

Banks Ratings Navigator		
Navigator date:	19 Jan 2016	
Last rating action:	12 Jan 2016	
Sector Details:		
Bank sector:	Wholesale Commercial	
Region:	DM Europe	
Country:	Italy	
Country IDR:	BBB+ Stable	
Last action:	23 Oct 15	Affirmed
Country ceiling:	AA+	
Macro prudential indicator:	1	
Bank systemic indicator:	bbb	
Bank Rating History		
Viability Rating (VR)		
12 Jan 16	bb	Affirmed
23 Jan 15	bb	Affirmed
06 Feb 14	bb	Affirmed
Issuer Default Rating (IDR)		
12 Jan 16	BB Stable	Affirmed
23 Jan 15	BB Stable	Affirmed
06 Feb 14	BB Stable	Affirmed
Support Rating Floor (SRF)		
01 Dec 08	NF	Affirmed
16 Mar 07	NF	New Rating
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
<div></div>	Higher Influence	
<div></div>	Moderate Influence	
<div></div>	Lower Influence	
Bar Arrows = Rating Factor Outlook		
<div></div>	Positive	<div></div> Negative
<div></div>	Evolving	<div></div> Stable
Peer Ratings bars = Count of banks		
21	DM Europe Wholesale Commercial	
3	Italy Wholesale Commercial	
Relevant Criteria & References		
Global Bank Rating Criteria (Mar 2015)		
Macro-Prudential Risk Monitor (Mar 2015)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite
aaa					
aa+					
aa					
aa-					
a+					
a	<div></div>				
a-					
bbb+	<div></div>				
bbb	<div></div>				
bbb-	<div></div>				
bb+	<div></div>				
bb	<div></div>				
bb-	<div></div>				
b+					
b	<div></div>				
b-					
ccc					
cc					
c					
f	<div></div>				

Institutional Support					Value
Parent VR					nr
Total Adjustments (notches)					
Institutional Support:					
Support Factors (negative)			Equalised	1 Notch	2+ Notches
Parent Ability to Support					
Parent/group regulation					
Relative size					
Parent Propensity to Support					
Role in group					
Potential for disposal					
Implication of subsidiary default					
Integration					
Jurisdiction					
Size of ownership stake					
Support track record					
Subsidiary performance and prospects					
Branding					
Legal commitments					
Cross-default clauses					

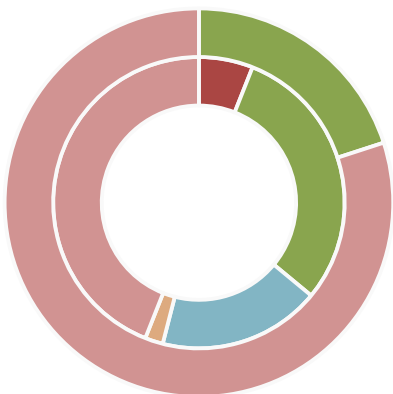
Drivers & Sensitivities	
Business Model Constrains Ratings	UBAE's ratings reflect its trade finance franchise and small size, its exposure to potentially volatile countries and client concentration, and are constrained by funding dependence on its majority shareholder, the Libyan Foreign Bank (LFB).
Funding Dependence	The LFB provides a significant part of UBAE's funding, a stable portion of which is dedicated to commercial activities while the rest fluctuates significantly, based on the LFB's needs. Liquidity is adequate.
Adequately Controlled Risks	Long-standing relationships with its clients allow UBAE to control risks adequately. This results in low problem loans in relation to its total loans and business volumes.
Stable Revenue Generation	Revenues from the commercial business have remained stable over time while proceeds from money market and securities tend to be volatile. The cost base is high, as for most peers, and the ability to achieve efficiencies limited.
Acceptable Capitalisation	Capitalisation is acceptable for its business model and concentration risk. However the capital base is small in absolute terms, limiting UBAE's ability to diversify its business and making it vulnerable to shocks.
Uncertain Shareholder Support	We believe LFB's propensity to support UBAE is high but its ability to do so cannot be relied on due to the uncertain political and economic environment in Libya.
Sensitive to Concentration, Liquidity Deterioration	A material deterioration in the quality of one or more of counterparties, or an unexpected withdrawal of parent funding threatening its liquidity profile would put UBAE's ratings under pressure.
Limited Upward Potential	Upside ratings potential could come from sustainable funding diversification, material capital strengthening and significant improvements in Libya's operating environment.

Key Financial Ratios (13 Jan 2016)	UBAE				Direct Peers Median				Region Sector Median			
	Number of Banks:				5							
	Statement:				FYE14	FYE13	FYE12	FYE11	FYE14	FYE13	FYE12	FYE11
Size (USDm)												
Total assets	4,118	2,401	3,136	4,048	1,990	2,368	2,352	2,445	22,188	27,087	31,476	25,568
Risk weighted assets (incl. Basel floor/cap)	1,948	1,745	2,218	2,035	1,602	1,736	1,582	1,718	8,778	8,730	10,471	9,856
Total equity	265	288	278	287	265	288	278	287	1,113	1,003	1,179	1,075
Fitch core capital (FCC)	263	286	276	284	263	286	276	284	1,072	908	830	988
Asset Quality												
Growth of gross loans	15.0%	-20.6%	96.5%	n.a.	15.0%	16.8%	-0.6%	2.7%	0.6%	-5.3%	-1.6%	1.2%
Impaired loans/gross loans	6.9%	4.7%	2.5%	4.2%	3.8%	3.2%	2.5%	4.2%	4.2%	4.1%	4.5%	4.3%
Reserves for impaired loans/impaired loans	85.5%	138.9%	126.4%	123.4%	87.4%	96.6%	97.8%	97.8%	45.1%	42.4%	35.2%	40.9%
Imp loans less reserves for imp Loans/FCC	2.2%	-3.6%	-1.6%	-1.2%	1.9%	0.1%	0.1%	0.1%	20.6%	28.4%	38.1%	37.0%
Loan impairment charges/avg gross loans	0.1%	0.2%	-0.5%	-3.2%	0.5%	1.1%	0.6%	0.0%	0.7%	1.0%	0.8%	0.4%
Earnings and Profitability												
Net interest income/average earning assets	0.9%	1.4%	1.1%	1.3%	1.9%	1.6%	1.3%	1.5%	1.1%	1.0%	1.1%	1.1%
Non-interest expense/gross revenues	81.2%	71.2%	53.1%	46.1%	81.2%	71.2%	53.1%	52.7%	51.1%	54.3%	55.8%	59.7%
Loans & secs imp charges/pre-imp op. profit	-80.3%	-26.1%	-10.1%	21.2%	35.1%	33.1%	13.0%	1.6%	36.3%	37.8%	33.0%	33.2%
Operating profit/average total assets	0.5%	0.7%	1.0%	0.7%	0.5%	0.7%	1.0%	1.1%	0.3%	0.2%	0.3%	0.5%
Operating profit/risk weighted assets	0.8%	1.2%	1.6%	1.5%	0.8%	1.2%	1.6%	1.7%	1.0%	0.7%	1.0%	0.9%
Net income/average total equity	4.5%	4.9%	9.0%	4.7%	4.5%	4.9%	9.0%	6.8%	4.6%	3.8%	5.8%	5.8%
Capital and Leverage												
Fitch core capital/risk weighted assets	13.5%	16.4%	12.4%	14.0%	14.5%	16.4%	21.6%	16.2%	12.9%	13.0%	10.7%	10.9%
Fitch eligible capital/risk weighted assets	13.5%	n.a.	n.a.	14.0%	13.5%	17.4%	18.7%	14.6%	12.5%	12.7%	9.8%	9.6%
Tangible common equity/tangible assets	6.4%	11.9%	8.8%	7.0%	13.8%	13.4%	13.6%	11.5%	4.4%	4.9%	4.4%	5.1%
Core Tier 1 regulatory capital ratio	n.a.	n.a.	11.7%	13.9%	14.0%	16.4%	12.7%	14.7%	12.8%	13.1%	11.7%	13.5%
Internal capital generation	2.3%	-0.9%	-1.7%	4.7%	2.3%	2.4%	4.6%	4.6%	3.0%	2.4%	1.4%	3.8%
Funding and Liquidity												
Loans/customer deposits	317.2%	369.0%	117.3%	40.8%	280.1%	369.0%	134.4%	109.3%	160.1%	167.2%	180.4%	170.0%
Interbank assets/interbank liabilities	76.9%	72.6%	78.9%	109.3%	76.9%	61.6%	94.5%	84.4%	57.2%	56.5%	62.3%	64.4%
Customer deposits/total funding excl derivs	4.8%	7.4%	20.8%	23.5%	17.3%	13.0%	20.8%	23.5%	38.6%	33.8%	34.2%	32.1%

Business Mix

(by profit or revenue to nearest 10%)

- Retail banking (0%)
- SME banking (0%)
- Corporate banking (20%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (80%)

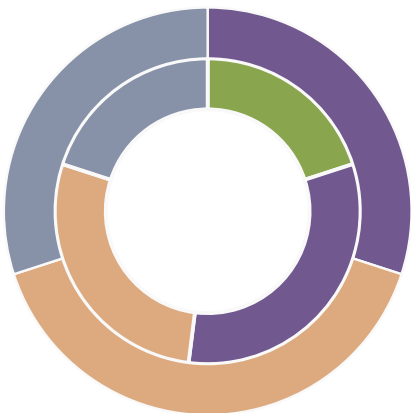


Outer: UBAE
Inner: Direct Peers Average

Lending Type

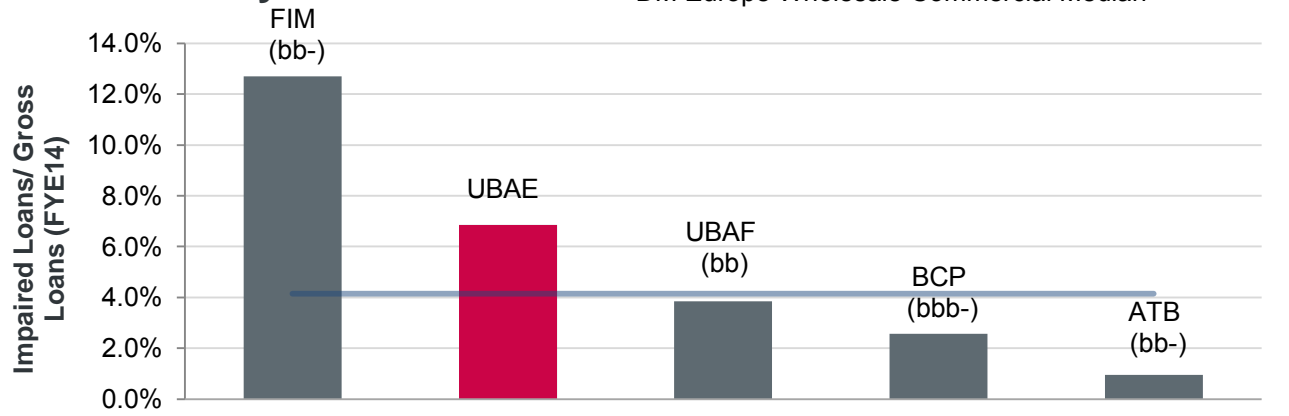
(by loans to nearest 10%)

- Resi mortgages (0%)
- Comm mortgages (0%)
- Asset finance (0%)
- Other secured (30%)
- Personal unsecured (0%)
- Comm unsecured (40%)
- FIs & Sovs (30%)
- High yield (0%)
- Other unsecured (0%)

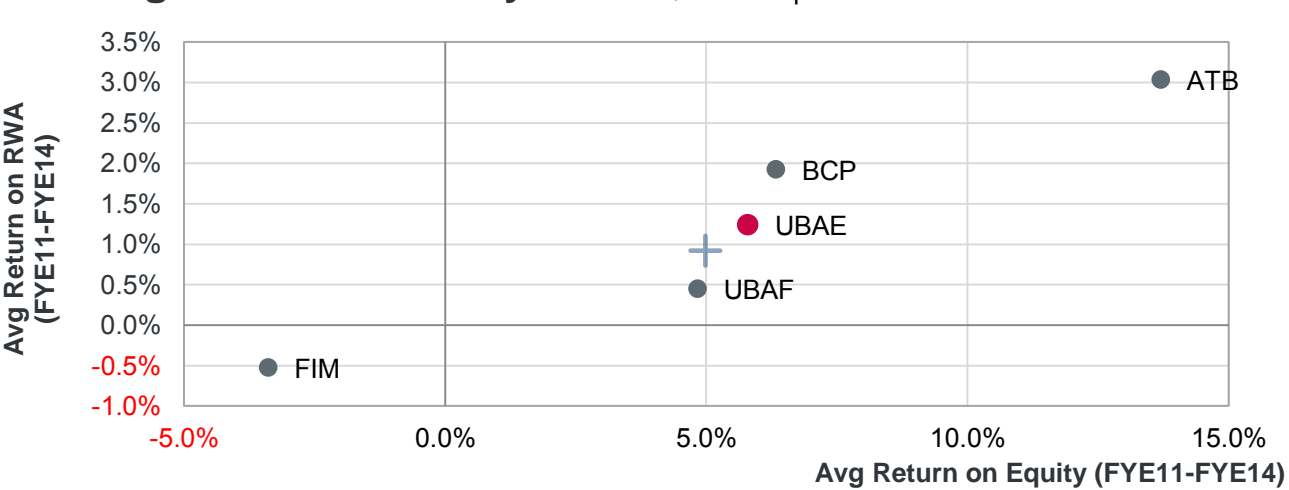


Outer: UBAE
Inner: Direct Peers Average

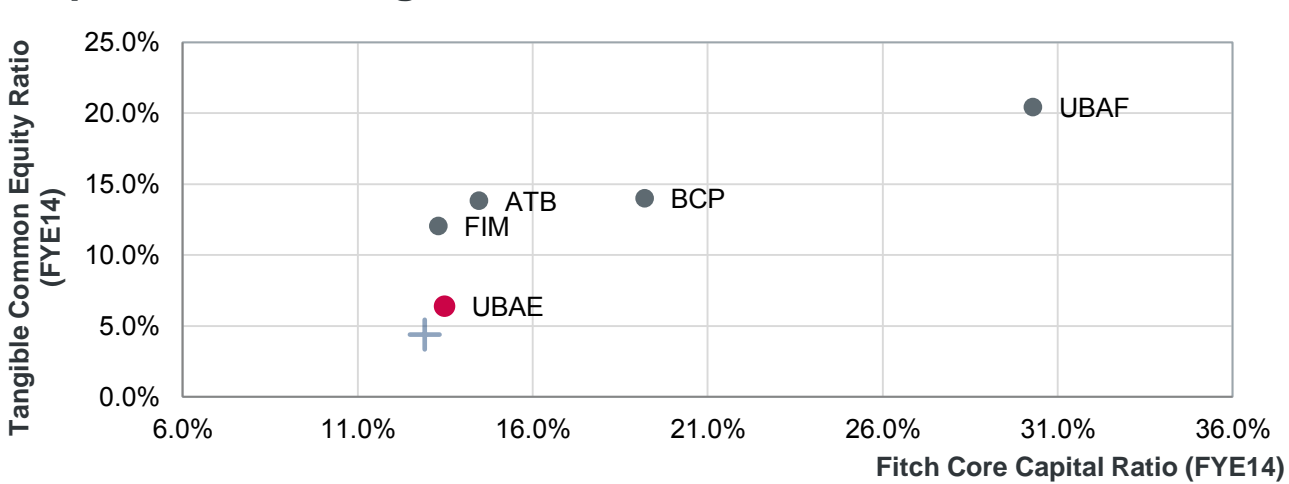
Asset Quality



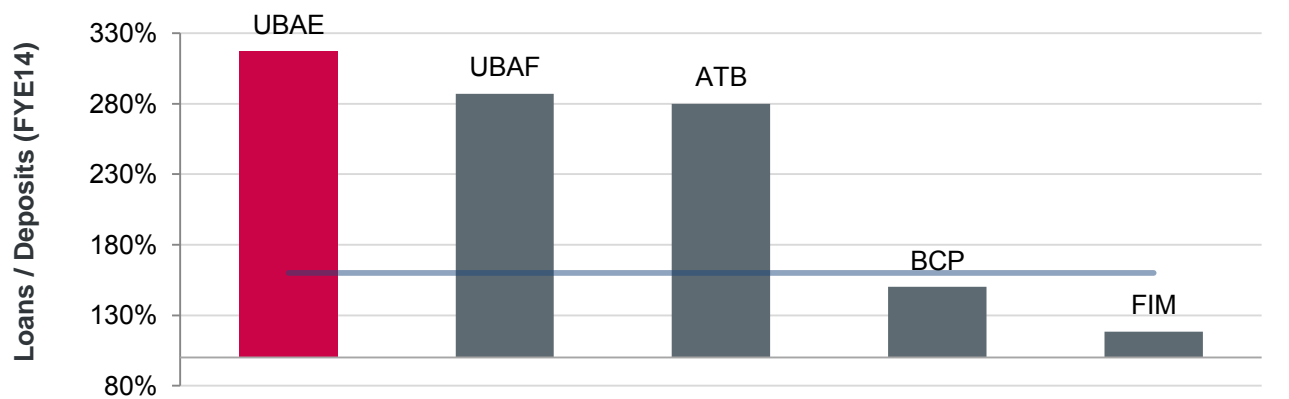
Earnings and Profitability



Capital and Leverage



Funding and Liquidity



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