



Tagging Info

Fitch Downgrades Banca UBAE to 'BB'; Maintains RWN Ratings

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Fitch Ratings-Milan/London-24 March 2011: Fitch Ratings has downgraded Banca UBAE's Long-term Issuer Default Rating (IDR) to 'BB' from 'BB+' and its Individual Rating to 'D' from 'C/D' and maintained both ratings on Rating Watch Negative (RWN). The agency has affirmed Banca UBAE's Short-term IDR at 'B' and Support Rating at '5'.

The downgrades reflect Fitch's view that the outlook for the bank's profitability has deteriorated given the ongoing turmoil in Libya, where the bank's main shareholder, the Libyan Foreign Bank is based, and concerns that the sanctions imposed against Libya are likely to affect Banca UBAE's performance in the medium term. Fitch expects to resolve the RWN once the medium-term prospects for the bank become clearer.

On 12 March, following the imposition of sanctions against Libya by the United Nations and the European Union, the Bank of Italy placed Banca UBAE under special administration, dissolving its board of directors and appointing two administrators. As a result, the bank's corporate governance is now headed by these administrators, and Libyan-related parties are no longer involved in the running of the bank. According to a press statement released by the Bank of Italy, the bank is continuing to operate normally.

Banca UBAE's ratings are underpinned by Fitch's expectation that liquidity will remain adequate. The bank's liquidity benefits from a high proportion of liquid assets, reflecting the investment of deposits, predominantly from Libyan entities, which have been frozen as a result of sanctions. The bank's ratings already factor in credit exposure to more volatile markets, and could be affirmed if it successfully manages the current turmoil in Libya and volatility in several other Mediterranean Arab markets.

The bank's ratings would likely be downgraded if the bank's franchise in its core markets outside Libya declined significantly, the heightened volatility in some of the markets the bank is exposed to led to material credit losses, or if the bank did not maintain its adequate liquidity profile.

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Additional information is available on www.fitchratings.com

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 13 August 2010 and 'Short-Term Ratings Criteria for Corporate Finance' dated 2 November 2010, are available at www.fitchratings.com.

Applicable Criteria and Related Research:
Global Financial Institutions Rating Criteria

Short-Term Ratings Criteria for Corporate Finance
Global Financial Institutions Snapshot

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