

04 NOV 2021

Fitch Revises UBAF's Outlook to Stable After Similar Action on Credit Agricole

Fitch Ratings - Paris - 04 Nov 2021: Fitch Ratings has revised Union de Banques Arabes et Francaises - U.B.A.F.'s (UBAF) Outlook to Stable from Negative, while affirming the bank's Long-Term Issuer Default Rating (IDR) at 'A-'. The Outlook revision follows a recent similar rating action on UBAF's ultimate provider of support, Credit Agricole (CA, 'Fitch Revises Credit Agricole's Outlook to Stable, Affirms at 'A+' on 27 October 2021).

The IDRs of UBAF are based on Fitch's assessment of institutional support from CA. UBAF's Viability Rating (VR) of 'bb-' is unaffected by today's rating actions.

A full list of rating actions is detailed below.

Unless noted below, the key rating drivers for UBAF are those outlined in our Rating Action Commentary published in June 2021 ('Fitch Affirms UBAF's IDR at 'A-/Negative; VR at 'bb-').

Key Rating Drivers

IDRS AND SUPPORT RATING

UBAF's IDRs and Support Rating are driven by potential support from the bank's largest shareholder, Credit Agricole Corporate and Investment Bank (CACIB; A+/Stable; 47% shareholder), which is part of CA's (A+/Stable) legally established cross-support mechanism. Fitch believes that timely financial support would be provided by CACIB in its role as UBAF's reference shareholder, or ultimately by CA, if required.

The two-notch difference between CACIB's and UBAF's Long-Term IDRs reflects Fitch's opinion that UBAF is of limited importance to its parent. This considers UBAF's limited role in the group and niche franchise, focusing on trade finance in selected regions. We also factor in the absence of material business synergies with CACIB, despite close cooperation on risk-related matters. This is counterbalanced by the high reputational risk for CACIB and CA arising from a UBAF default and limited cost of support for the parent, due to UBAF's small size.

UBAF's Short-Term IDR of 'F1', the higher of two options mapping to an 'A-' Long-Term IDR, is driven by support available from CACIB and reflects our view that propensity to support is typically more certain in the near term.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-An upgrade of UBAF's ratings would require an upgrade of CACIB's, and therefore CA's ratings

Factors that could, individually or collectively, lead to negative rating action/downgrade:

-UBAF's IDRs and Support Rating would be downgraded if the IDRs of CACIB, and therefore CA, are downgraded as they are driven by institutional support. UBAF's ratings are also sensitive to a change in the bank's links to CACIB and could be negatively affected if these weaken, for example, because of a sale of or material reduction in the ownership stake.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

UBAF's IDRs are linked to the ratings of CACIB, which in turn are driven by CA's.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Union de Banques Arabes et Francaises - U.B.A.F.	LT IDR	A- 	Affirmed	A- 
	ST IDR	F1	Affirmed	F1
	Support	1	Affirmed	1

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Bank Rating Criteria \(pub.28 Feb 2020\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

Union de Banques Arabes et Francaises - U.B.A.F. EU Issued, UK Endorsed

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