

ISSUER COMMENT

RCI Achieves 30% Deposit Funding Target, a Credit Positive

From [Credit Outlook](#)

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Last Tuesday, [RCI Banque](#) (Baa1/Baa1 stable, baa3¹), the captive bank of automaker [Renault S.A.](#) (Ba1 positive), announced that the deposits held in its online retail saving accounts amounted to €10.2 billion at year-end 2015, a 56% increase compared with year-end 2014. The bank also indicated that online deposits now fund more than 30% of outstanding loans, completing a year early an objective initially targeted for year-end 2016. These developments are credit positive because they confirm RCI's decreasing reliance on market funding.

The growth in deposits in 2015 is part of a positive trend since the bank started collecting online savings in France in February 2012. Since the opening of the French operations, RCI opened deposit-gathering facilities in Germany in 2013, Austria in 2014 and the UK in 2015. The net deposit collection was €3.7 billion in 2015, or 40% of resources RCI borrowed in Europe during the year. Online deposits have grown to a significant component of RCI's funding structure. Subsequent to achieving its deposit funding target, RCI announced that it now aims to finance approximately a third of its lending through online deposits, letting this number vary depending on the cost of other sources of funding on the financial markets.

In 2015, deposit growth was largely driven by German savings, which increased 61% to €7 billion, including €2.4 billion of term deposits which have more favorable funding characteristics owing to their fixed maturity. RCI also started collecting deposits in the UK in June 2015 and had collected £900 million in this country by year end, while the Austrian operations increased their savings by more than 60% to approximately €600 million. In France, online deposits decreased to €1.3 billion at year-end 2015 from €1.8 billion a year ago, reflecting banks' voluntary less aggressive pricing policy in view of the market's costs. Exhibit 1 illustrates RCI's strong growth in its savings markets since 2012. RCI now has offers of both sight accounts and term accounts in the four countries in which it collects deposits. Exhibit 2 shows RCI's various saving account offers in these countries and relative expensiveness of the French savings market.

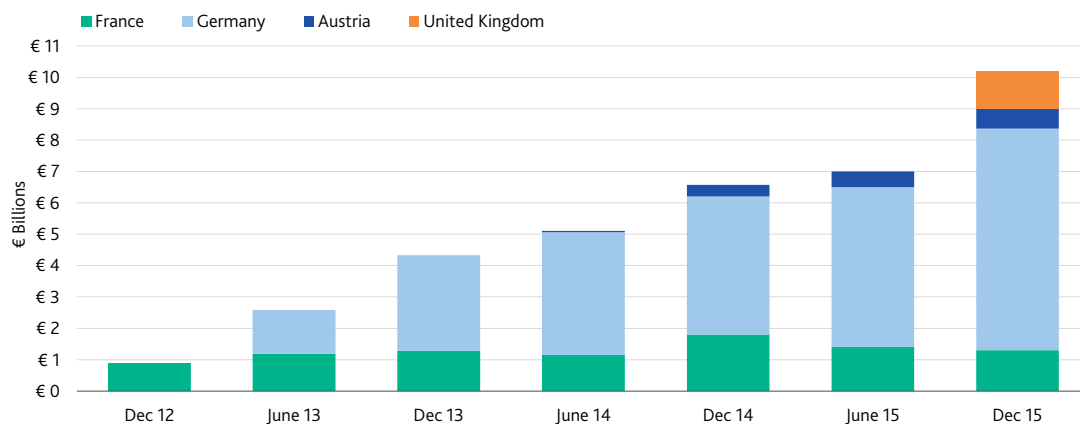
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Published every Monday and Thursday morning, Moody's [Credit Outlook](#) informs our research clients of the credit implications of current events.

¹ The bank ratings shown are the bank's deposit rating, senior unsecured debt rating and baseline credit assessment.

EXHIBIT 1

RCI Banque's Online Deposits



Source: RCI Banque

EXHIBIT 2

Saving Account Offers at RCI Banque at 15 January 2016

Bank	Account	Country	Account Type	Promotional Rate	Running Rate	Ceiling	EAR	Term Rate
RCI Banque	Zesto	France	Sight		1.70%	€ 10,000,000	1.70%	
RCI Banque	Pepito	France	Term			€ 1,000,000	1.75%	2.50% (3 y)
Renault Bank Direkt	Tagesgeld	Germany	Sight	1.10%/3m	1.00%	€ 1,000,000	1.03%	
Renault Bank Direkt	Festgeld	Germany	Term			€ 1,000,000	1.15%	1.70% (5 y)
Renault Bank Direkt	Tagesgeld	Austria	Sight		0.90%	€ 1,000,000	0.90%	
Renault Bank Direkt	Festgeld	Austria	Term			€ 1,000,000	1.15%	1.30% (3 y)
RCI Bank	Freedom Saving	UK	Sight		1.65%	£1,000,000	1.65%	
RCI Bank	Fixed Term Savings	UK	Term			£1,000,000	2.06%	2.70% (3y)

Note: EAR = Equivalent Annual Rate for first year of opening the account.

Source: RCI Banque

RCI's decision to begin collecting deposits is part of an effort to reduce its dependence on market funding following the European sovereign debt crisis, and a path other captive banks facing funding difficulty have taken. [Banque PSA Finance](#) (Baa3/Baa3 positive, ba2) launched a deposit-gathering plan in 2013 and disclosed €2.9 billion of online savings at the end of June 2015, equal to 13% of its outstanding loans. [Volkswagen Bank GmbH](#) (A1 developing/A1 negative, baa2), which had long had direct banking operations, reported customer deposits of €25.1 billion, or 64% of outstanding loans, at the end of June 2015. Although online savings are a relatively expensive funding source, they are less confidence-sensitive than market funding.

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