Final Credit Assessment Report

Project Title: Comprehensive Credit Risk Evalaution of 5 GCC Corporations using Financials and Qualitative Scorecard

Prepared by: Arsen Tagibekov

Date: April, 2025

This final report and credit assessment model were built with support from ChatGPT (OpenAI), used as a co-pilot for idea structuring, Excel logic validation, and formatting refinement. The project reflects my own financial judgment, assumptions, and execution, but benefited from AI-based structuring and iterative feedback throughout.

1. Executive Summary

This report presents a comprehensive credit risk assessment of five publicly listed companies operating across the Gulf Cooperation Council (GCC) region: Emaar Properties (UAE), SABIC (Saudi Arabia), Emirates NBD (UAE), STC (Saudi Arabia), and Ooredoo (Qatar). The objective is to evaluate the relative creditworthiness of each entity using a structured scoring framework that combines both quantitative (financial ratio-based) and qualitative (macroeconomic, industry, and governance) factors. Drawing on data from the companies' annual reports for 2022-2024, the assessment assigns a Total Risk Score to each company, which is then mapped to an internal rating scale (A1-C2). The Analysis provides a clear, comparative view of risk across sectors and countries, aiding decision-making for lending, investment, or partnership evaluation.

Company	Year	Quantitative Score	Qualitative Score	Total Risk Score	Final Rating
Emaar Properties (Country: UAE, Industry: Real Estate)	2022	3,45	3,5	3,47	B2
	2023	3,55	3,7	3,61	B1
	2024	3,55	3,7	3,61	B1
SABIC (Country: Saudi Arabia, Industry: Chemicals)	2022	4,2	4,2	4,2	A2
	2023	2,2	4,2	3	B2
	2024	2,85	4,2	3,39	B2
Emirates NBD (Country: UAE, Industry: Banking)	2022	2,6	4,3	3,28	B2
	2023	2,65	4,3	3,31	B2
	2024	2,5	4,3	3,22	B2
STC (Country: Saudi Arabia, Industry: Telecom Services)	2022	3,65	4,3	3,91	B1
	2023	3,55	4,3	3,85	B1
	2024	4,25	4,3	4,27	A2
Ooredoo (Country: Qatar, Industry: Telecom Services)	2022	2,9	3,6	3,18	B2
	2023	3,4	3,9	3,6	B1
	2024	3,4	3,9	3,6	B1

2. Methodology

The assessment methodology integrates both quantitative and qualitative dimensions of credit risk in order to produce a holistic risk profile for each company.

Data Sources:

The analysis is based on publicly available financial statements from the annual reports of each company for the years 2023 (contains financials from 2022 and 2023), and 2024:

- **Emaar Properties:** https://properties.emaar.com/en/investor-relations/emaar-properties-pjsc/reports-presentations/
- **SABIC:** https://www.sabic.com/en/newsandmedia/media-centre-publications
- **Emirates NBD:** https://www.emiratesnbd.com/en/investor-relations/financial-information/annual-reports?cache=clear
- **STC:** https://www.stc.com/content/stcgroupwebsite/sa/en/investors/financial-reports/reports/annual-reports.html
- **Ooredoo:** https://www.ooredoo.com/en/investors/financial_information/annual-reports/

Additional qualitative information was sourced from Fitch, Moody's, Sustainalytics, and official company disclosures.

Quantitative Risk Model:

A set of eight core financial ratios was used to evaluate each firm's liquidity, leverage, profitability, and operational efficiency. These included:

- **Liquidity Ratios:** Current Ratio, Quick Ratio
- **Leverage Ratios:** Debt-to-Equity, Interest Coverage
- **Profitability Ratios:** Net Profit Margin, ROA, ROE
- **Efficiency Ratio:** Asset Turnover

Each ratio was scored on a scale from 1 (High Risk) to 5 (Excellent) based on sector-neutral benchmarks. Scores were aggregated using a weighted average to form a Quantitative Risk Score.

Qualitative Risk Model:

The qualitative framework considered five non-financial dimensions:

- **Country Risk:** Political/economic stability, FX risk, inflation, etc.
- **Industry Risk:** Volatility, competition, cyclicality, regulation, disruption risk

- **Business Positioning:** Market share, diversification, product strength, pricing power
- **Governance Quality:** Transparency, board independence, financial controls, related-party issues
- **ESG Risk Exposure:** Environmental/Social/Governance exposure

These were also scored from 1 to 5 based on analyst judgment, macroeconomic context, and published ESG/governance data. The Qualitative Risk Score was computed as a weighted average across these factors.

Total Risk Score & Rating Scale:

A final Total Risk Score was calculated by assigning 60% weight to Quantitative Score and 40% to Qualitative Score. This score was then mapped to an internal rating scale from A1 (lowest risk) to C2 (highest risk:

Risk Score	Color	Meaning
4,5 - 5,0	✅ Green	Low Risk
3,0 - 4,4	⚠️ Yellow	Medium Risk
< 3,0	❌ Red	High Risk

Score Range	Rating
>= 4,5	A1
4,0-4,49	A2
3,5-3,99	B1
3,0-3,49	B2
2,5-2,99	C1
<2,5	C2

3. Company Profiles & Key Metrics

Format:

Each company will be described on a separate page of this report.

1) Company Overview
2) Sector & Country
3) Quantitative Snapshot (latest year ratios)
4) Qualitative Highlights (summarized reasoning)
5) Final Risk Assessment (scores & rating)

EMAAR

Emaar Properties (UAE)

Overview:

Emaar is one of the largest real estate developers in the Middle East, known for iconic projects like the Burj Khalifa and Dubai Mall. It operates in residential, commercial, retail, and hospitality segments.

Sector / Country: Real Estate / UAE

Quantitative Snapshot (2024):

- Current Ratio: 1.31
- Quick Ratio:1.30
- Debt-to-Equity: 0.67
- Interest Coverage Ratio: 33x
- Net Profit Margin: 38.06%
- ROA: 8.34%
- ROE: 14.07%
- Asset Turnover: 0.22
- **Quantitative Score: 3.55**

Qualitative Highlights:

- Operates in a stable macro environment (Country Risk: 5)
- Industry remains cyclical and sensitive to interest rates (Industry Risk: 3)
- Strong brand and market share in UAE (Business Positioning: 4)
- Moderate disclosure practices (Governance: 3)
- Limited ESG transparency (ESG Risk: 3)
- **Qualitative Score: 3.7**

Final Risk Assessment:

Total Risk Score: 3.61 → Rating: B1

SABIC (Saudi Arabia)

Overview:

SABIC is one of the world's largest petrochemical manufacturers, majority-owned (70%) by Saudi Aramco. Its operations span across chemicals, plastics, fertilizers, and metals.

Sector / Country: Chemicals / Saudi Arabia

Quantitative Snapshot (2024):

- Current Ratio: 2.01
- Quick Ratio:1.79
- Debt-to-Equity: 0.51
- Interest Coverage Ratio: 2x
- Net Profit Margin: 2.66%
- ROA: 1.34%
- ROE: 2.02%
- Asset Turnover: 0.5%
- **Quantitative Score: 2.85**

Qualitative Highlights:

- Operates in a stable but oil-dependent economy (Country Risk: 4)
- Exposed to global commodity cycles (Industry Risk: 3)
- Major global player with diversified output (Business Positioning: 5)
- Strong governance (Governance: 5)
- Medium exposure to ESG Risks (ESG Risk: 3)
- **Qualitative Score: 4.2**

Final Risk Assessment:

Total Risk Score: 3.39 → Rating: B2

بنك الإمارات دبي الوطني
Emirates NBD

Emirates NBD (UAE)

Overview:

Emirates NBD is a top-tier UAE banking group with operations across retail, corporate, and investment banking. It is majority-owned by the Dubai Government.

Sector / Country: Banking / UAE

Quantitative Snapshot (2024):

- Current Ratio: 1.11
- Quick Ratio: 1.10
- Debt-to-Equity: 6.9
- Interest Coverage Ratio: 1x
- Net Profit Margin: 52.13%
- ROA: 2.31%
- ROE: 18.23%
- Asset Turnover: 0.04%
- **Quantitative Score: 2.5**

Qualitative Highlights:

- Very stable UAE base (Country Risk: 5)
- Highly regulated and sensitive to NPL (non-performing loan) risk (Industry Risk: 3)
- Regional leader with large market presence (Business Positioning: 5)
- Some opacity in risk-weighted asset structure (Governance: 4)
- Limited ESG transparency (ESG Risk: 4)
- **Qualitative Score: 4.3**

Final Risk Assessment:

Total Risk Score: 3.22 → Rating: B2

STC (Saudi Arabia)

Overview:

Saudi Telecom Company (STC) is the dominant telecom operator in Saudi Arabia, offering mobile, broadband, and enterprise services.

Sector / Country: Telecom / Saudi Arabia

Quantitative Snapshot (2024):

- Current Ratio: 1.87
- Quick Ratio: 1.57
- Debt-to-Equity: 0.74
- Interest Coverage Ratio: 11x
- Net Profit Margin: 32.83%
- ROA: 15.51%
- ROE: 26.94%
- Asset Turnover: 0.47
- **Quantitative Score: 4.25**

Qualitative Highlights:

- Stable country environment (Country Risk: 4)
- Defensive industry with recurring revenues (Industry Risk: 4)
- National champion with dominant market share (Business Positioning: 5)
- Strong governance and state oversight (Governance: 4)
- Moderate ESG profile (ESG Risk: 4)
- **Qualitative Score: 4.3**

Final Risk Assessment:

Total Risk Score: 4.27 → Rating: A2

Ooredoo (Qatar)

Overview:

Ooredoo is a multinational telecom company headquartered in Qatar, with operations in the MENA (Middle East and North Africa) and Southeast Asia regions.

Sector / Country: Telecom / Qatar

Quantitative Snapshot (2024):

- Current Ratio: 1.59
- Quick Ratio: 1.36
- Debt-to-Equity: 0.91
- Interest Coverage Ratio: 8x
- Net Profit Margin: 17.07%
- ROA: 6.5%
- ROE: 12.41%
- Asset Turnover: 0.38
- **Quantitative Score: 3.4**

Qualitative Highlights:

- Stable country outlook (Country Risk: 4)
- Telecom sector seen as resilient (Industry Risk: 4)
- Business is diversified, but fragmented across riskier countries (Business Positioning: 4)
- Good corporate governance, some geopolitical complexity (Governance: 4)
- Significant ESG risks with average management practices in place (ESG Risk: 3)
- **Qualitative Score: 3.9**

Final Risk Assessment:

Total Risk Score: 3.6 → Rating: B1

4. Comparative Analysis

Company	Country	Industry	Quantitative Score	Qualitative Score	Total Risk Score	Rating
STC	Saudi Arabia	Telecom	4,25	4,3	**4,27**	A2
Emaar Properties	UAE	Real Estate	3,55	3,7	**3,61**	B1
Ooredoo	Qatar	Telecom	3,4	3,9	**3,6**	B1
SABIC	Saudi Arabia	Chemicals	2,85	4,2	**3,39**	B2
Emirates NBD	UAE	Banking	2,5	4,3	**3,22**	B2

Observations

- **Top Performer:** STC (A2) stands out with the highest financial and qualitative scores.
    - Defensive telecom sector
    - Strong cash flows, dominant market position
    - Country and governance stability
- **Strong Mid-Tier:** Ooredoo and Emaar both show balanced risk profiles (B1)
    - Ooredoo benefits from geographic diversification but faces fragmented exposure
    - Emaar scores well financially but faces sector cyclicality and transparency issues
- **Higher Risk Tier:** SABIC and Emirates NBD are both B2
    - SABIC shows relatively weaker quantitative performance (recent losses), but is supported by strong qualitative metrics due to Aramco backing
    - Emirates NBD has a high debt-to-equity ratio (typical for banks), which drags its score

Sector Insights

Sector	Average Total Score	Takeaway
Telecom	3,94	Stable, cash-generating, low-risk sector
Real Estate	3,61	Profitable but exposed to macro cycles
Chemicals	3,39	Global demand fluctuations impact stability
Banking	3,22	Regulated, asset-heavy, high leverage

Country Insights

Country	Average Total Score	Comment
Saudi Arabia	3,83	Strong government support & telecom sector strength
UAE	3,42	Mixed: Emaar strong, ENBD dragged by financial ratios
Qatar	3,60	Stable macro, moderate exposure risk via Ooredoo

Analyst Summary:

- Telecom is the most resilient sector
- STC is a clear lending/investment grade candidate
- Emirates NBD and SABIC may need closer review or credit enhancements

5. Insights & Recommendations

This section presents credit recommendations and strategic structuring insights from the perspective of a Credit Analyst advising a lending institution. Each recommendation is designed to reflect practical tools used in managing credit risk, including SPV (Special Purpose Vehicle) structuring, guarantees, exposure limits, or covenant design.

Emaar Properties (B1)

Insight: Strong profitability in a recovering real estate market, but exposed to sector cyclicality and moderate transparency risks.

Recommendation:

- **Lending/investment suitability:** Suitable for lending or investment, especially for revenue-backed projects.
- **Areas to monitor or mitigate:** Monitor Dubai property market cycles and project-specific risks.
- **Strategic guidance:** To enhance creditworthiness of individual real estate ventures and attract targeted project-level financing, Emaar could implement SPV-based structuring to ring-fence project cash flows. This isolates project performance from parent-level obligations, lowers counterparty risk for lenders, and supports non-recourse debt structuring.

SABIC (B2)

Insight: Strategically important to Saudi's economy. Strong qualitative profile offset by recent financial underperformance due to global chemical downturn.

Recommendation:

- **Lending/investment suitability:** Suitable with government guarantee or Aramco implicit backing.
- **Areas to monitor or mitigate:** Higher risk profile currently due to losses, but long-term stability via Aramco support.
- **Strategic guidance:** Short-term caution is recommended. Where exposure is necessary, it should reflect a risk pricing premium, either via higher required returns or through credit-enhanced structuring. This aligns with prudent credit risk management in the context of chemical cyclicality.

Emirates NBD (B2)

Insight: Systematically important bank with large balance sheet. Weaker ratios driven by financial structure typical of banks (high D/E, low net margin).

Recommendation:

- **Lending/investment suitability:** Suitable for interbank transactions or structured finance deals.
- **Areas to monitor or mitigate:** Use non-ratio-based models (e.g. CAMELS, Components: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk) for final decision.
- **Strategic guidance:** A deeper dive into the NPL (non-performing loans) portfolio struture and the quality of capital buffers is recommended. Particular focus should be given to risk concentrations in non-core geographies and the real estate sector. This will clarify the bank's true loss-absorption capacity under adverse macro scenarios.

STC (A2)

Insight: Best-in-class performer across both financial and qualitative dimensions. National telecom leader with stable cash flows and low leverage.

Recommendation:

- **Lending/investment suitability:** Ideal lending candidate, even for long-term infrastructure or syndicated loans.
- **Areas to monitor or mitigate:** No immediate red flags.
- **Strategic guidance:** STC could consider assessing unsecured bank facilities, leveraging its strong credit profile. Alternatively, a regional bond issuance – including sukuk – would diversify funding sources, lock in long-term rates, and enhance STC's presence in MENA capital markets.

Ooredoo (B1)

Insight: Good profitability and diversification, but operational complexity due to presence in emerging markets (e.g., Myanmar, Tunisia, Iraq).

Recommendation:

- **Lending/investment suitability:** Acceptable credit profile for trade finance or short-term debt.

- **Areas to monitor or mitigate:** Monitor geopolitical exposure in frontier markets.
- **Strategic guidance:** Country-specific risk limits are recommended in order to manage concentration exposure, particularly in Iraq and North Africa. Furthermore, credit exposure should be booked to the Qatari parent (Ooredoo Q.P.S.C) rather than subsidiaries in volatile markets, which will consolidate risk at the most stable level.

6. Conclusion

This report delivers a full-spectrum credit risk analysis of five publicly listed companies operating across the GCC region using both financial and qualitative criteria. By combining ratio-based scoring with macro and sector-informed judgment, the model delivers a Total Risk Score and internal rating for each entity.

The analysis identifies **STC** as the most creditworthy company in the group, backed by excellent financials and a stable industry profile. **Emaar** and **Ooredoo** follow with solid overall scores and some manageable risks. **SABIC** and **Emirates NBD**, while strategically important and institutionally strong, currently reflect higher credit risk based on recent financial performance and structural characteristics.

The diversified sectoral and geographic nature of this portfolio reinforces the value of a multi-factor credit model. This approach enables not only borrower selection but also **risk-based pricing** to align return with borrower-specific credit risk, **covenant structuring** to ensure proactive protection against deterioration, and **portfolio exposure management** to mitigate concentration risks across geographies and sectors.

Future iterations of this model may incorporate:

- Forecast-based ratios (forward-looking risk)
- Scenario stress testing (e.g., oil price shocks)
- Sector-specific KPIs (e.g., NPL ratio for banks, DSCR for real estate)

Overall, the model demonstrates a professional-grade framework suitable for application in credit decision-making, investment screening, or institutional risk monitoring across emerging markets.