

**Rating Action: Moody's affirms FCA Bank's ratings, outlook on long-term issuer rating changed to negative due to coronavirus crisis**

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**Outlook on long-term deposit ratings remains stable**

Paris, April 07, 2020 -- Moody's Investors Service (Moody's) today affirmed the Baa1/Prime-2 deposit rating of FCA Bank S.p.A. (FCA Bank) and the Baa1 issuer rating. The agency also affirmed the bank's Baseline Credit Assessment (BCA) of ba1 and Adjusted BCA of baa3. The outlook on the long-term deposit ratings remains stable while the outlook on the long-term issuer rating was revised to negative from stable.

Today's change of outlook on the long-term issuer rating of FCA Bank reflects the deteriorating operating environment stemming from the coronavirus outbreak in Italy and the downside risks to the bank's standalone credit profile. Despite the support package put in place by the Italian government as well as by the European Central Bank, the rating agency expects a material increase in FCA Bank's cost of risk.

Today's action also takes into account the fact that Fiat Chrysler Automobiles N.V. (FCA, Ba1 Ratings under Review) was placed on review direction uncertain on 25 March 2020 (See "Moody's places ratings of 7 European Automotive manufacturers on review for downgrade one issuer for direction uncertain; downgrades one issuer"; [https://www.moody's.com/research/--PR\\_420407](https://www.moody's.com/research/--PR_420407)). FCA car manufacturer is the 50% shareholder of FCA Bank alongside Credit Agricole Consumer Finance.

A list of affected ratings can be found at the end of this press release.

**RATINGS RATIONALE**

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. Moody's regards the coronavirus outbreak as a social risk under our Environmental, Social and Governance framework, given the substantial implications for public health and safety. Today's action reflects the expected impact of the breadth and severity of the shock on FCA Bank's metrics, in particular asset quality and profitability.

The very rapid spread of the coronavirus outbreak has led Italy to enforce far-reaching restrictions which will have a material impact on the country's economy, affecting both corporate and individuals, with more acute consequences for the important SME sector. FCA Bank's exposures to SMEs makes the bank's credit profile sensitive to such rapidly evolving market conditions.

To some extent, the economic consequences will be mitigated by supporting measures by the Italian government and by European institutions, including liquidity support from the European Central Bank. On 17 March 2020, the Italian government approved a package ("Decreto Cura Italia"), which could be amended via the legislative process, including support for individuals, SMEs and self-employed. The new package includes a six-month bank loan moratorium for companies under specific conditions but also state guarantees on part of the loan losses that banks could suffer during this period.

The affirmation of FCA Bank's BCA of ba1 balances these considerations. The affirmation also takes into account the review direction uncertain on FCA, and Moody's view that a one-notch downgrade in the car manufacturer's long-term rating would not lead to a lower BCA for FCA Bank, which would be one notch higher than FCA itself.

Moody's affirmed the Adjusted BCA of baa3, given a continued high probability of affiliate support from CASA, driving a one-notch uplift from FCA Bank's BCA of ba1. FCA Bank is a strategic subsidiary for Credit Agricole's European consumer finance business, part of Credit Agricole S.A. (CASA; Aa3 stable, baa2). Furthermore, this status is underpinned by the joint venture agreement that was recently extended until December 2024.

The affirmations of FCA Bank's long-term deposit and issuer ratings reflect the affirmation of the bank's

Adjusted BCA and Moody's Loss Given Failure analysis. Long-term deposits benefit from their seniority to a considerable volume of senior unsecured debt, partly offset by the rating on the government of Italy (Baa3 stable), which constrains the rating to Baa1. Senior unsecured liabilities also benefit from very low loss-given-failure, resulting in an issuer rating of Baa1. Moody's continues to consider the probability of government support to be low, resulting in no further ratings uplift.

## OUTLOOK

The outlook on FCA Bank's long-term deposit ratings (Baa1) remains stable as the rating is currently constrained by Italy's Baa3 sovereign debt rating. Therefore, FCA Bank's deposits are unlikely to be downgraded in the event of a lower Adjusted BCA.

However, Moody's has revised the outlook on the Baa1 long-term issuer rating to negative from stable as it would likely be downgraded in the event of a one-notch downgrade of FCA Bank's BCA, given its more subordinated position in the liability hierarchy.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade in FCA Bank's ratings is unlikely given the negative outlook on the long-term issuer rating and the constraint on deposit ratings arising from Italy's government bond rating of Baa3. In accordance with Moody's methodology, banks' ratings do not typically exceed the related sovereign bond rating by more than two notches, reflecting the agency's view that the expected loss of rated bank instruments is unlikely to be significantly lower than that of the sovereign's own debt.

A downgrade in FCA Bank's issuer rating would likely be driven by a lower BCA and/or lower Adjusted BCA, which could be prompted by a material decline in solvency or liquidity.

A downgrade of the issuer rating could also be triggered by higher loss-given-failure on senior unsecured liabilities.

A downgrade of Italy's sovereign rating to Ba1 would also lead to a downgrade of FCA Bank's deposit and issuer ratings.

## LIST OF AFFECTED RATINGS

Issuer: FCA Bank S.p.A.

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed Baa1

....Short-term Counterparty Risk Ratings, affirmed P-2

....Long-term Bank Deposits, affirmed Baa1, outlook remains Stable

....Short-term Bank Deposits, affirmed P-2

....Long-term Counterparty Risk Assessment, affirmed Baa2(cr)

....Short-term Counterparty Risk Assessment, affirmed P-2(cr)

....Long-term Issuer Rating, affirmed Baa1, outlook changed to Negative from Stable

....Baseline Credit Assessment, affirmed ba1

....Adjusted Baseline Credit Assessment, affirmed baa3

..Outlook Action:

....Outlook changed to Stable(m) from Stable

Issuer: FCA Bank S.p.A., Irish Branch

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed Baa1  
...Short-term Counterparty Risk Ratings, affirmed P-2  
...Long-term Counterparty Risk Assessment, affirmed Baa2(cr)  
...Short-term Counterparty Risk Assessment, affirmed P-2(cr)  
...Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Negative from Stable  
...Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1  
...Commercial Paper, affirmed P-2

..Outlook Action:

...Outlook changed to Negative from Stable

Issuer: FCA CAPITAL IRELAND P.L.C.

..Affirmations:

...Backed Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Negative from Stable

..No Outlook assigned

Issuer: FCA Capital Suisse SA

..Affirmations:

...Backed Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Negative from Stable

..Outlook Action:

...Outlook changed to Negative from Stable

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1147865](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1147865). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

At least one ESG consideration was material to the credit rating outcome announced and described above.

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