



RATING ACTION COMMENTARY

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

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Fitch Ratings - Milan - 25 Nov 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. A full list of rating actions is detailed below.

KEY RATING DRIVERS

The Rating Watch reflects Fitch's expectation that FCA Bank's Long-Term IDR will be upgraded to 'A-' upon completion of the reorganisation in 1H23, which will see the bank become a fully-owned subsidiary of Credit Agricole S.A. (CA; A+/Stable) from the 50% currently.

We expect CA's propensity to support FCA Bank to increase after acquiring its full ownership, including due to higher reputational risk for CA in case of a FCA Bank default. Our rating case assumes that FCA Bank will remain important for CA (in line with its strategic focus on car and dealer finance), despite the expected termination of its distribution agreement with Stellantis.

FCA Bank's shareholders, CA and Stellantis (BBB/Stable), have announced that FCA Bank will become a wholly-owned subsidiary of CA after spinning-off its long-term rental business (about 20% of total outstanding), Leasys S.p.A., into a separate joint venture (JV).

Following the transaction, FCA Bank will be renamed and will focus on retail car financing as an independent bank (ie partnering with non-Stellantis car manufacturers),

on car-dealer financing (currently 15% of loan portfolio) and on rental/leasing through its wholly-owned subsidiary Drivalia. FCA Bank will continue to originate financing for Stellantis's former FCA brands until the completion of the reorganization in 1H23.

FCA Bank's ratings are 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 IDR (BBB/Stable), because FCA Bank has negligible 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, the bank generates about 50% of its business in Italy, while retail deposits accounted for only 10% of total non-equity funding at end-1H22. Fitch therefore 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 after 1H23.

Fitch expects FCA Bank's standalone profile to weaken following the reorganisation, due to a shrinking franchise and to execution risks relating to the implementation of a new business strategy outside Stellantis. We expect the bank's balance sheet to gradually shrink to about EUR10 billion by end-2025 following the spin-off of Leasys and a gradual amortisation of Stellantis brands in the portfolio. New agreements with non-Stellantis car manufacturers and larger dealer-financing volumes are feasible, but 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 will retain good funding availability, in our view. FCA Bank's capitalisation following the reorganisation will depend on the terms of Leasys' spin-off and we expect excess capital to be distributed.

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 Shareholder Support Rating 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.

In the short term, before the completion of the reorganisation, Fitch could upgrade FCA Bank's Long-Term IDR if CA's IDRs are upgraded, with all else being equal.

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 IDRs would result in a downgrade of FCA Bank's IDR.

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	BBB+ Rating Watch Positive
		Rating Watch Maintained	
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FCA Bank S.p.A.	LT IDR	BBB+ Rating Watch Positive	BBB+ Rating Watch Positive
		Rating Watch Maintained	
<hr/>			
	ST IDR	F1 Affirmed	F1
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		Shareholder Support	bbb+ Rating Watch Positive
		bbb+ Rating Watch Positive	
		Rating Watch Maintained	
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FCA Bank S.p.A. (Irish Branch)			
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senior unsecured	LT	BBB+ Rating Watch Positive	BBB+ Rating Watch Positive
		Rating Watch Maintained	
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senior unsecured	ST	F1 Affirmed	F1
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APPLICABLE CRITERIA

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

[Bank Rating Criteria \(pub. 07 Sep 2022\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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

[Solicitation Status](#)

Endorsement Policy

ENDORSEMENT STATUS

FCA Bank S.p.A.	EU Issued, 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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