FCA Bank SpA
Issuer Rating Report

SCOPE A POSITIVE

Scope's credit view (summary)

Our 'A' issuer rating reflects FCA Bank SpA (FCAB)'s solid standing as one of Europe's largest car finance providers. It operates in 17 European countries and Morocco, where it primarily serves the former FCA brands (now part of the Stellantis group).

However, FCAB has entered a period of significant change as its shareholders, Crédit Agricole and Stellantis, have announced the termination of their long-standing joint venture and the purchase by Crédit Agricole of Stellantis' stake. Following the completion of the transaction, FCAB will be a wholly owned subsidiary of Crédit Agricole Group. As a result, the issuer's perimeter is set to shrink significantly, at least initially.

We believe that the upcoming shift in FCAB's business model, from being a captive of the Stellantis group to an independent finance provider within Crédit Agricole Group, will afford the issuer greater strategic freedom. It could also be a powerful catalyst for a faster transition to a more environmentally friendly business given Crédit Agricole's focus on environmental, social and governance issues.

The ratings are supported by FCAB's strong earnings generation capacity and asset quality. Financial performance has proved resilient, with a double-digit return on equity driven by high cost efficiency and low cost of risk. The ratings also benefit from FCAB's comfortable headroom above its minimum capital requirements and well-diversified funding.

FCAB's ratings incorporate one notch of uplift on account of the relationship with its 'financial' shareholder, Crédit Agricole. The French group holds a 50% stake in the issuer and provides banking expertise and continuous financial support. We believe it has the ability and willingness to support FCAB in case of need.

FCAB's issuer rating is two notches above the rating of the Republic of Italy (BBB+/Stable). In accordance with the bank rating methodology, no mechanistic caps are applied based on the sovereign rating, although sovereign risk is considered for each issuer. In FCAB's case, the correlation between it and the sovereign is low due to FCAB's geographic diversification and lack of exposure to Italian sovereign bonds.

Outlook

Our Positive Outlook indicates that the risks to the current rating level are skewed to the upside. This reflects our view that FCAB's profile will be more closely aligned with that of Crédit Agricole once the announced transaction is completed. However, we still consider the current rating level appropriate as the deal is only expected to be completed in 2023.

What could move the credit rating up:

- Completing the announced transaction as planned (which we consider likely), resulting in greater integration of FCAB in the Crédit Agricole Group, could have positive rating implications, even with the likely decline in business perimeter and volumes.

What could move the credit rating down:

- Failing to complete the transaction and/or evidence of lower commitment from Crédit Agricole would increase strategic uncertainty surrounding the issuer's future and could lead to a credit rating downgrade.

Ratings & Outlook

Issuer rating	A
Outlook	Positive
Senior unsecured debt rating	A

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Issuer profile

Currently, FCAB is a 50:50 joint venture between FCA Italy (part of the Stellantis group, one of the largest carmakers in the world), and Crédit Agricole Consumer Finance, the consumer finance arm of Crédit Agricole Group. It was created in 2006, when it absorbed the activities of Fidis Retail Italia S.p.A., the FCA Group's former automotive retail financial company, as well as Fidis Serivizi Finanziari S.p.A.'s dealer financing business and rental business. Previously called FGA Capital, FCAB obtained its banking licence in Italy in January 2015.

Historically, FCAB's core activity has been to support the sale of cars and commercial vehicles manufactured by its industrial partners through its three operating segments:

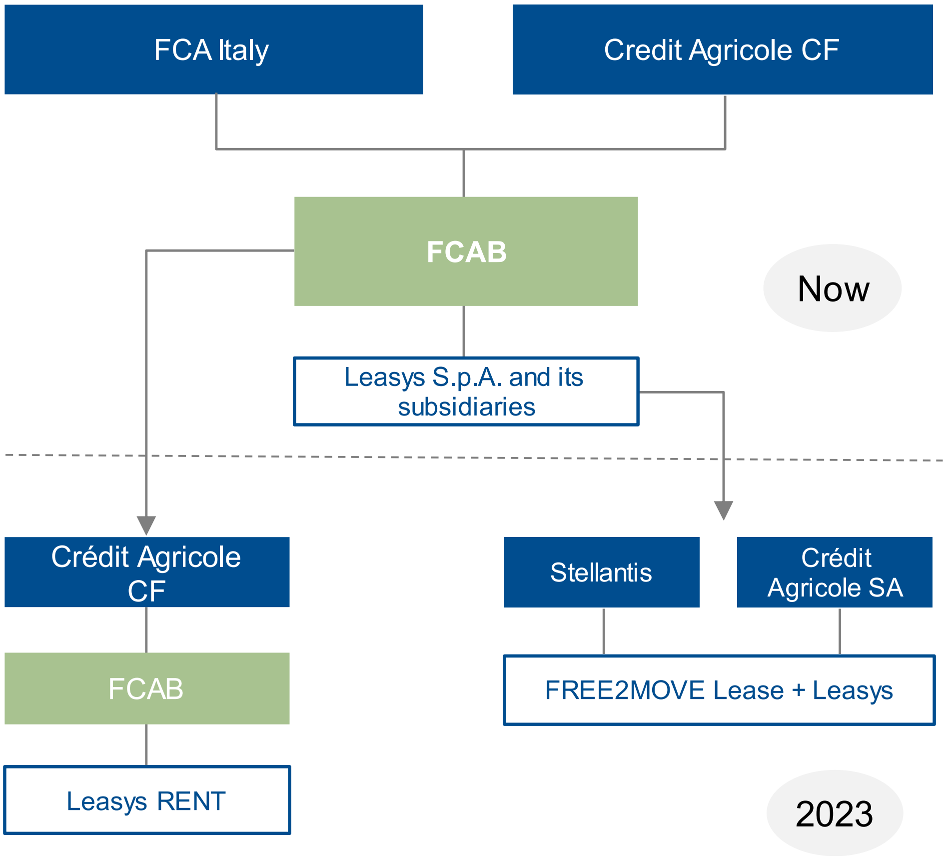
- Retail: loans and leasing to retail customers as well as the sale of insurance products. In recent years, the banking group has also started to offer more traditional banking services, such as internet-based deposits (in Italy and Germany) and credit cards (in Italy only), but the latter remain a marginal part of the business model.
- Wholesale financing: supporting the business of dealers with 'floorplan' and working capital financing (short-term borrowing), medium-term loans to back capital expenditures, and commercial lending.
- Rental: FCAB's non-banking arm is largely represented by Leasys SpA and its subsidiaries, which focus primarily on the rental and mobility business. Leasys is a firm with 20 years of experience in company vehicle management systems in Italy, including fleet management, leasing and rental.

From 2023, and subject to regulatory approvals, FCAB will become a wholly owned subsidiary of Credit Agricole Group specialising in car finance. At least initially, its business perimeter will be substantially reduced by the deconsolidation of Leasys.

Recent events

- On 17 December 2021, Crédit Agricole Consumer Finance (CACF) and Stellantis reviewed their joint venture and announced the following:
  - FCAB will be fully integrated in CACF. The French lender will also buy out Leasys Rent, currently fully owned by Leasys. Leasys Rent specialises in the short-term rental and mobility business. The two entities will operate under existing and future white label agreements.
  - Leasys will be transferred to a new 50:50 joint venture between Stellantis and CACF to create a pan-European leasing player.
  - The transaction should be completed in the first half of 2023, pending all regulatory authorisations.
- On 1 April 2022, CACF and Stellantis entered into binding agreements in line with the December announcements.

Figure 1: Agreed changes to FCAB's corporate structure



Source: Company data, Scope Ratings

Consistent business model as a specialised lender in Europe's growing car finance market

Major specialised player in car finance

FCAB is one of the largest specialised car finance providers in Europe. Its core activity is to support the sale of cars and commercial vehicles manufactured by its industrial partners. It specialises in three segments: retail car loans, dealer (wholesale) financing and mobility (rental).

The banking group offers loans, leasing and insurance to retail customers. At the same time, it supports the activity of dealers with 'floorplan' and working capital financing (short-term borrowing), medium-term loans to back capital expenditures, and commercial lending.

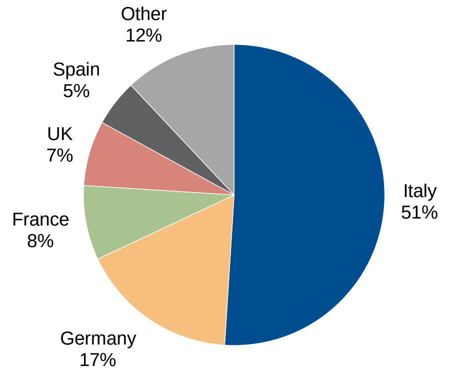
FCAB'S non-banking arm (primarily represented by Leasys SpA and its subsidiaries) focuses on the rental and mobility business. In 2023, Leasys will be spun off to another joint venture between CASA and Stellantis, except for its short-term rental and mobility business activities (Leasys Rent), which will be retained by FCAB.

In recent years, Leasys has experienced strong growth and expanded beyond its original Italian roots. To strengthen its short-term rental business activities, it made a few targeted acquisitions in France, Spain, the UK and Portugal.

The issuer's degree of geographic diversification is high, although Italy remains its largest market.

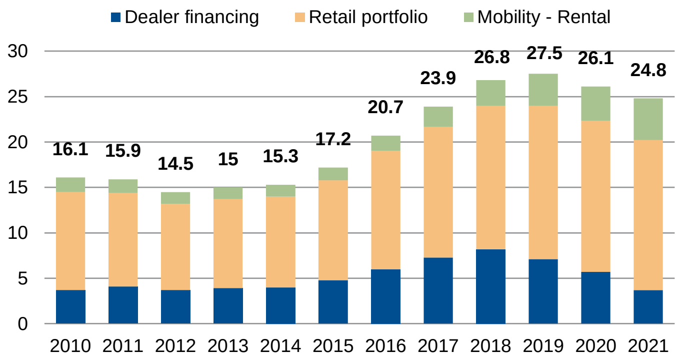
FCAB's outstanding loans increased considerably before the pandemic, from EUR 15bn in 2013 to EUR 27.5bn in December 2019. This was mainly thanks to new collaboration agreements but also to a higher market penetration rate.

Figure 2: FCAB's loan book by country (December 2021)



Source: Company data, Scope Ratings

Figure 3: Customer loan breakdown by type (EUR bn), historical



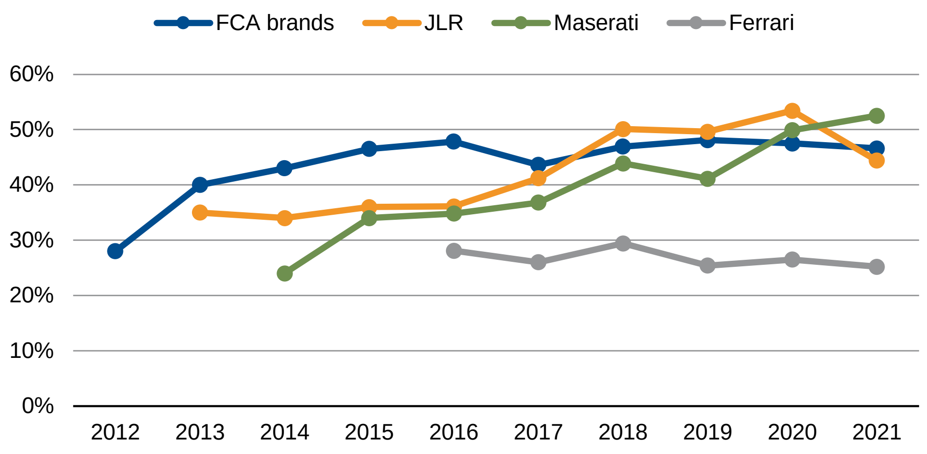
Source: Company data, Scope Ratings

Growing penetration rates drive volumes

With EUR 29.5bn in total assets as of YE 2021, FCAB is a top-15 bank in Italy and one of the largest specialised car finance providers in Europe. Its penetration rate (for FCA brands) stood at 46.3% in 2021, roughly in line with the previous year.

Besides FCA brands, which account for around 80% of the issuer's newly originated loans, the issuer has signed a number of partnerships with other automotive manufacturers, including Jaguar Land Rover (2008), Erwin Hymer (2015), Ferrari (2016), Aston Martin (2018), Groupe Pilote and Lotus (2019), among others. As at December 2021, FCAB had collaborations in place with 20 different automotive brands.

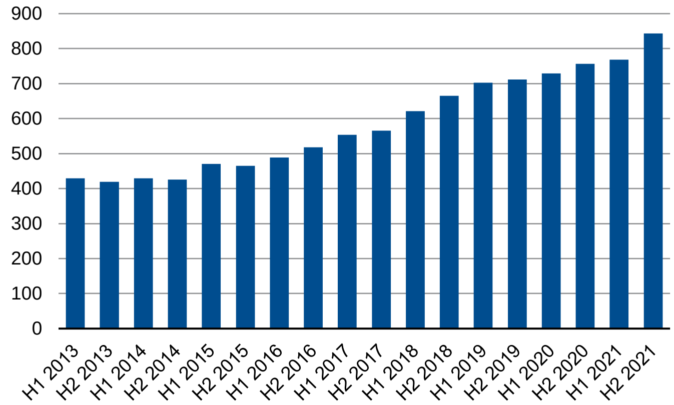
Figure 4: FCAB's market penetration for new car registrations, December 2021



Source: Company data, Scope Ratings

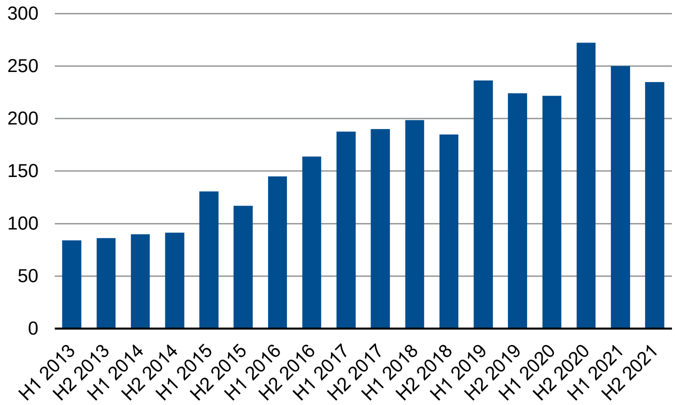
FCAB's business model has proved strong so far. Margins on car financing are relatively high and the cost of risk has been contained. Its strong track record of revenue and profit generation reflects this.

Figure 5: Half-year revenues, historical (EUR m)



Source: SNL, Scope Ratings

Figure 6: Half-year net profit, historical (EUR m)



Source: SNL, Scope Ratings

From 2023, FCAB will be fully integrated in Crédit Agricole and become the pan-European car lender for the French group. Hence, the issuer will no longer be the main financial partner for the former FCA (now Stellantis) brands, although it will still be able to serve them under white label agreements.

Looking forward, FCAB’s key challenge will be to gradually replace the Leasys and Stellantis brands’ business volumes and revenue with new business. We believe this process will be gradual and that the issuer is destined to operate at a smaller scale in the near term. Stellantis brands accounted for over three quarters of total financed volumes in 2021.

Management is working on a strategy that will centre around consolidating current white label agreements, pursuing new partnerships and expanding the mobility and rental business through Leasys Rent.

Box A: Operating environment for financial institutions in Italy

Economic assessment – key credit considerations

- Italy is the world's eighth largest economy and the EU's third largest economy after Germany and France. It is the second largest manufacturer in the EU and an exporter with a significant trade surplus that has increased over the past decade.
- Italy's economy is diverse, although one of its defining traits is the prevalence of small and micro enterprises, which are often family-owned. This is mirrored in banks' loan books, where SME loans often account for the lion's share of exposures.
- As of YE 2021, the country's real GDP per capita was in line with the EU average. However, wealth is concentrated in the north, while southern regions lag in many social and economic aspects, such as growth, employment, infrastructure development and education.
- Historically, the country has suffered from low GDP growth and growth potential, with unfavourable demographics and a need for investment and structural reforms.
- The ratio of public debt to GDP is the second highest in Europe. High indebtedness in the context of the European fiscal framework has constrained the government's ability to deploy countercyclical measures in past recessions.
- Italy is renowned for its chronic political instability (the country has had 67 government in 75 years). Political turmoil can weigh on investor confidence and influence the spread between 10-year Italian bond yields and the German equivalent.

Soundness of the banking sector – key credit considerations

- The Italian banking system is moderately fragmented, with a handful of banks competing at the national level alongside regional and cooperative banks. Branches are still the predominant distribution channel.
- Over the past 10 years, the historical balance of power between UniCredit and Intesa has shifted towards the latter, which has absorbed weaker competitors, while UniCredit has tended to shrink and refocus its business model. In 2020, Intesa acquired UBI, cementing its market leadership. We believe Intesa's ascendance raises the pressure not only on UniCredit but also on smaller banks.
- Consolidation is also ongoing among medium-sized former popolari banks, with BPER emerging as an active consolidator, while French group Credit Agricole has also been expanding its reach, taking over Creval and showing interest in further inorganic growth.
- The sector is characterised by low margins, high provisions (due to the Global Financial Crisis-related legacy of non-performing loans) and lacklustre profitability. Customer deposits are the main source of funding for the system, which has also benefited greatly from TLTRO programmes.
- Italy is part of the European Banking Union. The largest Italian banks are directly supervised by the ECB within the SSM framework.

Selected economic indicators	2019	2020	2021	2022F	2023F
GDP per capita (USD'000s)	33.2	31.3	34.8		
Real GDP, % change	0.3	-8.9	6.6	2.3	1.8
Unemployment rate, %	10.0	9.3	9.5	8.5	8.0
CPI, % change	0.6	-0.1	1.9		
Policy rate, %	-0.50	-0.50	-0.50	0.25	1.25
General government debt, % of GDP	134	156	151	148	146

Source: Scope Ratings' forecasts, SNL

Banking system indicators	2017	2018	2019	2020	2021
ROAA, %	0.57	0.44	0.41	0.10	0.35
ROAE, %	7.9	5.9	5.6	1.4	5.3
Net interest margin, %	1.3	1.4	1.4	1.3	1.1
CET1 ratio, %	13.7	13.2	14.2	15.5	15.3
Problem loans/gross customer loans, %	14.0	8.4	6.5	4.6	3.6
Loan-to-deposit ratio, %	114.4	120.2	120.2	113.9	104.5

Source: Scope Ratings, SNL

Long-term sustainability

We consider governance (G) and digital (D) transition to generally be the most relevant sustainability related credit factors for banks. Environmental (E) and social (S) factors are gaining momentum, with much more precise expectations for the E factor in relation to climate risk.

Long-term sustainability assessment limited by focus on car finance

The car finance business is inherently subject to climate transition risk. The car industry is undergoing profound change, partly as a result of the broader societal shift to lower impact products. The emergence and gradual adoption of new standards for low emission vehicles may shake existing market positions and pose challenges for carmakers.

FCAB's efforts to integrate sustainability into its activities centre on financing electric mobility infrastructure, shared mobility and favouring electric and hybrid vehicles in its businesses.

In 2021, FCAB's subsidiary Leasys issued a EUR 500m green bond. The bond proceeds will be used to fund fleets of electric and plug-in hybrid vehicles. Leasys accounts for most of FCAB's initiatives in electric and sustainable mobility.

FCAB's upcoming shift in business model from being a captive of the Stellantis group to an independent finance provider within Credit Agricole Group will afford FCAB a higher degree of strategic freedom. Given its ultimate parent's focus on ESG issues, this change could also be a powerful catalyst for a faster transition to a more environmentally friendly business model.

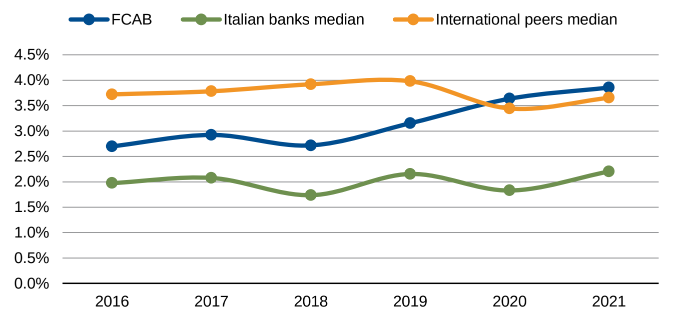
FCAB is a digital-aware player

FCAB sees digitalisation as a driver to enhance customer satisfaction and loyalty. Among the issuer's initiatives, we highlight the introduction in 2021 of an online platform that allows clients to go through most of the steps of the origination process remotely. This platform was first made available in Italy and is being extended to other countries in 2022. In April 2022, the issuer launched a 'buy now, pay later' platform, which offers new ways to pay for services and products.

Solid earnings generation provides protection against unforeseen losses

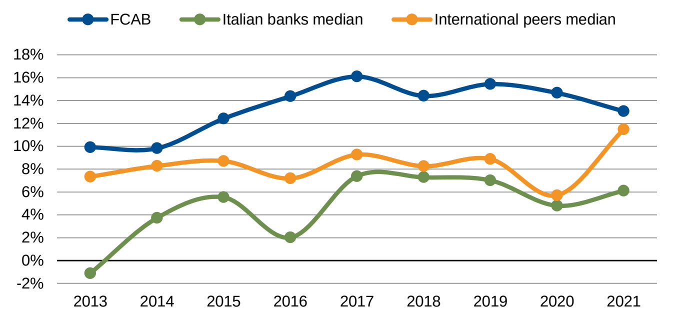
FCAB's financial fundamentals are very strong. It reported an average return on equity (ROE) of around 15% over the past five years. Its profitability compares very well with its Italian banking peers and is higher than that of most other European car finance companies.

Figure 7: Pre-provision profits/RWAs – FCAB vs European car finance peers and Italian banks



Source: SNL, Scope Ratings
Note: same peer groups used in section 3.1

Figure 8: ROE – FCAB vs European car finance peers and Italian banks

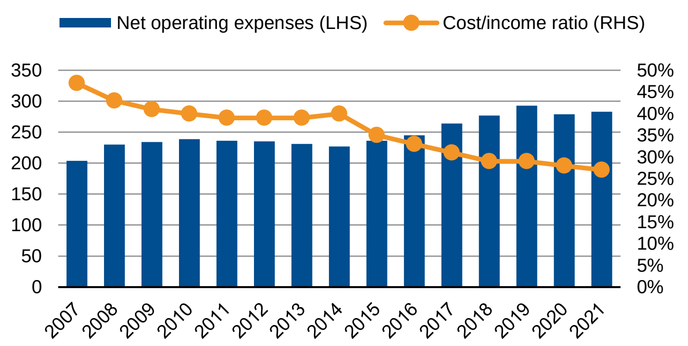


Source: SNL, Scope Ratings
Note: same peer groups used in section 3.1

During the past decade, high profitability was driven by fast growth in business volumes and revenues, which allowed FCAB to increase its operating leverage. As FCAB grew in size, its cost/income and cost/asset ratios both improved significantly. In addition, cost of risk has steadily declined since the heights of the global financial crisis and remained under control even during the Covid-19 crisis.

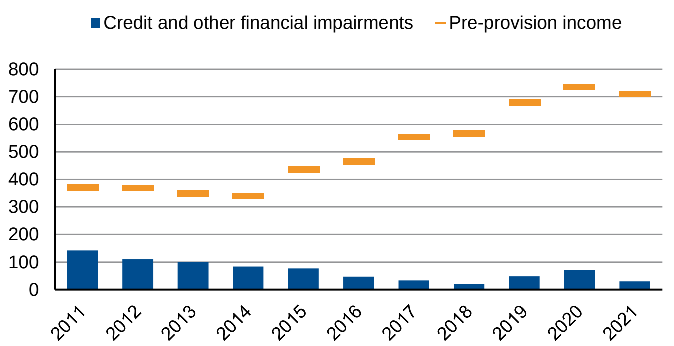
Credit losses have consistently been a fraction of pre-provision income. Based on 2021 figures, we estimate that the issuer could easily absorb a tenfold increase in credit losses and still report a positive bottom line.

Figure 9: Net operating expenses (EUR m) and cost/income



Source: Company data, Scope Ratings

Figure 10: FCAB's pre-provision income vs credit losses



Source: SNL, Scope Ratings

The growth in loan volumes stalled during the pandemic as car sales were impacted first by lockdowns and later by supply bottlenecks. The 10% decline in the loan book since 2019 has been driven mainly by the wholesale financing business line (down 48%). Nevertheless, the issuer's profitability remained high thanks to resilient revenues in the retail segment, the growth in the rental business and cost management.

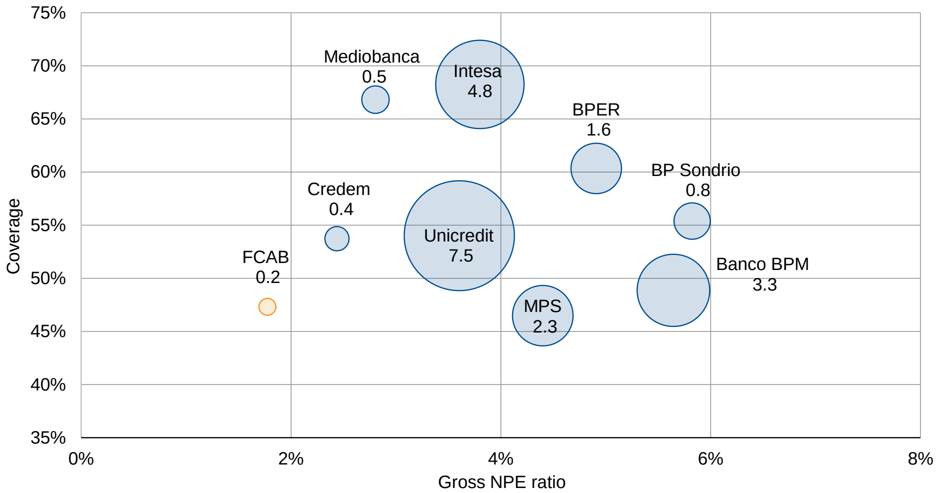
Sound asset quality metrics reflect high loan diversification and asset collateralisation

No credit impacts from the Covid-19 crisis

FCAB's asset quality is strong, particularly compared to Italian commercial banks, some of which are still dealing with the long tail of the global financial crisis. As of December 2021, the issuer's gross non-performing exposure (NPE) ratio stood at 1.8%, about 60 bps higher YoY due to the introduction of a new definition of default. NPE coverage was at 47%.

In our view, the low level of non-performing loans is the result of a well-diversified loan book, which includes exposures to several European countries and has helped smooth out the impact of the weak business cycle in Italy. The predominance of retail collateralised loans in the issuer's mix also plays an important role here.

Figure 11: YE 2021 gross NPE ratio and coverage: FCAB vs selected commercial Italian banks



Source: Company data, Scope Ratings
Note: Bubbles represent net non-performing loans (EUR bn)

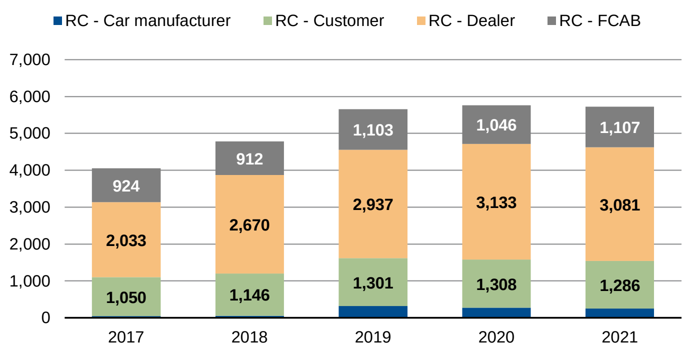
Exposed to residual value risk in parts of its asset portfolio

Residual value risk arises from the economic ownership of the residual value of financed assets (vehicles) and includes the potential losses that arise in the case of adverse movements in the estimated value of used vehicles relative to the contractual residual value at the end of the contract. Realised losses arise if the resale value of used vehicles is lower than the contractual residual value.

FCAB's residual value risk relates to retail, leasing and rental contracts, which either allow or require customers to return the vehicle at the end of the financial agreement.

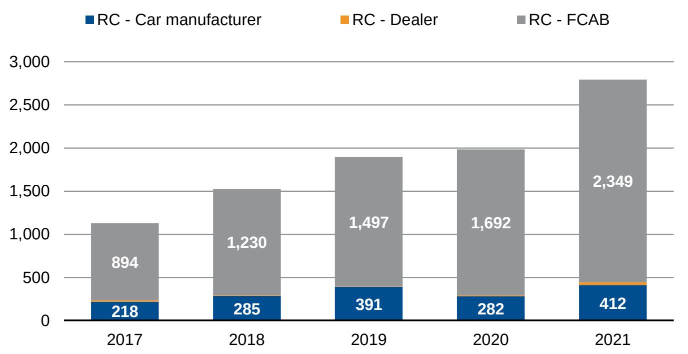
In the retail portfolio, this risk is primarily mitigated by repurchase commitments made by dealers. Direct residual risk, which is not covered by buyback agreements and is directly borne by FCAB (primarily in the UK), stands at around EUR 1.1bn and is further mitigated by dedicated provisions. FCAB's provision for residual value risk in the retail portfolio is 2.9% of the residual risk it assumes.

Figure 12: FCAB – residual value – retail portfolio, split by repurchase commitment (EUR m)



Source: Company data, Scope Ratings
Note: RC stands for 'repurchase commitment'

Figure 13: FCAB – residual value – rental portfolio, split by repurchase commitment (EUR m)



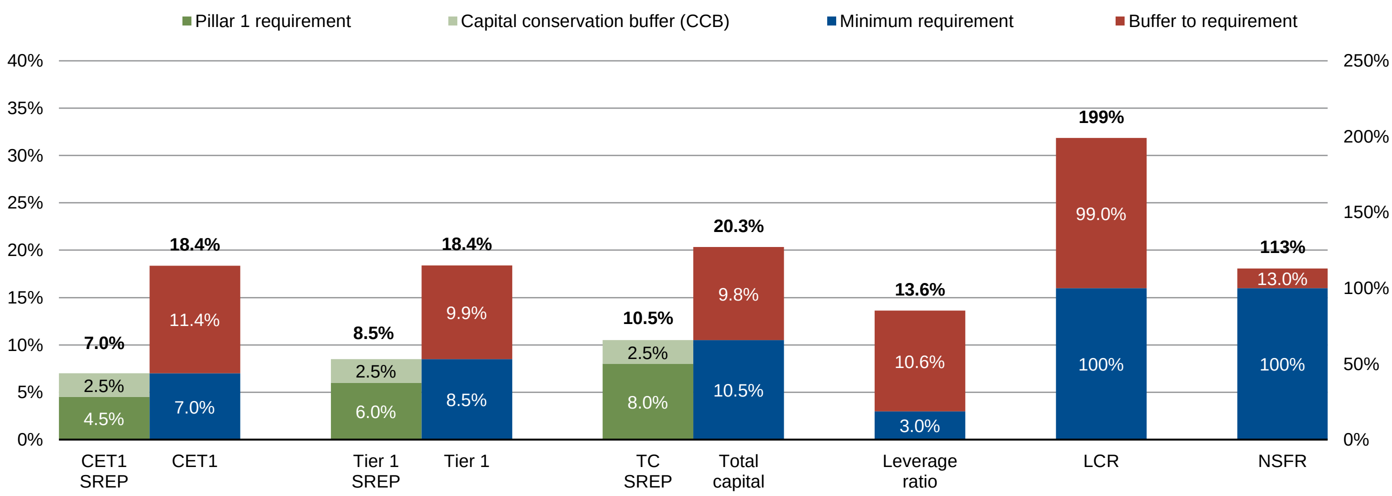
Source: Company data, Scope Ratings
Note: Note: RC stands for 'repurchase commitment'

In the long-term rental portfolio, residual value is concentrated in Italy (EUR 1.6bn as of YE 2021 vs a total of EUR 2.3bn). Provisions for this portfolio stand at 0.8% of the residual value risk assumed by FCAB.

Provisions for residual value risk are intended to protect the issuer from gaps between the remarketing value and the accounting value of a vehicle (based on contractual terms). The key drivers of residual value risk are the market for used cars in Europe and the efficacy of FCAB's remarketing efforts. Since 2013, FCAB has reported positive results from remarketing.

Comfortable capital position against low requirements, with an adequately diversified funding structure

Figure 14: Overview of FCAB's buffers above minimum requirements as of YE 2021



Source: Company data, Scope Ratings

As of December 2021, FCAB had a transitional CET1 ratio of 18.4% and a total capital ratio of 20.3%. The issuer has no outstanding CRD4-compliant AT1 notes but it does have a EUR 330m CRD4-compliant Tier 2 (fully loaded) loan that was issued in 2017.

Supervised by ECB as part of Crédit Agricole Group

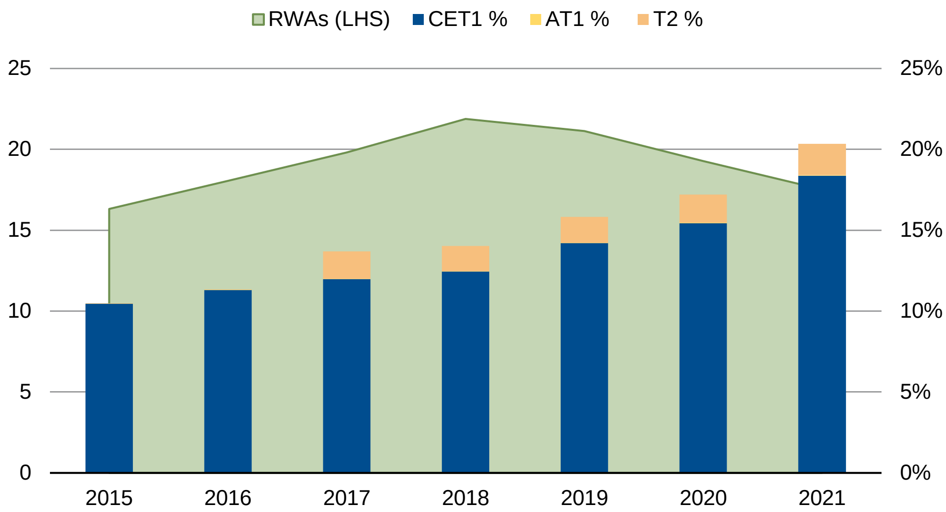
The issuer is expected to meet a CET1 ratio of 7% and a total capital ratio of 10.5%. It has no independent SREP process and no independent resolution strategy. For regulatory purposes, it is considered part of Crédit Agricole Group (single point of entry) and is therefore supervised by the ECB. For the above reasons, the ECB does not assign a Pillar 2 requirement to FCAB.

The issuer's capital position has strengthened over the years thanks to:

- Steady and increasing net income. Coupled with a contained payout ratio (below 30% for the past five years), this has led to strong growth in balance sheet equity.
- The issuance of a EUR 330m Tier 2 loan in 2017
- A decrease in risk-weighted assets (RWAs) during the last three years due to optimisation of the banking perimeter and a decline in outstanding customer loans

A fully loaded leverage ratio of 13.6% as of the end of 2021 is high compared to peers, reflecting the high average RWA intensity of FCAB's balance sheet.

Figure 15: FCAB's CET1 ratio vs RWAs (EUR bn), historical



Source: SNL, Scope Ratings

Historically, FCAB has funded itself via securitisations, interbank loans and loans from Crédit Agricole Group. In fact, as funding conditions deteriorated during the global financial crisis, funding from Crédit Agricole Group increased, peaking at EUR 8.4bn in 2009 (approximately 56% of total funding).

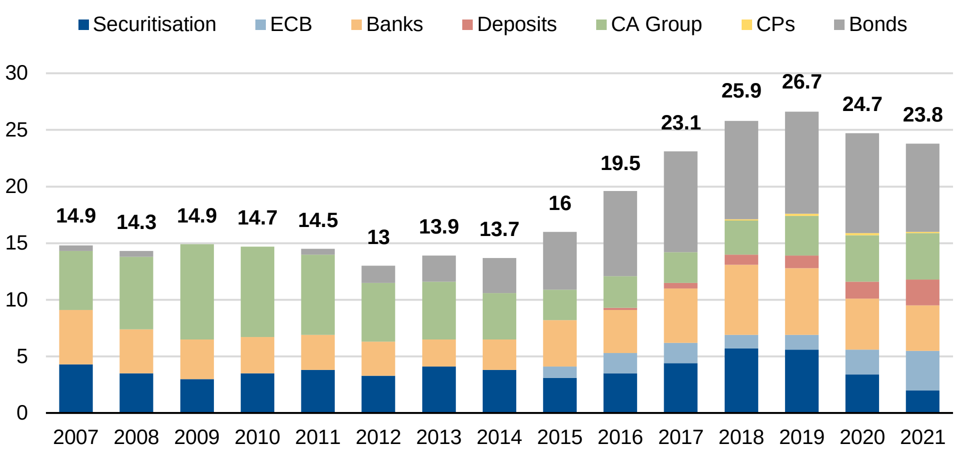
Since then, FCAB has materially diversified its funding sources through its EMTN programme and, more recently, via deposits and central bank funding, thus reducing its reliance on Crédit Agricole Group.

The main sources of funding as of December 2021 were:

- Senior bonds (EUR 7.8bn, 33% of total funding), issued under the EUR 12bn EMTN programme through FCAB's Irish branch. In 2021, the issuer reduced its issuance activity in light of lower lending volumes.
- Crédit Agricole Group (EUR 4.4bn, 18% of funding) remains an important provider of financial muscle to FCAB; since YE 2017, the utilization this credit line has almost doubled. We believe that Crédit Agricole Group would be likely to extend its funding if necessary. At the beginning of the pandemic, the outstanding credit line with Crédit Agricole Group increased to offset lower securitisation activity and lower interbank financing from other counterparties.

- Unsecured funding from banks other than Crédit Agricole Group (EUR 3.7bn, 15% of total funding)
- ECB TLTRO (EUR 3.5bn, 15% of total funding): in 2021, the issuer drew an additional EUR 1.3bn of TLTRO III.
- Securitisations of retail car loans and dealer loans (EUR 2bn, 8% of total funding) are largely used as a funding instrument, with the junior tranches retained and the senior tranches either directly placed with investors or used as repo collateral. The asset risk is normally retained, although in one past instance the junior tranches were sold, and asset risk was deconsolidated from a prudential standpoint (A-best 15 and A-best 17).
- Deposits collected with Conto Deposito, the issuer's online saving product (EUR 2.3bn, 9% of funding)
- The balance of FCAB's funding is composed of EUR 140m of Euro Commercial Paper issued under the EUR 750m programme.

Figure 16: FCAB's funding, 2007-21 (EUR m)



Source: SNL, Scope Ratings.

FCAB does not have its own MREL requirement because Crédit Agricole Group is the single point of entry in case of resolution.

Additional factors

No additional factors were considered.

External support: one notch of rating uplift on account of parent support

Greater integration in Crédit Agricole Group could lead to top-down approach to ratings

FCAB's ratings benefit from one notch of uplift on account of its relationship with its 'financial' shareholder, Crédit Agricole Group. The French group holds a 50% stake in the issuer and provides banking expertise and continuous financial support. We believe it has both the ability and willingness to support FCAB in case of need.

We note that FCAB's relationship with Crédit Agricole Group is long-standing, dating back to 2006. The latter has an established and growing business presence in Italy, which it considers its second domestic market, as confirmed by the recent acquisition of Credito Valtellinese and stake-building in Banco BPM.

We anticipate that the credit profile of FCA Bank will further improve upon successful execution of the announced transaction. This is on account of the higher degree of integration in Credit Agricole Group and despite the likely decline in business perimeter and volumes.

Crédit Agricole Group provides financial muscle through several of its subsidiaries. The size of Crédit Agricole Group's commitment to FCAB is unconditional, constant, available throughout the duration of the joint venture and calibrated to meet the needs of FCAB even in the most stressful of scenarios.

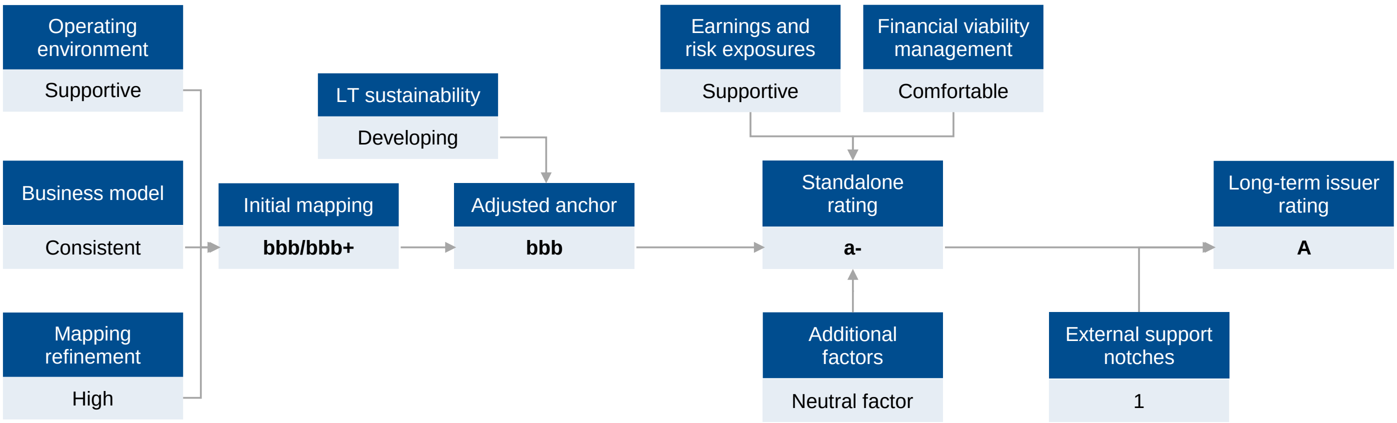
Crédit Agricole Group is a single point of entry resolution group. This limits the possibility of a bail-in for FCAB's senior creditors as senior creditors can only be bailed in in the context of resolution action.

Debt ratings

Senior unsecured debt: A

This debt category is the most senior unsecured rating category considering that it ranks above the senior non-preferred (bail-in-able) debt. In line with our updated financial institutions methodology, senior unsecured debt is rated at the same level as the issuer rating.

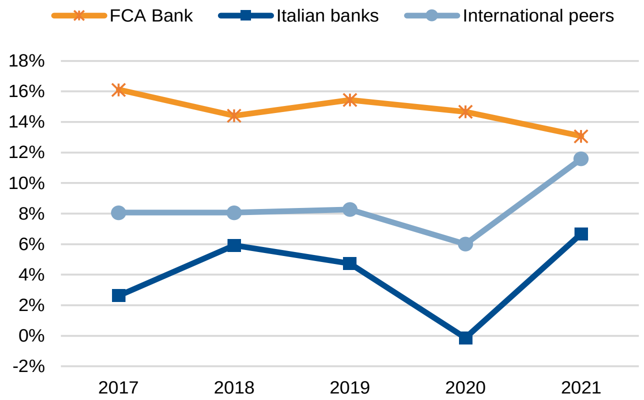
I. Appendix: Overview of the rating process



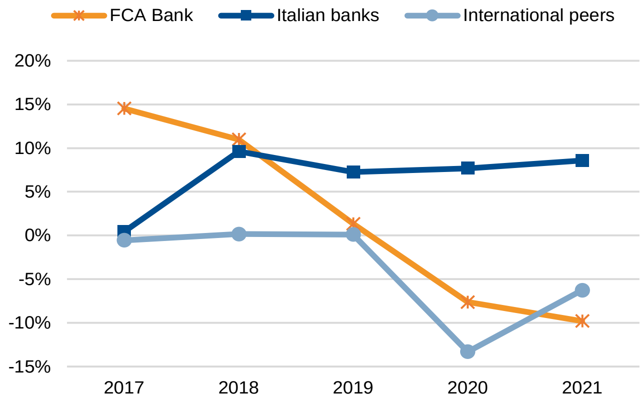
Step		Assessment	Summary rationale
STEP 1	Operating environment	Very supportive **Supportive** Moderately supportive Constraining Very constraining	• FCAB operates throughout Europe, with a focus on Italy and a material presence in other large European countries, including Germany, France, the UK and Spain. • Italy is part of the European Banking Union. FCAB operates under the Italian Banking Act and is supervised by the ECB as a 'significant' financial institution for prudential purposes, within the framework of Crédit Agricole Group.
	Business model	Very resilient Resilient **Consistent** Focused Narrow	• The scope of FCAB's business model is limited. A degree of international diversification enhances its diversification profile. • FCAB is one of the largest vehicle finance providers in Europe; it has a good level of market penetration (% of sales financed) and serves many brands inside and outside the Stellantis group. • The risk/return combination and track record of this business model is particularly strong compared to commercial banking and has achieved consistent growth in revenues and net earnings over the past years.
	Mapping refinement	**High** Low	• We place FCAB in the higher part of its peer group mapped in the BBB category.
	Initial mapping	**bbb/bbb+**	
	Long-term sustainability	Best in class Advanced **Developing** Lagging	• As a future independent finance provider within Credit Agricole Group, FCAB will have a higher degree of strategic freedom to pursue a more environmentally friendly business model. • The business model is not particularly vulnerable to digital transition. Management seems focused on delivering digital transformation primarily as a way to improve efficiency and customer loyalty.
	Adjusted anchor	**bbb**	
STEP 2	Earnings capacity & risk exposures	Very supportive **Supportive** Neutral Constraining Very constraining	• Sound earnings generation, driven by increasing operating leverage and low cost of risk. • Asset quality metrics are strong, especially compared to Italian commercial banks.
	Financial viability management	Ample **Comfortable** Adequate Limited Stretched At risk	• Comfortable capital position underpinned by consistent internal generation, low requirements and decreasing RWAs. The buffer to the leverage requirement is also comfortable. • Funding and liquidity positions are solid; the issuer is financially supported by Crédit Agricole Group (credit lines and Tier 2 loan), and it draws from the ECB's TLTRO III.
	Additional factors	Significant support factor Material support factor **Neutral** Material downside factor Significant downside factor	• Not applicable
	Standalone	**a-**	
STEP 3	External support	**Less integrated subsidiary**	We assign one notch of support to FCAB given its relationship with its 'financial' shareholder, Crédit Agricole Group. The French group holds a 50% stake in the issuer and provides banking expertise and continuous financial support. We believe it has both the ability and willingness to support FCAB in case of need.
Issuer rating		**A**	

II. Appendix: Peer comparison

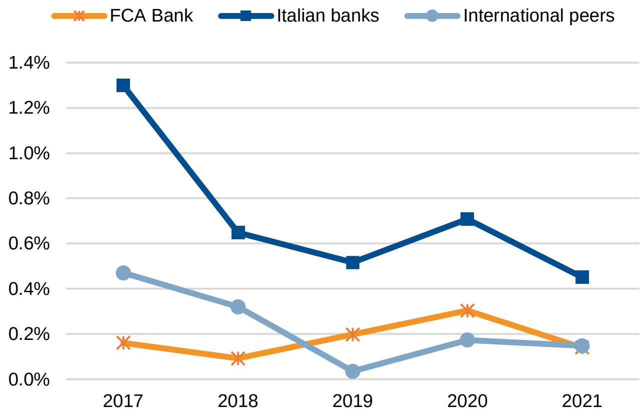
Return on average equity



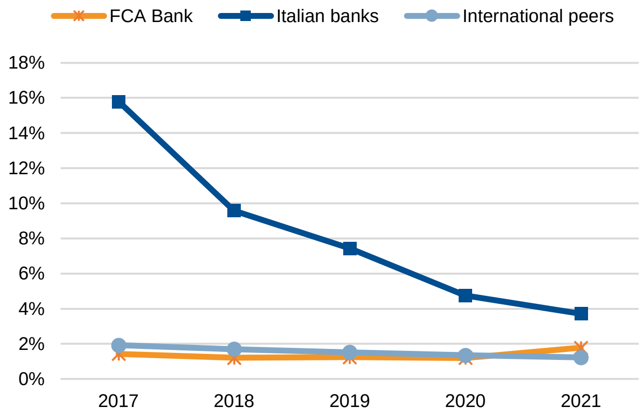
Net loan growth



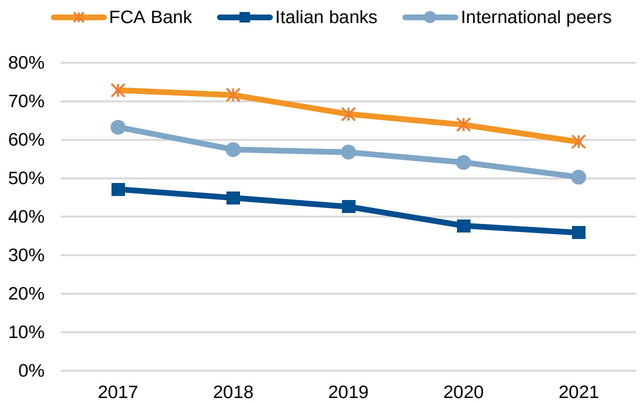
Cost of risk



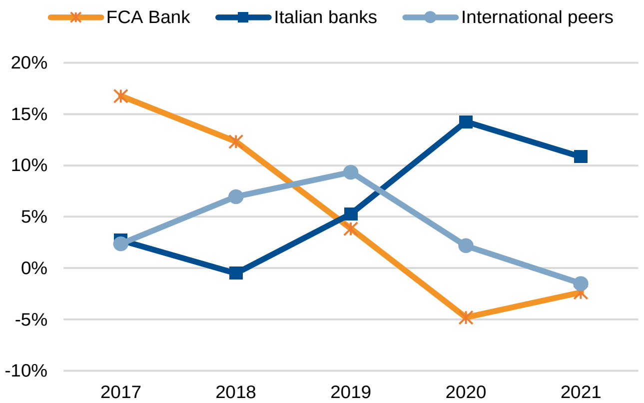
Problem loans/gross customer loans



Risk-weighted assets/assets



Asset growth



Source: SNL, Scope Ratings
Italian banks: UniCredit, Intesa Sanpaolo, Banco BPM, Banca MPS, BPER, Mediobanca, BP Sondrio, Credem
International peers: Banque PSA Finance, BMW Bank, Mercedes-Benz Bank, FCE Bank, RCI Banque, Santander Consumer Finance, Volkswagen FS

III. Appendix: Selected financial information – FCA Bank SpA

	2017	2018	2019	2020	2021
Balance sheet summary (EUR m)					
Assets					
Cash and interbank assets	2,098	2,519	2,583	2,538	3,076
Total securities	82	73	95	103	41
of which, derivatives	72	63	85	93	31
Net loans to customers	21,254	23,588	23,905	22,080	19,915
Other assets	3,753	4,356	5,123	5,457	6,427
Total assets	**27,187**	**30,536**	**31,706**	**30,177**	**29,459**
Liabilities					
Interbank liabilities	8,556	9,807	10,278	10,372	11,411
Senior debt	13,336	14,577	14,857	12,438	9,948
Derivatives	49	58	95	96	65
Deposits from customers	1,483	1,823	1,799	2,100	2,495
Subordinated debt	0	0	0	0	0
Other liabilities	1,250	1,394	1,506	1,517	1,639
Total liabilities	**24,675**	**27,659**	**28,535**	**26,523**	**25,557**
Ordinary equity	2,469	2,829	3,116	3,593	3,832
Equity hybrids	0	0	0	0	0
Minority interests	43	48	55	61	70
Total liabilities and equity	**27,187**	**30,536**	**31,706**	**30,177**	**29,459**
Core tier 1/ common equity tier 1 capital	*2,373*	*2,724*	*3,001*	*2,976*	*3,218*
Income statement summary (EUR m)					
Net interest income	589	661	693	655	638
Net fee & commission income	83	109	102	90	78
Net trading income	-4	0	-5	-5	-2
Other income	451	516	624	745	898
Operating income	**1,119**	**1,287**	**1,415**	**1,485**	**1,612**
Operating expenses	565	720	736	749	902
Pre-provision income	**554**	**566**	**679**	**736**	**710**
Credit and other financial impairments	33	21	47	71	30
Other impairments	0	-2	-7	2	-4
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	**521**	**548**	**638**	**663**	**685**
Income from discontinued operations	0	0	0	0	0
Income tax expense	139	159	171	162	191
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	5	5	7	7	9
Net profit attributable to parent	**378**	**383**	**460**	**494**	**485**

Source: SNL, Scope Ratings
*Data is presented according to SNL's reclassification template, with D&A included in expenses both for the leasing and the car rental business.

IV. Appendix: Selected financial information – FCA Bank SpA

	2017	2018	2019	2020	2021
Funding and liquidity					
Net loans/ deposits (%)	1433%	1294%	1329%	1052%	798%
Liquidity coverage ratio (%)	105%	230%	241%	243%	199%
Net stable funding ratio (%)	109%	110%	106%	116%	113%
Asset mix, quality and growth					
Net loans/ assets (%)	78.2%	77.2%	75.4%	73.2%	67.6%
Problem loans/ gross customer loans (%)	1.4%	1.2%	1.2%	1.2%	1.8%
Loan loss reserves/ problem loans (%)	86.8%	95.2%	90.5%	106.9%	76.6%
Net loan growth (%)	14.5%	11.0%	1.3%	-7.6%	-9.8%
Problem loans/ tangible equity & reserves (%)	12.1%	9.9%	9.4%	7.4%	9.3%
Asset growth (%)	16.8%	12.3%	3.8%	-4.8%	-2.4%
Earnings and profitability					
Net interest margin (%)	2.6%	2.7%	2.6%	2.6%	2.7%
Net interest income/ average RWAs (%)	3.1%	3.2%	3.2%	3.2%	3.5%
Net interest income/ operating income (%)	52.6%	51.4%	49.0%	44.1%	39.6%
Net fees & commissions/ operating income (%)	7.5%	8.5%	7.2%	6.1%	4.9%
Cost/ income ratio (%)	50.5%	56.0%	52.0%	50.5%	55.9%
Operating expenses/ average RWAs (%)	3.0%	3.5%	3.4%	3.7%	4.9%
Pre-impairment operating profit/ average RWAs (%)	2.9%	2.7%	3.2%	3.6%	3.9%
Impairment on financial assets / pre-impairment income (%)	5.9%	3.7%	7.0%	9.6%	4.2%
Loan loss provision/ average gross loans (%)	0.2%	0.1%	0.2%	0.3%	0.1%
Pre-tax profit/ average RWAs (%)	2.8%	2.6%	3.0%	3.3%	3.7%
Return on average assets (%)	1.5%	1.3%	1.5%	1.6%	1.7%
Return on average RWAs (%)	2.0%	1.9%	2.2%	2.5%	2.7%
Return on average equity (%)	16.1%	14.4%	15.4%	14.7%	13.1%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	NA	NA	NA	NA	NA
Common equity tier 1 ratio (%, transitional)	12.0%	12.5%	14.2%	15.4%	18.4%
Tier 1 capital ratio (%, transitional)	12.0%	12.5%	14.2%	15.5%	18.4%
Total capital ratio (%, transitional)	13.7%	14.0%	15.8%	17.2%	20.3%
Leverage ratio (%)	9.6%	10.2%	10.6%	12.0%	13.6%
Asset risk intensity (RWAs/ total assets, %)	72.9%	71.6%	66.7%	63.9%	59.5%
Market indicators					
Price/ book (x)	NA	NA	NA	NA	NA
Price/ tangible book (x)	NA	NA	NA	NA	NA
Dividend payout ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: SNL, Scope Ratings
*Data is presented according to SNL's reclassification template, with D&A included in expenses both for the leasing and the car rental business.

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