



RATING ACTION COMMENTARY

Fitch Affirms FCA Bank S.p.A. at 'BBB+'; Outlook Negative

Thu 07 May, 2020 - 07:05 ET

Fitch Ratings - Milan/London - 07 May 2020: Fitch Ratings has affirmed FCA Bank S.p.A.'s Long-Term Issuer Default Rating (IDR) at 'BBB+' with a Negative Outlook. It has also affirmed the Short-Term IDR at 'F1' and Support Rating at '2'. A full list of rating actions is detailed below.

KEY RATING DRIVERS

FCA Bank's ratings are based on Fitch's assessment of the availability of potential support from CA Consumer Finance (CACF; A+/Negative), and ultimately from Credit Agricole (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 (JV) 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 JV 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-/Stable) 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 universal deposit-taking banks, should Italy's operating environment materially worsen. Business generated in Italy accounts for less than half of the total and deposits account for only 4% of total non-equity funding at end-2019.

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.

The Negative Outlook mirrors that on CA.

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, 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, as well as 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

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

Fitch could upgrade FCA Bank's Long-Term IDR if CA's, CACF's and Italy's IDRs are all upgraded, while the Italian operating environment remains stable and FCA Bank's exposure to Italian sovereign risk remains limited. Fitch could revise the Outlook on FCA Bank's Long-Term IDR to Stable, if the Outlooks on CA's and CACF's IDRs are revised to Stable at their current rating levels, while Italy's was affirmed at 'BBB-/Stable.

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 and with a sovereign upgrade.

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

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 be downgraded if CA's ratings are affirmed, but Italy becomes a less strategically important market for CA.

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. This means that, if Italy is downgraded, we would also downgrade FCA Bank. It also means that we would keep FCA Bank's Outlook at Negative, if CA's Outlook is revised to Stable at the current rating, but Italy's Outlook is revised to Negative in the meanwhile.

Fitch would narrow the notching difference between FCA Bank's and Italy's IDRs to one notch, if the deposit base was to increase and become a material funding, although this is not considered likely in the medium term.

BEST/WORST CASE RATING SCENARIO

International scale credit 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, 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.

● senior unsecured	LT	BBB+	Affirmed
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
● senior unsecured	ST	F1	Affirmed

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Gianluca Romeo

Director

Primary Rating Analyst

+39 02 879087 201

Fitch Italia Società Italiana per il rating, S.p.A. Via Morigi, 6 Ingresso Via Privata
Maria Teresa, 8 Milan 20123

Luca Vanzini

Senior Analyst

Secondary Rating Analyst

+49 69 768076 143

Mark Young

Managing Director

Committee Chairperson

+44 20 3530 1318

MEDIA CONTACTS**Louisa Williams**

London

+44 20 3530 2452

louisa.williams@thefitchgroup.com

Stefano Bravi

Milan

+39 02 879087 281

stefano.bravi@fitchratings.com

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

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

[READ LESS](#)

COPYRIGHT

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is

located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers,

insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each

rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

[Non-Bank Financial Institutions](#) [Banks](#) [Europe](#) [Italy](#) [Ireland](#) [Switzerland](#)

