

11 Dec 2020 - Scope Ratings GmbH



Scope affirms and publishes 'A' rating on FCA Bank

The ratings are driven by FCA Bank's well tested business model and solid financial fundamentals; the outlook is stable.

Rating action

Scope Ratings has today affirmed and published the following ratings on FCA Bank SpA.

- Issuer rating at A, Stable Outlook
- Senior unsecured debt rating (non-MREL) at A, Stable Outlook

Rating rationale

The rating reflects FCA Bank Group's solid standing as one of the largest specialised providers of car finance in Europe, operating in 17 European countries, as well as in Morocco. As a captive of FCA Group, FCAB serves mostly its parent's brands, although it also provides financial services to other brands such as Ferrari, Jaguar-Land Rover and Aston Martin.

FCAB has a well-tested business model, with higher returns than traditional, lower-risk banking activities. It is proving resilient even in deep recessions such as the current one, with revenues comparing well with previous years' levels and cost of risk being just a few basis points above the 2019 level as of the end of June 2020. FCAB is supervised by the Bank of Italy and indirectly by the ECB. FCAB's financial fundamentals, including capital, asset quality and profitability are strong and compare well with domestic and international peers.

The ratings also benefit from FCAB's relationship with its two shareholders, FCA Group and Crédit Agricole Group (through wholly owned subsidiary Crédit Agricole Consumer Finance), which provide commercial business and financial support respectively.

FCAB's issuer rating is two notches above the rating of the Republic of Italy (BBB+/Negative). In accordance with our bank rating methodology, we do not impose any mechanistic sovereign cap, although sovereign risk is taken into account when assessing individual issuers. In FCAB's case, we consider that the bank and the sovereign should be decorrelated due to FCAB's geographic diversification and lack of exposure to Italian domestic sovereign risk.

Key rating drivers

- 50/50 joint venture combining FCA Group's commercial strength with Crédit Agricole Group's financial support
- Strong player in the fast-growing car finance market in Europe
- Solid standalone financial fundamentals, underpinned by strong business growth
- Predominantly wholesale funding sources but well diversified; contribution from Crédit Agricole remains important

Rating-change drivers

Among positive rating change drivers, Scope highlights evidence of firmer commitment by shareholders beyond 2024, and evidence that FCA bank's standalone performance can withstand a severe economic deterioration.

As negative rating change driver, Scope highlights shareholder retreat from partnership.

Scope also flags that changes in Crédit Agricole's credit fundamentals could influence FCA Bank's rating.

Stress testing & Cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for this rating and/or rating outlook: (Bank Rating Methodology, 4 May 2020) is available on <https://www.scooperatings.com/#!/methodology/list>.

Information on the meaning of each rating category, including definitions of default and recoveries can be viewed in the "Rating Definitions - Credit Ratings and Ancillary Services" published on <https://www.scooperatings.com/#!/governance-and-policies/rating-scale>. Historical default rates of the entities rated by Scope Ratings can be viewed in the rating performance report on <https://www.scooperatings.com/#!/governance-and-policies/regulatory-ESMA>. Please also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope's definitions of default and rating notations can be found at <https://www.scooperatings.com/#!/governance-and-policies/rating-scale>. Guidance and information on how Environmental, Social or Governance factors (ESG factor) are incorporated into the rating can be found in the respective sections of the methodologies or guidance documents provided on <https://www.scooperatings.com/#!/methodology/list>.

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The rated entity and/or its agents participated in the rating process.

The following substantially material sources of information were used to prepare the credit rating: public domain, the rated entity, and Scope internal sources.

Scope considers the quality of information available to Scope on the rated entity or instrument to be satisfactory. The information and data supporting Scope's ratings originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the rating or outlook action, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

Regulatory disclosures

This credit rating and/or rating outlook is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0.

Lead analyst: Marco Troiano, Executive director

Person responsible for approval of the rating: Dierk Brandenburg, Managing Director

The ratings/outlooks were first released by Scope as a subscription rating on 17 May 2019. The ratings/outlooks were converted from subscription to public on 11 December 2020.

Potential conflicts

Please see www.scooperatings.com for a list of potential conflicts of interest related to the issuance of credit ratings.

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Analyst Contact: **Marco Troiano**: m.troiano@scoperatings.com

Team Leader: **Dierk Brandenburg**: d.brandenburg@scoperatings.com