

RATING ACTION COMMENTARY

Fitch Revises CA Auto Bank's Outlook to Positive; Affirms IDR at 'A-'

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Fitch Ratings - Milan - 09 Jul 2024: Fitch Ratings has revised CA Auto Bank S.p.A.'s Outlook to Positive from Stable, while affirming its Long-Term Issuer Default Rating (IDR) at 'A-'. Fitch has also affirmed its Shareholder Support Rating (SSR) at 'a-' and Viability Rating (VR) at 'bb+'. A full list of rating actions is detailed below.

The Positive Outlook reflects the potential for the SSR to be upgraded to three notches above Italy's 'BBB' Long-Term IDR versus the current two. As CA Auto Bank continues to grow business volumes outside of Italy, it will become less exposed to the risks of restrictions being imposed in the event of a distress of the Italian sovereign. Once CA Auto Bank's international diversification becomes more prevalent and its non-Italian exposure approaches two thirds of its total loans, the bank will gradually transform into the group's pan-European car financing platform and its role in the group will strengthen.

We will then expect the propensity of Credit Agricole Personal Finance and Mobility (CAPFM; A+/Stable) and, ultimately, Credit Agricole (CA; A+/Stable), to support CA Auto Bank to become less constrained by Italian country risks.

KEY RATING DRIVERS

Support Drives Ratings: CA Auto Bank's IDRs are driven by support from CAPFM and CA. The SSR is notched off twice from CAPFM's and CA's Long-Term IDRs, mainly reflecting that CA Auto Bank still predominantly operates in Italy, which might constrain the group's ability and commitment to provide support in a sovereign distress. The SSR is underpinned by CA Auto Bank's focus on strategically important markets for the group, moderate contribution to the group's consumer finance business, full group ownership and common brand.

Rating Above Sovereign: CA Auto Bank's Long-Term IDR is two notches above Italy's sovereign IDR (BBB/Stable), because we believe that CAPFM's and CA's commitment to

CA Auto Bank is likely to survive an Italian sovereign default. This reflects CA Auto Bank's role in the group, close integration with the parent, its inclusion in the group's resolution perimeter and reputational risk for the group from a subsidiary default.

CA Auto Bank has negligible direct exposure to Italian sovereign risk. Fitch also believes that it is less exposed than universal deposit-taking banks to the risk of restrictions being imposed on its ability to service its obligations. As CA Auto Bank's international diversification increases, resulting in more robust parent's support, Fitch may widen the difference between CA Auto Bank's and Italy's IDRs to three notches - the maximum difference allowed by our criteria.

Post-Stellantis Strategy Adjustment: CA Auto Bank is now focusing on financing and mobility solutions across the European market. The bank has outperformed its preliminary forecasts by originating ample business to offset the discontinuation of its arrangement with Stellantis N.V. (BBB+/Positive). The bank is engaging in white-label contracts with additional automakers and expanding its dealer-financing operations. While positive for business generation and diversification, this strategy is still subject to execution risk due to the bank's recently-revamped and fairly untested business model.

Sufficient Capitalisation: CA Auto Bank's common equity Tier 1 (CET1) ratio strengthened to 15.8% at end-2023 from 13.9% at end-2022. We expect the bank's capitalisation to remain commensurate with the low credit risk of its mostly secured lending, and profits to be fully retained to support planned business growth.

Parent's Funding Gradually Reducing: CA Auto Bank's funding sources are sufficiently diversified, with access to various wholesale funding instruments and investor bases. CA Auto Bank will adjust its funding plans to its decreasing needs, but we do not expect a reduction in funding availability. CA's propensity to provide funding remains high. This is despite CA's strategy to increase the autonomy of its subsidiaries' funding profiles.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The Outlook could be revised to Stable if CA Auto Bank fails to achieve greater international diversification, significantly increases its share of customer deposits or takes on material exposure to Italian sovereign risk.

A downgrade of CA's and CAPFM's IDRs would result in a downgrade of CA Auto Bank's IDR and SSR, reflecting a weakening of the parents' ability to support the 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 and to unfavourable changes in both CA's strategy and in the automotive sector, should these compromise CA Auto Bank's profitability and growth prospects.

Fitch currently caps CA Auto Bank's IDR at two notches above Italy's Long-Term IDR. It would therefore mirror any negative action on Italy's current sovereign rating on CA Auto Bank's Long-Term IDR and SSR.

CA Auto Bank's VR could be downgraded if the bank fails to deliver its stated business plan or if its financial profile deteriorates materially.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The Positive Outlook reflects a probable upgrade if CA Auto Bank continues to execute on its post-Stellantis strategy and increases business outside of Italy to about two thirds of its total loans. We expect CA Auto Bank to achieve this threshold in the next two years, based on current business originations.

An upgrade could also follow an upgrade of Italy's Long-Term IDRs, provided the Italian operating environment remains stable and CA Auto Bank's exposure to Italian sovereign risk remains limited.

An upgrade of CA Auto Bank's VR would require a successful execution of the business plan, leading to a stronger franchise and new business originations, while maintaining its adequate financial profile.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Debt Ratings Same as IDR

The senior unsecured debt instruments issued out of CA Auto Bank S.p.A. Irish Branch and CA Auto Finance 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 equally 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 equally with the guarantor's senior unsecured obligations.

The senior unsecured debt ratings do not benefit from an uplift above the IDR, 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.p.A Irish Branch is 'F1', the same level as CA Auto Bank's Short-Term IDR.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

Changes to CA Auto Bank's IDRs would be reflected in the company's debt ratings.

VR ADJUSTMENTS

The VR of 'bb+' is below the 'bbb-' implied VR due to the following adjustment reason: business profile (negative).

The operating environment score of 'bbb' is below the 'a' implied category score due to the following adjustment reason: sovereign rating (negative).

The business profile score of 'bb' is below the 'bbb' implied category score due to the following adjustment reason: historical and future developments (negative).

The capitalisation and leverage score of 'bb+' is below the 'bbb' implied category score due to the following adjustment reason: historical and future metrics (negative).

The funding and liquidity score of 'bbb' is above the 'b & below' implied category score due to the following adjustment reason: liquidity access and ordinary support (positive).

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

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS



ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
CA Auto Finance Suisse SA				
senior unsecured	LT	A-	Affirmed	A-
CA Auto Bank S.p.A.	LT IDR	A- Rating Outlook Positive		A- Rating Outlook Stable
	Affirmed			
	ST IDR	F1	Affirmed	F1
	Viability	bb+	Affirmed	bb+
	Shareholder Support	a-	Affirmed	a-
CA Auto Bank S.p.A. Irish Branch				
senior unsecured	LT	A-	Affirmed	A-
senior unsecured	ST	F1	Affirmed	F1

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Non-Bank Financial Institutions Rating Criteria \(pub. 17 Jan 2024\) \(including rating assumption sensitivity\)](#)

[Bank Rating Criteria \(pub. 15 Mar 2024\) \(including rating assumption sensitivity\)](#)

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CA Auto Bank S.p.A.	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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