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CREDIT OPINION
18 May 2017

Update

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RATINGS

RCI Banque

Domicile	France
Long Term Debt	Baa1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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RCI Banque

Semiannual Update

Summary Rating Rationale

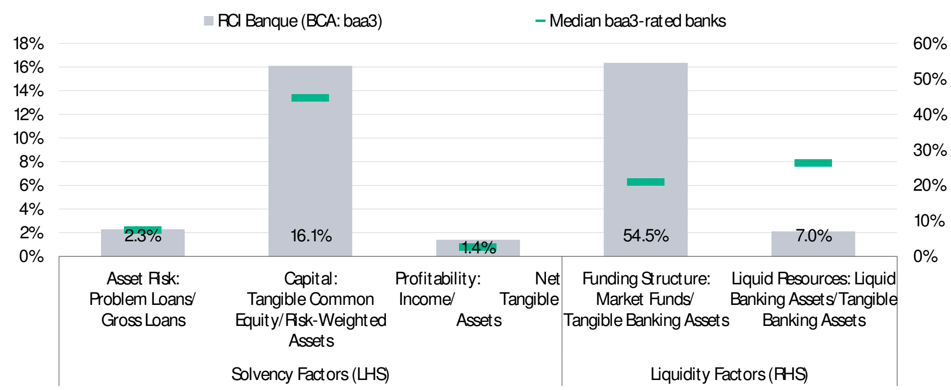
RCI Banque's (RCI) Baa1 long-term deposit and senior unsecured debt ratings reflect (1) the bank's baa3 baseline credit assessment (BCA) and adjusted BCA; and (2) two notches of uplift under the Advanced loss-given-failure (LGF) analysis, stemming from the large volume of senior long-term debt. The outlooks on the long-term deposit and senior unsecured debt ratings are stable.

RCI's BCA of baa3 is supported by (1) the bank's role as a strategic captive for Renault S.A. (Renault; Baa3, stable); and (2) its sound risk management and financial fundamentals, including high and stable earning streams as well as limited credit losses on both its retail and dealer exposures.

At the same time, the BCA is constrained by the bank's lack of business diversification, large exposures to car dealers as well as the reliance on confidence-sensitive wholesale funding, albeit somewhat reduced through the collection of online deposits, which represent a material shpare of the bank's funding.

Exhibit 1

Rating Scorecard - Key Financial Ratios



Source: Moody's Financial Metrics

RCI's strategic role within the Renault/Nissan alliance result in its standalone creditworthiness being tied to the strength of its parent, Renault. So far, Renault and Nissan Motor Co., Ltd. (A3, stable) have demonstrated a high degree of resilience to macroeconomic pressures despite the cyclical nature of the car market, which in turn is protective of RCI's creditworthiness.

We assign a Counterparty Risk Assessment (CR Assessment) of A3(cr)/Prime-2(cr) to RCI.

Credit Strengths

- » RCI is essential to its parent's strategy
- » Asset risks are moderate
- » Adequate capitalisation supports the bank's risk profile
- » RCI has maintained strong profitability through the credit cycle
- » RCI has limited refinancing risk, an increasing deposit base and an adequate liquidity buffer
- » RCI's BCA is supported by its Strong Macro Profile
- » Large volume of senior unsecured debt results in debt and deposit ratings benefiting from a very low loss-given-failure and two notches of uplift from the BCA
- » Low probability of government support resulting in no uplift from BCA for debt and deposits

Credit Challenges

- » RCI's risk profile remains high because of some structural features, including its captive status and lack of business diversification
- » The car market is cyclical by nature
- » RCI has some credit concentrations among car dealers
- » RCI is reliant on wholesale funding

Rating Outlook

RCI's deposit and senior unsecured debt ratings carry a stable outlook, which reflects the current strong and stable performance of the bank's loan portfolio.

Factors that Could Lead to an Upgrade

- » Given its status as a captive bank, RCI has close ties with Renault and hence the gap between the rating of the carmaker (currently Baa3) and the BCA of its captive (currently baa3) could not exceed one notch. To the extent this gap would not exceed one notch, RCI's BCA could be upgraded following (1) a material reduction in the reliance on wholesale funding; or (2) any material improvement in asset quality or solvency. An upgrade of the BCA would likely prompt an upgrade of the bank's deposit and senior unsecured ratings.
- » Under our advanced LGF analysis, the long-term and short-term deposit and senior unsecured debt ratings could be positively affected by significant issuance of subordinated instruments.

Factors that Could Lead to a Downgrade

- » A downgrade of RCI's ratings could materialise if (1) the parent's rating is downgraded by more than one notch; or (2) the bank's credit fundamentals deteriorate.

Key Indicators

Exhibit 2

RCI Banque (Consolidated Financials) [1]

	12-16[2]	12-15[2]	12-14[2]	12-13[3]	12-12[3]	Avg.
Total Assets (EUR million)	43,320	37,073	32,023	29,505	28,767	10.8[4]
Total Assets (USD million)	45,692	40,272	38,750	40,656	37,926	4.8[4]
Tangible Common Equity (EUR million)	3,976	3,384	3,048	2,815	2,609	11.1[4]
Tangible Common Equity (USD million)	4,194	3,676	3,688	3,879	3,440	5.1[4]
Problem Loans / Gross Loans (%)	1.5	2.5	3.0	3.5	3.5	2.8[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.1	15.9	15.9	12.9	12.1	16.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	12.8	19.9	23.2	26.7	27.6	22.1[5]
Net Interest Margin (%)	2.7	3.0	3.1	3.2	3.5	3.1[5]
PPI / Average RWA (%)	4.4	4.6	4.1	3.9	4.0	4.4[6]
Net Income / Tangible Assets (%)	1.4	1.5	1.4	1.7	1.8	1.6[5]
Cost / Income Ratio (%)	31.4	31.5	35.1	31.4	30.9	32.1[5]
Market Funds / Tangible Banking Assets (%)	54.5	55.7	60.9	66.6	78.9	63.3[5]
Liquid Banking Assets / Tangible Banking Assets (%)	7.0	9.3	6.2	6.2	5.0	6.7[5]
Gross Loans / Due to Customers (%)	296.3	300.1	402.5	530.7	1,668.9	639.7[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate (%). Any interim period amounts presented are assumed to be fiscal year end amounts for calculation purposes [5] Simple average of periods presented [6] Simple average of Basel III periods presented

Source: Moody's Financial Metrics

Detailed Rating Considerations

RCI IS A KEY VEHICLE FOR THE STRATEGY OF ITS INDUSTRIAL PARENT RENAULT

RCI is a wholly-owned captive finance company that supports the sales of the Renault/Nissan alliance by offering auto loans to customers (both individual and corporates) and loans to dealers to help them finance their inventories. RCI also offers related services such as maintenance, insurance and roadside assistance. Lastly, the bank collects deposits through online savings accounts in France, Germany, Austria and the United Kingdom with a view to diversifying its funding.

Loans to retail customers and to corporate clients (excluding dealers), which totalled EUR28 billion at year-end 2016, can also take the form of long-term leases. Leases are almost exclusively finance leases (€8.7 billion at year-end 2016) and to a much lesser extent operating leases (€0.7 billion at year-end 2016). The residual value risk is worth €1.9 billion at year-end 2016, which is relatively limited.

Although ancillary products and services, such as insurances, warrantee extensions and maintenance contracts, have been developed in recent years to improve customer loyalty, we believe they do not materially enhance the bank's diversification, which remains mainly focused on existing customers of the Renault/Nissan alliance car brands.

ASSET RISKS ARE MODERATE, DESPITE SOME CONCENTRATIONS AMONG CAR DEALERS

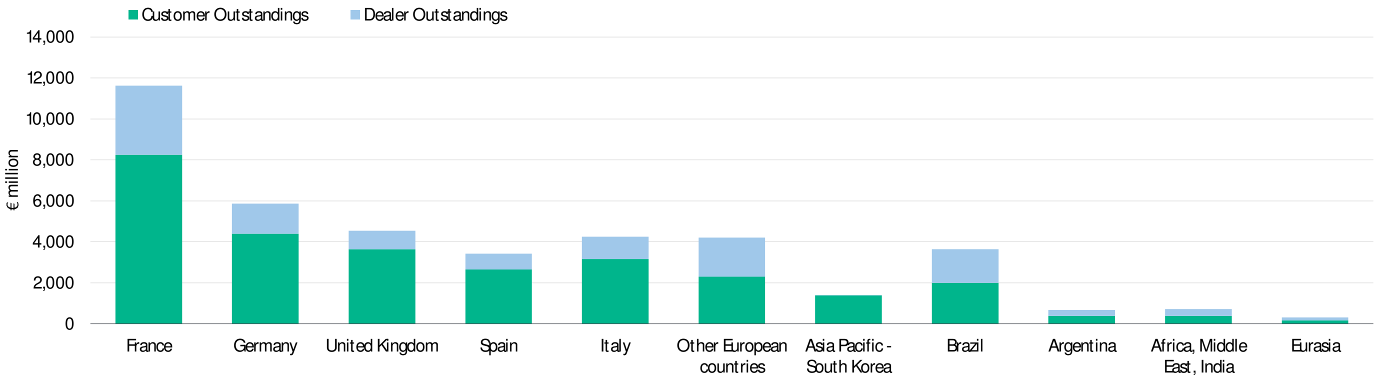
As of year-end 2016, RCI's problem loans to customers represented 1.5% of gross loans (December 2015: 2.5%). This portfolio remained well-provisioned with specific loan loss reserves accounting for 61% of problem loans at year-end 2016 (the coverage was 112% including impairment allowances on non-impaired loans and collective provisions in the numerator). We see RCI's customer base as relatively risky and note that high provisions have been sustained over time ; RCI experienced a sharp deterioration in asset quality during the recession, notably in Spain and Romania, before continuously improving since 2010. In 2016, the bank's cost of risk was 31 basis points (bps) of average outstanding loans, a slight decrease from 33 bps in 2015.

One of RCI's main risks is the lack of business diversification, as it is a captive specialised institution. As such, a downturn in sales volumes of Renault / Nissan alliance brands would likely result in lower origination volumes and therefore lower revenues. It also results in relatively high credit risk concentration towards car dealers, which represented 26% of the bank's loan book of €38.3 billion at year-end 2016. Although we recognise that this portfolio comprises a large number of borrowers, which has performed well in the past, the high degree of correlation among car dealers leads us to consider these exposures cumulatively from a credit risk concentration viewpoint.

Exhibit 3

Credit risk towards car dealers represents 26% of RCI's loan book

Loan book mix at end-December 2016 - end-user customers and car dealers (€ million)



Source: RCI Banque's Annual Report 2016

ADEQUATE CAPITALISATION SUPPORTS THE BANK'S RISK PROFILE

RCI reported a common equity tier one (CET1) ratio of 15.7% on a phased-in basis at year-end 2016 versus 15.1% at year-end 2015. We believe that RCI's economic solvency is adequate given its risk profile and our assigned capital score of a1 reflects this.

RCI HAS MAINTAINED STRONG PROFITABILITY DESPITE THE CYCLICAL NATURE OF THE CAR MARKET

RCI has consistently generated comfortable net banking income exceeding 4% of average performing assets over the past five years. The resilience of the bank's net interest income representing circa 75% of its net banking income is stemming from the profitable car-financing activities (including packaged products, which are less price-sensitive than plain-vanilla loans), contained funding costs, and the fact that RCI seeks to pass any increases in funding costs onto customers. The relatively long-term nature of the car financing contracts mitigates to some extent of the effects of the car market cycles and reduces income volatility of the bank. Net interest margins (as a percentage of average performing assets) have slightly decreased in 2016, primarily due to a small reduction in the share of higher margin markets (primarily America) in RCI's car-financing portfolio during the year.

RCI also has a good cost efficiency thanks to its low fixed cost basis currently accounting for some 1.4% of its average performing assets and resulting in a cost-to-income ratio of around 30%. This high cost efficiency reflects the fact that the RCI benefits from various services provided by Renault (e.g.; distribution channels) as well as from the group's marketing initiatives.

RCI IS RELIANT ON WHOLESALE FUNDING, A CREDIT WEAKNESS ; PARTLY MITIGATED BY LIMITED REFINANCING RISK, AN INCREASING DEPOSIT BASE AND AN ADEQUATE LIQUIDITY BUFFER

RCI is mainly wholesale-funded, making it vulnerable to sudden changes in investors' confidence. Restricted market access could lead to higher funding costs, which would constrain loan origination. This would in turn affect the strength of RCI's franchise and ultimately reduce its earnings generation, particularly if any funding constraints coincided with higher loan impairments. Our assigned combined liquidity score of b1 reflects the relative weakness of funding and liquidity for the rating of the bank.

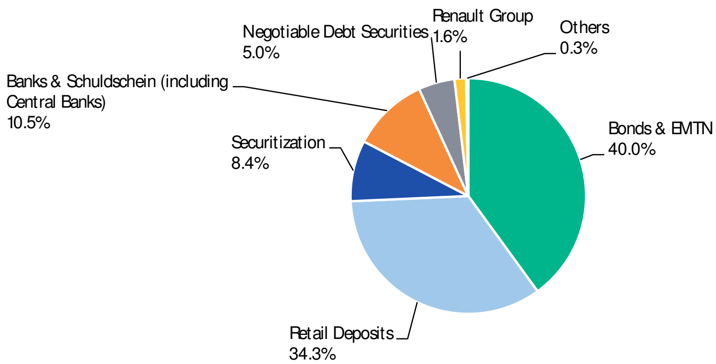
However, we recognize that RCI (1) strives to match its assets and liabilities thereby limiting maturity transformation and refinancing risk; and (2)has access to considerable liquidity, principally in the form of committed bank credit lines to bridge any mismatches or temporary market access restrictions.

We note positively that the bank (1) receives very limited funding from the Renault group, and (2) has started collecting internet deposits from retail customers in 2012, which accounted for approximately 34.3% of net outstanding loans at year-end 2016, corresponding to the level targeted by RCI.

Exhibit 4

RCI increasingly funds itself with online retail deposits

Funding sources % total funding (end-December 2016)



Source: RCI Banque's Annual Report 2016

RCI claims to have a funding surplus because it finances its loan book with longer term liabilities, resulting in little refinancing risk. The bank has been able to issue debt of various maturities on the markets on a number of occasions in the past couple of years and in different currencies. We also take comfort from the geographic diversification of the resources and investors.

Securitisation is used both for funding purposes and to increase asset liquidity. At year-end 2016, securitisation represented 8% of the bank's funding. We note that RCI still has a sizeable pool of securitizable assets available. In a stress scenario, RCI should therefore be able to increase its recourse to securitization to make its balance sheet more liquid and create ECB-eligible assets.

In its 2016 financial report, RCI stated that its €8.4 billion available liquidity would allow it to carry out its commercial business activity for more than ten months in a stressed liquidity scenario without access to the unsecured public funding markets. In this market shutdown scenario, it would use its €4.1 billion available confirmed lines of credit, which we believe could be subject to changes in availability and pricing.

Our funding structure score at b2 reflects the large dependence on market funding of the bank.

RCI'S BCA IS SUPPORTED BY ITS STRONG MACRO PROFILE

RCI's operating environment is heavily influenced by European countries and its Macro Profile is in line with the EU average Macro Profile at "Strong".

Overall, our assigned BCA is baa3, which, similarly to the other captive auto-banks, includes one notch negative adjustment to RCI's financial score for lack of "business diversification" as the bank is only involved in auto loans to end-users and dealers.

Notching Considerations

Affiliate Support

RCI's parent Renault is rated Baa3, on par with RCI's baa3 BCA, and hence RCI does not benefit from affiliate support uplift.

Loss Given Failure

RCI is subject to the EU Bank Resolution and Recovery Directive (BRRD), which we consider to be an Operational Resolution Regime.

We assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions.

We believe that RCI's deposits and senior unsecured debt are likely to benefit from a very low loss-given-failure, due to the loss absorption provided by (i) the large amount of senior unsecured debt should deposits be treated preferentially in a resolution; and (ii) the small volume of deposits. This results in a Preliminary Rating Assessment (PRA) for both deposits and senior unsecured debt two notches above the BCA.

Government Support

We expect a low probability of government support for debt and deposits, resulting in no uplift for both the long-term deposits and senior unsecured debt issued by the bank.

CR Assessment

The CR Assessment is positioned at A3(cr)/Prime-2(cr).

The CR Assessment, prior to government support, is positioned three notches above the Adjusted BCA of baa3, based on the cushion against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 37% of Tangible Banking Assets. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

Rating Methodology and Scorecard Factors

Exhibit 5

RCI Banque

Macro Factors		
Weighted Macro Profile	**Strong**	**100%**

Factor	**Historic Ratio**	**Macro Adjusted Score**	**Credit Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.3%	a3	←→	a3	Sector concentration	Long-run loss performance
Capital						
TCE / RWA	16.1%	aa3	←→	a1	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	1.4%	a3	←→	a3	Earnings quality	Return on assets
Combined Solvency Score		a2		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	54.5%	b3	←→	b2	Extent of market funding reliance	Term structure
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	7.0%	b1	←→	ba2	Access to committed facilities	
Combined Liquidity Score		b2		b1		
Financial Profile				baa2		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint:				Aa2		
Scorecard Calculated BCA range				baa2-ba1		
Assigned BCA				baa3		
Affiliate Support notching				--		
Adjusted BCA				baa3		

Balance Sheet	**in-scope (EUR million)**	**% in-scope**	**at-failure (EUR million)**	**% at-failure**
Other liabilities	11,030	29.0%	11,958	31.5%
Deposits	13,266	34.9%	12,337	32.5%
Preferred deposits	11,939	31.4%	11,342	29.9%
Junior Deposits	1,327	3.5%	995	2.6%
Senior unsecured bank debt	12,536	33.0%	12,536	33.0%
Preference shares (bank)	12	0.0%	12	0.0%
Equity	1,140	3.0%	1,140	3.0%
Total Tangible Banking Assets	37,983	100%	37,983	100%

Debt class	De jure waterfall		De facto waterfall		Notching		LGF notching guidance versus BCA	Assigned LGF notching	Additional notching	Preliminary Rating Assessment
	Instrument volume + Subordination	Sub-ordination	Instrument volume + Subordination	Sub-ordination	De jure	De facto				
Counterparty Risk Assessment	38.7%	38.7%	38.7%	38.7%	3	3	3	3	0	a3 (cr)
Deposits	38.7%	3.0%	38.7%	36.0%	2	3	2	2	0	baa1
Senior unsecured bank debt	38.7%	3.0%	36.0%	3.0%	2	2	2	2	0	baa1
Dated subordinated bank debt	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	0	ba1

Instrument class	Loss Given Failure notching	Additional Notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Assessment	3	0	a3 (cr)	0	A3 (cr)	--
Deposits	2	0	baa1	0	Baa1	Baa1
Senior unsecured bank debt	2	0	baa1	0	Baa1	Baa1
Dated subordinated bank debt	-1	0	ba1	0	Ba1	--

Source: Moody's Financial Metrics

Ratings

Exhibit 6

Category	Moody's Rating
RCI BANQUE	
Outlook	Stable
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Senior Unsecured	Baa1
Subordinate MTN -Dom Curr	(P)Ba1
Commercial Paper	P-2
Other Short Term -Dom Curr	(P)P-2
PARENT: RENAULT S.A.	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured	Baa3
Commercial Paper -Dom Curr	P-3
Other Short Term -Dom Curr	(P)P-3
BANCO RCI BRASIL S.A.	
Outlook	Stable
Bank Deposits -Fgn Curr	Ba3/NP
Bank Deposits -Dom Curr	Ba1/NP
NSR Bank Deposits	Aaa.br/BR-1
Baseline Credit Assessment	ba3
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
RCI BANQUE SUCURSAL ARGENTINA	
Outlook	Stable
Issuer Rating -Dom Curr	Ba3
ROMBO COMPANIA FINANCIERA S.A.	
Outlook	Positive(m)
Corporate Family Rating	B1
NSR Corporate Family Rating	Aa2.ar
Senior Unsecured -Dom Curr	B1
NSR Senior Unsecured	Aa2.ar

Source: Moody's Investors Service

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