

Rating Action: Moody's places RCI Banque's Baa1 deposit and senior unsecured ratings on review for downgrade

31 Mar 2020

BCA and Adjusted BCA of baa3 on review for downgrade

Paris, March 31, 2020 -- Moody's Investors Service (Moody's) today placed the Baa1 long-term deposit and senior unsecured ratings of RCI Banque (RCI) on review for downgrade. RCI's Baseline Credit Assessment (BCA) and Adjusted BCA of baa3, its Ba1 subordinated debt ratings, its A3(cr) long-term Counterparty Risk (CR) Assessment and its A3 long-term Counterparty Risk Rating (CRR) were also placed on review for downgrade.

RCI's Prime-2 short-term deposit and commercial paper ratings, its Prime-2 short-term CRR, its Prime-2(cr) short-term CR Assessment and RCI Banque Sucursal Argentina's local currency issuer rating of B2, ratings under review, remain unaffected by today's action.

This action was prompted by the review for downgrade on the Ba1 rating of RCI's parent Renault S.A. (Renault; Ba1 ratings under review). For further details, please see Moody's press "Moody's places ratings of 7 European automotive manufacturers on review for downgrade one issuer for direction uncertain; downgrades one issuer" (https://www.moody.com/research/--PR_420407) published on 25 March 2020.

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

RATINGS RATIONALE

RATIONALE FOR THE REVIEW

The rapid and 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 given its sensitivity to consumer demand. Moody's further regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

Because RCI is an integral part of the car manufacturer's business model, the rating agency believes it would be similarly affected by the aforementioned risk factors. 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. Hence if Renault's ratings were to be downgraded, there is a strong likelihood that RCI's BCA also be downgraded to reflect the intrinsic linkages between the companies.

During the review, Moody's will consider how the impact of the coronavirus outbreak on Renault's creditworthiness could impact that of RCI. For more details, please refer to the press release linked above.

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 baa3 and the application of Moody's Advanced Loss Given Failure (LGF) analysis to its liabilities. The review for downgrade on these ratings derives from the review on the BCA of baa3.

LIST OF AFFECTED RATINGS

Issuer: RCI Banque

..Placed on Review Downgrade:

....Long-term Counterparty Risk Ratings, currently A3

....Long-term Bank Deposits, currently Baa1, outlook changed to Ratings under Review from Stable

...Long-term Deposit Note/CD program, currently (P)Baa1

...Long-term Counterparty Risk Assessment, currently A3(cr)

...Baseline Credit Assessment, currently baa3

...Adjusted Baseline Credit Assessment, currently baa3

...Senior Unsecured Regular Bond/Debenture, currently Baa1, outlook changed to Ratings under Review from Stable

...Senior Unsecured Medium-Term Note, currently (P)Baa1

...Subordinate Regular Bond/Debenture, currently Ba1

...Subordinate Medium-Term Note Program, currently (P)Ba1

..Outlook Action:

...Outlook changed to Ratings under Review from Stable

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 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

An upgrade of RCI's BCA, and hence of its long-term ratings, are currently highly unlikely given the reviews for downgrade.

Owing to the intrinsic interlinkages of the captive with its automotive parent, RCI's ratings are highly dependent on the creditworthiness of Renault. A downgrade of Renault would likely, therefore, 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.

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.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment

resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moody's.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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

At least one ESG consideration was material to the credit rating outcome announced and described above.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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