FitchRatings

10 JUL 2025

# Fitch Affirms UBAF at 'A-'; Outlook Stable

Fitch Ratings - Milan - 10 Jul 2025: Fitch Ratings has affirmed Union de Banques Arabes et Francaises - U.B.A.F.'s (UBAF) Long-Term Issuer Default Rating (IDR) at 'A-' with a Stable Outlook and Viability Rating (VR) at 'bb-'. A full list of rating actions is below.

## Key Rating Drivers

**Shareholder Support Drives Ratings:** UBAF's IDRs are based on its Shareholder Support Rating (SSR) of 'a-', which is driven by support from its largest shareholder, Credit Agricole Corporate and Investment Bank (CACIB; A+/Stable; 47% stake), part of Credit Agricole's (CA; A+/Stable) legally established cross-support mechanism. Fitch believes financial support would be provided on a timely basis by CACIB in its role as UBAF's reference shareholder, or ultimately by CA.

**Support Likely Despite Limited Importance:** The two-notch difference between CACIB's Long-Term IDR and UBAF's reflects Fitch's view that the latter is of limited importance to its parent and has a limited role in the group. We consider the absence of material synergies with CACIB, despite cooperation on risk-related matters. This is balanced by the reputational risk for the parent arising from a default of UBAF and the limited cost of support due to UBAF's size.

**Resilient Performance Despite Geopolitical Tensions:** Fitch expects a slowdown in world trade in 2025 from mounting geopolitical tensions, protectionist policies and trade disputes. However, we believe that the performance of European trade finance banks we rate will be resilient in this context and potentially rebound from 2026, assuming tensions ease.

**Niche Trade-Finance Franchise:** UBAF's VR reflects its niche trade finance franchise focused on trade flows between Europe or Asia and its core markets in the Middle East and North Africa. The VR also considers UBAF's high concentration risk relative to its small size, volatile albeit sound asset-quality metrics, and low profitability.

**More Conservative Risk Appetite:** UBAF's high country and borrower concentrations leave it exposed to operational risk and idiosyncratic credit losses. However, its controls and governance benefit from the positive influence from CACIB, ultimately supporting our assessment of UBAF's risk profile, which is better than most trade finance peers. The bank has tightened its underwriting standards in recent years, which has led to a significant decrease in non-performing exposures.

**Sound Asset Quality Metrics:** UBAF's asset quality is more volatile than larger, more diversified peers, as it provides financing to fewer counterparties and is active in some fairly weak operating environments. However, over the past three years the bank has fully de-risked its balance sheet, and its non-performing assets (NPA) ratio (which includes on- and-off balance sheet risks, and is a better

indicator of the bank's asset quality) was almost zero at end-2024.

**Low Profitability:** The bank's trade-finance activities generate low margins and its rigid operating expenses structurally weigh on profitability. We expect the bank's operating profit/risk-weighted assets (RWAs) ratio to remain 0%-0.5% in 2025-2026, due to the expected pressure on its revenue base from trade wars and lower interest rates, despite limited loan impairment charges.

**Small Capital Base:** Regulatory limits on counterparty concentration, set as a share of the bank's capital, constrain UBAF's ability to increase business volumes with large customers, due to the limited size of capital. UBAF has some flexibility to adjust its capital ratios, owing to the short-term nature of its business. Capital buffers above regulatory requirements are moderate.

**Funding Profile Supported by Parent:** UBAF is funded by short-term interbank and corporate deposits. Our funding and liquidity assessment of UBAF considers ordinary support and access to contingent funding from the parent, although it has no direct reliance on funding from CACIB.

## Rating Sensitivities

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

UBAF's IDRs and SSR would be downgraded if CA's IDRs, and therefore CACIB's, were downgraded. UBAF's ratings are also sensitive to an adverse change in the bank's links to CACIB, for example, because of a sale of, or material reduction in, the parent's stake.

A material deterioration of UBAF's asset quality and capitalisation, as indicated by an NPA ratio above 4% and a decline in the bank's CET 1 ratio sustainably below 13%, or failure to maintain at least break-even profitability, would likely trigger a downgrade of the VR.

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

An upgrade of UBAF's IDRs and SSR would require an upgrade of CA's, and therefore CACIB's, ratings.

An upgrade of the bank's VR would require a longer record of operating profit at above 1% of RWAs, combined with stronger capitalisation (CET1 ratio sustainably above 14%) and internal capital generation, while maintaining its controlled risk appetite.

## VR ADJUSTMENTS

The operating environment score of 'bbb-' is below the 'aa' category implied score due to the following adjustment reason: geographical scope (negative).

The business profile score of 'bb-' is above the 'b and below' category implied score due to the following adjustment reason: management and governance (positive).

The asset quality score of 'bb' is below the 'bbb' category implied score due to the following adjustment reason: concentrations (negative).

The earnings & profitability score of 'b' is below the 'bb' category implied score due to the following adjustment reason: revenue diversification (negative).

The capitalisation & leverage score of 'bb-' is below the 'bbb' category implied score due to the following adjustment reasons: risk profile and business model (negative), size of capital base (negative).

The funding & liquidity score of 'bb+' is above the 'b and below' category implied score due to the following adjustment reason: liquidity access and ordinary support (positive).

## 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 CACIB's ratings, which in turn are driven by CA's.

## ESG Considerations

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.

## Fitch Ratings Analysts

**Gianluca Romeo**
Director
Primary Rating Analyst
+39 02 9475 6214
Fitch Ratings Ireland Limited Sede Secondaria Italiana Via Morigi, 6 Ingresso Via Privata Maria Teresa, 8 Milan 20123

**Sixte de Monteynard**
Director
Secondary Rating Analyst
+33 1 44 29 92 82

**Cristina Torrella Fajas**
Senior Director
Committee Chairperson
+34 93 323 8405

## Media Contacts

**Matthew Pearson**
London
+44 20 3530 2682
matthew.pearson@thefitchgroup.com

## 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 |
| | Viability | bb- | Affirmed | bb- |
| | Shareholder Support | a- | Affirmed | a- |

| RATINGS KEY | OUTLOOK | WATCH |
|---|---|---|
| POSITIVE | ⊕ | ◈ |
| NEGATIVE | ⊖ | ◈ |
| EVOLVING | ◈ | ◆ |
| STABLE | ⊟ | |

## Applicable Criteria

Bank Rating Criteria (pub.21 Mar 2025) (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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