

**Rating Action: Moody's downgrades RCI Banque's deposit and senior unsecured ratings to Baa2; outlook is negative**

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03 Jun 2020

**BCA and Adjusted BCA downgraded to ba1**

Paris, June 03, 2020 -- Moody's Investors Service (Moody's) today downgraded RCI Banque (RCI)'s long-term deposit and senior unsecured debt ratings to Baa2 from Baa1. The outlook on these has been changed to negative from ratings under review. Moody's also downgraded the bank's Baseline Credit Assessment (BCA) and Adjusted BCA to ba1 from baa3, its subordinated debt ratings to Ba2 from Ba1, its long-term Counterparty Risk (CR) Assessment and long-term Counterparty Risk Rating (CRR) to Baa1(cr) and Baa1 respectively, from A3(cr) and A3 respectively.

The rating agency concurrently affirmed RCI's Prime-2 short-term deposit and commercial paper ratings, its Prime-2 short-term CRR and its Prime-2(cr) short-term CR Assessment. RCI Banque Sucursal Argentina's local currency issuer rating of Caa1 with a negative outlook remains unaffected by today's action. This action was prompted by the downgrade of the corporate family rating (CFR) of RCI's parent Renault S.A. (Renault) to Ba2 from Ba1. For further details, please see Moody's press "Moody's downgrades Renault's ratings to Ba2; Outlook negative" ([https://www.moodys.com/research/--PR\\_425266](https://www.moodys.com/research/--PR_425266)) published on 28 May 2020.

This action concludes the review opened on RCI's ratings on 31 March 2020.

A full list of affected ratings can be found at the end of this press release.

**RATINGS RATIONALE**

**RATIONALE FOR THE DOWNGRADE OF THE BCA AND ADJUSTED BCA**

The widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. The auto sector has been one of the sectors most significantly affected by the shock. Moody's further regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

RCI's asset quality, profitability and solvency will likely weaken in today's deteriorated economic environment. Furthermore, Moody's believes that the weakening of its parent's creditworthiness will impair RCI's fundamentals more durably because RCI is an integral part of the car manufacturer's business model. As such, 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. The downgrade of RCI's BCA and Adjusted BCA to ba1 therefore results from the downgrade of Renault's ratings to Ba2, reflecting the intrinsic linkages between both companies and the direct negative impact of the coronavirus on the banks' fundamentals.

**RATIONALE FOR THE BANK'S LONG-TERM RATINGS**

RCI's long-term deposit and senior unsecured debt as well as its subordinated debt ratings reflect the bank's BCA and Adjusted BCA of ba1 and the application of Moody's Advanced Loss Given Failure (LGF) analysis to its liabilities.

The negative outlook on RCI's long-term deposit and senior unsecured debt ratings reflect the negative outlook on Renault's ratings.

**FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING**

An upgrade of RCI's BCA, and hence of its long-term ratings, are currently very unlikely given the negative outlook.

Owing to the intrinsic interlinkages between the captive and its automotive parent, RCI's ratings are highly dependent on the creditworthiness of Renault. Therefore, a downgrade of Renault would likely result in a

similar action on RCI's ratings. A downgrade of RCI's ratings could also result from a substantial deterioration in the bank's asset quality, capital, profitability or liquidity.

#### LIST OF AFFECTED RATINGS

Issuer: RCI Banque

..Downgrades:

...Long-term Counterparty Risk Ratings, downgraded to Baa1 from A3

...Long-term Bank Deposits, downgraded to Baa2 from Baa1, outlook changed to Negative from Ratings under Review

...Long-term Deposit Note/CD Program, downgraded to (P)Baa2 from (P)Baa1

...Long-term Counterparty Risk Assessment, downgraded to Baa1(cr) from A3(cr)

...Baseline Credit Assessment, downgraded to ba1 from baa3

...Adjusted Baseline Credit Assessment, downgraded to ba1 from baa3

...Senior Unsecured Regular Bond/Debenture, downgraded to Baa2 from Baa1, outlook changed to Negative from Ratings under Review

...Senior Unsecured Medium-Term Note Program, downgraded to (P)Baa2 from (P)Baa1

...Subordinate Regular Bond/Debenture, downgraded to Ba2 from Ba1

...Subordinate Medium-Term Note Program, downgraded to (P)Ba2 from (P)Ba1

..Affirmations:

...Short-term Counterparty Risk Ratings, affirmed P-2

...Short-term Bank Deposits, affirmed P-2

...Short-term Deposit Note/CD Program, affirmed P-2

...Short-term Counterparty Risk Assessment, affirmed P-2(cr)

...Commercial Paper, affirmed P-2

...Other Short Term , affirmed (P)P-2

..Outlook Action:

...Outlook changed to Negative from Ratings under Review

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in November 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1147865](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1147865) . Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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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

Nicholas Hill  
MD - Banking  
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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