



RATING ACTION COMMENTARY

Fitch Maintains FCA Bank's 'BBB+' IDR on Watch Positive

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Fitch Ratings - Milan - 22 Apr 2022: Fitch Ratings is maintaining FCA Bank S.p.A.'s 'BBB+' Long-Term Issuer Default Ratings (IDR) on Rating Watch Positive (RWP) as the reorganisation of Stellantis N.V.'s captive finance providers remains in progress.

FCA Bank's shareholders, Credit Agricole S.A. (CA; A+/Stable) and Stellantis (BBB-/Positive), have announced that FCA Bank will become a wholly-owned subsidiary of CA after spinning-off its long-term rental business (about 19% of total assets), Leasys S.p.A., into a separate joint venture (JV). The agreement was signed in April 2022 and the transaction is expected to be completed during 1H23, once the relevant anti-trust authorities and market regulators have provided the required authorisations.

Following the transaction, FCA Bank will be renamed and will focus on financing retail sales as an independent bank (ie partnering with non-Stellantis car manufacturers), on car-dealer financing (such segment currently representing about 15% of FCA Bank's loan portfolio) and via Leasys Rent S.p.A. on mobility solutions. FCA Bank will continue to originate loans from the sale of Stellantis' former FCA brands until 1H23 before it gradually runs down this portfolio.

Fitch has withdrawn FCA Bank's Support Rating of '2' as it is no longer relevant to the agency's coverage following the publication of its updated "Non-Bank Financial Institutions Rating Criteria" dated 31 January 2022. In line with the updated criteria, we have assigned a Shareholder Support Rating (SSR) of 'bbb+' to FCA Bank. Fitch has placed the SSR on RWP, in line with FCA Bank's Long-Term IDR.

KEY RATING DRIVERS

The Rating Watch reflect Fitch's anticipation that FCA Bank's Long-Term IDR will be upgraded to 'A-' upon completion of the transaction in 1H23. This reflects Fitch's expectation that CA's propensity to support FCA Bank will increase after acquiring full ownership of FCA Bank, including due to higher reputational risk for CA in case of a FCA Bank default. Fitch also believes that FCA Bank will remain attractive for CA, despite the expected termination of its distribution agreement with Stellantis, because car finance (including dealer finance) remains strategically important for CA.

FCA Bank's ratings are already based on Fitch's assessment of the availability of potential support from CA Consumer Finance (CACF) and, ultimately, from CA. CA provides ongoing support to FCA Bank, mostly through funding and liquidity, under a JV agreement with FCA Italy S.p.A., a 100% subsidiary of Stellantis. The agreement will remain in place until the reorganisation is completed.

FCA Bank's ratings are not constrained at the level of Italy's sovereign rating (BBB/Stable), because FCA Bank has no direct exposure to Italian sovereign risk. Fitch also believes that FCA Bank is less exposed than universal deposit-taking banks to the risk of restrictions being imposed on its ability to service its obligations, should Italy's operating environment materially worsen. However, business generated in Italy accounts for about 50% of the bank's total, while retail deposits accounted for only 9% of total non-equity funding at end-2021. Thus, Fitch is unlikely to widen the notching difference between FCA Bank's and Italy's IDRs to above two notches, capping FCA Bank's Long-Term IDR at 'A-', despite full ownership by CA.

Fitch expects FCA Bank's standalone profile to be under pressure after the reorganisation, due to a resulting weaker franchise and to execution risks relating to the implementation of a new strategy outside Stellantis.

Fitch expects FCA Bank's business and balance sheet to remain in line with pre-reorganisation performance until end-2022. We then expect the balance sheet to gradually shrink to about a third over a three-year period, as the portfolio from Stellantis brands amortises. The non-renewal of the partnership with Jaguar Land Rover will further reduce origination, beyond Fitch's initial expectations. However, new white-label agreements with non-Stellantis car manufacturers and larger dealer-financing volumes are feasible, although execution is key and volumes will remain limited in the short term.

FCA Bank will also adjust its funding plans to its lower needs, but we do not expect a reduction in funding availability. FCA Bank's capitalisation following the reorganisation will depend on the terms of Leasys' spin-off and we expect excess capital that could arise to be distributed after end-2023.

The senior unsecured debt instruments issued out of FCA Bank's Irish Branch and FCA Capital Suisse SA, which are rated 'BBB+', are also on RWP, in line with FCA Bank's Long-Term IDR. The senior unsecured debt ratings are aligned with the Long-Term IDR of FCA Bank, because we do not believe that internal resolution debt and equity buffers would offer obvious incremental protection over and above the institutional support benefit already factored into the bank's IDRs.

FCA Bank Irish Branch's senior unsecured notes rank pari passu with FCA Bank's senior unsecured obligation. FCA Capital Suisse SA's senior unsecured notes are unconditionally and irrevocably guaranteed by FCA Bank and rank pari passu with the guarantor's senior unsecured obligations.

FCA Bank's Short-Term IDR of 'F1' is not on RWP, because it is already at the level of CA's Short-Term IDR.

RATING SENSITIVITIES

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

Following the completion of the reorganisation, Fitch expects to upgrade FCA Bank's Long-Term IDR and SSR to 'A-' and 'a-', respectively.

Fitch could resolve the Rating Watch and affirm FCA Bank's ratings at their current level, if the reorganisation of Stellantis' captive finance providers fails to be implemented. Fitch would also review the ratings if the reorganisation plan changes significantly from what has been already communicated.

In the short term, before the completion of the reorganisation, Fitch could upgrade FCA Bank's Long-Term IDR if CA's and CACF's IDRs are all upgraded, while Italy's IDR is affirmed, the Italian operating environment remains stable and FCA Bank's exposure to Italian sovereign risk remains limited.

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

In the short term, before the reorganisation's completion, a downgrade of CA's and CACF's IDRs would result in a downgrade of FCA Bank's IDR, reflecting a weakening of the parents' ability to support a strategically important subsidiary.

In the short term, before the reorganisation's completion, FCA Bank's ratings are not constrained at the level of Italy's sovereign, but Fitch is unlikely to widen the notching difference between FCA Bank's and Italy's IDRs to above two notches. This means that, if Italy is downgraded by two notches, we would downgrade FCA Bank by one notch.

Fitch would narrow the notching difference between FCA Bank's and Italy's IDRs to one notch, if the bank's deposit base increases and becomes a material source of funding, although this is unlikely in the medium term.

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

The ratings of FCA Bank are driven by parental support from CA.

ESG CONSIDERATIONS

As support-driven issuers have strong linkages to their support providers, the ESG Credit-Relevance Score assigned to the 'supported' subsidiaries often mirrors those of their corporate and financial institution parents. This reflects our opinion that many of the ESG elements at the parent level are credit-relevant for the subsidiary.

Therefore, FCA Bank's scores are mostly aligned with those of CA. FCA Bank differs from CA with scores for 'GHG Emissions' at '3' and 'Energy Management' at '2', reflecting its focus on the automotive industry.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. ESG issues are credit neutral or have only a minimal credit impact on FCA Bank, either due to their nature or the way in which they are being managed. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡	PRIOR ⚡
FCA Capital Suisse SA		
senior unsecured	LT BBB+ Rating Watch Positive Rating Watch Maintained	BBB+ Rating Watch Positive
FCA Bank S.p.A.		
	LT IDR BBB+ Rating Watch Positive Rating Watch Maintained	BBB+ Rating Watch Positive
	ST IDR F1 Affirmed	F1
	Support WD Withdrawn	2 Rating Watch Positive
	Shareholder Support bbb+ Rating Watch Positive	New Rating
FCA Bank S.p.A. (Irish Branch)		
senior unsecured	LT BBB+ Rating Watch Positive Rating Watch Maintained	BBB+ Rating Watch Positive
senior unsecured	ST F1 Affirmed	F1

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 12 Nov 2021\) \(including rating assumption sensitivity\)](#)

[Non-Bank Financial Institutions Rating Criteria \(pub. 31 Jan 2022\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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ENDORSEMENT STATUS

FCA Bank S.p.A.	EU Issued, UK Endorsed
FCA Bank S.p.A. (Irish Branch)	EU Issued, UK Endorsed
FCA Capital Suisse SA	EU Issued, UK Endorsed

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