

ISSUER COMMENT

22 JANUARY 2015

RATINGS

RCI Banque

LT Bank Deposits / Senior Unsecured	Baa3
Subordinate	Ba1
BFSR/BCA	D+/ baa3

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RCI Banque

RCI Banque Achieves Strong Deposit Growth And Confirms Funding Target, a Credit Positive

On 14 January, RCI Banque (Baa3 stable, D+/baa3 stable), the captive bank of automaker Renault S.A. (Ba1 positive), announced that the funds held in its online retail saving accounts amounted to more than €6.5 billion at year-end 2014, a 50% rise compared with year-end 2013. The bank also confirmed that it aims to grow its online deposits to account for 30% of outstanding loans by 2016 - up from 25% at present - after having raised this target several times since the launch of its retail savings business. These developments are credit positive because they confirm RCI's decreasing reliance on market funding.

Online deposits have grown to represent a significant component of RCI Banque's funding structure. RCI Banque's success in raising online deposits allowed the bank to, at the end of 2014, have deposits to represent 20%-25% of outstanding loans a year earlier than it had anticipated. Initially, the bank had expected to meet this level by 2016. RCI now communicates on a target for deposits reaching 30% of outstanding loans by 2016.

The increase in retail savings activity is largely the result of the continuing growth of German savings, which represent a total of 130,500 customers and deposits worth €4.4 billion, with the latter having risen 44% year-on-year. The bank also launched online deposits in Austria in May 2014, which attracted 10,000 customers and € 373 million of online deposits at year-end. French deposits grew 38% in 2014, compared with a 44% increase in 2013, partly driven by lower competition from tax-free savings products due to diminishing rates.

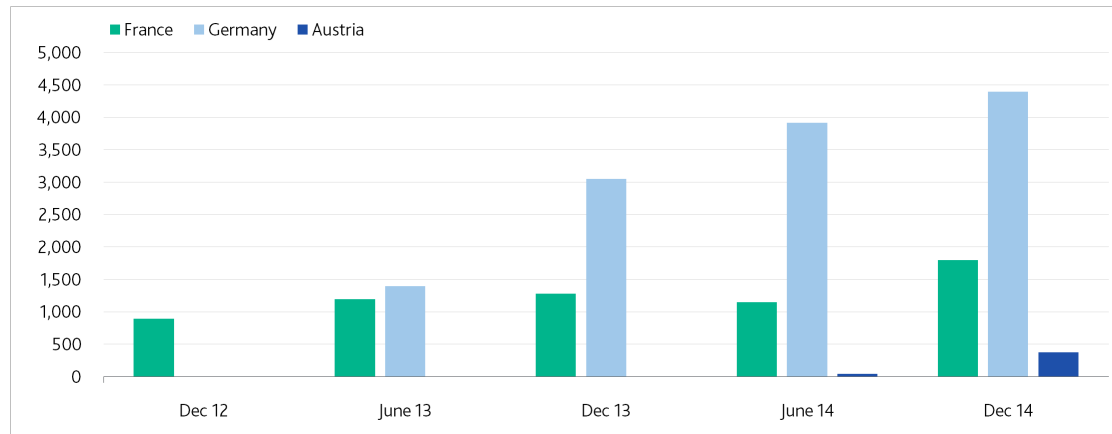
The growth in 2014 is part of a positive trend since the bank started collecting online savings in France in February 2012. At year-end 2013, the total amount of deposits was €4.3 billion, or 17% of outstanding loans, with €1.3 billion coming from France and €3 billion from Germany (German savings accounts were launched in February 2013). Its deposit base continued to grow in 2014, with collected funds in 2014 amounting to €2.2 billion, accounting for 33% of RCI Banque's funding plan for the year.

RCI's decision to launch retail savings accounts was part of an effort to reduce its dependence on market funding following the European sovereign debt crisis. It follows a path taken by other captive banks facing funding difficulties to cope with depressed European car sales. Banque PSA Finance (Ba1 stable, D/ba2 positive) launched a

deposit-gathering plan in 2013 and Volkswagen Bank GmbH (A3 positive, C-/baa2 stable), which has long had direct banking operations, reported customer deposits of €24.5 billion, or 68% of outstanding loans, at the end of June 2014. We note that although online retail deposits are a relatively expensive funding source, they are less market sensitive than wholesale funding.

Exhibit 1

**RCI Banque's Online Deposits
(€ million)**



Source: RCI Banque

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Endnotes

- 1 The ratings shown in this article are the banks' foreign deposit rating, its standalone bank financial strength rating/baseline credit assessment and the corresponding rating outlooks.

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