the 'aa' category implied score, due to the following adjustment reasons: size and structure of economy (negative), financial market development (negative), regulatory and legal framework (negative) and international operations (negative).

The asset quality score of 'bbb-' is above 'bb' category implied score, due to the following adjustment reason: impaired loans formation (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Strong Operating Conditions for UAE Banks; Turkiye Exposure Weighs on Assessment

UAE banks are benefitting from strong operating conditions, supported by high oil prices, contained inflation and rising interest rates. This was evidenced by the banks' strong performance in 1H23, which we expect to be generally sustained in 2H23, but to moderate in 2024. Most UAE banks are well-positioned for higher interest rates and, since 2021, their earning assets yields have risen more than their funding costs due to a still-high share of cheap current and savings accounts, and a large percentage of floating lending on their loan books.

We expect the strong business and operating environment for UAE banks will remain supportive through to end-2024, underpinned by high oil prices (2023F: USD80/barrel; 2024F:USD75/barrel). Fitch forecasts real GDP growth to be slower in 2023 (2.1%; 2024F: 3.6%) after a high 7.9% in 2022, and expects non-oil growth (2023F: 3.4%) to slow to 2.7% in 2024, although this will still be strong in the face of global challenges, supported by government and GRE spending, a robust real estate sector, dynamic population growth and GCC demand.

The average NIM for UAE banks improved by 50bp, to 3.3%, in 1H23, due to large proportions of low-cost CASA, while a large share of earning assets are under floating rates. The NIM is also underpinned by healthy liquidity conditions in the sector, as the increase in deposits (about 7% in 1H23) exceeded lending growth (4%), and the average loans/deposits ratio for Fitch-rated banks was 80% at end-1H23 (end-2022: 83%).

The sector average cost of risk decreased by 20bp to about 70bp in 1H23, and impairment charges consumed 14% of pre-impairment operating profit, on average (2022: 24%). The sector average annualised return on equity was therefore a healthy 20% (2020: 14.5%). The average impaired loans ratio for Fitch-rated banks (end-1H23: 96% of total assets) declined to 5.7% at end-1H23 (end-2022: 6%) on the back of limited new impairment cases and favourable economic conditions. We expect the average impaired loans ratio to decrease further to 5% in 2024.

The average CET1 ratio improved by about 70bp in 1H23, to 14.5%. We expect that sector capitalisation will remain overall stable in 2023, as banks grow in line with internal capital generation.

ENBD's operating environment score of 'bbb-' is one notch below the standard 'bbb' score for the UAE banks due to a larger exposure to the weaker Turkish sovereign (B/Stable) through Denizbank (which represented 15% of total assets at end-1H23).

Business Profile

Largest Bank in Dubai; Large Exposure to Turkiye

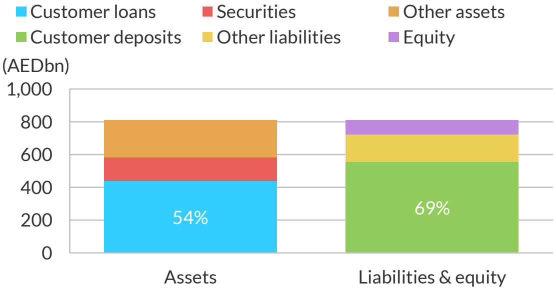
ENBD is the largest bank in Dubai and the second-largest in the UAE, with a market share of about 20% in the UAE by total assets, loans and deposits. It is the fourth-largest bank by total assets in the GCC, is represented in 13 countries, and has about 850 branches with the total number of customers exceeding 20 million. It has branches in Saudi Arabia, Singapore, UK and India, and subsidiaries in the UAE, Egypt and Turkiye. ENBD is 56% owned by the government of Dubai through Investment Corporation of Dubai (ICD, the investment arm of the government of Dubai). ENBD has close links with the state of Dubai and has historically been highly exposed to Dubai government and Dubai GREs.

Denizbank is a 99.9% subsidiary of ENBD, having been acquired from Sberbank of Russia in July 2019. Denizbank is a medium-sized Turkish commercial bank with a moderate franchise (end-1Q23: 4.4% of sector assets and deposits), but with a stronger franchise in agricultural financing, which benefits its business model. Denizbank accounted for 14% of the group's consolidated assets at end-1H23.

Due to very high inflation in Turkiye, ENBD uses hyperinflation accounting in its IFRS accounts, which had a net positive AED1.5 billion accumulated effect for 2022–1H23 on the group equity at end-1H23. However, there was no impact on capital ratios as these adjustments were excluded from the regulatory capital base. Denizbank undermines Fitch's assessment of ENBD's business profile; however, in a very unlikely scenario where ENBD writes off its investment in its Turkish subsidiary, the consolidated CET1 ratio would only fall by 220bp and all capital ratios would remain above the minimum requirements.

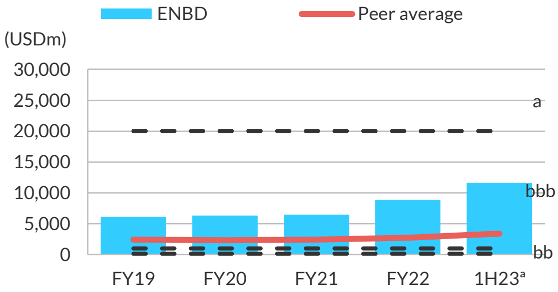
Balance Sheet

End-June 2023



Source: Fitch Ratings, Fitch Solutions, ENBD

Total Operating Income



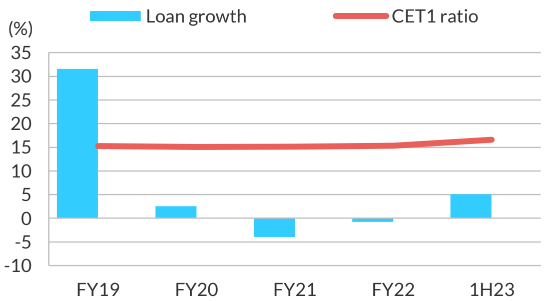
[a] Annualised
Source: Fitch Ratings, Fitch Solutions, banks

Risk Profile

ENBD's loan book is largely concentrated in the UAE, with international operations representing 25% of consolidated gross loans (Denizbank makes up 15% of total loans). ENBD still has significant concentration to the Dubai government (this represents the bulk of reported related-party financing) and Dubai GREs (not included in related-party exposure), although the combined amount reduced to 32% of total loans (1.7x equity) at end-1H23, from 48% (3.4x) at end-2016.

ENBD has tightened underwriting standards after the 2011–2012 real estate crisis, and was selective in new lending during the pandemic. Direct real estate lending represented 14% of gross loans at end-1H23. However, the real level of real estate financing could be higher as some exposures are structured through financial institutions, or through loans to affluent Emiratis. Due to risk tightening and selective underwriting of new lending through the pandemic, lending growth has been muted in recent years. In 2021 and 2022, the growth was also undermined by considerable repayments from Dubai government exposures. Non-annualised growth of 5.1% at end-1H23 was supported by strong retail lending growth and the favourable economic environment, while for full year that is likely to be high single digits and broadly in line with internal capital generation.

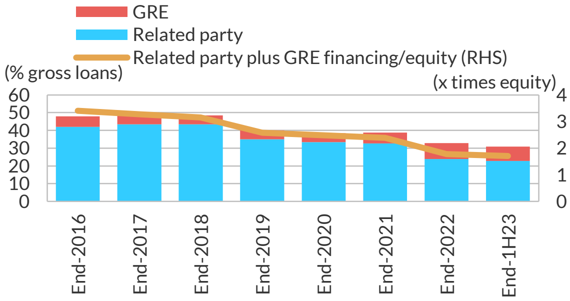
Loan Growth



Source: Fitch Ratings, Fitch Solutions, ENBD

Related Party and GREs Financing Evolution

2016-1H23



Source: Fitch Ratings

Financial Profile

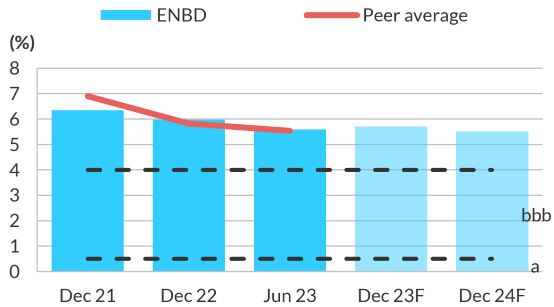
Asset Quality

ENBD's asset-quality metrics have improved over the past decade, with the impaired loans ratio decreasing to 5.6% at end-1H23 (end-2013: 19%), and the ratio has been stable since the beginning of the pandemic. Stage 3 loans provision coverage is strong, with coverage by specific allowances of 98%, or 147% coverage by total reserves, reflecting a 26% coverage of Stage 2 loans (5.7% of total gross loans) by specific provisions. ENBD's coverage ratios are stronger than at most peers. ENBD's impaired loans ratio would be higher at 7.2% if calculated net of direct loans to the Dubai government (AED107 billion, 23% of gross loans at end-1H23).

Concentration in the loan book remains high, with the top 20 loans (funded) balance of AED183 billion at end-1H23, or 38% of gross loans. Fitch has performed a detailed review of the largest exposure that shows high concentration to Dubai GREs; these exposures are low risk, backed by healthy cash flows and collateral in case of project financing. However, it also highlights the bank's exposure to event risk, as the combined exposure to the Dubai government and Dubai GREs was 31% of total gross loans at end-1H23.

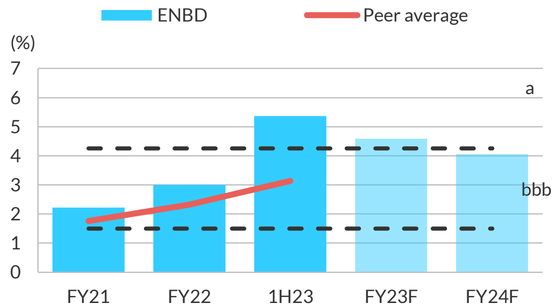
Net loans made up only 54% of ENBD's total assets at end-1H23. Non-loan assets comprise securities (18%, about 90% of which are government bonds), cash and equivalents (7%) and placements with banks (13%, mainly international with maturity of less than three months).

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

The interest yield of earning assets improved by 300bp in 2022–1H23 on the back of global growing interest rates and high inflation in Turkiye, while the cost-of-funding increase was a lower 160bp, benefitting from a high 61% share of CASA deposits in ENBD's total deposits at end-1H23. Therefore, the NIM improved to a healthy 4.3% in 1H23 (3.3% average at Fitch-rated UAE banks). We believe ENBD's NIM is at its peak and will moderate if the global interest rate cycle starts reversing. Fitch estimates a 200bp cut in interest rates would result in ENBD's NIM falling to 3.6%. In the longer term we forecast ENBD's NIM to fluctuate between 3% and 3.5%, which we still view as a healthy level.

The Fitch-calculated annualised cost of risk was a low 22bp in 1H23, down from 110bp in 2022 on the back of considerable recoveries at Denizbank and solid coverage of already crystallised problem loans. We expect the cost of risk to be around 60bp in the medium term. Operating expenses are under control, with the bank continuing to optimise its cost structure while investing in digital infrastructure. Nevertheless, ENBD's cost/income ratio was a healthy 32% (26% excluding hyperinflation adjustments, which we include in operating expenses) in 1H23.

Net interest income made up 68% of total operating income in 1H23. That was inflated by AED3.3 billion gains on derivatives and trading, while the second leg of the derivatives transaction was accounted for in OCI (translation reserves), and the net result was close to zero. Excluding income on derivatives and trading, net interest income made up 81% of total revenue, while net commission income represented 13% of the total.

The operating profit/RWAs ratio benefits from a low RWA density (62% at end-1H23) and the annualised ratio was 5.6% in 1H23 (5.9% excluding hyperinflation adjustments). We forecast ENBD's profitability to remain healthy in the medium term; however, the core ratio is likely to decrease to 3% or below if the US Treasury starts cutting interest rates.

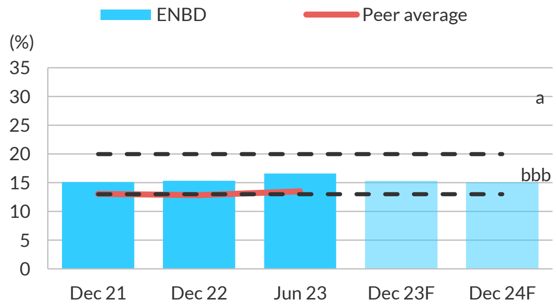
Capital and Leverage

ENBD's strong CET1 (end-1H23: 16.6%), Tier 1 (18.4%) and total capital (19.5%) ratios had reasonable cushions over minimum requirements. The reduced balance of direct lending to the Dubai government is positive for our assessment of ENBD's capitalisation – total lending to the Dubai government and its GREs decreased to 1.7x of ENBD's IFRS equity at end-1H23 (end-2020: 2.5x). Thus, the agency has upgraded the capital score to 'bbb-' from 'bb+'.

Exposures to the government and GREs are low risk-weighted, resulting in the low 62% RWAs density. The tangible equity/assets ratio has remained at 9.5%–10% in recent years (end-1H23: 10.3%), lower than the CET1 ratio but broadly in line with peers' equity/assets ratios.

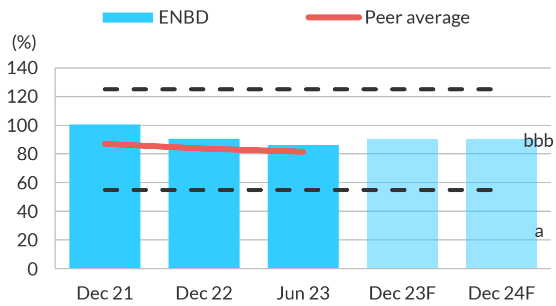
ENBD has lower capital encumbrance than peers due to its strong provision coverage, as shown by a negative 15% ratio of net impaired loans to CET1 capital at end-1H23. The net effect of the 2022–1H23 accumulated hyperinflation adjustment was AED1.5 billion for IFRS equity at end-1H23, but was neutral for regulatory capital ratios as these hyperinflation adjustments were excluded from regulatory capital. We approximated ENBD's CET1 ratio would be 20bp higher if hyperinflation adjustments were included in regulatory capital.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

The Fitch-calculated gross loans/deposits ratio was healthy at 86% at end-1H23 (80% average for Fitch-rated UAE banks). Customer deposits represented 85% of total funding at the same date. Customer accounts are well diversified, with retail deposits making up 50% at end-1H23, reflecting ENBD's strong retail franchise across the UAE. The 20 largest deposits represented a low 11% of total deposits at end-1H23, which was better than at peers. The high proportion of cheap CASA deposits (end-1H23: 61% of total deposits) supports the stability and low cost of funding.

ENBD has a good access to the capital markets, which helps to diversify its funding and lengthen its maturity profile. The bank tends to refinance maturing wholesale debt before maturity; as such, in 1H23 the bank issued AED9 billion equivalent of debt, which was largely used for refinancing maturing wholesale borrowings. The maturity profile of the bank's wholesale funding was comfortable at end-1H23, with AED16 billion maturing in 2H23–2024. The group had a AED201 billion cushion of liquid assets (cash and equivalents and deposits with central banks excluding mandatory reserves, interbank placement net of interbank borrowings plus government bonds, 25% of total assets), which, net of wholesale debt maturities in 1H23–2024, covered customer deposits by a reasonable 31%.

About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Notes on charts: Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category. Light-blue columns represent Fitch's forecasts.

Additional Notes on Charts

Peer average includes Abu Dhabi Commercial Bank PJSC (VR: bb+), First Abu Dhabi Bank P.J.S.C. (a-), HSBC Bank Middle East Limited (bbb), Dubai Islamic Bank (Public Joint Stock Company) (bb+), Mashreqbank PSC (bbb-), Abu Dhabi Islamic Bank PJSC (bb), Commercial Bank of Dubai PSC (bb+).

Financials

Financial Statements

	30 Jun 23		31 Dec 22	31 Dec 21	31 Dec 20
	6 months	6 months	12 months	12 months	12 months
	(USDm)	(AEDm)	(AEDm)	(AEDm)	(AEDm)
	Reviewed – unqualified	Reviewed – unqualified	Audited – unqualified	Audited – unqualified	Audited – unqualified
Summary income statement					
Net interest and dividend income	3,929	14,428	23,237	16,943	17,509
Net fees and commissions	610	2,238	4,081	3,836	3,655
Other operating income	1,258	4,620	5,189	3,021	2,059
Total operating income	5,796	21,287	32,508	23,801	23,223
Operating costs	1,855	6,812	12,350	7,991	7,856
Pre-impairment operating profit	3,941	14,475	20,157	15,809	15,367
Loan and other impairment charges	258	949	5,184	5,899	7,936
Operating profit	3,683	13,526	14,973	9,910	7,431
Other non-operating items (net)	—	—	—	—	—
Tax	345	1,267	1,964	604	465
Net income	3,338	12,259	13,010	9,306	6,965
Other comprehensive income	-815	-2,992	417	-5,929	-1,608
Fitch comprehensive income	2,523	9,267	13,426	3,377	5,357
Summary balance sheet					
Assets					
Gross loans	130,501	479,265	456,009	459,458	478,526
– Of which impaired	7,295	26,789	27,254	29,160	29,818
Loan loss allowances	10,708	39,327	39,405	37,186	34,985
Net loans	119,793	439,938	416,604	422,272	443,542
Interbank	29,780	109,369	90,534	64,897	88,408
Derivatives	5,899	21,663	17,206	10,659	13,697
Other securities and earning assets	39,018	143,293	126,261	106,597	73,482
Total earning assets	194,490	714,263	650,604	604,426	619,129
Cash and due from banks	16,394	60,208	57,551	51,200	47,431
Other assets	9,983	36,661	33,806	31,811	31,527
Total assets	220,866	811,132	741,962	687,437	698,088
Liabilities					
Customer deposits	151,357	555,857	502,953	456,484	464,197
Interbank and other short-term funding	10,407	38,220	37,279	43,755	51,672
Other long-term funding	16,884	62,007	57,159	67,060	60,174
Trading liabilities and derivatives	6,263	23,000	20,206	9,186	10,775
Total funding and derivatives	184,910	679,084	617,598	576,485	586,818
Other liabilities	9,120	33,494	31,060	27,372	26,652
Preference shares and hybrid capital	2,486	9,129	9,129	9,129	10,380
Total equity	24,350	89,426	84,175	74,451	74,238
Total liabilities and equity	220,866	811,132	741,962	687,437	698,088
Exchange rate		USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725

Source: Fitch Ratings, Fitch Solutions, Emirates NBD Bank PJSC

Key Ratios

	30 Jun 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	5.4	3.0	2.2	1.7
Net interest income/average earning assets	4.3	3.7	2.8	2.9
Non-interest expense/gross revenue	32.0	38.0	33.6	33.9
Net income/average equity	28.5	16.8	12.5	9.7
Asset quality				
Impaired loans ratio	5.6	6.0	6.4	6.2
Growth in gross loans	5.1	-0.8	-4.0	2.5
Loan loss allowances/impaired loans	146.8	144.6	127.5	117.3
Loan impairment charges/average gross loans	0.2	1.1	1.2	1.6
Capitalisation				
Common equity Tier 1 ratio	16.6	15.4	15.1	15.0
Fully loaded common equity Tier 1 ratio	—	—	14.6	—
Fitch Core Capital ratio	—	—	—	—
Tangible common equity/tangible assets	10.3	10.5	9.9	9.7
Basel leverage ratio	—	—	10.3	—
Net impaired loans/common equity Tier 1	-14.9	-15.9	-11.9	-7.7
Net impaired loans/Fitch Core Capital	—	—	—	—
Funding and liquidity				
Gross loans/customer deposits	86.2	90.7	100.7	103.1
Gross loans/customer deposits + covered bonds	—	—	—	—
Liquidity coverage ratio	217.0	182.0	166.3	—
Customer deposits/total non-equity funding	83.6	82.9	79.2	79.2
Net stable funding ratio	—	—	121.3	—

Source: Fitch Ratings, Fitch Solutions, Emirates NBD Bank PJSC

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	a+
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Positive
Government propensity to support bank	
Systemic importance	Positive
Liability structure	Neutral
Ownership	Positive

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Fitch's view of support factors in the authorities' strong ability to support the banking system, underpinned by a solid net external asset position, still-strong fiscal metrics and recurring hydrocarbon revenues. It also reflects the authorities' very strong, timely and predictable record of supporting domestic banks and their strategic ownership of a number of banks, including ENBD (56% owned by Investment Corporation of Dubai; ICD), the investment arm of the government of Dubai.

ENBD's GSR of 'a+' is one notch above the UAE domestic systemically important banks' (D-SIB) GSR of 'a' due to the bank's very high systemic importance in the UAE, and in Dubai in particular.

Environmental, Social and Governance Considerations

Overall ESG

5
4
3
2
1

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1		n.a.	n.a.
Energy Management	1		n.a.	n.a.
Water & Wastewater Management	1		n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1		n.a.	n.a.
Exposure to Environmental Impacts	2		Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2		Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1		n.a.	n.a.
Exposure to Social Impacts	2		Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	4		Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)

G Scale: 5, 4, 3, 2, 1

ENBD has an ESG Relevance Score of '4' for Governance Structure due to high related-party lending and significant exposure to the Dubai government and its GREs, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.