



Rating Action: Moody's affirms the deposit and issuer ratings of CA Auto Bank S.p.A., with negative outlook

14 Jun 2023

Baseline Credit Assessment downgraded to ba2 from ba1

Paris, June 14, 2023 – Moody's Investors Service ("Moody's") today affirmed the Baa1 long-term issuer rating, the Baa1 long-term deposit ratings, the Baa1 long-term Counterparty Risk Ratings, the Baa2(cr) long-term Counterparty Risk Assessment, the P-2 short-term deposit and Counterparty Risk Ratings, the P-2(cr) short-term Counterparty Risk Assessment, and the baa3 Adjusted Baseline Credit Assessment (BCA) of CA Auto Bank S.p.A. (CA Auto Bank). Moody's also downgraded the bank's standalone BCA to ba2 from ba1. The outlook on CA Auto Bank's long-term deposit and issuer ratings remains negative.

The rating action follows the acquisition in April 2023 by Credit Agricole S.A. (CASA, Aa3 stable, baa2) through its subsidiary Credit Agricole Consumer Finance S.A. of the 50% stake in the bank previously owned by Stellantis N.V. (formerly Fiat Chrysler Automobiles N.V. (FCA)). Following this acquisition, Credit Agricole Consumer Finance S.A. became the 100% shareholder of CA Auto Bank (formerly FCA Bank S.p.A.).

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

RATINGS RATIONALE

Moody's downgraded CA Auto Bank's BCA to ba2 from ba1 because of the bank's materially lower level of capitalisation following its full acquisition by CASA. Before the acquisition, in December 2022, CA Auto Bank distributed an extraordinary dividend of €1.2 billion, driving the bank's Common Equity Tier 1 (CET1) ratio down to 13.9% at end-2022, from 18.4% one year earlier. Furthermore, Moody's does not expect the bank's capitalization to materially strengthen in the foreseeable future.

The downgrade of the BCA also reflects Moody's expectation that CA Auto Bank will face challenges in redefining its business model. Unlike FCA Bank S.p.A., which was a "captive" of the carmaker as evidenced by the sheer size of outstanding loans related to FCA brands (60% of the loan book), CA Auto Bank will aim to grow and expand its existing partnership business across Europe, but its franchise will be restricted to the financing of other auto and moto manufacturers which already rely on the bank for their customers' financing needs. Further CA Auto Bank will strive to develop new partnerships and synergies with its parent. CA Auto Bank's outstanding loans decreased by €5.5 billion to around €24 billion following the sale of rental company Leasys S.p.A. in December 2022, as part of the acquisition agreement. As a result of a narrower business model, at least in the short term, CA Auto Bank's franchise is somehow weaker, with potentially less predictable revenue streams and less seasoned client base, which could result in lower profitability and asset quality.

Moody's affirmed the Adjusted BCA of baa3 despite the one-notch downgrade of the BCA, because of the higher probability of affiliate support from CASA, which now owns 100% of CA Auto Bank through its subsidiary Credit Agricole Consumer Finance S.A. The higher probability of support drives a two-notch uplift from CA Auto Bank's BCA of ba2, from one notch of uplift previously. In Moody's view, CA Auto Bank is a strategic subsidiary for CASA's European consumer finance business, which is signaled as key area for development in the group's 2025 medium-term plan.

OUTLOOK

The outlook on CAAuto Bank's long-term issuer and deposit ratings is negative. This reflects both the negative outlook on the Italian government's Baa3 rating, and the challenges that Moody's expects CAAuto Bank to face in redefining its business model and franchise.

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

An upgrade of CAAuto Bank's ratings is unlikely given the negative outlook. Besides, the deposit and issuer ratings already exceed Italy's sovereign rating by two notches and are constrained at that level under our Banks Methodology

A downgrade of CAAuto Bank's BCA could lead to a downgrade of the bank's issuer rating. Moody's could downgrade the BCA in case of a material deterioration in the bank's asset quality, profitability and capital. Lower parental support from CASA could also trigger a downgrade of the Adjusted BCA and of the ratings. The issuer rating could also be downgraded following a material decrease in the stock of the bank's bail-in able debt relative to its total banking assets.

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

LIST OF AFFECTED RATINGS

Issuer: CAAuto Bank S.p.A.

..Downgrades:

....Baseline Credit Assessment , Downgraded to ba2 from ba1

..Outlook Actions:

....Outlook, Remains Negative

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed Baa1

....LT Counterparty Risk Rating (Local Currency) , Affirmed Baa1

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-2

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-2

....LT Bank Deposits (Foreign Currency) , Affirmed Baa1 NEG

....LT Bank Deposits (Local Currency) , Affirmed Baa1 NEG

....ST Bank Deposits (Foreign Currency) , Affirmed P-2

....ST Bank Deposits (Local Currency) , Affirmed P-2

....LT Counterparty Risk Assessment , Affirmed Baa2(cr)

....ST Counterparty Risk Assessment , Affirmed P-2(cr)

....LT Issuer Rating (Foreign Currency) , Affirmed Baa1 NEG

....Adjusted Baseline Credit Assessment , Affirmed baa3

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

..Outlook Actions:

....Outlook, Remains Negative

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed Baa1

....LT Counterparty Risk Rating (Local Currency) , Affirmed Baa1

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-2

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-2

....LT Counterparty Risk Assessment , Affirmed Baa2(cr)

....ST Counterparty Risk Assessment , Affirmed P-2(cr)

....Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed Baa1 NEG

....Senior Unsecured Medium-Term Note Program (Local Currency) , Affirmed (P)Baa1

....Commercial Paper (Foreign Currency) , Affirmed P-2

....Commercial Paper (Local Currency) , Affirmed P-2

Issuer: CAAuto Finance Suisse SA

..Outlook Actions:

....Outlook, Remains Negative

..Affirmations:

....Backed Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed Baa1 NEG

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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