FitchRatings

RATING ACTION COMMENTARY

Fitch Upgrades Leasys' to 'A-'; Outlook Stable

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Fitch Ratings - Milan - 13 Jan 2023: Fitch Ratings has upgraded Leasys S.p.A.'s Long-Term Issuer Default Rating (IDR) and senior unsecured debt rating to 'A-' from 'BBB+', following its spin-off from FCA Bank S.p.A. (BBB+/RWP) on 21 December 2022. Fitch also upgraded Leasys' Shareholder Support Rating (SSR) to 'a-' from 'bbb+'. Fitch has therefore resolved the Rating Watch Positive (RWP) on Leasys' Long-Term IDR, senior unsecured debt rating and SSR. The Outlook on Leasys' Long-Term IDR is Stable.

KEY RATING DRIVERS

The rating actions reflect the completed spin-off of Leasys from FCA Bank to its own shareholders, CA Consumer Finance (CACF; A+/Stable) and Stellantis N.V. (BBB/Stable). FCA Bank transferred 100% of its shares in Leasys to a new French joint-venture (JV) vehicle, of which CACF and Stellantis each owns 50%.

Reduced Notching Differential: The upgrade of Leasys' Long-Term IDR, and the concomitant reduction of the differential between Leasys' and CACF's Long-Term IDRs to two from three notches, reflect Fitch's assessment that CACF, and ultimately Credit Agricole S.A. (CA; A+/Stable), can now support Leasys directly and independently from FCA Bank. Our view of support is based on Leasys' broad franchise and strong growth prospects in the car-finance segment, whose strategic importance for CA is increasing. Sound profitability and moderate credit risk underline Leasys' positive contribution to the parent's performance in recent years.

Reorganisation to Complete in 1H23: Fitch expects the remaining parts of the corporate reorganisation, including CA's acquisition of FCA Bank's 100% ownership and

Leasys' new funding agreement, to be completed during 1H23. CA provides ongoing support to Leasys, mostly through funding and liquidity, under FCA Bank's JV agreement, which explicitly includes Leasys and will remain in place until the whole corporate reorganisation is completed.

No Sovereign Constraint: Leasys' ratings are not constrained at the level of Italy's sovereign rating (BBB/Stable), because Leasys is not a regulated financial institution and also because it has no direct exposure to Italian sovereign risk.

Leasys' 'F1' Short-Term IDR is at the same level as CA's Short-Term IDR. Leasys' Short-Term IDR 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 Leasys' IDR, reflecting a weakening of the parents' ability to support a strategically important subsidiary.

Leasys' ratings are sensitive to adverse changes in Fitch's assumptions about CA's propensity to support the company. Leasys' attractiveness to CA could be sensitive to unfavourable changes in both CA's strategy and in the automotive sector, if this results in a materially negative impact on Leasys' profitability and growth prospects.

Leasys' ratings are also sensitive to an unfavourable change in the ownership structure, should CA or Stellantis decide to terminate their partnership.

A downgrade of Leasys' Long-Term IDR would be mirrored in a downgrade of the company's senior unsecured bond rating.

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.

Fitch would upgrade Leasys' Long-Term IDR if CA's and CACF's Long-Term IDRs are upgraded.

Any narrowing of the difference between Leasys', CA's and CACF's Long-Term IDRs would require more clarity on CA's ability to support Leasys' independently from Stellantis, following the completion of the whole corporate reorganisation in 1H23. It would also require evidence of a larger role of Leasys' within the CA group, including from a bigger fleet of above one million vehicles, as well as of improved prospects and financial performance, especially in new business origination and income contribution.

Leasys' ratings are also sensitive to a positive change in the ownership structure and the JV agreement. The notching difference between Leasys' and CACF's IDRs could narrow if CACF significantly increases its stake in Leasys to above the 50% it currently holds.

An upgrade of Leasys' Long-Term IDR would be mirrored in an upgrade of the company's senior unsecured bond rating.

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

The ratings of Leasys 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 financial institution parents. This reflects our opinion that many of the ESG elements at the parent level are credit-relevant for the subsidiary.

Therefore, Leasys' scores are mostly aligned with those of CA. Leasys differs from CA in 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 Leasys, 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
Leasys S.p.A.	LT IDR	A- Rating Outlook Stable	Upgrade	BBB+ Rating Watch Positive
	ST IDR	F1	Affirmed	F1
	Shareholder Support	a-	Upgrade	bbb+ Rating Watch Positive
senior unsecured	LT	A-	Upgrade	BBB+ Rating Watch Positive

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Non-Bank Financial Institutions Rating Criteria (pub. 31 Jan 2022) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Leasys S.p.A.	EU Issued, UK Endorsed

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Non-Bank Financial Institutions   Europe   Italy