

Rating Action: Moody's changes outlook on RCI's long-term debt and deposit ratings to stable from positive

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Baa1 long-term deposit and senior unsecured ratings affirmed

Paris, March 13, 2019 -- Moody's Investors Service today affirmed the Baa1 long-term senior unsecured debt and deposit ratings of RCI Banque (RCI) and changed the outlooks on these ratings to stable from positive. The rating agency also affirmed RCI's standalone baseline credit assessment (BCA) and adjusted BCA of baa3, its subordinated programme rating of (P)Ba1, its short-term ratings of Prime-2, and long- and short-term Counterparty Risk ratings and Counterparty Risk (CR) assessments of A3/Prime-2 and A3(cr)/Prime-2(cr), respectively.

The change in the outlook on RCI's long-term ratings to stable was prompted by the change in the outlook of its parent Renault S.A. (Renault; Baa3, stable) to stable from positive. For more details, please see Moody's press release on Renault dated 7 March 2019 (https://www.moodys.com/research/--PR_396090).

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

RATINGS RATIONALE

RCI's Baa1 long-term deposit and senior unsecured debt ratings reflect (1) the bank's baa3 baseline credit assessment (BCA) and adjusted BCA; and (2) two notches of uplift under the Advanced Loss Given Failure (LGF) analysis, stemming from the large volume of senior long-term debt and resultant very low expected loss rate on these instruments.

RCI's BCA of baa3 is supported by the bank's role as a key strategic arm of Renault and its sound risk management and financial fundamentals. Earnings are strong and stable, credit losses on its retail and corporate exposures low, and capitalization is commensurate with the bank's risk profile.

At the same time, the BCA is constrained by the bank's lack of business diversification and exposures to car dealers, which account for 23% of the bank's loan portfolio. Moreover, Moody's factors in RCI's high reliance on confidence-sensitive wholesale funding, albeit somewhat mitigated by the absence of maturity transformation and the collection of online deposits, currently representing one third of the bank's funding.

Moody's said that RCI benefits from a high probability of support from its parent Renault. This is underpinned by the bank's strategic importance for the car manufacturer. RCI is a wholly owned subsidiary of Renault and is fully integrated into its strategy. The proportion of new vehicles registered by Renault group's brands that are financed by RCI was over 40% in 2018, which highlights the critical importance of a captive bank as a means of facilitating car sales and for its dealer network.

However, RCI's ratings currently do not benefit from any affiliate support uplift from Renault because Renault's rating is at the same level as RCI's BCA. The outlook on RCI's ratings was changed to positive in January 2018 following the positive outlook assigned on Renault's rating on 15 January 2018. If the rating of Renault were upgraded by one notch, the high probability of support for RCI would have resulted in one notch of affiliate support uplift for the bank's BCA. On 7 March 2019, however, the outlook on Renault's rating was revised to stable from positive, which prompted Moody's revision of the outlook on RCI's ratings to stable.

WHAT COULD CHANGE THE RATINGS UP/DOWN

Given the high probability of support, RCI's adjusted BCA could be upgraded due to an upgrade of its parent Renault. RCI's BCA could be upgraded following (1) a material reduction in its reliance on wholesale funding; or (2) any material improvement in asset quality or solvency. Moody's considers that the BCA of a financial captive such as RCI is unlikely to exceed the carmaker's rating (i.e. that of Renault) by more than one notch.

An upgrade of the BCA or the adjusted BCA would likely prompt an upgrade of the bank's deposit and senior unsecured ratings. Under Moody's Advanced LGF analysis, the long-term and short-term deposit and the

senior unsecured debt ratings could be upgraded given significant issuance of more junior instruments, which Moody's does not expect in the short-term.

Moody's could downgrade RCI's ratings if (1) Renault's rating were downgraded by more than one notch; or (2) the bank's credit fundamentals deteriorate.

LIST OF AFFECTED RATINGS

Issuer: RCI Banque

..Affirmations:

...Long-term Counterparty Risk Ratings, affirmed A3

...Short-term Counterparty Risk Ratings, affirmed P-2

...Long-term Bank Deposits, affirmed Baa1, outlook changed to Stable from Positive

...Short-term Bank Deposits, affirmed P-2

...Long-term Deposit Note/CD Program, affirmed (P)Baa1

...Short-term Deposit Note/CD Program, affirmed P-2

...Long-term Counterparty Risk Assessment, affirmed A3(cr)

...Short-term Counterparty Risk Assessment, affirmed P-2(cr)

...Baseline Credit Assessment, affirmed baa3

...Adjusted Baseline Credit Assessment, affirmed baa3

...Senior Unsecured Regular Bond/Debenture, affirmed Baa1, outlook changed to Stable from Positive

...Senior Unsecured Medium-Term Note Program, affirmed (P)Baa1

...Subordinate Medium-Term Note Program, affirmed (P)Ba1

...Commercial Paper, affirmed P-2

...Other Short Term, affirmed (P)P-2

..Outlook Action:

...Outlook changed to Stable from Positive

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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