CREDIT OPINION
10 December 2024

Update

Send Your Feedback

Emirates NBD Bank PJSC

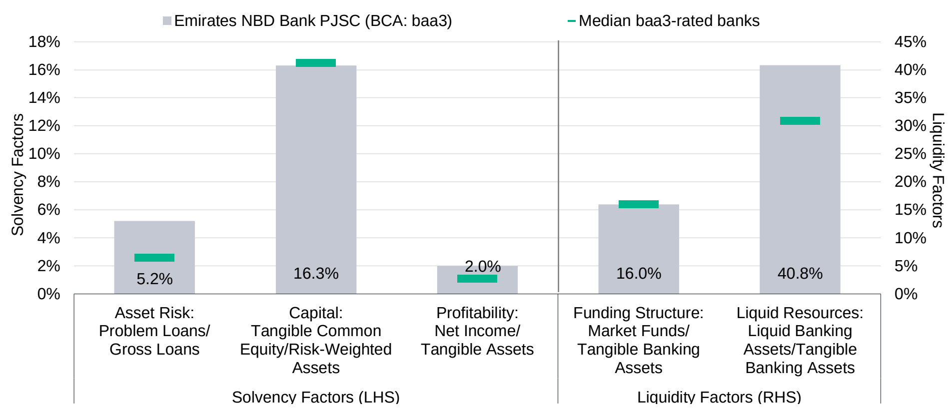
Update to credit analysis

Summary

Emirates NBD PJSC's (ENBD) A2 long-term deposit ratings incorporate a four-notch uplift from the bank's baa3 Baseline Credit Assessment (BCA) and Adjusted BCA. This uplift is based on our assessment of a very high likelihood of support from the Government of United Arab Emirates (Aa2 stable) in case of need.

ENBD's baa3 BCA reflects its solid capitalisation and strong profitability supported by the bank's large and growing retail franchise combined with strong ties with the Dubai government and large Dubai-based corporates. ENBD's stable funding, reflecting an established domestic franchise combined with strong capital markets access, also supports its standalone profile. These strengths are balanced by the bank's high credit concentration and relatively high stock of problem loans mitigated to some extent by high coverage levels.

Exhibit 1
Rating Scorecard - Key financial ratios



In Exhibit 1, the ratios represent our Banks methodology scorecard ratios. The problem loans and profitability ratios are the weaker of the three-year averages and the latest reported figures, b) the capital ratio is the latest reported figure, c) the funding structure and liquid asset ratios are latest year-end figures.
Source: Moody's Ratings

RATINGS

Emirates NBD Bank PJSC

Domicile	Dubai, United Arab Emirates
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A2
Type	Senior Unsecured - Fgn Curr
Outlook	Positive
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Positive

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.

Contacts

Badis Shubailat +971.4.237.9505
AVP-Analyst
badis.shubailat@moodys.com

Diane Soubra +971.4.237.9688
Ratings Associate
diane.soubra@moodys.com

Nondas Nicolaides +357.25.693.006
VP-Sr Credit Officer
nondas.nicolaides@moodys.com

Nitish Bhojnagarwala +971.4.237.9563
Associate Managing Director
nitish.bhojnagarwala@moodys.com

Credit strengths

- Solid capitalisation
- Strong ties with Dubai government and large Dubai corporates, combined with large retail franchise, supports strong profitability
- Established domestic franchise and strong capital markets access drive stable funding and liquidity
- Very high likelihood of government support if needed

Credit challenges

- Relatively weak asset quality
- Relatively high credit concentration particularly to related party, although significantly declining recently

Outlook

The positive outlook reflects Moody's view that the bank will continue to maintain a strong profitability performance while asset quality metrics is expected to improve further. Moody's also considers that the bank's reducing related-party concentration also at a time when the Dubai economy and overall operating environment is healthy is supportive of an improving standalone credit profile.

Factors that could lead to an upgrade

As indicated by the positive outlook on the long-term deposit and senior unsecured debt ratings, ENBD's ratings could be upgraded through (1) further reduction in the problem loan ratio combined with further reduction in related-party credit concentrations and (2) maintenance of strong profitability which in turn preserves high levels of capital through profit retention.

Factors that could lead to a downgrade

Although not expected in the near term, ENBD's outlook could be stabilized in the event of the following: (1) a reversal in the downward trend in loans to related parties and/or (2) a material deterioration in loan performance dampening profitability and/or (3) high credit growth pressuring capitalization and/or (4) a deterioration from foreign operations weighing on the bank's credit profile.

Key indicators

Exhibit 2
Emirates NBD Bank PJSC (Consolidated Financials) [1]

	09-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (AED Million)	956,041.0	862,773.0	741,961.6	687,436.6	698,087.5	8.7[4]
Total Assets (USD Million)	260,288.9	234,912.0	202,023.5	187,156.9	190,051.4	8.7[4]
Tangible Common Equity (AED Million)	108,813.0	96,557.0	79,587.0	69,135.7	67,422.2	13.6[4]
Tangible Common Equity (USD Million)	29,625.1	26,290.1	21,670.2	18,822.4	18,355.4	13.6[4]
Problem Loans / Gross Loans (%)	3.9	4.6	6.0	6.3	6.2	5.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.3	16.5	16.0	15.5	15.1	15.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	14.8	16.6	22.9	27.4	29.1	22.2[5]
Net Interest Margin (%)	3.4	3.6	3.2	2.3	2.4	3.0[5]
PPI / Average RWA (%)	4.9	5.8	4.8	3.3	3.4	4.4[6]
Net Income / Tangible Assets (%)	2.6	2.5	1.7	1.2	0.9	1.8[5]
Cost / Income Ratio (%)	29.7	27.5	28.9	34.9	34.8	31.2[5]
Market Funds / Tangible Banking Assets (%)	14.9	16.0	16.8	19.3	19.0	17.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	41.2	40.8	36.2	31.8	29.5	35.9[5]
Gross Loans / Due to Customers (%)	81.4	82.3	90.7	100.7	103.1	91.6[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.
Sources: Moody's Ratings and company filings

Profile

Emirates NBD PJSC (ENBD) is a Dubai-based bank established in October 2007. ENBD acquired Turkiye-based Denizbank A.S. (Ba3 Positive, b2) in 2019. ENBD is the second largest bank in the UAE, with total assets of $260.3 billion as of September 2024.

ENBD had a 22% UAE market share in terms of assets, 28% in terms of loans and 25% in terms of deposits as at June 2024. The Government of Dubai was ENBD's largest shareholder, with a 55.7% stake through Investment Corporation of Dubai (40.9%) and Dubai Holding (14.8%).

The bank operates within four main business segments: Retail banking and Wealth Management (40.8% of operating income during first nine months of 2024), Corporate and Institutional banking (18.8%), DenizBank (24.0%), Global Markets and Treasury (6.3%) and Other (10.0%).

ENBD has 61% of its assets located in the UAE, 32% internationally (excluding Gulf Cooperation Council) and 7% in Gulf Cooperation Council (excluding UAE) as of December 2023. Denizbank, which is part of the international segment, accounts for 17% of ENBD's assets as of September 2024 (17% as of December 2023). As of September 2024, ENBD has 859 branches and operates in 13 countries including the UAE, Turkiye, Egypt, the Kingdom of Saudi Arabia, Austria, India, Singapore, the United Kingdom, Germany, Russia, Bahrain, China and Indonesia.

For assessing ENBD's operating environment, we use a Moderate+ Macro Profile, which is the weighted average of the Macro Profile or proxy Macro Profile of the countries in which the group operates. Specifically, we use the weighted average of UAE (Strong-), Turkiye (Weak), Worldwide (Strong-), European Union (Strong) and Middle East (Moderate+) (see scorecard on page 8).

Detailed credit considerations

Although improved, asset quality remains relatively weak

As of September 2024, ENBD's problem loans-to-gross loans ratio remains relatively weak at around 3.9% but has been improving for the past two years (4.6% as of December 2023 and 6% as of December 2022) on the back of recoveries, settlements, write-offs and loan growth amid supportive operating conditions in the UAE. The stage 2 balance under IFRS9 - remains moderate at 5% of gross loans. We expect the bank's NPL ratio to remain broadly stable at the current levels given ENBD's exposure to large corporates and strong risk management.

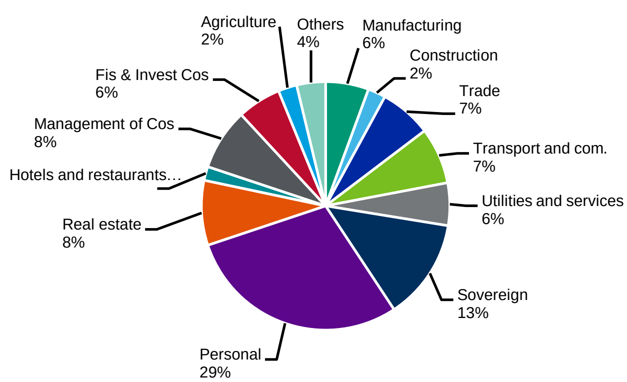
The bank's asset quality risk is also mitigated to some extent by a high level of loan loss reserves. The group's coverage ratio (loan-loss reserves divided by problem loans) was at 149% as of September 2024, lower compared to 163% as of December 2023 (vs 145% as of December 2022) but remaining materially higher than the 99%% local average (as of June 2024).

The cost of risk, computed as loan-loss provisions divided by gross loans, was negative at -62 bps for the first nine months ending September 2024 (48 bps during the full year 2023), reflecting the high level of recoveries during the first three quarters supported by the strong operating environment.

The bank's sizeable Turkish operations, through its wholly-owned subsidiary Denizbank, also pose a risk to asset quality given the more fragile and volatile Turkish economy. The large proportion of its loans classified under the stage 2 bucket (7.9% of gross loans as of September 2024) will add to the asset quality challenges. Nonetheless, this is partly mitigated by high problem loans coverage.

ENBD's sector concentrations to the construction and real estate sectors also pose some risk to asset quality, but remain lower than most local peers. The bank's exposure to those sectors represented 53% of its tangible common equity and 11% of its loans as of September 2024 (59% and 12% respectively as of December 2023 - see Exhibit 3).

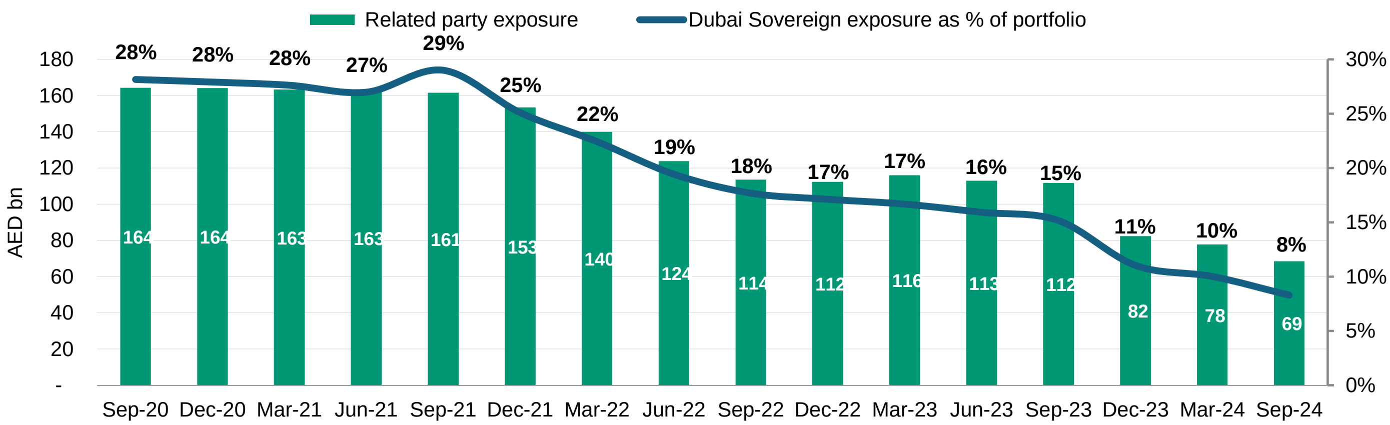
Exhibit 3
ENBD - Total gross loans by sector
As of September 2024



Source: ENBD Financial statements September 2024

Despite a significant decrease, the bank's asset risk profile remains also constrained by its relatively high concentration to related-party lending (see Exhibit 4). This exposure had increased from AED53 bn in 2010 to AED164 bn as of year-end 2020. However, The bank's related-party loans to Dubai decreased significantly to AED69 bn as of September 2024 (61% of Tier 1), as higher revenue performance from Dubai government-related entities in a buoyant non-oil economy supported deleveraging efforts. We expect ENBD's exposure to the Dubai government to remain below 100% of the bank's Tier 1 capital.

Exhibit 4
ENBD - Dubai Sovereign gross exposure q/q change



Source: ENBD financials

Solid capitalisation provides buffer to asset risk

We expect ENBD's capitalisation to remain solid around current levels. This will reflect internal profit generation balancing our expectation of a solid loan growth (high-single digit) during 2024.

As of September 2024, the bank's reported TCE to risk-weighted assets slightly decreased to 16.3% (compared to 16.5% in 2023), reflecting the combination of dividend payments (35% dividend payout for 2023 net profits) and RWA growth (+15% year-to-date). ENBD's TCE ratio is above the 14.9% UAE average (as of June 2024). The bank reported a Basel III Tier 1 ratio of 16.9% and a capital adequacy ratio of 18.0%.

As of September 2024, UAE banks had to hold a minimum 10.5% capital ratio, including a 7% minimum CET1 capital ratio, 150 bps maximum in Additional Tier 1 capital and a 250 bps capital conservation buffer (CCB) in CET1 capital.

As per the local regulatory regime, banks do not fully risk weight the credit extended to direct emirate or federal government entities. The Group's exposure to the Dubai government is compliant with the Central Bank of the UAE's large exposure limits. For the purpose of our analysis, we adjust ENBD's exposure to the Dubai government and despite the adjustment the bank's TCE ratio remains solid.

Strong ties with the Dubai government and large Dubai corporates, combined with a large and growing retail banking franchise support profitability

We expect ENBD's profitability to hold up in the next 12 months, after having significantly improved during 2023, amid a favorable operating environment in the UAE supporting recoveries and credit growth which will compensate for expected lower interest rates and higher tax levels. ENBD's solid profitability is also driven by its strong and growing domestic franchise, which supports the bank's retail business for both loans (29% of total loans are to individual customers as of Q3 2024) and deposits (50% of total deposits from retail segment as of Q3 2024). ENBD's profitability also benefits from the bank's strong ties with the Dubai government and large corporates and large scale operations.

ENBD net interest margin (NIM) slightly declined to 3.4% during the first nine months of 2024 compared to 3.6% in 2023, also reflecting Denizbank's NIM tightening in the same period owing to lending growth caps restricting the bank's ability to capitalize on high rates in Turkiye.

ENBD's cost to income also increased to 29.7% for the first nine months in 2024 from 27.5% in 2023, albeit remaining at healthy levels. This was driven by higher staff costs, as the bank continues to expand its network in Saudi Arabia with new branch openings, and DenizBank's higher operating expenses owed to the depreciation of the Turkish Lira following high inflation.

The bank's year-to-date performance was supported by provision reversals of AED 1.9 billion and recoveries of AED 3.0 billion during the first nine months of 2024. Accordingly, loan loss provision to pre-provision income stood at negative 10.7% during the same period. Additionally, ENBD's non funded income revenue stream remains strong as lower foreign exchange income was somewhat balanced by higher net fees and commissions, owing to retail credit card business momentum and enhanced investment banking activities.

As a result, ENBD's net income to tangible banking assets ratio slightly declined at 2.6% for the first nine months of 2024 (2.8% as of September 2023) but remained well above the 1.4% levels for 2019 and the 2.0% UAE system average (as of June 2024).

Established franchise and strong capital market access drive stable funding

We expect ENBD to maintain its strong access to granular and low-cost current and savings accounts. Such deposits were 59% as of September 2024 (60% as of December 2023). ENBD's granular deposit base reflects its solid retail franchise, with the bank being the second-largest (25% deposit market share as of September 2024) in the UAE.

We expect ENBD to maintain strong access to international capital and money markets through its treasury function, which is one of the most active in the GCC. The bank's market issuance will continue to support its term structure with broadly matched assets and liabilities. As of September 2024, the bank had an outstanding $22 billion of debt and sukuk term funding, with around two third (66%) due from 2026 onwards. As of September 2024, the bank's market funds were manageable at 14.9% of tangible banking assets compared to 16% as of December 2023 and 16.8% as of year-end 2022.

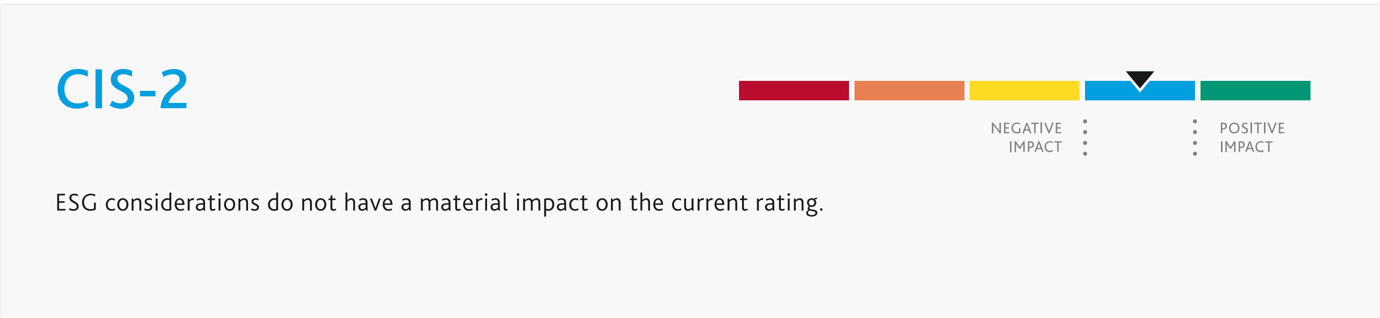
We expect the bank to maintain a diversified funding base in terms of counterparty and currency. The bank's granular retail deposit base, and its market funding raised in various currencies, forms and maturities, contribute to its funding diversification.

We expect ENBD to maintain high liquidity levels. As of September 2024, the bank's liquid banking assets were strong at 41.2% of tangible banking assets (40.8% as of year-end 2023). The bank's net loans-to-deposits ratio was sound at 77% as of September 2024 (76% as of year-end 2023). The liquidity coverage ratio was 194%, well above the 100% regulatory minimum since 2019.

ESG considerations

Emirates NBD Bank PJSC's ESG credit impact score is CIS-2

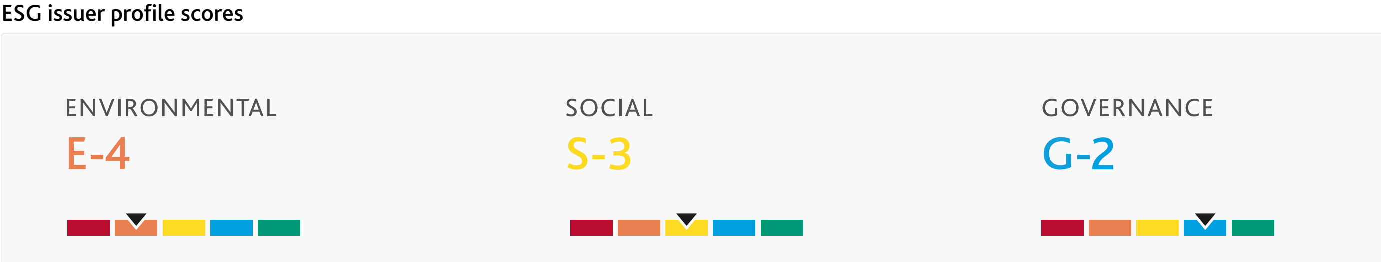
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

ENBD's **CIS-2** reflects a limited credit impact of environmental, social and governance factors on the rating to date. Environmental risks are high and driven by the UAE's high exposure to carbon transition risk, because of its economic and fiscal dependence. The bank's social risks are moderate but well managed, and its governance structure is appropriate for its size.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental
ENBD faces high exposure to environmental risks, mainly because of carbon transition risk. The UAE's economic dependence on the hydrocarbon sector (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
ENBD faces moderate social risks related to regulatory and litigation risks, requiring high compliance standards, as well as in the areas of data security and customer privacy. ENBD and UAE banks are generally focused on intermediation with simpler product ranges and counterparties, and the regulator's focus on mis-selling and social risks is less pronounced compared with banks in more developed markets.

Governance

ENBD has established governance practices as a listed firm and a track record of broadly meeting its annual guidance on financial targets. The bank's financial strategy is transparent and hosts regular investor/analyst update calls with timely reporting on financial statements (quarterly and annually). Finally, although the Dubai government maintains a 41% ownership stake in ENBD (through the Investment Corporation of Dubai), which is also reflected in the composition of its board of directors, this does not result in incremental governance risks because of the country's developed institutional framework.

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

Government support

ENBD's A2 deposit rating incorporates four notches of uplift from the bank's baa3 BCA. This view reflects our assessment of a very high probability of government support in case of need, given the Dubai government's controlling ownership stake in ENBD (through the ICD and Dubai Holding), the bank's importance to the local financial system (a 25% market share of UAE banking deposits as of September 2024), the bank's designation as a domestic systemically important bank (D-SIB) by the UAE Central Bank and the UAE's strong track record of supporting banks in times of stress.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank-specific figures originate from banks' reports and Moody's Banking Financial Metrics. All figures are based on our own chart of account and may be adjusted for analytical purposes. Please refer to the document Financial Statement Adjustments in the Analysis of Financial Institutions, published on 8 April 2024.

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 7

Rating Factors

Macro Factors		
Weighted Macro Profile	**Moderate +**	**100%**

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	5.2%	ba2	↔	ba3	Single name concentration	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.3%	a2	↓	baa1	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	2.0%	a3	↔	a3	Expected trend	
Combined Solvency Score		baa2		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	16.0%	baa2	↔	baa1	Term structure	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	40.8%	a3	↔	baa1	Stock of liquid assets	
Combined Liquidity Score		baa1		baa1		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa2		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa3		
Affiliate Support notching				0		
Adjusted BCA				baa3		

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	baa2	4	A1	A1
Counterparty Risk Assessment	1	0	baa2 (cr)	4	A1(cr)	
Deposits	0	0	baa3	4	A2	A2
Senior unsecured bank debt	-	-	-	4	A2	A2
Dated subordinated bank debt	-1	0	ba1	3		(P)Baa1
Non-cumulative bank preference shares	-1	-2	ba3	0		Ba3 (hyb)

[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 8

Category	Moody's Rating
EMIRATES NBD BANK PJSC	
Outlook	Positive
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured	A2
Subordinate MTN	(P)Baa1
Pref. Stock Non-cumulative	Ba3 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
DENIZBANK A.S.	
Outlook	Positive
Counterparty Risk Rating -Fgn Curr	B2/NP
Counterparty Risk Rating -Dom Curr	B1/NP
Bank Deposits -Fgn Curr	B2/NP
Bank Deposits -Dom Curr	B1/NP
Baseline Credit Assessment	caa1
Adjusted Baseline Credit Assessment	b1
Counterparty Risk Assessment	B1(cr)/NP(cr)
EIB SUKUK COMPANY LTD.	
Outlook	Positive
Bkd Sr Unsec MTN	(P)A2

Source: Moody's Ratings

REPORT NUMBER 1427207

CLIENT SERVICES

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