

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms the issuer rating of CA Auto Bank S.p.A. at Baa1, outlook changed to stable from negative

07 Nov 2024

Baseline Credit Assessment affirmed at ba2

Paris, November 07, 2024 -- Moody's Ratings (Moody's) has today affirmed CA Auto Bank S.p.A.'s (CA Auto Bank) long-term issuer and deposit ratings at Baa1. The outlook on CA Auto Bank's long-term issuer rating has been changed to stable from negative, while the outlook on the long-term deposit ratings remains stable.

At the same time, we have affirmed the bank's long-term Counterparty Risk Ratings (CRRs) at Baa1, its long-term Counterparty Risk (CR) Assessment at Baa2(cr), the Baseline Credit Assessment (BCA) at ba2 and the Adjusted BCA at baa3. All of the bank's short-term ratings and assessments were affirmed as part of today's rating action.

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

RATINGS RATIONALE

--AFFIRMATION OF THE BASELINE CREDIT ASSESMENT AND ADJUSTED BCA

The affirmation of CA Auto Bank's ba2 BCA reflects the bank's achievements in rebuilding its pan-European franchise in the vehicle financing, leasing and in the mobility sector in Europe, after its full acquisition by Credit Agricole S.A. (CASA, Aa3/Aa3 negative, baa2) and the dissolution of the joint venture with Stellantis N.V. (Stellantis) in April 2023, which led lending to Stellantis brands to go in run-off. CA Auto Bank effectively expanded its business towards other brands and business activities keeping broadly stable total assets, while outstanding lending to Stellantis brands decreased to 20% of the bank's total loans as of end-June 2024 from 67% as of year-end 2022.

The affirmation of the BCA also reflects the bank's good although moderately

deteriorating asset quality with reported problem loans accounting for 2.5% of gross loans as of end-June 2024 from 2% at year-end 2023, primarily driven by the muted economic growth environment and an increase in the portfolio of used vehicles lending.

In affirming the bank's BCA we have also considered the potential impact from the investigation by the UK Financial Conduct Authority (FCA) against several auto finance lenders following an increase in the number of complaints from customers claiming compensation due to historical use of discretionary commission arrangements. The magnitude of the potential cost for CA Auto Bank is still uncertain but we expect the bank will be able to absorb it, given its comfortable capital levels with a reported Common Equity Tier 1 (CET1) ratio of 14.9% as of end-June 2024 against a regulatory minimum CET1 requirement of 7.69%.

The affirmation of the baa3 Adjusted BCA reflects our unchanged view of a high probability of support that we expect would be provided by the ultimate parent CASA through its subsidiary Credit Agricole Personal Finance & Mobility (CAPFM), as we consider CA Auto Bank to be a strategic subsidiary for CASA's European consumer finance business. This assumption drives a two-notch uplift from the bank's ba2 BCA to an Adjusted BCA of baa3.

--AFFIRMATION OF THE DEPOSIT AND ISSUER RATINGS

The affirmation of CA Auto Bank's Baa1 long-term deposits and issuer ratings reflects the outcome of our Advanced Loss Given Failure (LGF) analysis, which results in extremely low loss given failure translating in three notches of uplift from the Adjusted BCA of baa3 for both the deposit ratings and issuer ratings. The ratings however are constrained at Baa1, two notches above Italy's sovereign rating (Baa3 stable) according to our Banks Methodology.

The affirmation of CA Auto Bank's ratings also incorporates our unchanged assessment of a low probability of support from the Government of Italy, which results in no further uplift.

OUTLOOK

The outlook on the Baa1 long-term issuer rating was changed to stable from negative to reflect our view that the bank has achieved good results in rebuilding its franchise, as well as our expectation that it will be able to sustain its creditworthiness despite potential risks stemming from its UK operations.

The stable outlook on CA Auto Bank's long-term deposits and issuer ratings reflect the stable outlook on Italy's sovereign rating.

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

CA Auto Bank's issuer and deposit ratings are constrained at two notches above Italy's Baa3 sovereign rating, therefore they could be upgraded following an upgrade of Italy's rating.

The bank's BCA could be downgraded if its asset risk profile were to deteriorate significantly, which in turn would stress the profitability of the bank. The BCA could also be downgraded if the impact of the FCA investigation led to material capital erosion. Given, however, that CA Auto Bank's long-term deposit and issuer ratings are constrained at two notches above Italy's sovereign debt rating, a downgrade of the bank's BCA will have to be more than one-notch to affect these ratings.

CA Auto Bank's long-term deposit and issuer ratings could also be downgraded if the amount of its junior and subordinated debt were to reduce relative to the bank's total banking assets, increasing the loss given failure for bondholders and junior depositors. A downgrade of Italy's sovereign rating would also lead to a downgrade of CA Auto Bank's deposit and issuer ratings.

LIST OF AFFECTED RATINGS

Issuer: CA Auto Bank S.p.A.

..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 STA

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

.... 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, outlook changed to STA from NEG

.... Baseline Credit Assessment, Affirmed ba2

.... Adjusted Baseline Credit Assessment, Affirmed baa3

..Outlook Actions:

....Outlook, Changed To Stable From Stable(m)

Issuer: CA Auto Bank S.p.A., Irish Branch

..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 (Foreign Currency), Affirmed Baa1, outlook changed to STA from NEG

.... Senior Unsecured (Local Currency), Affirmed Baa1, outlook changed to STA from 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

..Outlook Actions:

....Outlook, Changed To Stable From Negative

Issuer: CA Auto Finance Suisse SA

..Affirmations:

.... Backed Senior Unsecured (Local Currency), Affirmed Baa1, outlook changed to STA from NEG

..Outlook Actions:

....Outlook, Changed To Stable From Negative

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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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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