FitchRatings

RATING ACTION COMMENTARY

Correct: Fitch Revises FCA Bank's Outlook to Negative on Similar Action to Parent

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Fitch Ratings - Milan - 07 Apr 2020: This commentary replaces the version published on 2 April 2020 to correct the Outlooks on CA and CACF to Negative.

Fitch Ratings has revised FCA Bank's Outlook to Negative from Stable, while affirming the bank's Long-Term Issuer Default Rating (IDR) - at 'BBB+', and Support Rating (SR) at '2'. A full list of rating actions is detailed below.

The rating action follows the recent revision of the Outlook on FCA Bank's direct and ultimate parents CA Consumer Finance (CACF) and Credit Agricole S.A. (CA) to Negative from Stable (see also 'Fitch Takes Action on 8 French Banking Groups On Coronavirus Growth Uncertainties' available at www.fitchratings.com). Fitch believes that the economic fallout from the coronavirus outbreak represents a medium-term risk to CA's ratings and thus to the bank's ability to support.

FCA Capital Suisse SA			
• senior unsecured	LT	BBB+	Affirmed

ENTITY/DEBT	RATING		
FCA Bank S.p.A.	LT IDR	BBB+	Affirmed
	ST IDR	F1	Affirmed
	Support	2	Affirmed
FCA Bank S.p.A. (Irish Branch)			
• senior unsecured	LT	BBB+	Affirmed

VIEW ADDITIONAL RATING DETAILS

KEY RATING DRIVERS

FCA Bank's ratings are based on Fitch's assessment of the availability of potential support from CACF (A+/Negative), and ultimately from CA (A+/Negative). CA holds a 50% stake in FCA Bank through CACF and provides ongoing support to FCA Bank, mostly through funding and liquidity, under a joint-venture agreement with FCA Italy S.p.A, a 100% subsidiary of Fiat Chrysler Automobiles N.V. (BBB-/Stable). Fitch does not factor any support from Fiat Chrysler into FCA Bank's ratings.

The three-notch difference between CA's and FCA Bank's IDRs largely reflects the 50% ownership and the significant influence CA's joint-venture partner, FCA Italy S.p.A, has on FCA Bank's business generation.

FCA Bank's ratings are not constrained by Italy's sovereign ratings (BBB/Negative) as FCA Bank has no direct exposure to Italian sovereign risk. Fitch also believes it is less exposed to the risk of restrictions being imposed on its ability to service its obligations than deposit-taking banks, should Italy's operating environment materially worsen. Business generated in Italy accounts for less than half of the total.

CA's propensity to provide funding, if needed, remains high, in our view, despite the reduction of CA's contribution to non-equity funding that started in 2010, which is part of CA's strategy to increase the autonomy of its subsidiaries' funding profiles.

Fitch has affirmed FCA Bank Irish Branch's and FCA Capital Suisse SA's senior unsecured debt ratings at 'BBB+', in line with the Long-Term IDR of FCA Bank, and removed the ratings from Under Criteria Observation 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 and 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.

RATING SENSITIVITIES

Developments that may collectively or individually lead to a downgrade include:

FCA Bank's ratings are sensitive to changes in Fitch's assumptions about CA's propensity to support the bank. A downgrade of CA's and CACF's IDRs (currently on Negative Outlook) would likely result in a downgrade of FCA Bank's IDR, reflecting a weakening of the parents' ability to support a strategically important subsidiary.

FCA Bank's attractiveness to CA could be sensitive to significant economic deterioration in Italy if this results in a material negative impact on FCA Bank's asset quality and capitalisation. FCA Bank's ratings could therefore be downgraded following a downgrade of Italy's sovereign if the latter is driven primarily by significant deterioration in the domestic economic environment, given FCA Bank's moderate loan book exposure to the Italian consumer market.

While FCA Bank's ratings are not constrained by Italy's sovereign, Fitch is unlikely to widen the notching difference between FCA Bank's and Italy's IDRs to above two notches, which means that if Italy is downgraded by one notch and remains Negative Outlook, we would likely keep FCA Bank's Outlook at Negative. Likewise a downgrade of Italy by more than one notch would lead to a downgrade of FCA Bank's Long-Term IDR.

FCA Bank' ratings could be downgraded if CA's ratings are affirmed, but if Italy becomes a less strategically important market for CA. This could arise if the operating environment in Italy sees material deterioration.

Developments that may collectively or individually lead to a downgrade include:

Given FCA Bank's sensitivity to CA's ratings indicated above, an upgrade of CA's and CACF's IDRs could result in an upgrade of FCA Bank's Long-Term IDR if the Italian operating environment does not deteriorate and if FCA Bank's exposure to Italian sovereign risk remains limited.

FCA Bank's ratings are also sensitive to a change in the ownership structure and the JV agreement. The notching difference between FCA Bank's and CACF's IDRs could narrow if CACF significantly increases its stake in FCA Bank to above the 50% it currently holds while remaining committed to Italy as a strategic market.

ESG CONSIDERATIONS

The highest level of ESG credit relevance, if present, is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

BEST/WORST CASE RATING SCENARIO

Ratings of financial institutions 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 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 the parental support from CA.

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Non-Bank Financial Institutions Rating Criteria (pub. 28 Feb 2020) (including rating assumption sensitivity)

Bank Rating Criteria (pub. 28 Feb 2020) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

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

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Structured Finance: ABS Non-Bank Financial Institutions Structured Finance

Banks Europe Italy Ireland Switzerland