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RCI Banque

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RCI Banque

Rating Score Snapshot

Issuer Credit Rating
BBB-/Stable/A-3

SACP: bbb- → **Support: 0** → **Additional factors: 0**

SACP: bbb-		
Anchor	bbb	
Business position	Moderate	-1
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Moderate	-1
Liquidity	Adequate	
CRA adjustment		0

Support: 0	
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
BBB-/Stable/A-3

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Strong and recurring risk-adjusted profitability.	Still significantly relies on wholesale funding.
A regulated bank insulated from its corporate parent.	Business concentration in car financing, with particular dealer exposures.
Strong capitalization.	Dependence on parent's franchise and product cycles.

RCI Banque's profitability remains resilient to the current macro environment. The bank has strong fundamentals, with one of the industry's lowest cost-to-income ratios of 33.45% in 2022, and a return on average common equity (ROAE) of 11.8% in the same year--among the highest of auto-captive peers and European banks. We expect the bank will experience limited fallout from the adverse implications of the current macro environment (inflation, rising interest rates, and sluggish growth in Europe).

As an auto-captive, RCI's offering is more concentrated than commercial banks, but more geographically diversified than peers'. The starting point for assigning our rating on the bank is the 'bbb' anchor, which is lower than that on purely domestic banks and reflects RCI's meaningful geographic diversification across Europe and in countries such as Brazil with, on average, higher economic risks than those we perceive for France. We see RCI's concentration in car financing and dealer exposures as a weakness compared with banks with more diversified activities. This is similar to our assessment of other European auto-captive finance companies, although RCI's superior profitability versus peers' (including entities with a similar starting point) benefits the assessment.

We see the bank's relative high dependence on wholesale funding as a weakness compared to larger and more diversified banks. The dependence comes despite increased deposit funding. This is in line with most consumer finance entities we rate in Europe. The bank is fully owned by Renault S.A. and does not benefit from funding from any banking owners, whereas most peers do under joint venture operating models.

Outlook

The stable outlook on RCI incorporates our view that the bank's financial risk profile will remain strong, with robust risk-adjusted profitability and continued conservative capital management over the next two years. Furthermore, an upgrade or downgrade of Renault (BB+/Stable/B), all else being equal, would not automatically entail a similar rating action on RCI.

Downside scenario

We could downgrade the bank if Renault's creditworthiness comes under material pressure and RCI is unable to maintain its strong financial risk profile. In particular, we could consider a downgrade if the bank's capitalization is no longer a strength, with risk-adjusted capital (RAC) falling sustainably below 10%, or if contagion risks from Renault start affecting RCI's access to debt markets or cost of funding.

Upside scenario

To raise our long-term rating on the bank, we would need to revise the SACP upward. A higher SACP would require a material change in RCI's geographic breakdown in favor of lower economic risk countries, or if we positively change our view of the economic risks RCI is currently exposed to, and the bank maintains superior risk-adjusted profitability compared to peers. Although remote, we could consider a higher SACP if RCI's capital and funding strategy fundamentally shifts and strengthens.

Key Metrics

RCI Banque--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	(6.7)	4.0	4.2-5.1	4.3-5.3	3.2-3.9
Growth in customer loans	(4.6)	10.1	7.2-8.8	3.6-4.4	4.5-5.5
Growth in total assets	(4.5)	7.5	6.0-7.3	3.0-3.6	3.8-4.6
Net interest income/average earning assets (NIM)	2.4	2.5	2.3-2.5	2.3-2.5	2.3-2.5
Cost to income ratio	31.2	33.5	32.1-33.7	31.5-33.2	31.4-33.0
Return on average common equity	13.6	11.2	11.4-12.6	11.6-12.9	11.8-13.1
Return on assets	1.5	1.2	1.2-1.4	1.2-1.4	1.2-1.4
New loan loss provisions/average customer loans	0.1	0.4	0.4-0.4	0.4-0.4	0.4-0.4

RCI Banque--Key ratios and forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	2021a	2022a	2023f	2024f	2025f
Gross nonperforming assets/customer loans	2.3	2.0	1.9-2.1	1.9-2.1	1.9-2.1
Risk-adjusted capital ratio	12.3	11.5	11.1-11.7	11.0-11.6	11.0-11.6

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb', Lower Than Pure French Domestic Banks Given Geographic Diversification In Higher Risk Countries

The anchor, or starting point for a bank rating, draws on our Banking Industry Country Risk Assessment (BICRA) methodology. Overall, we use a 'bbb' anchor for RCI, which is lower than a domestic bank operating in France ('bbb+').

RCI is a geographically diversified bank, with around 35% of its exposure in France at year-end 2022. To determine the appropriate economic risk for a bank active in many jurisdictions, we use a blend of its exposures. RCI had exposure in lower-risk countries like Germany (16%); and in higher-risk ones like Italy (12%), the U.K. (11%), Spain (8%), Brazil (3%), and the rest of the world (15%) at year-end 2022. This results in a weighted-average economic risk score for RCI of close to '4' compared with a domestically focused bank, which would have an economic risk of '3'. We do not foresee a material change in RCI's geographic breakdown in the coming 12 months that would change the weighted economic risk to '3' from '4' but it cannot be excluded. Indeed, if the bank exits some countries where we see high economic risks, or its exposure to lower economic risk countries increases faster than in other countries, we could revise the anchor. This could also happen if we positively change our view on the economic risks where RCI is exposed.

RCI is domiciled and regulated in France and France's industry risk is '4'.

Business Position: Good Franchise In European Captive Auto Finance, And Slightly More Diverse, Stable, And Profitable Than Most Peers

The bank's concentration in auto finance constrains our assessment of its business position, despite geographic diversification. RCI Banque has a solid penetration rate (43.3% as of June 2023) for sales of the Renault-Nissan-Mitsubishi Alliance brands. The penetration rate was down 2.7 points compared to 2021, due to a refocus on the most profitable financing channels and normalization of dealer's stocks. RCI's credit production correlates with auto sales but its financial performance is stronger and less volatile than Renault's (chart 1) because of its pricing power and the recurring nature of the annuity-like interest received from loans and leases. The bank has been resilient in the face of current auto sector pressure and supply disruptions--as its good year-end 2022 and first-half 2023 results show. It reported a net income before minority interest of €720 million in 2022 (down 17% from 2021) and €342 million in first-half 2023 (up +4.3% from first-half 2022). Still, we believe RCI's business model and name affiliation cannot fully shield the bank from negative developments in the auto sector and Renault-specific challenges. Renault's inability to adapt to rapidly changing customer preferences could also weigh on revenue (such as demand for more eco-friendly cars).

Renault wholly owns RCI, which mainly acts as a captive finance arm for the Renault-Nissan-Mitsubishi alliance brands. The bank supports the alliance's sales in Europe, Latin America, North Africa, South Korea, and India. The alliance is mainly present in Europe, with the region representing about one-fifth of the alliance's total unit sales and 64% for Renault as of end-2022. RCI's coverage of multiple brands and its international presence (seven brands in 35 countries, with the largest country, France, representing around one-third of loan exposures) adds stability to its business. We expect the bank will continue expanding its activities internationally, either by entering new markets or developing its overseas operations.

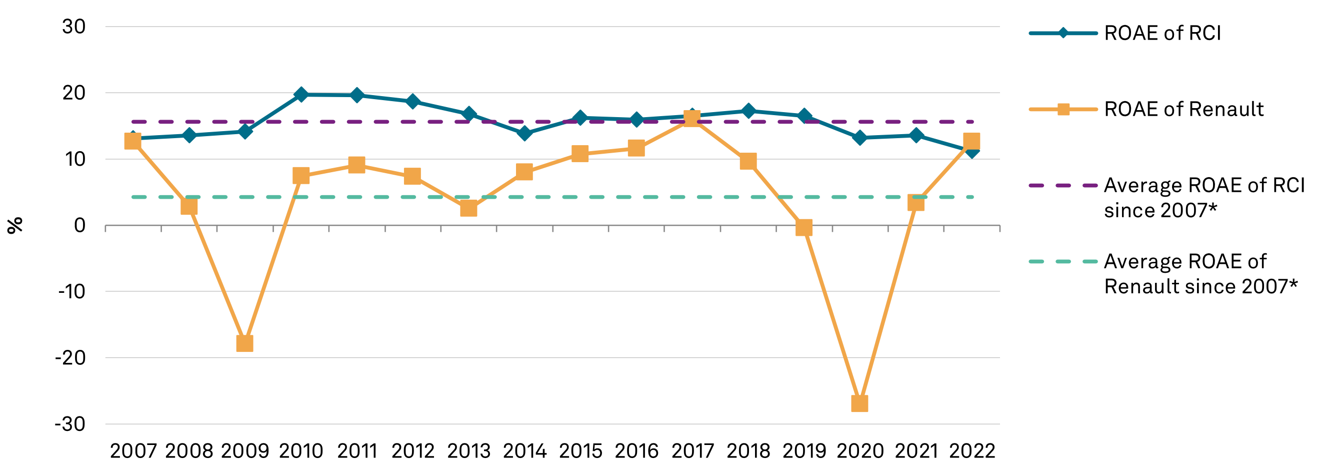
By offering very competitive financing products to clients buying or renting eco-friendly vehicles, RCI is key to Renault's energy transition. Financing of new and used electric vehicles increased by 4% in 2022, reaching more than 7.9% of total new financing. We believe it will continue to increase steadily by more than 10% annually in the coming two years. While offering preferential interest rates could negatively weigh on its overall margin, we believe it is manageable and note that it benefits from a system of compensation by the car manufacturer. Therefore, we believe it will barely affect its profitability in the next two years.

RCI's profitability remains high and among the best in Europe among peers. RCI's ROAE stood at 11.18%, based on our measure at year-end 2022 (13.57% in 2021). This stability indicates the business model is sound, stemming from RCI's strategy to balance growth and profitability. The bank's business model, notably the absence of a branch network, implies a structurally low cost base, with a 33.45% cost-to-income ratio at end-2022 that is unlikely to change much in the coming two years.

Chart 1

Stronger performance and less volatile than Renault's

Return on average equity: RCI Banque versus Renault



ROAE--Return on average equity. *ROAE as per S&P Global Ratings' calculation. Source: S&P Global Ratings.

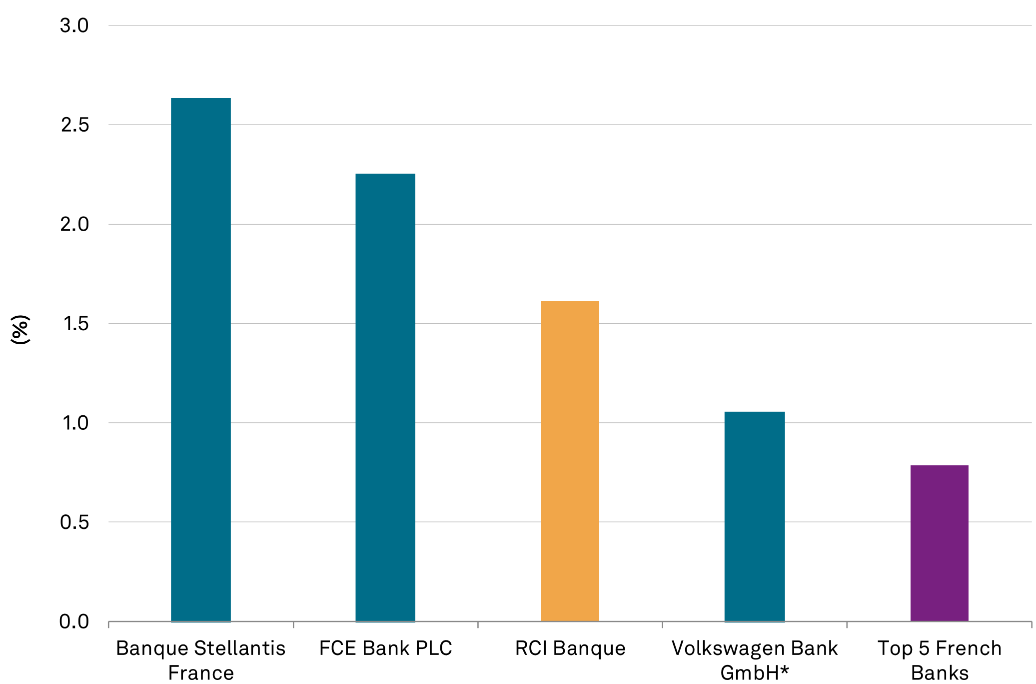
The bank continues to expand its business model scope from a pure car loans provider into services and leasing activities. The bank provides financing solutions to retail customers, corporates, and dealer networks, as well as services such as loan-related insurance, car insurance, warranty extensions, and maintenance contracts, which are also offered alone. It also collects retail deposits online. This has provided the bank revenue and profit stability and, to some extent, shielded it from Renault's fortunes.

RCI's outperformance, compared with similar rated peers, can be seen over a long cycle, particularly capital generation capabilities and risk-adjusted operating performance. We view the bank's earnings buffer--defined as the capacity for operating earnings to cover normalized losses--as strong, substantially exceeding 2% of our risk-weighted assets. This is strong for a bank operating in relatively low risk countries. We expect this buffer to remain above 2% in the next two years.

Chart 2

A strong performance among its peers

Core earnings/ S&P RWA (before diversification) versus peers at end-2022

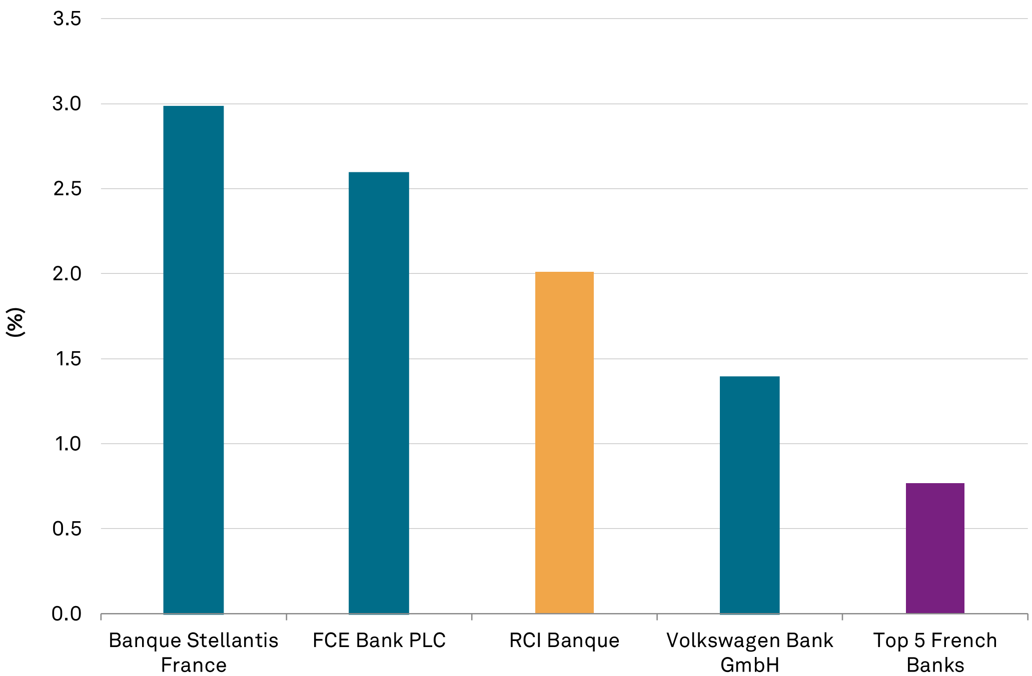


Source: S&P Global Ratings.

Chart 3

RCI Banque has material earnings buffer compared with peers

Normalized operating income/S&P Global Ratings RWA as of year-end 2022

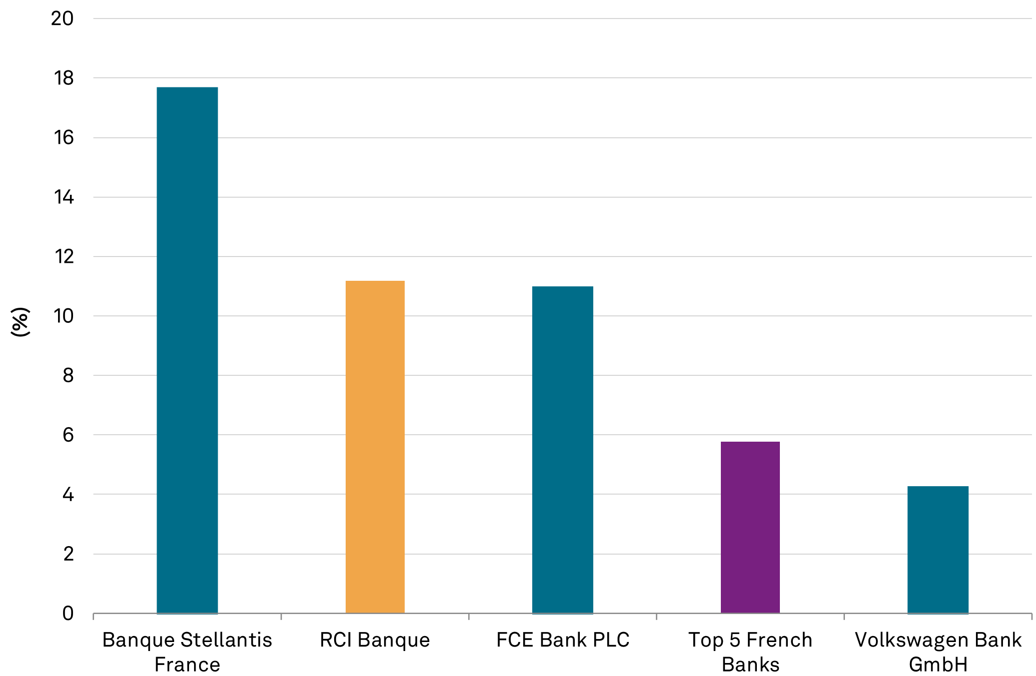


RWA--Risk-weighted assets. Source: S&P Global Ratings.

Chart 4

Profitability is among the best in class

Return on average equity versus peers as of end-2022



Source: S&P Global Ratings.

RCI is consolidating and optimizing its business model by maintaining high profitability, applying strict control of its structural costs, and making the best possible use of its main sources of financing and capital. To this end, the bank has chosen to steer its profitability using return on risk-weighted assets--calculated as profit after tax divided by average risk-weighted assets, a standard indicator in the banking industry that measures a bank's profitability in relation to its risk-weighted assets--and aims to achieve a minimum of 1.9%. In 2022 the ratio was 2.06%, versus 2.47% in 2021.

Capital And Earnings: Strong Capitalization, Stable And Robust Earnings, Low Returns Volatility

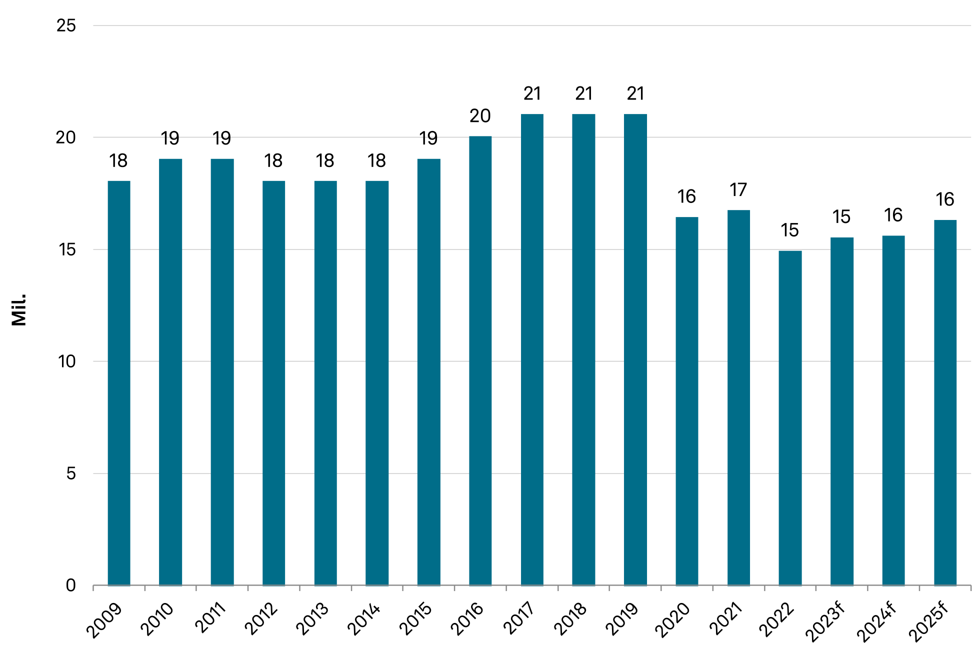
Our capital and earnings assessment supports our rating on RCI. We believe the bank's superior risk-adjusted profitability and flexible dividend policy will enable it to maintain strong capitalization despite the adverse implications of the current macro environment (inflation, rising interest rates, sluggish growth in Europe).

We forecast RCI's RAC ratio will remain 11.0%-11.5% in the next two years. The decrease in our RAC ratio to 11.5% at end-2022 from 12.27% at end-2021 is explained by loan book growth not matched by a complementary capital buildup. The bank's capitalization measured under our risk-adjusted capital framework compares favorably with that of French universal banks, which tend to be 7%-10%, and is in line with captive-finance peers, which are typically 10%-15%. We view risk as limited considering RCI's high profitability, flexible dividend policy, willingness to keep a strong capital base, and our expectation of strong loan book growth of 8% in 2023 and 4% and 5% in 2024 and 2025, mainly due to supply chain disruptions easing. Our loan book projections assume that European car sales will increase by 3%-5% in Europe in 2023 and then increase moderately by 3%-6% in 2024 and 4%-6% in 2025. We expect the bank's loan book to grow a bit more than cars sales as dealers' exposures normalize and penetration rates and average amounts financed increase.

Chart 5

Volume declined in 2022, with a gradual slow recovery thereafter

Global light vehicle sales per market (in million units)



f--S&P Global Ratings forecast. Source: S&P Global Ratings.

Our 11.5% RAC ratio for RCI as of end-2022 is below the regulatory ratio (common equity tier 1 ratio: 14.47% at end-2022). This is mainly because of the bank's use of the internal ratings-based method (76% of net exposures at end-2022) and our risk weights, which tend to be more punitive than Basel's standardized approach to risk weights in countries with higher economic risk. We do not expect the bank's regulatory capital ratio to be affected by the implementation of the Basel IV reforms.

We believe RCI will distribute close to 80%-100% of its net income in the next few years. Until 2009, RCI's pay-out ratio was high at 95%. It then decreased to 35%-45% in 2013-2014 and zero in 2016 and 2017, two years of brisk loan growth. In 2018 and 2019, the pay-out ratio was 19% and 57%, respectively, and it paid a dividend of €600 million in 2023 on the 2022 net income. This led to a pay-out ratio of 83%.

We consider RCI's capital to be of high quality. We consider RCI's total adjusted capital of €5.3 billion, the numerator of our RAC ratio, high-quality because it only comprises common equity.

We also consider the bank's earnings high quality. At end-2022, RCI posted one of the lowest cost-to-income ratios (33.45%) among European captive peers and our rated European banks, reflecting its low cost base and effective cost controls, which we expect will continue. We do not expect a material shift in this ratio despite the inflationary environment. The bank has also historically displayed little returns volatility, especially compared to Renault. Finally, RCI's earnings provide a significant buffer against losses, which in our view will remain at similar levels in 2023 and 2024. To assess profitability over the cycle we compare pre-provision income with normalized losses, such as those calculated based on the through-the-cycle annual loss rates we expect for a given exposure class (chart 3). Therefore, RCI's pre-provision income was two times higher than our calculated normalized losses at year-end 2022, much higher than for most universal banks in France. It also shows that the historically strong profitability in previous years was not overly flattered by the benign cost of risk.

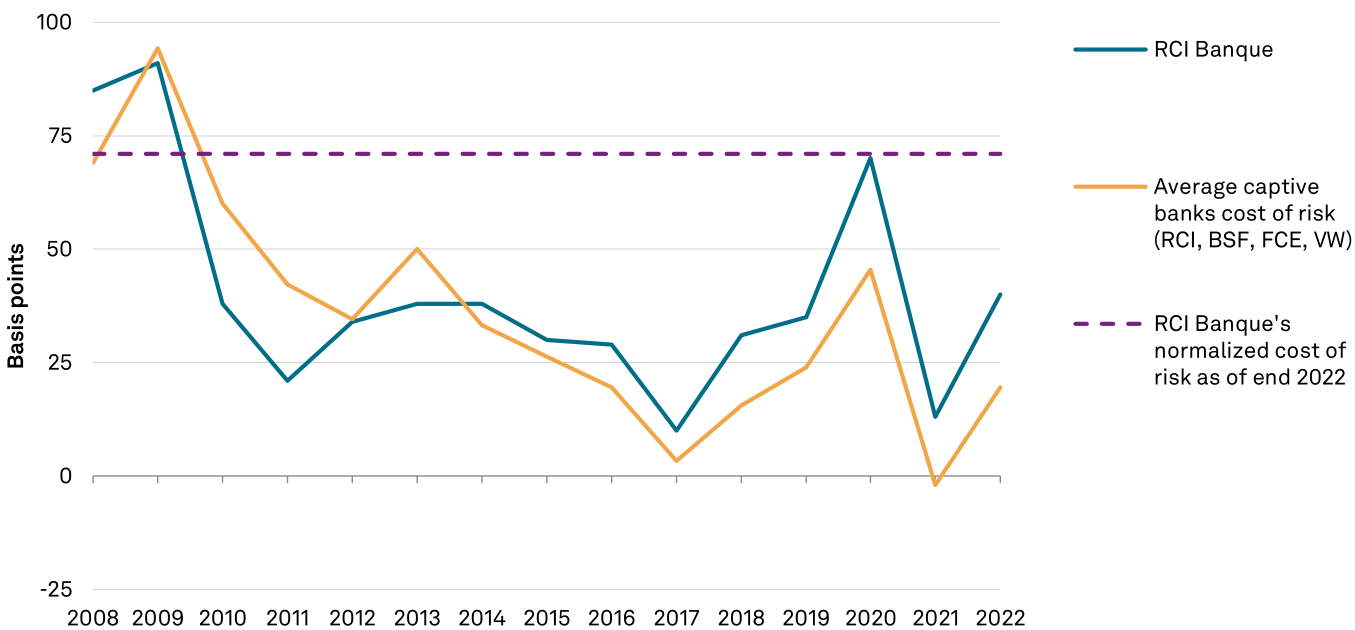
Risk Position: Moderate Risk Overall, But Concentration In Auto Dealers Remains High

We assess RCI's risk position as neutral for the rating, balancing the low-risk nature of its exposure with its high concentration in auto dealers. Our view of low credit risk is based on the collateralized nature of the bank's credit exposure. We also believe our RAC ratio adequately captures the risks to which the bank is exposed. We therefore do not further adjust the rating via our risk position assessment.

RCI has a track record of low credit losses since 2010, below 40 bps, due to the bank's more stringent origination criteria after the 2008 financial crisis. In 2022, cost of risk stood at 40 basis points (bps). We expect the ratio to remain stable in 2023 mainly due the current challenging economic environment, before normalizing to a level of about 35 bps in 2024 and 2025. Overall, it has been in line with rated peers (chart 6), but we acknowledge RCI has a conservative credit provisioning policy. The normalized cost of risk (average losses over a long period) that we calculate for RCI's exposures is at about 71 bps. We also note that RCI's strong profitability provides a significant buffer to absorb losses, with pre-provision operating income to net customer loans of 255 bps at end-2022.

Chart 6

RCI Banques's cost of risk versus direct peers
Cost of risk in bps as of end-2022

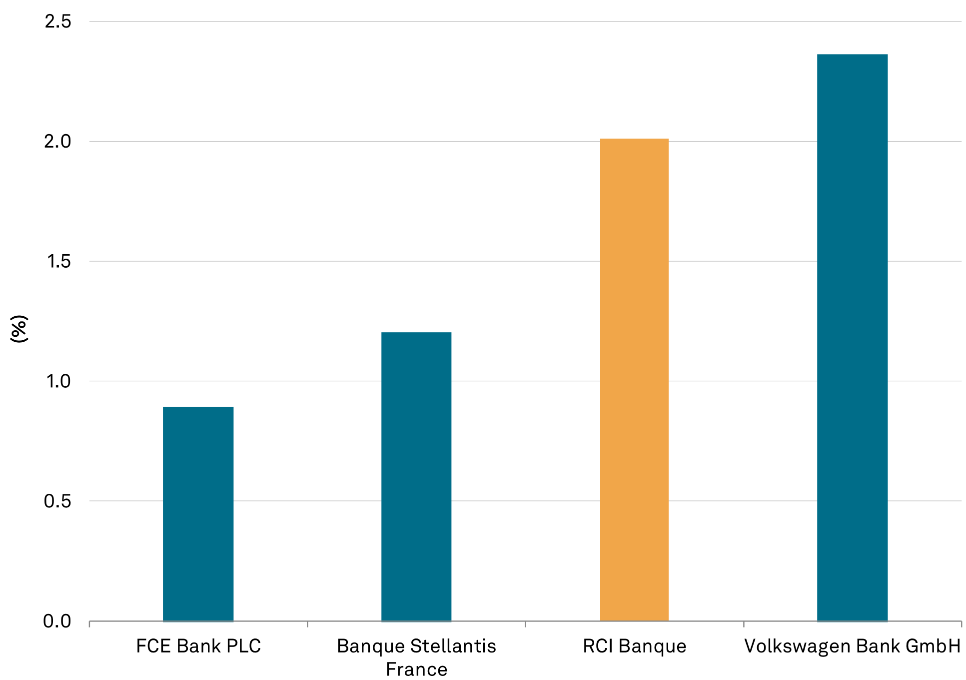


Source: S&P Global Ratings.

RCI's NPL ratio is comparable to peers. RCI's nonperforming loans (NPLs) stood at 2.01% at end-2022 and we believe they will remain stable at about 2% in 2023. The cost of risk and NPLs could be higher than expected depending on the severity of the current macroeconomic environment but, considering the short maturity of its loan book, we believe it will be manageable.

Chart 7

Nonperforming loans/customer loans versus peers as of end-2022



Source: S&P Global Ratings.

RCI has significant exposure to car dealers, mostly in France. This exposure increased in 2022 with the normalization of dealer stock following the easing of supply shortages. It represented about 20% of the loan book as of December 2022, up from 15% in 2021. We will continue to closely monitor this exposure and any rise in risks, especially as dealers bear the residual value risks. Historically, the cost of risk related to auto dealers has been much lower than for individual customers and we do not observe any rise yet in NPLs (0.47% in December 2022 compared with 0.9% in December 2021). Still, the exposure is much less granular, so cost of risk is sensitive to some large names' credit quality deterioration. Positively, the exposure is short term and highly collateralized (such as cars and spare parts). Overall, 96% of exposures to dealers is collateralized.

The most significant single-name loan exposure by far is to Renault. The risk associated with RCI's exposure to Renault-owned dealers is significantly mitigated by cash collateral. More broadly, the 20 largest corporate exposures excluding Renault and 20 largest dealer exposures account for 7% of gross exposures and about 72% of total adjusted capital, respectively, which remains manageable.

RCI is directly exposed to the risk of residual values mainly in the U.K. This exposure amounted to €2.5 billion as of December 2022, equivalent to 3.9% of credit risk exposures. In other countries, especially in France, RCI is only indirectly exposed to this risk because dealers or Renault carry it. RCI launched new products including operational leases with residual value risk borne by the bank, so we expect it to increase but not materially. We believe it will not increase beyond €5 billion in the next two years. The residual value of electric vehicles for which there is little track record and which we believe could be affected by rapid evolving technologies is difficult to assess. We will monitor this.

Like most banks, RCI is subject to interest rate risk in the banking book. We view this as very limited, however, especially considering the relatively short-term nature of its assets (which are funded with longer maturities). A 100 bp rate rise will affect net interest income capped at €70 million by RCI policies (6% of 2022 net interest income).

Funding And Liquidity: A Weaker Funding Profile Than Larger Diversified Banks, Mitigated By Conservative Liquidity Management

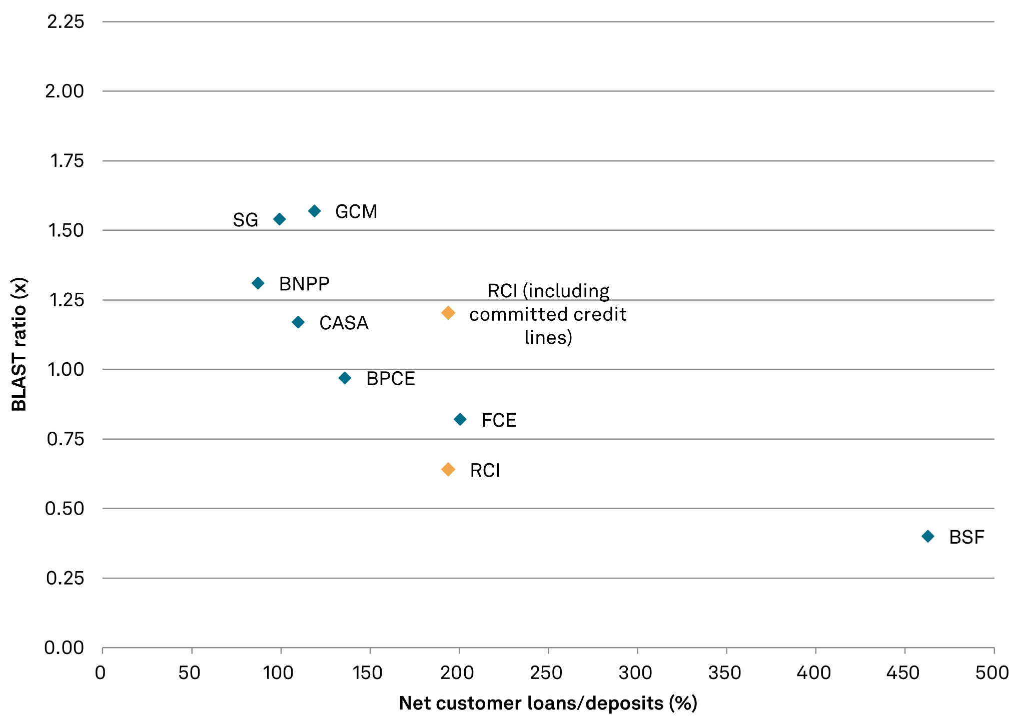
We view RCI's funding as weaker than that of large and diverse French banks and its liquidity as neutral for the ratings.

RCI's predominantly wholesale-funded profile is a relative weakness, in our view. This is in line with that of most consumer finance entities we rate in Europe. The bank's ratio of customer loans (net) to customer deposits stood at 194% at end-June 2023, well above the average of about 105% for large French banks. Still, this has improved continuously over the past decade. Its NSFR stood at 127% as of June 2023.

The bank has been diversifying its funding sources and lengthening its maturities. This includes the collection of deposits (France, Germany, Austria, the U.K., Brazil, and Spain since 2020, and the Netherlands since July 2021) and lengthening its maturities (bonds with maturity greater than five years increased to 8% in 2022 from 7% in 2015), giving more flexibility and options in the event of market turbulence. RCI has also issued bonds in local markets via its local subsidiaries (South Korea, Argentina, Brazil, Morocco, and Colombia). Reflecting RCI's deposit-gathering effort over the past few years and the absence of large maturity mismatches, our stable funding ratio improved to 89% at end-June 2023 from 52% in 2010. We expect this ratio to remain broadly stable in the next two years.

Chart 8

RCI Banque's funding and liquidity ratios versus peers as of end-2022



Note: BLAST: broad liquid assets over short-term funding. Source: S&P Global Ratings.

We believe RCI will maintain a share of retail customer deposits to net loans slightly above 40% (50.9% as of end-2022). Because they represent a source of funding whose cost is less volatile than that from capital markets and would partially shield the bank from increased market funding costs and preserve its margins.

We view RCI's liquidity as neutral for the ratings, reflecting our view that the bank is prepared to manage its liquidity and likely to survive under stressful conditions for more than six months, with a limited dependence on the central bank thereafter. Indeed, under stressed conditions where access to market funding would be closed, the liquidity reserve computed by RCI would allow it to cover its stressed outflows for more than 12 months while maintaining a flat balance sheet at June 2023.

RCI's ratio of broad liquid assets to short-term wholesale funding stood at 64% at end-2022, below the large French banks, whose ratios tend to be closer to 140%. However, it increases to 120% if we consider committed credit lines (€4.4 billion). Its liquidity coverage ratio stood at 468% as of end-June 2023, far above the minimum regulatory requirement. This, along with RCI's ability to rely on loan inflows to repay its debts more than a traditional commercial bank could, informs our adequate liquidity assessment. Auto loans have much shorter maturities (up to four years) than mortgages, which would support quick deleveraging. Overall, the bank's assets are funded with longer-dated liabilities.

External Support: Core And Insulated Subsidiary Of Renault

We believe RCI is insulated from its 100% owner, Renault, due to France's favorable insolvency laws and its regulated status as a bank, supervised by the European Central Bank and the French regulator. This means there is limited capacity for the parent to repatriate cash flows outside the regulatory perimeter, a high degree of operational independence, and complete funding independence. Therefore, we rate the bank above its parent and allow a rating differential of up to two notches. RCI is currently rated one notch above Renault, meaning that there is one notch of headroom in the ratings on RCI, all else remaining equal. Therefore, a downgrade of Renault by one notch would not automatically lead to a downgrade of RCI.

Additional Rating Factors: None

No additional factors affect this rating.

Environmental, Social, And Governance

We do not see ESG credit factors influencing RCI's credit quality more positively, or negatively, than peers. Still, environmental and governance factors will have to be monitored, due the ownership structure (linked to its parent Renault) and the car-finance business model.

Like any carmaker, environmental considerations are important for Renault. A profitable energy transition at the group level might be more challenging than for peers because Renault mainly competes in the volume segment. Despite the group's experience with electric technologies, it will be difficult to maintain R&D and capex close to 10% of sales. In the context of the transition to a greener economy, RCI is an important asset to support the group's electric and electrified vehicles sales. It increased its financing of new and used electric vehicles by 4% in 2022 and we expect this to increase by more than 5% annually in the coming two years. However, the sustainability of the bank's business model partly relies on Renault's capacity to manage its energy transition.

Management and governance do not specifically influence, positively or negatively, RCI's credit profile.

Group Structure, Rated Subsidiaries, And Hybrids

DIAC: Core subsidiary

We consider DIAC S.A. (DIAC) a core subsidiary of RCI, mainly because it is the entity through which RCI serves the French market, its main market. Therefore, we align our ratings on DIAC with those on RCI.

Key Statistics

Table 1

RCI Banque--Key figures

	--Year ended Dec. 31--				
(Mil. €)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	62,552	60,253	56,076	58,800	57,990
Customer loans (gross)	55,128	51,155	46,470	48,726	52,691
Adjusted common equity	5,239	5,304	4,992	5,911	4,992
Operating revenues	969	1,919	1,845	1,977	2,117
Noninterest expenses	360	642	576	600	603
Core earnings	359	744	878	816	944

*Half year results.

Table 2

RCI Banque--Business position

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (mil. €)	973.0	1,926.0	1,857.0	1,983.0	2,125.0
Commercial banking/total revenues from business line	22.4	23.8	16.8	19.7	22.0
Retail banking/total revenues from business line	77.7	82.4	81.6	78.9	76.6
Commercial & retail banking/total revenues from business line	100.1	106.2	98.4	98.6	98.6
Other revenues/total revenues from business line	(0.1)	(6.2)	1.6	1.4	1.4
Return on average common equity	10.8	11.2	13.6	13.2	16.6

*Half year results.

Table 3

RCI Banque--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	14.0	14.5	14.8	17.3	14.4
S&P Global Ratings' RAC ratio before diversification	N/A	11.5	12.3	14.4	10.9
S&P Global Ratings' RAC ratio after diversification	N/A	12.4	13.3	16.0	12.2
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	68.0	66.1	63.3	65.0	68.6
Fee income/operating revenues	19.8	19.2	19.4	18.2	17.5
Market-sensitive income/operating revenues	(5.8)	3.6	0.0	(0.1)	0.8
Cost to income ratio	37.2	33.5	31.2	30.4	28.5
Preprovision operating income/average assets	2.0	2.2	2.2	2.4	2.7
Core earnings/average managed assets	1.2	1.3	1.5	1.4	1.7

*Half year results. RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

RCI Banque--Risk-adjusted capital framework data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	6,536.4	37.4	0.6	319.3	4.9
Of which regional governments and local authorities	43.0	9.0	20.9	1.5	3.6
Institutions and CCPs	2,862.1	826.8	28.9	1,014.9	35.5
Corporate	15,802.5	10,373.9	65.6	12,491.6	79.0
Retail	37,598.8	18,271.6	48.6	24,802.0	66.0
Of which mortgage	0.0	0.0	0.0	0.0	0.0
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	1,950.3	1,355.3	69.5	2,946.7	151.1
Total credit risk	64,750.1	30,865.1	47.7	41,574.5	64.2
Credit valuation adjustment					
Total credit valuation adjustment	--	339.4	--	0.0	--
Market Risk					
Equity in the banking book	12.0	12.4	103.1	105.0	875.0
Trading book market risk	--	1,000.0	--	1,500.0	--
Total market risk	--	1,012.4	--	1,605.0	--
Operational risk					
Total operational risk	--	3,425.0	--	2,940.0	--
	Exposure	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	36,454.4	--	46,119.5	100.0
Total diversification/ concentration adjustments	--	--	--	(3,491.1)	(7.6)
RWA after diversification	--	36,454.4	--	42,628.4	92.4
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		5,271.0	14.5	5,304.0	11.5
Capital ratio after adjustments‡		5,271.0	14.5	5,304.0	12.4

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5

RCI Banque--Risk position

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	15.5	10.1	(4.6)	(7.5)	8.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(7.6)	(7.9)	(9.9)	(10.7)
Total managed assets/adjusted common equity (x)	12.0	11.4	11.3	10.0	11.6
New loan loss provisions/average customer loans	0.4	0.4	0.1	0.7	0.4
Net charge-offs/average customer loans	0.2	0.2	0.3	0.2	0.2
Gross nonperforming assets/customer loans + other real estate owned	2.0	2.0	2.3	1.6	1.3
Loan loss reserves/gross nonperforming assets	109.5	110.8	99.9	141.0	130.7

*Half year results. RWA--Risk-weighted assets. N/A--Not applicable.

Table 6

RCI Banque--Funding and liquidity

	--Year ended Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Core deposits/funding base	52.7	50.8	47.3	44.0	38.0
Customer loans (net)/customer deposits	194.1	196.3	206.2	221.2	278.5
Long-term funding ratio	88.0	83.5	87.5	86.2	87.1
Stable funding ratio	89.4	88.3	95.3	93.9	86.7
Short-term wholesale funding/funding base	13.4	18.5	14.2	15.6	14.3
Regulatory net stable funding ratio	126.7	125.8	132.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	0.6	0.7	1.2	1.1	0.4
Net broad liquid assets/short-term customer deposits	(10.8)	(11.7)	6.1	2.5	(25.0)
Regulatory liquidity coverage ratio (LCR) (x)	471.8	487.5	524.8	N/A	N/A
Short-term wholesale funding/total wholesale funding	28.3	37.6	26.9	27.8	23.1
Narrow liquid assets/3-month wholesale funding (x)	1.5	2.4	3.4	3.3	1.4

*Half year results. N/A--Not applicable.

RCI Banque--Rating component scores

Issuer Credit Rating	**BBB-/Stable/A-3**
SACP	bbb-
Anchor	bbb
Economic risk	4
Industry risk	4
Business position	Moderate
Capital and earnings	Strong
Risk position	Adequate
Funding	Moderate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0

RCI Banque--Rating component scores (cont.)	
Issuer Credit Rating	**BBB-/Stable/A-3**
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Large French Banks' Net Interest Income Should Pick Up From Mid-2024, Sept. 26, 2023
- Economic Outlook Eurozone Q4 2023: Slower Growth, Faster Tightening, Sept. 25, 2023
- Tear Sheet: Renault S.A., Aug. 1, 2023
- Industry Top Trends Update Europe: Autos, July 18, 2023
- Economic Research: Economic Outlook Eurozone Q3 2023: Short-Term Pain, Medium-Term Gain, June 26, 2023
- Research Update: French Automaker Renault Outlook Revised To Stable On Increased Operating Resilience; 'BB+/B' Ratings Affirmed, Feb. 20, 2023
- Renault S.A., Dec. 20, 2022

Ratings Detail (As Of September 29, 2023)*	
RCI Banque	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
Short-Term Debt	A-3
Subordinated	BB

Ratings Detail (As Of September 29, 2023)*(cont.)	
Issuer Credit Ratings History	
24-Jun-2021	BBB-/Stable/A-3
26-Feb-2019	BBB/Negative/A-2
27-May-2016	BBB/Stable/A-2
Sovereign Rating	
France	AA/Negative/A-1+
Related Entities	
DIAC S.A.	
Issuer Credit Rating	BBB-/Stable/A-3
Commercial Paper	
Local Currency	A-3
Senior Unsecured	BBB-
RCI Banque Sucursal Argentina	
Issuer Credit Rating	
Argentina National Scale	raCCC+/Negative/raC
Renault S.A.	
Issuer Credit Rating	BB+/Stable/B
Commercial Paper	
Local Currency	B
Senior Unsecured	BB+
Short-Term Debt	B

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.