



RATING ACTION COMMENTARY

Fitch Upgrades CA Auto Bank to 'A-'; Outlook Stable

Mon 17 Apr, 2023 - 12:54 ET

Fitch Ratings - Milan - 17 Apr 2023: Fitch Ratings has upgraded CA Auto Bank S.p.A.'s Long-Term Issuer Default Rating (IDR) and senior unsecured debt rating to 'A-' from 'BBB+'. Fitch has also upgraded CA Auto Bank's Shareholder Support Rating (SSR) to 'a-' from 'bbb+'. The ratings have been removed from Rating Watch Positive and the Outlook on the Long-Term IDR is Stable.

The rating actions follow Credit Agricole S.A.'s (CA; A+/Stable) acquisition of 100% ownership of FCA Bank S.p.A. on 03 April 2023, buying a 50% stake from Stellantis N.V. (BBB/Stable). FCA Bank subsequently changed its company name to CA Auto Bank on 03 April 2023.

KEY RATING DRIVERS

Reduced Notching Differential: Fitch expects CA's propensity to support CA Auto Bank to be higher after acquiring full ownership, due to higher reputational risk for CA in case of a CA Auto Bank default, among other things. Our rating case assumes that CA Auto Bank will remain important for CA (in line with its strategic focus on car and dealer finance), despite the termination of its distribution agreement with Stellantis.

CA Auto Bank will focus on retail car financing as an independent bank (i.e. partnering with non-Stellantis car manufacturers), on car-dealer financing and on rental/leasing through its wholly-owned subsidiary Drivalia. CA Auto Bank will continue to manage and collect the loan portfolio originated for Stellantis's former FCA brands until end-1Q23.

Support Drives Ratings: CA Auto Bank's ratings are and were already 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 CA Auto Bank, providing funding and liquidity. Fitch expects a new funding scheme to be established between CA Auto Bank and its now 100% shareholder CA, after the previous funding agreement embedded in the JV agreement with FCA Italy S.p.A., a 100% subsidiary of Stellantis, expired upon the reorganisation.

Rating Above Sovereign: CA Auto Bank's ratings are not constrained at the level of Italy's sovereign IDR (BBB/Stable), because CA Auto Bank has negligible direct exposure to Italian sovereign risk. Fitch also believes that CA Auto 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 about 9% of total non-equity funding at end-2022. Fitch is therefore unlikely to widen the notching difference between CA Auto Bank's and Italy's IDRs to above two notches, capping CA Auto Bank's Long-Term IDR at 'A-'.

Post-Stellantis Strategic Challenge: CA Auto Bank's standalone profile will be under pressure after the corporate reorganisation, due to a weaker franchise and to execution risks in the new strategy outside Stellantis. After 1Q23, Fitch expects that CA Auto Bank's business and balance sheet will shrink to about a third of its previous size over a three-year period. White-label agreements with new car manufacturers and larger dealer-financing volumes are feasible, but execution is key and volumes will remain limited in the short term.

CA Auto Bank's 'F1' Short-Term IDR is at the same level as CA's Short-Term IDR and was not on RWP, unlike the other ratings.

RATING SENSITIVITIES

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

A downgrade of CA's and CACF's IDRs would result in a downgrade of CA Auto Bank's IDRs, reflecting a weakening of the parents' ability to support a wholly-owned subsidiary.

CA Auto Bank's ratings are sensitive to adverse changes in Fitch's assumptions about CA's propensity to support the company. CA Auto Bank's attractiveness to CA is sensitive to the execution of its new strategy outside Stellantis as well as to

unfavourable changes in both CA's strategy and in the automotive sector, if they result in a materially negative impact on CA Auto Bank's profitability and growth prospects.

Fitch would likely keep the two-notch difference between CA Auto Bank's and Italy's Long-Term IDRs and thus would mirror any negative action on Italy on CA Auto Bank's Long-Term IDR.

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

Upgrade potential is limited in the medium term, as indicated by the Stable Outlook, and would require an upgrade of Italy's Long-Term IDR, while the Italian operating environment remains stable and CA Auto Bank's exposure to Italian sovereign risk remains limited.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

Debt Ratings in Line with IDR: The senior unsecured debt instruments issued out of CA Auto Bank S.p.A. Irish Branch and CA Auto Finance Suisse SA (the latter formerly known as FCA Capital Suisse SA) are rated 'A-', in line with CA Auto Bank's Long-Term IDR. The senior unsecured notes issued by CA Auto Bank's Irish Branch rank pari passu with CA Auto Bank's senior unsecured obligation. CA Auto Finance Suisse SA's senior unsecured notes are unconditionally and irrevocably guaranteed by CA Auto Bank, and rank pari passu with the guarantor's senior unsecured obligations.

The senior unsecured debt ratings are aligned with CA Auto Bank's Long-Term IDR and do not benefit from an uplift above it, 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.

The Short-Term senior unsecured debt rating of CA Auto Bank's Irish branch is 'F1', the same level as CA Auto Bank's Short-Term IDR and was not on RWP.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

A downgrade or upgrade of CA Auto Bank's IDRs would be mirrored in a downgrade or upgrade of the company's debt ratings.

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

CA Auto Bank's ratings 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 FI parents. This reflects our opinion that many of the ESG elements at the parent level are credit relevant for the subsidiary.

Therefore, CA Auto Bank's scores are mostly aligned with those of CA. CA Auto 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 CA Auto 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 ⚡

CA Auto Finance Suisse
SA

senior unsecured	LT	A-	Upgrade	BBB+ Rating Watch Positive
CA Auto Bank	LT IDR	A- Rating Outlook Stable		BBB+ Rating Watch Positive
	Upgrade			
	ST IDR	F1	Affirmed	F1
	Shareholder Support	a-	Upgrade	bbb+ Rating Watch Positive
CA Auto Bank S.p.A. Irish Branch				
senior unsecured	LT	A-	Upgrade	BBB+ Rating Watch Positive
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 \(pub. 07 Sep 2022\) \(including rating assumption sensitivity\)](#)

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ENDORSEMENT STATUS

CA Auto Bank

EU Issued, UK Endorsed

CA Auto Bank S.p.A. Irish Branch

EU Issued, UK Endorsed

CA Auto Finance Suisse SA

EU Issued, UK Endorsed

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