

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of RCI Banque

21 Oct 2020

Paris, October 21, 2020 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of RCI Banque and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

The Baa2 long-term deposit and senior unsecured debt ratings of RCI Banque (RCI) reflect (1) the bank's ba1 Baseline Credit Assessment (BCA) and adjusted BCA; and (2) two notches of uplift under Moody's Advanced Loss Given Failure (LGF) analysis, given the very low loss-given-failure for the senior creditors stemming from the bank's large volume of senior unsecured instruments. The probability of government support is low, and hence the ratings do not include any additional uplift.

RCI is a key strategic arm of Renault S.A. (Ba2). Its asset risk is moderate and its regulatory capitalization is commensurate with its risk profile. The bank is reliant on wholesale funding, but this is mitigated by its limited refinancing risk thanks to the match-funded nature of its balance sheet, its increased deposits base and substantial liquidity buffer.

The BCA is constrained by the bank's lack of business diversification and exposures to car dealers and the creditworthiness of Renault itself. Because the bank is an integral part of Renault's business model, RCI's BCA is unlikely to exceed Renault's rating by more than one notch, as is the case for most other rated auto captives.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Banks Methodology published in November 2019. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

This announcement applies only to EU rated and EU endorsed ratings. Non EU rated and non EU endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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Yasuko Nakamura
VP - Senior Credit Officer
Financial Institutions Group
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Alain Laurin
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



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