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CREDIT OPINION
14 February 2018

Update

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RATINGS

RCI Banque

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

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

Update following the change of outlook to positive

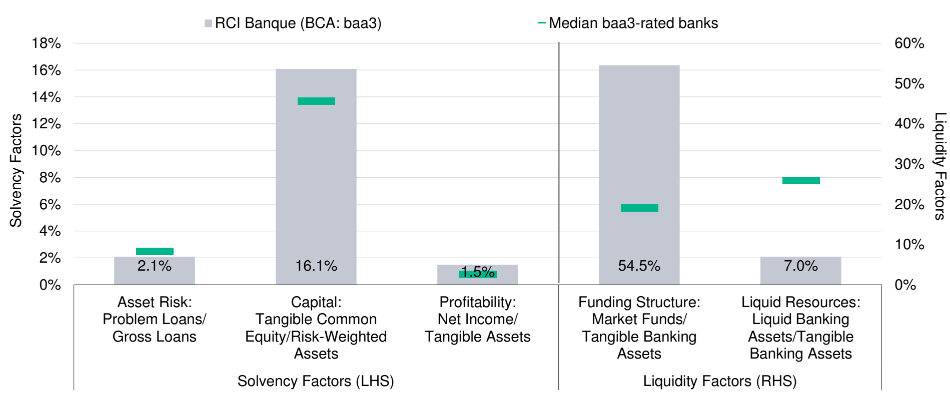
Summary

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 our 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 positive, which is in line with the positive outlook on the parent company Renault S.A. (Renault; Baa3, positive).

RCI's BCA of baa3 is supported by the bank's role as a strategic captive for Renault and its sound risk management and financial fundamentals. Earnings streams are high and stable, credit losses on its retail and corporate exposures are low, and capitalisation is commensurate with the bank's risk profile.

At the same time, the BCA is constrained by the bank's lack of business diversification and large exposures to car dealers. Moreover, we factor in RCI's high reliance on confidence-sensitive wholesale funding, although somewhat mitigated by the absence of maturity transformation and the collection of online deposits which represent one-third of the bank's funding.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

THIS REPORT WAS REPUBLISHED ON 15 FEBRUARY 2018 WITH UPDATED EXHIBIT 3.

RCI's strategic role within the Renault/Nissan Alliance results in its standalone creditworthiness being closely tied to the strengths/weaknesses of its parent, Renault. So far, Renault and Nissan Motor Co., Ltd. (A2 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 (CR) Assessment of A3(cr)/Prime-2(cr) to RCI.

Credit strengths

» RCI is essential to its parent's strategy.

» The bank's asset risk is moderate.

» Adequate capitalisation supports the bank's risk profile.

» RCI has maintained strong profitability through the credit cycle.

» The bank has limited refinancing risk, an increasing deposit base and an adequate liquidity buffer.

Credit challenges

» RCI's risk profile remains high mainly because of 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 positive outlook, in line with the positive outlook on the parent company, Renault.

Factors that could lead to an upgrade

» Given the high support assumption, RCI's Adjusted BCA could be upgraded owing to an upgrade of its parent, Renault. RCI's BCA could be upgraded following (1) a material reduction in its reliance on wholesale funding; or (2) any material improvement in asset quality or solvency. We believe that the BCA of a financial captive (that is, RCI's BCA) is unlikely to exceed the carmaker's rating (that is, Renault's rating) by more than one notch.

» An upgrade of the BCA or the Adjusted 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 improved by the significant issuance of subordinated instruments, which we do not expect in the short term.

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, which is unlikely, given the positive outlook; or (2) the bank's credit fundamentals deteriorate.

Key indicators

Exhibit 2

RCI Banque (Consolidated Financials) [1]

	6-17[2]	12-16[2]	12-15[2]	12-14[2]	12-13[3]	CAGR/Avg.[4]
Total Assets (EUR million)	47,548	43,320	37,073	32,023	29,505	14.6[5]
Total Assets (USD million)	54,231	45,692	40,272	38,750	40,656	8.6[5]
Tangible Common Equity (EUR million)	4,281	3,976	3,384	3,048	2,815	12.7[5]
Tangible Common Equity (USD million)	4,883	4,194	3,676	3,688	3,879	6.8[5]
Problem Loans / Gross Loans (%)	1.3	1.5	2.5	3.0	3.5	2.3[6]
Tangible Common Equity / Risk Weighted Assets (%)	-	16.1	15.9	15.9	12.9	16.0[7]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	11.0	12.8	19.9	23.2	26.7	18.7[6]
Net Interest Margin (%)	2.7	2.7	3.0	3.1	3.2	2.9[6]
PPI / Average RWA (%)	-	4.4	4.6	4.1	3.9	4.4[7]
Net Income / Tangible Assets (%)	1.5	1.4	1.5	1.4	1.7	1.5[6]
Cost / Income Ratio (%)	30.9	31.4	31.5	35.1	31.4	32.1[6]
Market Funds / Tangible Banking Assets (%)	55.9	54.5	55.7	60.9	66.6	58.7[6]
Liquid Banking Assets / Tangible Banking Assets (%)	8.4	7.0	9.3	6.2	6.2	7.4[6]
Gross Loans / Due to Customers (%)	295.0	296.3	300.1	402.5	530.7	364.9[6]

[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] May include rounding differences due to scale of reported amounts. [5] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [6] Simple average of periods presented for the latest accounting regime. [7] Simple average of Basel III periods presented.

Source: Moody's Financial Metrics

Profile

RCI adopted its current name in 2002. Previously named Renault Crédit International, RCI became the sole shareholder of Diac SA (founded in 1924) and obtained its banking licence in 1991.

RCI is a captive finance company and a wholly owned subsidiary of the French auto manufacturer Renault. The bank provides sales financing for Renault Group's brands (Renault, Renault Samsung Motors and Dacia) worldwide and for Nissan Group's brands (Nissan, Infiniti and Datsun) mainly in Europe and South America. As of 30 June 2017, the bank operated commercially in 36 countries, divided into five major world regions: Europe, the Americas, Africa-Middle East-India, Eurasia and Asia-Pacific.

For new vehicles (cars and light utility vehicles) registered by Renault and Nissan worldwide, RCI reported a 38.2% financing penetration rate in the first half of 2017. As of the end of June 2017, the bank reported a consolidated balance sheet of €47.5 billion.

Since RCI is chartered as a bank, it has to comply with all European regulations (Capital Requirement Directive — CRD4, Capital Requirement Regulation - CRR, and Bank Recovery and Resolution Directive - BRRD). The bank has been supervised by the European Central Bank since January 2016 because it is considered a significant institution. In February 2016, RCI adopted a new commercial name, RCI Bank and Services.

Detailed credit 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, etc. Lastly, the bank collects deposits through online savings accounts in France, Germany, Austria and the UK with a view to diversifying its funding.

Loans to retail customers and to corporate clients excluding dealers, (€31 billion as of the end of June 2017) can also take the form of long-term leases. Leases are almost exclusively finance leases (€9.8 billion as of the end of June 2017) and to a much lesser extent operating leases (€0.8 billion as of the end of June 2017). Given that the bulk of the residual value risk is borne by its parent company, the residual value risk at the level of RCI was limited to €1.9 billion as of year-end 2016.

Although ancillary products and services, such as insurances, warrantee extensions and maintenance contracts, have been developed in recent years to improve customer loyalty and boost revenues, 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

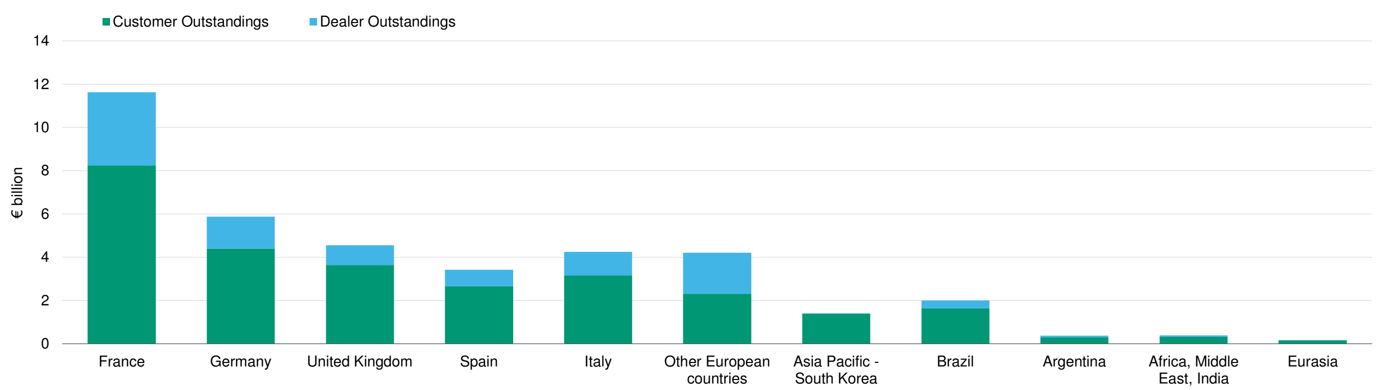
As of June 2017, RCI's problem loans to customers represented 1.3% of gross loans (December 2016: 1.5%). This portfolio remained well provisioned, with specific loan-loss reserves accounting for 96% of problem loans as of the end of June 2017 (including impairment allowances on non-impaired loans and collective provisions). We believe RCI's customer base is relatively risky and 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 H1 2017, the bank's cost of risk was 29 basis points (bps) of average outstanding loans, a slight decrease from 31 bps in 2016.

One of RCI's main risks is the lack of business diversification because 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. The downturn would also result in relatively high credit risk concentration towards car dealers, which represented 25% of the bank's loan book of €42 billion as of the end of June 2017. Although we recognise that this portfolio, which comprises a large number of borrowers, has performed well in the past, we believe these exposures constitute a quasi single risk, given the degree of correlation among car dealers' performance, in particular during a downturn.

Exhibit 3

Credit risk towards car dealers represents 25% of RCI's loan book

Loan book mix as of the end of December 2016 — end-user customers and car dealers (€ billion)



Source: RCI Banque's annual report 2016

Adequate capitalisation supports the bank's risk profile

RCI reported a Common Equity Tier 1 capital ratio of 14.6% on a phased-in basis as of the end of June 2017 versus 15.7% as of year-end 2016. We believe that RCI's economic solvency is adequate, given its risk profile. This solvency is reflected in our assigned Capital score of a1.

RCI has maintained strong profitability despite the cyclical nature of the car market

RCI consistently generated a comfortable net banking income that exceeded 4% of average performing assets over the past five years (4.4% in H1 2017). The resilience of the bank's net interest income, representing around 70% of its net banking income, stems from 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 the effects of the car market cycles and reduces income volatility. The net interest margin (around 2.7% of average interest-bearing assets) has slightly decreased in H1 2017, primarily owing to a small reduction in the share of higher margin markets (primarily America) in RCI's car-financing portfolio.

RCI also has good cost efficiency, owing to its low fixed cost basis, accounting for around 1.3% of its average performing assets and resulting in a cost-to-income ratio of around 31% as of the end of June 2017. This high cost efficiency reflects the fact that RCI benefits from various services provided by Renault (for example, distribution channels), as well as from the group's marketing initiatives.

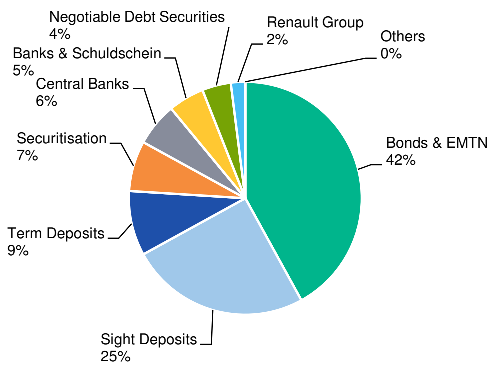
RCI is reliant on wholesale funding, a credit weakness, partly mitigated by limited refinancing risk, an increasing deposit base and an adequate liquidity buffer

RCI is mainly wholesale funded, making it vulnerable to sudden changes in investor 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 the bank's funding and liquidity for the rating.

However, we recognise 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.

Positively, the bank (1) receives very limited funding from Renault Group, and (2) has started collecting internet deposits from retail customers in 2012, which currently account for around one-third of net outstanding loans, at the level targeted by RCI.

Exhibit 4
RCI increasingly funds itself with online retail deposits
Funding sources % total funding (June 2017)



Source: RCI Banque's H1 2017 business report

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 geographical diversification of the resources and investors.

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

In its 2017 half-year report, RCI stated that its €9.2 billion available liquidity would allow it to carry out its commercial business activity for 12 months in a stressed liquidity scenario namely without being able to access the unsecured public funding markets. In this 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 of b2 reflects the bank's large dependence on market funding.

RCI's BCA is supported by its Strong Macro Profile

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

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

Support and structural considerations

Affiliate support

We believe that RCI benefits from a high probability of support from its parent, Renault. This view is underpinned by the bank's strategic importance to the car manufacturer. RCI is a wholly owned subsidiary of Renault and is fully integrated into its strategy. RCI finances more than 38% of new vehicles registered by Renault Group's brands, which highlights the critical importance of a financial captive as a means of facilitating car sales. RCI also plays a capital role for Renault through the financing of its dealers' network.

To date, RCI's ratings have not benefited from any affiliate support uplift from Renault because Renault's rating was at the same level as RCI's BCA. If Renault's rating was to be upgraded by one notch as a follow-up to the positive outlook assigned on 15 January 2018, the continued assumption of a high probability of support would result in one notch of affiliate support uplift. This prompted our decision to revise the outlook on RCI's ratings to positive.

LGF analysis

Our Advanced LGF analysis applies to RCI, given that the bank is subject to an operational resolution regime under the Bank Recovery and Resolution Directive, which was transposed into French law on 20 August 2015.

In accordance with our methodology, we, therefore, apply our LGF analysis, considering the risks faced by the different debt and deposit classes across the liability structure should the bank be put on resolution. We assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% runoff in junior deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions. In addition, we apply a proportion of 10% of deposits considered junior, given that the deposit base is predominantly constituted of online retail deposits.

Under these assumptions, RCI's deposits and senior unsecured debt are likely to face a very low loss given failure, owing to the loss absorption provided by the large amount of senior unsecured debt. This results in a two-notch LGF uplift from the BCA for both deposits and senior unsecured debt.

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.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

RCI's 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 buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments, amounting to 41% 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	2.1%	a3	←→	a3	Sector concentration	Long-run loss performance
Capital						
TCE / RWA	16.1%	aa3	←→	a1	Risk-weighted capitalisation	
Profitability						
Net Income / Tangible Assets	1.5%	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	11,602	27.4%	12,605	29.7%
Deposits	14,320	33.8%	13,318	31.4%
Preferred deposits	12,888	30.4%	12,244	28.9%
Junior Deposits	1,432	3.4%	1,074	2.5%
Senior unsecured bank debt	15,211	35.9%	15,211	35.9%
Preference shares (bank)	12	0.0%	12	0.0%
Equity	1,273	3.0%	1,273	3.0%
Total Tangible Banking Assets	42,418	100%	42,418	100%

Debt class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted 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	41.4%	41.4%	41.4%	41.4%	3	3	3	3	0	a3 (cr)
Deposits	41.4%	3.0%	41.4%	38.9%	2	3	2	2	0	baa1
Senior unsecured bank debt	41.4%	3.0%	38.9%	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	(P)Ba1	--

Source: Moody's Financial Metrics

Ratings

Exhibit 6

Category	Moody's Rating
RCI BANQUE	
Outlook	Positive
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	Positive
Issuer Rating	Baa3
Senior Unsecured -Dom Curr	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	Ba2
ROMBO COMPANIA FINANCIERA S.A.	
Outlook	Stable
Corporate Family Rating	Ba3
NSR Corporate Family Rating	Aa1.ar
Senior Unsecured -Dom Curr	Ba3
NSR Senior Unsecured	Aa1.ar

Source: Moody's Investors Service

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