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CREDIT OPINION

2 June 2016

Update

Rate this Research

RATINGS

RCI Banque

Domicile	France
Long Term Rating	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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RCI Banque

Update to reflect full-year 2015 results

Summary Rating Rationale

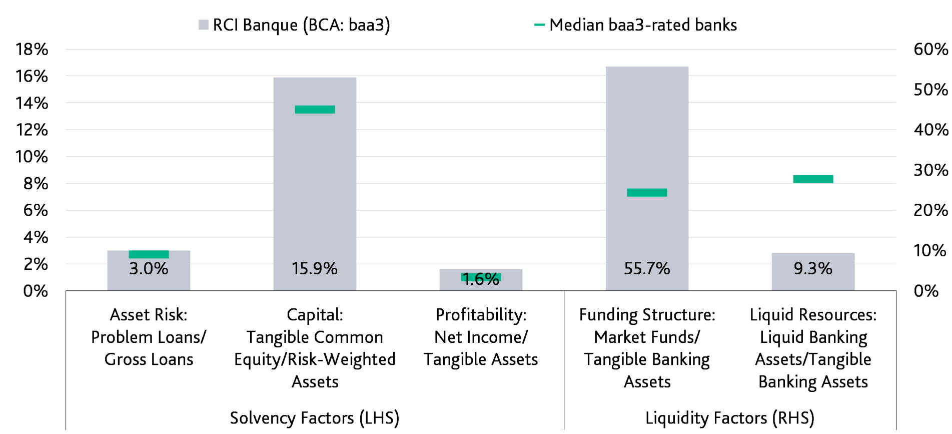
RCI Banque's (RCI) Baa1 long-term deposit and senior unsecured debt ratings reflect (1) the bank's baa3 baseline credit assessment (BCA) and adjusted BCA; and (2) two notches of uplift under the Advanced loss-given-failure (LGF) analysis, stemming from the large volume of senior long-term debt. The outlooks on the long-term deposit and senior unsecured debt ratings are stable.

RCI's BCA of baa3 is supported by (1) the bank's role as a strategic captive for Renault S.A. (Renault; Baa3, stable); and (2) its sound risk management and financial fundamentals, including high and stable earning streams as well as limited credit losses on both its retail and dealer exposures.

At the same time, the BCA is constrained by the bank's lack of business diversification, large exposures to car dealers as well as the reliance on confidence-sensitive wholesale funding, albeit somewhat reduced through the collection of online deposits.

Exhibit 1

Rating Scorecard - Key Financial Ratios



Source: Moody's Financial Metrics

RCI's strategic role within the Renault / Nissan alliance closely ties its standalone creditworthiness to the strength of its parent, Renault. So far, Renault and Nissan Motor Co., Ltd. (A3, stable) have demonstrated a high degree of resilience to macroeconomic pressures despite the cyclical nature of the car market, which in turn affords a degree of protection to RCI.

We assigned a Counterparty Risk Assessment (CR Assessment) of A3(cr)/Prime-2(cr) to RCI.

Credit Strengths

» RCI is a key vehicle for the strategy of its industrial parent

» Asset risks are moderate

» Adequate capitalisation supports the bank's risk profile

» RCI has maintained strong profitability through the credit cycle

» RCI has limited refinancing risk, an increasing deposit base and an adequate liquidity buffer

» RCI's BCA is supported by its Strong Macro Profile

» Large volume of senior unsecured debt results in debt and deposit ratings benefiting from a very low loss-given-failure and two notches of uplift from the BCA

» Low probability of government support resulting in no uplift from BCA for debt and deposits

Credit Challenges

» RCI's risk profile remains high because of some structural features, including its captive status and lack of business diversification

» The car market is cyclical by nature

» RCI has some credit concentrations among car dealers

» RCI is reliant on wholesale funding, a credit weakness

Rating Outlook

RCI's deposit and senior unsecured debt ratings carry a stable outlook.

Factors that Could Lead to an Upgrade

» The bank's monoline business model and its captive status inherently limit any upwards movement on the BCA that could develop following (1) a material reduction in the reliance on wholesale funding; or (2) any other material improvement in the bank's credit fundamentals.

» Under our advanced LGF analysis, the long-term and short-term deposit and senior unsecured debt ratings could be positively affected by significant issuance of subordinated instruments.

Factors that Could Lead to a Downgrade

» A downgrade of RCI's ratings could materialise if (1) the parent's rating is downgraded by more than one notch; or (2) the bank's credit fundamentals deteriorate.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 2
RCI Banque (Consolidated Financials) [1]

	12-15[2]	12-14[2]	12-13[3]	12-12[3]	12-11[3]	Avg.
Total Assets (EUR million)	37073.0	32023.0	29505.0	28767.0	27105.0	8.1[4]
Total Assets (USD million)	40272.2	38749.5	40656.2	37926.2	35186.2	3.4[4]
Tangible Common Equity (EUR million)	3384.0	3048.0	2815.0	2609.0	2485.0	8.0[4]
Tangible Common Equity (USD million)	3676.0	3688.2	3878.9	3439.7	3225.9	3.3[4]
Problem Loans / Gross Loans (%)	2.5	3.0	3.5	3.5	3.5	3.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.9	15.9	12.9	12.1	11.8	15.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	19.9	23.2	26.7	27.6	27.1	24.9[5]
Net Interest Margin (%)	3.0	3.1	3.2	3.5	3.8	3.3[5]
PPI / Average RWA (%)	4.6	4.1	3.9	4.0	4.1	4.3[6]
Net Income / Tangible Assets (%)	1.5	1.4	1.7	1.8	0.0	1.3[5]
Cost / Income Ratio (%)	31.5	35.1	31.4	30.9	0.0	25.8[5]
Market Funds / Tangible Banking Assets (%)	55.7	60.9	66.6	78.9	81.7	68.8[5]
Liquid Banking Assets / Tangible Banking Assets (%)	9.3	6.2	6.2	5.0	4.5	6.2[5]
Gross loans / Due to customers (%)	300.1	402.5	530.7	1668.9	3593.3	1299.1[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel III - fully-loaded or transitional phase-in & IFRS reporting periods have been used for average calculation
Source: Moody's Financial Metrics

Detailed Rating Considerations

Our detailed considerations for RCI's current BCA of baa3 are based on the bank's 2015 financial report. Our scorecard uses RCI's financial ratios for the period 2013-2015. Unless noted otherwise, data in this report is sourced from company reports and Moody's Banking Financial Metrics.

RCI IS A KEY VEHICLE FOR THE STRATEGY OF ITS INDUSTRIAL PARENT

RCI is a wholly-owned captive finance company that supports the sales of the Renault/Nissan alliance by offering auto loans to customers (both individual and corporates) and loans to dealers to help them finance their inventories. RCI also offers related services such as maintenance, insurance and roadside assistance. Lastly, the bank collects deposits through online savings accounts in France, Germany, Austria and the United Kingdom.

As a result of its mandate as a captive finance company, the bank's franchise is reliant on the performance of the brands of the Renault/Nissan group alliance. Moreover, the wholesale funded nature of the bank means that its franchise may quickly suffer in the event of market turmoil.

Loans to retail customers and to corporate clients (excluding dealers) can take the form of long-term leases, which are almost exclusively finance leases (€7 billion, as at year-end 2015) and to a much lesser extent operating leases (€558 million, as at year-end 2015). The residual value risk was €1,649 million at year-end 2015 and is therefore limited.

Although ancillary products and services, such as insurances, warrantee extensions and maintenance contracts, have been developed in recent years to improve customer loyalty, we believe they do not materially enhance the bank's diversification, which remains mainly focused on existing customers of the Renault/Nissan alliance car brands.

ASSET RISKS ARE MODERATE, DESPITE SOME CONCENTRATIONS AMONG CAR DEALERS

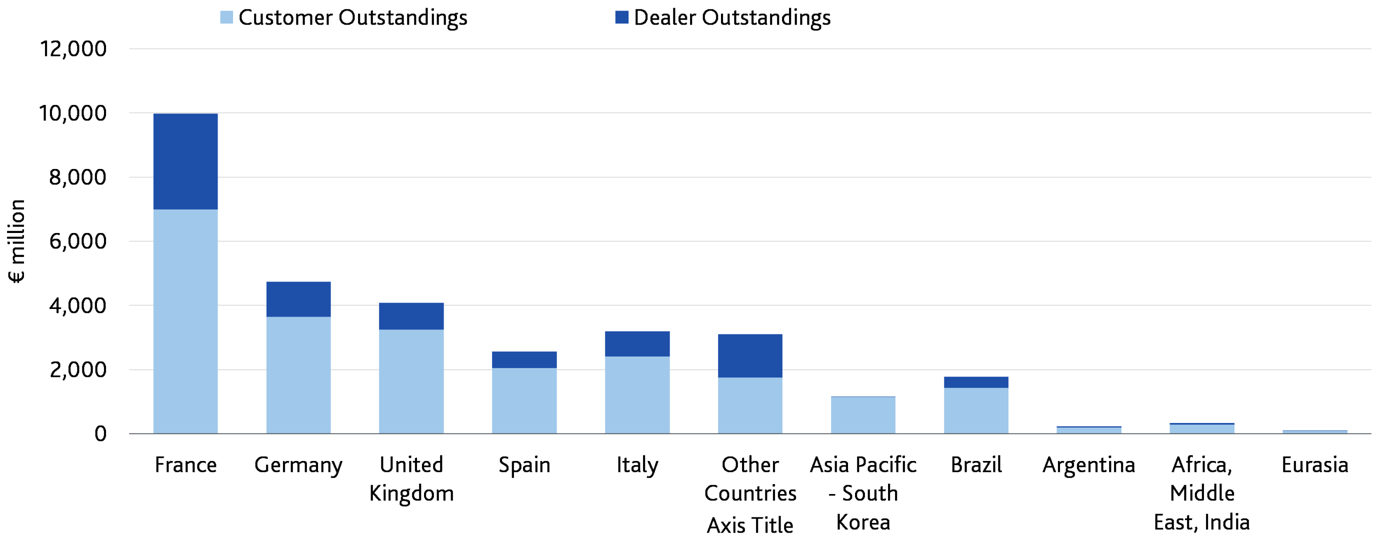
At year-end 2015, RCI's problem loans to customers represented 1.9% of total loans (2014: 2.4%). This portfolio remained well-provisioned with loan loss reserves accounting for 74% of problem loans, as at year-end 2015. We see RCI's customer base as relatively risky and note that high provisions have been sustained over time, and that RCI experienced a sharp deterioration in asset quality in the recession, notably in Spain and Romania, before continuously improving since 2010. In 2015, the bank's cost of risk was 33 basis points (bps) of average outstanding loans, a decrease from 45 bps in 2014.

One of RCI's main risks is the lack of business diversification, as it is a captive specialised institution. As such, a downturn in sales volumes of Renault/Nissan alliance brands could result in lower origination volumes and therefore lower revenues. It also results in relatively high credit risk concentration towards car dealers, which represented 26% of the bank's loan book of €31 billion, as at year-end 2015. Although we recognise that this portfolio is granular, as it comprises a large number of borrowers, the high degree of correlation among car dealers leads us to consider these exposures cumulatively from a credit risk concentration viewpoint.

Exhibit 3

Credit risk toward car dealers represents 26% of RCI's loan book

Loan book mix at year-end 2015 - end-user customers and car dealers (€ million)



Source: RCI Banque's annual report 2015.

ADEQUATE CAPITALISATION SUPPORTS THE BANK'S RISK PROFILE

RCI reported a common equity tier one (CET1) ratio of 15.6% on a phased-in basis at year-end 2015, up from 14.9% at year-end 2014. After a clarification with the French regulator, RCI stopped reporting this ratio with the transitional Basel I floor. We believe that RCI's economic solvency is adequate given its risk profile and our assigned capital score of a1 reflects this.

RCI HAS MAINTAINED STRONG PROFITABILITY DESPITE THE CYCLICAL NATURE OF THE CAR MARKET

RCI's net profit margins are high, owing to the profitable car-financing activities (including packaged products, which are less price-sensitive than plain-vanilla loans) and contained funding costs. On customer financing transactions, RCI seeks to pass any increases in funding costs onto customers. In addition, it benefits indirectly from marketing initiatives undertaken by its parent, which are therefore cost-neutral for the bank.

RCI has reported resilient profit margins over recent years, notably thanks to its predominately variable cost base. However, the low interest rate environment creates a degree of negative pressure on net interest margins, which have been counterbalanced until now by contained operating expenses and a decreasing cost of risk. Given its status as a captive specialised institution, RCI lacks income stream diversification. In common with its peers, RCI's profitability is characterised by its reliance on net interest income, which represented 75% of its net banking income in 2015.

Given its cost structure, RCI has the ability to sustain a significant fall in volume without jeopardising its profitability. The bank's business model is such that the cost structure includes only a low proportion of fixed costs, allowing RCI to adjust to lower volumes and thereby maintain its level of returns. At year-end 2015, the cost-to-income ratio stood at 31.5%. This high cost efficiency reflects the fact that the RCI benefits from various services provided by the group (e.g.; distribution channels).

RCI IS RELIANT ON WHOLESALE FUNDING, A CREDIT WEAKNESS ; PARTLY MITIGATED BY LIMITED REFINANCING RISK, AN INCREASING DEPOSIT BASE AND AN ADEQUATE LIQUIDITY BUFFER

RCI is mainly wholesale-funded, making it vulnerable to sudden changes in investors' confidence. Restricted market access could lead to a shortening of the bank's maturity profile and higher funding costs, which would constrain loan origination. This would in turn affect the strength of RCI's franchise and ultimately reduce its earnings generation, particularly if any funding constraints coincided with higher loan impairments. Our assigned combined liquidity score of b1 reflects the relative weakness of funding and liquidity for the rating of the bank.

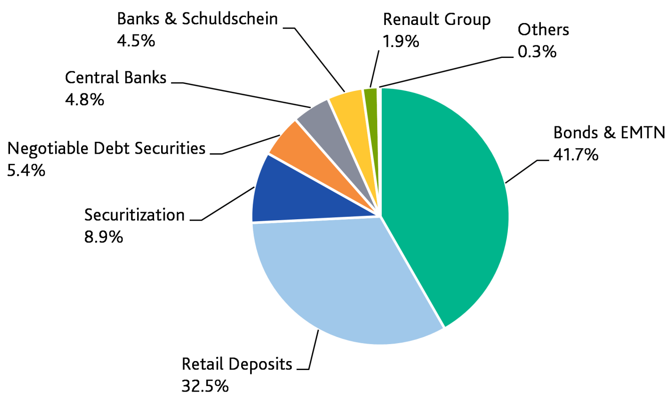
However, we recognize that RCI (1) strives to match its assets and liabilities thereby limiting maturity transformation and refinancing risk; and (2) that it has access to considerable liquidity, principally in the form of committed bank credit lines to bridge any mismatches or temporary market access restrictions.

We note positively that the bank (1) receives very limited funding from the Renault group, and (2) has started collecting internet deposits from retail customers in 2012, which accounted for approximately 32% of net outstanding loans as at year-end 2015. RCI officially targets a deposit base representing approximately one third of its outstanding loans.

Exhibit 4

RCI increasingly funds itself with online retail deposits

Funding sources % total funding (year-end 2015)



Source: RCI Banque.

RCI claims to have a funding surplus because it finances its loan book with longer term liabilities, resulting in little refinancing risk. The bank has been able to issue debt of various maturities on the markets on a number of occasions in the past couple of years and in different currencies. We also take comfort from the geographic spread of the resources and investors.

Securitisation is used both for funding purposes and to increase asset liquidity. At year-end 2015, securitisation represented 9% of the bank's funding. We note that RCI still has a sizeable pool of securitizable assets available. In a stress scenario, RCI should therefore be able to increase its recourse to securitization to make its balance sheet more liquid and create ECB-eligible assets.

In its 2015 financial report, RCI stated that it could carry out its commercial business activity for more than eleven months without having recourse to unsecured public funding markets, due to its €8.9 billion available liquidity. In this market shutdown scenario, it would use its €4.1 billion available confirmed lines of credit, which we believe could be subject to changes in availability and pricing.

Our funding structure score at b3 still reflects the large dependence on market funding of the bank.

RCI'S BCA IS SUPPORTED BY ITS STRONG MACRO PROFILE

RCI's operating environment is heavily influenced by European countries and its Macro Profile is in line with the EU average Macro Profile at Strong.

In general, French banks benefit from operating in a nation with a large and broadly diversified economy, a robust institutional framework and a very low susceptibility to event risk. Nevertheless, France's long-term economic performance will continue to be constrained by subdued growth prospects, a loss in competitiveness relative to its trading partners, a gradual erosion of its export-oriented industrial base and rigidities in labour, goods and service markets. French banks' high reliance on wholesale funding is and will remain a source of vulnerability: this reliance arises both from the large stock of loans and financial assets to finance and from the intense competition on deposits, stemming from regulated savings accounts and insurance products. The French banking sector is relatively concentrated, with several banks benefiting from high retail market share in their core regions.

Overall, our assigned BCA is baa3, which includes one notch of negative adjustment for business diversification as for other monoline specialist lenders.

Notching Considerations

Affiliate Support

RCI's parent Renault is rated Baa3, on par with RCI's baa3 BCA, and hence RCI does not benefit from affiliate support uplift.

Loss Given Failure

RCI is subject to the EU Bank Resolution and Recovery Directive (BRRD), which we consider to be an Operational Resolution Regime. We assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in “junior” wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions.

We believe that RCI's deposits are likely to benefit from a very low loss-given-failure, due to the loss absorption provided by (i) the large amount of senior unsecured debt should deposits be treated preferentially in a resolution; and (ii) the small volume of deposits. We factor in the modest deposit volume (we estimate junior deposits to make up about 2% of the bank's tangible banking assets in failure) and the subordination of 3% of tangible banking assets (and about 35% in the event of deposits being preferred to senior debt). This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

We believe that RCI's senior unsecured debt is also likely to benefit from a very low loss-given-failure. This is supported by the senior debt's own volume (about 32% of the group's tangible banking assets in failure, or 34% including junior deposits), and the amount of subordination including residual equity (3%). This results in a Preliminary Rating Assessment (PRA) two notches above the BCA.

Government Support

We expect a low probability of government support for debt and deposits, resulting in no uplift for both the long-term deposits and senior unsecured debt issued by the bank.

Counterparty Risk Assessment

The CR Assessment is positioned at A3(cr)/Prime-2(cr).

The CR Assessment, prior to government support, is positioned three notches above the Adjusted BCA of baa3, based on the cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 37% of Tangible Banking Assets. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

About Moody's Bank Scorecard

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Rating Methodology and Scorecard Factors

Exhibit 5

RCI Banque

Macro Factors						
Weighted Macro Profile	**Strong**	**100%**				
Financial Profile						
Factor	**Historic Ratio**	**Macro Adjusted Score**	**Credit Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	3.0%	a3	←→	a3	Sector concentration	Long-run loss performance
Capital						
TCE / RWA	15.9%	a1	←→	a1	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	1.6%	a2	←→	a2	Earnings quality	Return on assets
Combined Solvency Score		a2		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	55.7%	b3	←→	b3	Extent of market funding reliance	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	9.3%	ba3	←→	ba2	Access to committed facilities	
Combined Liquidity Score		b2		b1		
Financial Profile				baa2		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint:				Aa2		
Scorecard Calculated BCA range				baa2-ba1		
Assigned BCA				baa3		
Affiliate Support notching				--		
Adjusted BCA				baa3		

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency rating**	**Foreign Currency rating**
Counterparty Risk Assessment	3	0	a3 (cr)	0	A3 (cr)	--
Deposits	2	0	baa1	0	Baa1	Baa1
Senior unsecured bank debt	2	0	baa1	0	Baa1	Baa1
Dated subordinated bank debt	-1	0	ba1	0	Ba1	--

Source: Moody's Financial Metrics

Ratings

Exhibit 6

Category	Moody's Rating
RCI BANQUE	
Outlook	Stable
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Senior Unsecured	Baa1
Subordinate MTN -Dom Curr	(P)Ba1
Commercial Paper	P-2
Other Short Term -Dom Curr	(P)P-2
PARENT: RENAULT S.A.	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Commercial Paper -Dom Curr	P-3
Other Short Term -Dom Curr	(P)P-3
BANCO RCI BRASIL S.A.	
Outlook	Stable(m)
Bank Deposits -Fgn Curr	Ba3/NP
Bank Deposits -Dom Curr	Ba1/NP
NSR Bank Deposits	Aaa.br/BR-1
Baseline Credit Assessment	ba3
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
RCI BANQUE SUCURSAL ARGENTINA	
Outlook	Stable
Issuer Rating -Dom Curr	Ba3
ROMBO COMPANIA FINANCIERA S.A.	
Outlook	Stable
Corporate Family Rating	B1
NSR Corporate Family Rating	Aa2.ar
Senior Unsecured -Dom Curr	B1
NSR Senior Unsecured	Aa2.ar

Source: Moody's Investors Service

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