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RCI Banque

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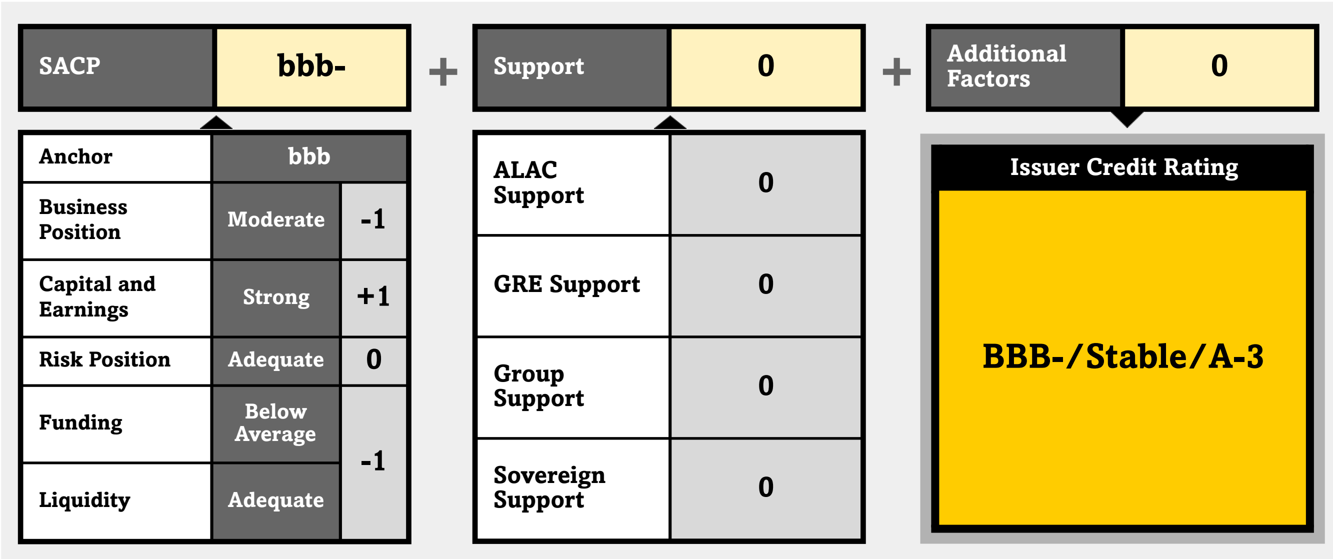


Credit Highlights

Overview

Key strengths	Key risks
Strong and recurring risk-adjusted profitability, despite the weak auto cycle.	Predominantly wholesale-funded.
A regulated bank insulated from its corporate parent.	Business concentration in car financing.
Strong capitalization.	Dependence on parent's franchise and product cycles.

RCI's profitability remains strong despite the impact of the pandemic and the weak auto cycle. The bank has strong fundamentals, with one of the lowest cost-to-income ratios of 30% in 2020, and achieved a return on average common equity (ROAE) of 13.22% in 2020, one of the highest among auto-captive peers.

S&P Global Ratings sees the bank's high dependence on the wholesale funding as a relative weakness compared to large and diversified banks. The dependence comes despite an increase in deposit funding. This is in line with most consumer finance entities we rate in Europe. The bank is fully owned by Renault S.A. and does not benefit in case of funding from any banking owners, as is the case with peers.

RCI is geographically diversified, but its business model is concentrated. The starting point for assigning our rating on the bank is the 'bbb' anchor, which is lower than that on purely domestic banks and reflects RCI's meaningful geographic diversification across Europe and in countries such as Brazil with, in average, higher economic risks than the ones we perceive in France. We see RCI's concentration in car financing as a weakness compared with banks with more diversified range of activities. This is similar to our assessment of other European auto-captive finance companies, although in the case of RCI, its superior profitability versus peers' benefits the assessment.

Outlook: Stable

The stable outlook on RCI incorporates our view that the bank's financial risk profile will remain strong, with steady risk-adjusted profitability and continued conservative capital management over the next two years. Furthermore, a downgrade to Renault would not automatically entail a similar rating action on RCI.

Downside scenario

We could downgrade the bank's if Renault's creditworthiness comes under further material pressure and RCI is unable to maintain its strong financial risk profile. In particular, we could consider a downgrade if the bank's capitalization is no longer a strength, with risk-adjusted capital (RAC) falling sustainably below 10%, or if contagion risks from Renault start affecting RCI's access to debt markets or cost of funding.

Upside scenario

An upgrade could happen only if Renault's creditworthiness doesn't deteriorate further. To raise our long-term rating on the bank, we would need to revise the stand-alone credit profile (SACP) upward. A higher SACP would require RCI's capital and funding strategy to fundamentally shift and strengthen. We regard this as a remote scenario.

Key Metrics

RCI Banque Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2019a**	**2020a**	**2021f**	**2022f**	**2023f**
Growth in operating revenue	8.5	(6.6)	(3.4)-(4.2)	1.1-1.3	2.3-2.8
Growth in customer loans	8.9	(7.5)	(1.5)-(1.8)	2.5-3.1	1.4-1.7
Growth in total assets	8.8	1.4	(1.6)-(1.9)	2.5-3.1	1.4-1.7
Net interest income/average earning assets (NIM)	2.7	2.4	2.3-2.5	2.3-2.5	2.3-2.5
Cost to income ratio	28.5	30.3	30.8-32.3	31.3-32.9	31.5-33.1
Return on average common equity	16.6	13.2	12.8-14.2	15.4-17.0	16.1-17.8
Return on assets	1.7	1.4	1.2-1.5	1.3-1.6	1.4-1.7
New loan loss provisions/average customer loans	0.4	0.7	0.6-0.6	0.4-0.4	0.3-0.4
Gross nonperforming assets/customer loans	1.3	1.6	1.7-1.9	1.5-1.7	1.4-1.6
Net charge-offs/average customer loans	0.2	0.2	0.4-0.4	0.5-0.5	0.4-0.4
Risk-adjusted capital ratio	11.6	14.4	12.0-12.6	11.8-12.3	11.6-12.2

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast.

Anchor: 'bbb', Reflecting The Downgrade In The French Banking Industry And Geographic Diversification

The anchor, or starting point for a bank rating, draws on our Banking Industry Country Risk Assessment (BICRA) methodology. Overall, we use a 'bbb' anchor for RCI, which is lower compared with a domestic bank operating in

France ('bbb+').

RCI is a geographically diversified bank, with around 34% of its exposure in France at June 2021. To determine the appropriate economic risk for a bank active in many jurisdictions, we use a blend of its exposures. RCI has exposure in lower-risk countries like Germany (18%) and South Korea (3%); and in higher-risk ones like Italy (12%), the U.K. (9%), Spain (8%), Brazil (3%), and the rest of the world (13%). This results in a weighted-average economic risk score for RCI of close to '4' compared with a domestically focused bank, which has an economic risk of '3'. We do not foresee a material change in RCI's geographic breakdown in the coming 12 months that would change the weighted economic risk to '3' from '4' but it cannot be excluded. Indeed, if the bank exits some countries where we see high economic risks or its exposure to low economic risk countries increases faster than in other countries, we could revise the anchor. This could also happen if we positively change our view on the economic risks where RCI is exposed.

RCI is domiciled and regulated in France. The trigger of a weaker anchor was due to the revision of France's industry risk to '4' from '3' (for more information, see "Various Rating Actions On French Banks As Easing Macroeconomic Downside Risk Is Dampened By Structural Profit Pressure," published June 24, 2021, on RatingsDirect). The bank is wholesale-funded but benefits from access to deep capital markets and from liquidity support from the European Central Bank, as other banks, if need be. Even if RCI does not have a historical retail deposit franchise, the existence of a credible deposit protection scheme in France and the relatively high savings rate have allowed the bank to collect stable deposits at decent price. Still, it suffers from intense competition in the auto loans market, where all large universal banks are active via their consumer finance subsidiaries. Asset margins remains wide, although under some pressure, but net margins remain sensitive to the cost of funding, which fluctuate typically more for wholesale funded entities.

Business Position: Good Franchise In The European Captive Auto Finance Sector And A Slightly More Diverse, Stable, And Profitable Business Profile Than Most Peers

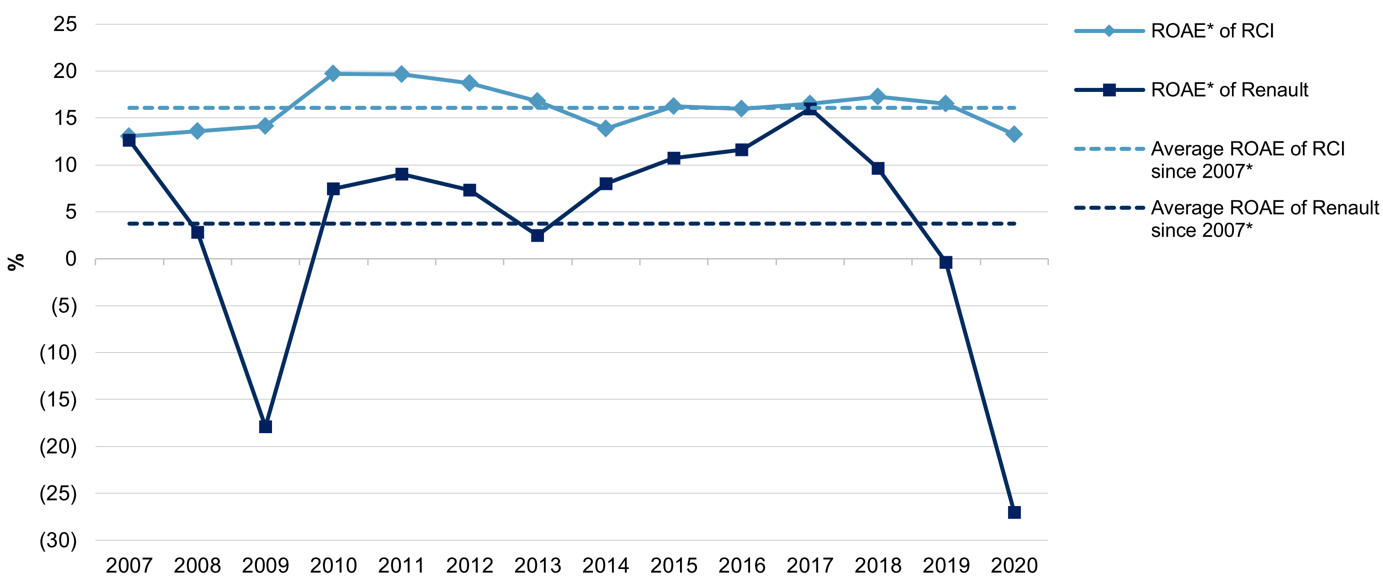
Our moderate assessment of RCI's business position is constrained by the bank's concentration in auto finance, but benefits from good geographic diversification with a solid and increasing penetration rate (45.3% as of December 2020, up 310 basis points [bps] from December 2019) on sales of the Renault-Nissan-Mitsubishi Alliance brands. RCI's credit production is correlated with auto sales, but its financial performance is stronger and less volatile than Renault's (see chart 1) due to its pricing power and the recurring nature of the annuity-like interest received from loans and leases. The bank has been resilient against the current auto sector and economic downturns due to the pandemic, as shown by the good year-end 2020 and first-half 2021 results. It reported a net income of €787 million in 2020 (up 13% from 2019) and €451 million in first-half 2021 (up 16% from 2020 and 9% compared with the same period in 2019). Still, we believe RCI's business model and name affiliation cannot fully shield the bank from any negative developments in the auto sector and Renault-specific challenges. A durably depressed auto cycle could weigh on revenue, as would be Renault's inability to adapt to rapidly changing customer preferences (such as more environment friendly cars).

Renault wholly owns RCI, which mainly acts as a captive finance arm for the Renault-Nissan-Mitsubishi alliance brands: Renault, Dacia, Renault Samsung Motors, Nissan, Infiniti, Datsun, Mitsubishi, Lada and Alpine. The bank supports the alliance's sales in Europe, Latin America, North Africa, South Korea, and India. The alliance is mainly present in Europe, with the region representing about one-fifth of the alliance's total unit sales and 49% for Renault as of end-2020. RCI's coverage of multiple brands and its international presence (nine brands in 36 countries, with the largest country, France, representing around one-third of loan exposure) bring some stability to its business. We expect the bank will continue expanding its activities internationally, either by entering new markets or developing the size of some of its overseas operations. An example of this strategy is Russia, an important market for Renault, where RCI is present via a joint-venture, RN Bank JSC (BB+/Stable/B).

RCI's profitability remains high and among the best in class in Europe and peers, with an ROAE at 13.2%, based on our measure at year-end 2020 (16.6% in 2019), and little changed over the past five years. The decrease in 2020 is somewhat due to the European Central Bank's (ECB's) restriction on dividends distribution which is, in turn, inflating the bank's capital base. We view this stability as an indication that the business model is sound, stemming from RCI's strategy to balance growth and profitability. The bank's business model, notably the absence of a branch network, implies a structurally low-cost base, with an efficiency ratio at 30.3% at end-2020 and unlikely to change much in the coming two years. Also, competition from traditional banks in auto finance keeps intensifying, with a push toward retail customers in addition to fleet financing for corporates, their core customer base.

Chart 1

Return On Average Equity: RCI Banque Versus Renault
Stronger performance and less volatile than Renault's



Source: S&P Global Ratings. ROAE--Return on average equity. *ROAE as per S&P Global Ratings' calculation. 2020 RCI's ROAE assuming planned dividend of €930m + €68m: 14.4%.

The bank was rebranded RCI Bank and Services in February 2016 (RCI Banque previously, which remains the legal name) to emphasize its push into services and deposits, from a pure car loans provider. The bank provides financing solutions to retail customers, corporates, and dealer networks, as well as services such as loan-related insurance, car insurance, warranty extensions, and maintenance contracts, which are also offered on their own. It also collects retail deposits online. This has provided the bank with the stability in its revenue and profits and, to some extent, shield the bank from Renault's fortunes.

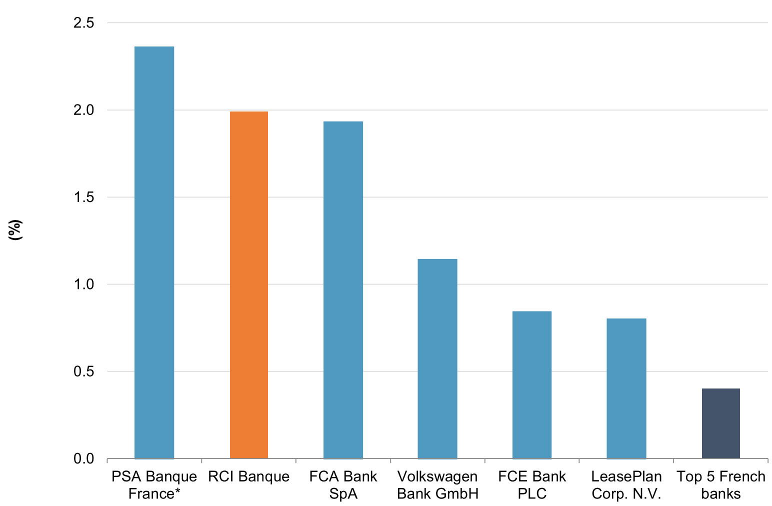
The share of operating noninterest income continued to increase, reaching 35% of operating revenue in 2020 (31% in 2019) from 20% in 2014, according to our calculation. RCI transferred its recently acquired mobility start-ups (Karhoo, Marcel, Yuso, and iCabbi) to Renault's newly created subsidiary--Mobilize--as part of Renault's strategy to accelerate its development in mobility services and build strategic partnerships. All activities related to taxi-ride hailing, car sharing, and short-term rental will therefore fall under Mobilize's domain. Revenue from these services was at an early stage, so the transfers didn't have a material impact on RCI's revenue split.

RCI's outperformance compared with that of similar rated peers can be seen over a long cycle, particularly capital generation capabilities and risk-adjusted operating performance. We view the bank's earnings buffer--defined as the capacity for operating earnings to cover normalized losses--as strong, substantially exceeding 2% of our risk-weighted assets; this is strong for a bank operating in relatively low-risk countries. We expect this buffer to remain firmly above 2% in the next two years.

Chart 2

A Strong Performer Among Its Peers

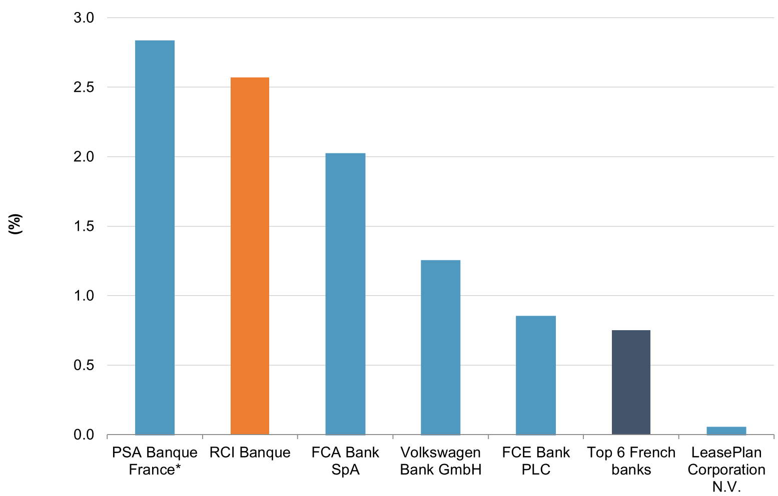
Core earnings/S&P Global Ratings RWA (before diversification) versus peers at end-2020



*Data as of end-2019. Source: S&P Global Ratings.

Chart 3

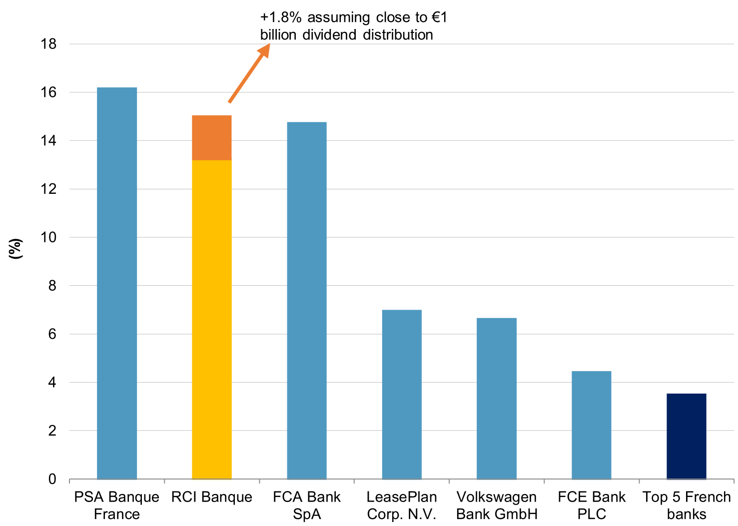
RCI Banque Has Material Earnings Buffer Compared With Peers
Normalized operating income/S&P Global Ratings RWA as of year-end 2020



*Data as of end-2019. RWA--Risk-weighted assets. Source: S&P Global Ratings.

Chart 4

Profitability Is Among The Best In Class
Return on average equity versus peers as of end-2020



*Data for PSA Banque France is as of June 2020. Source: S&P Global Ratings.

RCI is pursuing its ambitions to consolidate and optimize its business model, maintaining a high level of profitability, applying strict control of its structural costs and making the best possible use of its main sources of financing and its capital. To this end, RCI Bank and Services has chosen to steer its profitability using the return on risk-weighted assets

(RORWA), calculated as the after-tax divided by the average risk-weighted assets, a standard indicator in the banking industry that measures the bank's profitability in relation to its risk-weighted assets and aims to achieve a minimum of at least 1.9%.

RCI is the only auto-captive bank in Europe with a moderate business position assessment. Its size, geographic diversification, and superior and stable profitability support our view. This also considers its 'bbb' anchor, a level that is lower than a typical domestic French bank and lower than some of its direct peers such as Volkswagen bank and PSA Banque France, for which we assess their business position as weak.

Capital And Earnings: Strong Capitalization And Stable Earnings With Low Volatility Of Returns

Our capital and earnings assessment supports our rating on RCI. We believe the bank's superior risk-adjusted profitability and flexible dividend policy will enable it to maintain strong capitalization despite difficult conditions.

We forecast RCI's RAC ratio will remain at 11.75%-12.25% in the next two years. The bank's capitalization compares favorably with that of French universal banks, which tend to be 7%-10%. We view risk as limited considering RCI's high profitability, its flexible dividend policy, its willingness to keep a strong capital base, and our expectation that the loan book will contract slightly by 1.5%-2.0% in 2021, due to challenging economic environment for car manufactures in 2021 and lockdowns measures to contain the pandemic in 2020 which, in turn, lowered RCI's business volume compared with 2019 (the new financings decreased by 16% in that time), before moderately increasing by about 3% and 2% in 2022 and 2023, respectively. Our loan book projections assume that European car sales will increase by 9%-11% in Europe in 2021 and 7%-9% in 2022 and 2023, respectively. This is also considering the relative short-term maturity of the bank's loan book and strong growth over the past few years.

Our RAC ratio of 14.4% for RCI as of Dec. 31, 2020, is lower than the regulatory ratio. This is mainly because of the bank's use of the internal ratings-based method (70% of net exposures at end-2020) and our risk weights, which tend to be more punitive than Basel's standardized approach to risk weights in countries with higher economic risk (fully loaded core Tier 1 ratio of 17.3% as of December 2020 and 17.0% at June 2021). The 2020 RAC ratio, like the regulatory capital ratio, is high because of the ECB restriction on dividend distribution in 2020 and first-half 2021, which has increased the bank's retained earnings and capital base. This is a temporary hike in the RAC ratio, and we expect it to normalize at 12.0%-12.5% at end-2021, where we factor in the dividend distributions.

We don't expect the bank's regulatory capital ratio to be affected by the implementation of the Basel IV reforms.

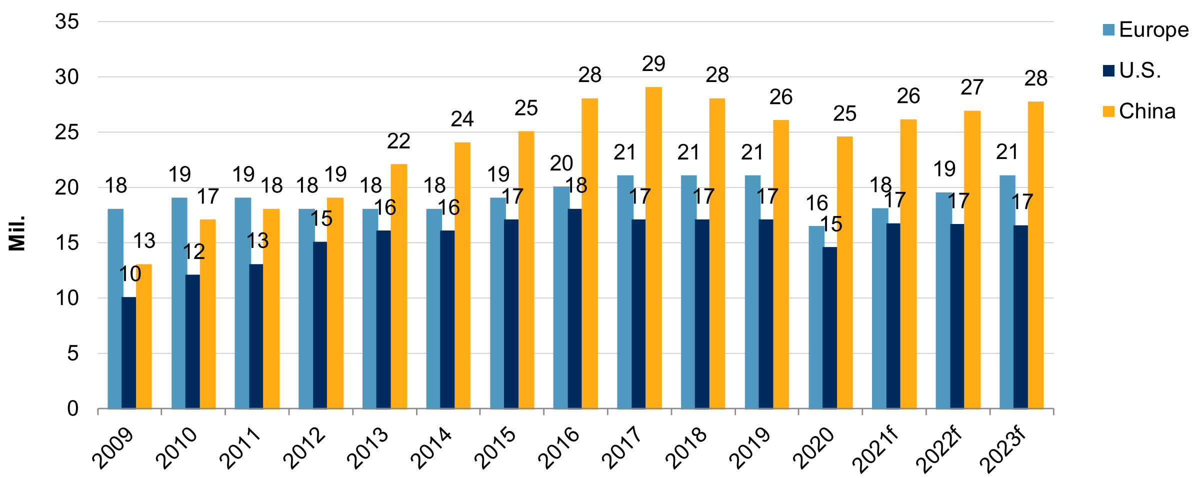
Until 2009, RCI's payout ratio was high, at 95%. It then decreased to 35%-45% in 2013-2014 and zero in 2016 and 2017, two years of brisk loan growth. In 2018 and 2019, the payout ratio was 19% and 57% respectively. RCI proposed a dividend of €69 million in 2020, in line with the ECB recommendation (2.1% of its risk-weighted assets) plus an additional dividend of €930 million, which it will pay by the end of this year. We understand that the ECB decided in July 2021 not to extend the dividend restriction beyond September 2021. RCI should therefore be able to distribute close to €1 billion of dividends before end of the year, which we factor into our forecast. We believe RCI will distribute close to 100% of its net income in the next few years.

We consider RCI's total adjusted capital (TAC) of €5.9 billion, the numerator of our RAC ratio, high-quality because it only comprises common equity.

We also consider the bank's earnings high-quality. At end-2020, RCI posted one of the lowest cost-to-income ratios (30.3%) among the European captive peers and European banks that we rate, reflecting its low-cost base and effective cost control, which we expect will continue. We don't expect a material shift in this ratio. Also, the bank has historically displayed little volatility of returns, especially in comparison with Renault. Finally, RCI's earnings provide a significant buffer against losses, which in our view will inevitably rise in 2021 and 2022. To assess the profitability over the cycle we compare preprovision income with normalized losses, such as those calculated based on through-the-cycle annual loss rates we expect for a given class of exposure (see chart 3). Therefore, RCI's preprovision income was 4.3x higher than our calculated normalized losses at year-end 2020, much higher than that of most universal banks in France. It also shows that the historically strong profitability in previous years was not overly flattered by the benign cost of risk.

Chart 5

Volume Decline In 2020, With A Gradual Recovery Thereafter
Global light vehicle sales per market (in million units)



f--S&P Global Ratings forecast. Source: S&P Global Ratings.

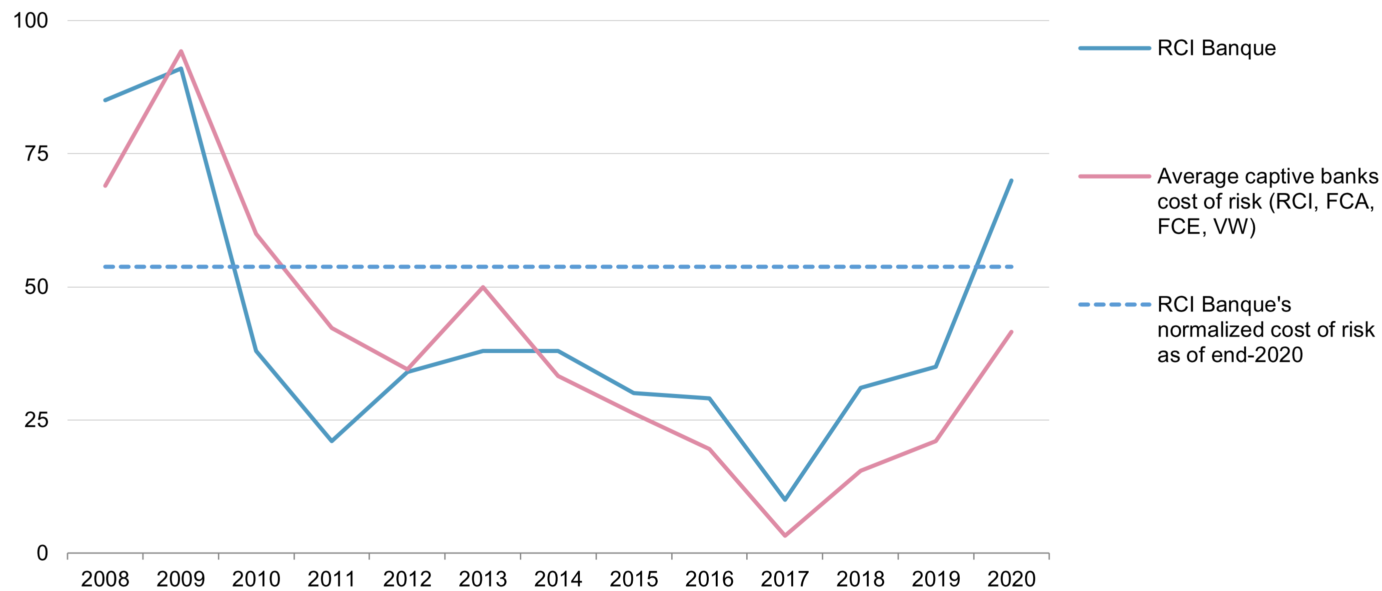
Risk Position: Moderate Risk Overall, But Concentration In Auto Dealers Remains High

We assess RCI's risk position as neutral for the rating, balancing the low-risk nature of its exposure with its high concentration in auto dealers. Our view of low credit risk is based on the collateralized nature of the bank's credit exposure.

RCI has a track record of low credit losses since 2010, meaning below 40 bps, due to the bank's more stringent origination criteria after the 2008 financial crisis. 2020 being an exceptional year due to the global economic slowdown due to the COVID-19 pandemic, the cost of risk for RCI doubled to 70 bps, compared with 35 bps in 2019. Only less than 20% of it relates to nonperforming loans, the rest being forward-looking and individual adjustments on corporates and individuals, including the exposure under moratorium. Overall, it has been higher compared with that of peers we rate (see chart 6) but acknowledge that RCI has a conservative credit provisioning policy. We expect the cost of risk in 2021 to remain higher than years before 2019 but contained below the 2020 level. Furthermore, we expect it to reach to earlier levels, close to 35 bps, by 2023. The normalized cost of risk (average losses over a long period) is at about 54 bps. However, RCI's strong profitability provides a significant buffer to absorb losses, with a preprovision operating income to net customer loans of 289 bps at end-2020.

Chart 6

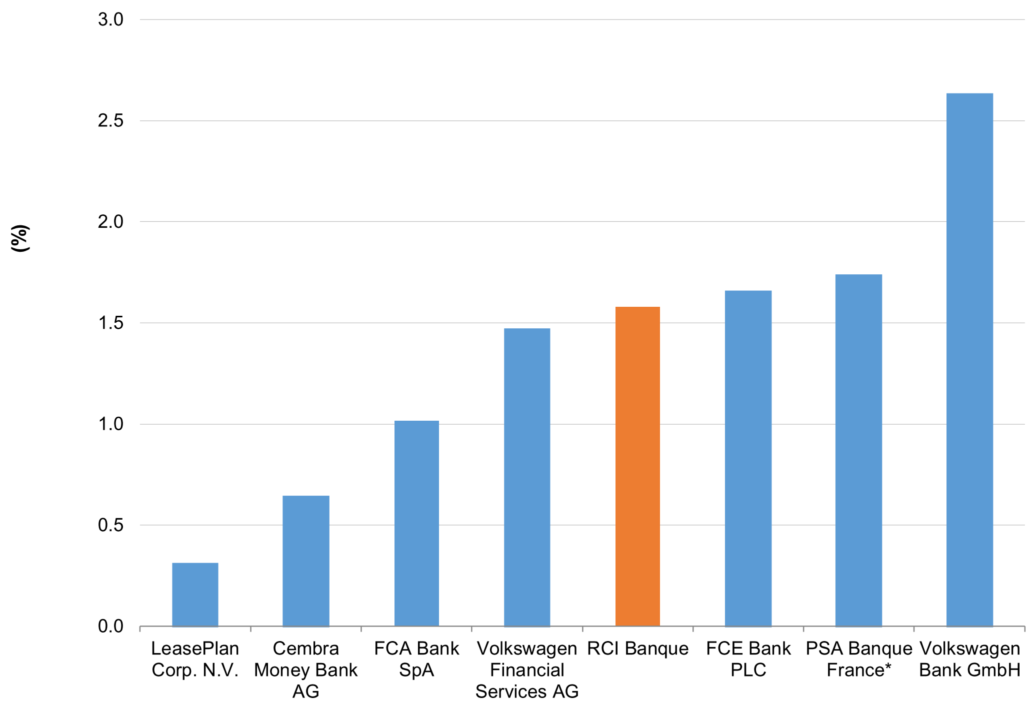
RCI Banque's Cost Of Risk Versus Peers



Source: S&P Global Ratings.

Chart 7

Nonperforming Loans/Customer Loans Versus Peers As Of End-2020



*Data as of June 2020. Source: S&P Global Ratings.

RCI has significant exposure to car dealers, mostly in France, which have been materially affected by the pandemic and related containment measures. They represented about 21% of the loan book as of June 2021 and we believe it will remain high in case of RCI. We will closely monitor this exposure and any rise in risks, especially if unsold inventories increase materially and dealers' creditworthiness deteriorates. The dealers were eligible to the French government's measures to ease pressure on local businesses during the pandemic, which could somewhat alleviate the pressure on credit quality. However, we expect losses to rise in this segment. Historically, the cost of risk related to auto dealers has been much lower than for individual customers and we do not observe any rise yet in nonperforming loans (0.7% in 2020 compared with 0.9% at June 2021). Still, the exposure is much less granular, so the cost of risk is sensitive to the deterioration in credit quality of some large names. Positively, the exposure is short term and highly collateralized (such as cars and spare parts).

The most significant single-name loan exposure is, by far, to Renault. The risk associated with RCI's exposure to Renault-owned dealers is significantly mitigated by cash collateral. More broadly, the 20-largest corporate exposure excluding Renault and 20-largest dealer exposure account for 47% and about 39% of total adjusted capital, respectively, which remains manageable.

We view RCI's geographic diversification as broadly neutral for the ratings. The bank operates in 36 countries.

However, France accounts for one-third of the loan book and other Western European countries (Germany, U.K., Italy, and Spain) for nearly one-half. In other words, about 80% of RCI's exposure is to Western European countries whose economic situations might correlate somewhat.

RCI is directly exposed to the risk of residual values in the U.K. mainly. The exposure to residual values amounted to €2 billion as of June 2021, equivalent to 3% of credit risk exposures. In other countries, and especially in France, RCI is only indirectly exposed to this risk, because dealers or Renault carry it. RCI intends to launch new products including operational leases with residual value risk borne by the bank, so we expect it to increase, also not materially. The pandemic's impact on the second-hand market, and therefore residual values, is difficult to assess, but we will carefully monitor it, along with the residual value of electric vehicles for which there is little track record, and we believe could be affected by rapid evolving technologies.

Like most banks, RCI is subject to interest rate risk in the banking book, although we view this as very limited, especially considering the relatively short-term nature of its assets (which are funded with longer maturities). A 100-bps rate rise will have an impact on net interest income capped at €50 million by RCI policies (3.89% of 2020 net interest income).

Funding And Liquidity: A Below-Average Funding Profile, Mitigated By Conservative Liquidity Management

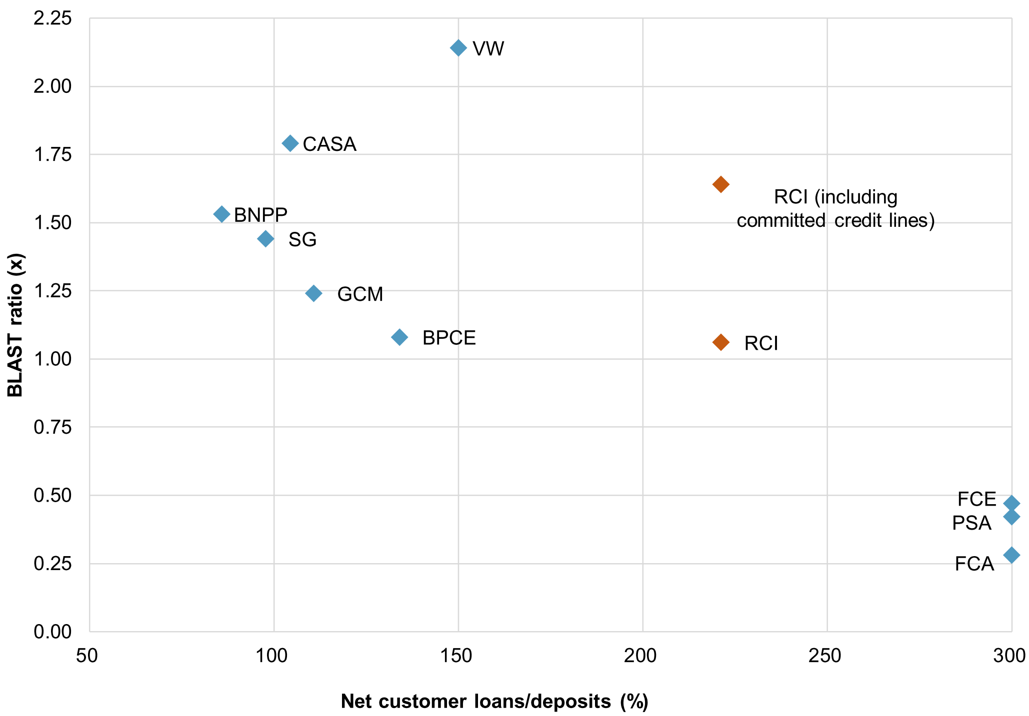
We view RCI's funding as weaker than that of large and diverse French banks and its liquidity as neutral for the ratings.

RCI's predominantly wholesale-funded profile is a weakness, in our view. This is in line with that of most consumer finance entities we rate in Europe. The bank's ratio of customer loans (net) to customer deposits stood at 221% at end-2020, well above the average of about 105% for large French banks. Still, this has improved continuously over the past decade.

The bank has been diversifying its funding sources, including the collection of deposits (France, Germany, Austria, the U.K., Brazil, Spain since 2020, and the Netherlands since July 2021) and lengthening its maturities (bonds with maturity greater than five years increased to 10% in 2020 from 7% in 2015), giving more flexibility and options in the event of market turbulence. RCI has also issued bonds in local markets via its local subsidiaries (South Korea, Argentina, Brazil, Morocco, and Colombia). Reflecting RCI's deposit-gathering effort over the past few years and the absence of large maturity mismatches, our stable funding ratio improved to 94% at end-2020 from 52% in 2010. We expect this ratio to continue being broadly stable in the next two years. Renault's recent challenges has not altered RCI's access to funding nor translated into material higher funding costs.

Chart 8

RCI Banque's Funding And Liquidity Ratios Versus Peers As Of End-2020



Note: BLAST: broad liquid assets over short-term funding.

We believe RCI will maintain the share of retail customer deposits to net loans slightly above 40% (45% as of end-2020), even if market conditions are back to pre-COVID-19 levels, because they represent a source of funding whose cost is less volatile than that from capital markets and would partially shield the bank from an increase in market funding costs and preserve its margins.

We view RCI's liquidity as neutral for the ratings, reflecting our view that the bank is prepared to manage its liquidity and likely to survive under stressful conditions for more than six months, with a limited dependence on the central bank thereafter. Indeed, under stressed conditions where access to market funding would be closed, the liquidity reserve computed by RCI would allow it to cover its stressed outflows for approximately 15 months while maintaining a flat balance sheet at June 2021.

RCI's ratio of broad liquid assets to short-term wholesale funding stood at 106% at end-2020, below that of the large French banks, whose ratios tend to be close to 150%. However, it increases to 164% if we consider committed credit lines (€4.5 billion). This, along with RCI's ability to rely on loan inflows to repay its debts more than a traditional commercial bank could, explains our adequate liquidity assessment. Auto loans have much shorter maturities (up to four years) than mortgages, which would support quick deleveraging. Overall, the bank's assets are funded with longer-dated liabilities.

RCI's refinancing is completely independent from Renault's, which is one of the factors that differentiates our ratings on the bank and its parent.

External Support: Core And Insulated Subsidiary Of Renault

We believe RCI is insulated from its 100% owner, Renault, due to France's favorable insolvency laws and its regulated status as a bank, supervised by the European Central Bank and the French regulator. This means that there is limited capacity for the parent to repatriate cash flows outside the regulatory perimeter, a high degree of operational independence, and total funding independence. Therefore, we rate the bank above its parent and allow a rating differential of up to two notches. RCI is currently rated one notch above Renault, meaning that that there is one notch of headroom in the ratings on RCI, everything else equal. Therefore, a downgrade to Renault by one notch would not automatically lead to a downgrade to RCI.

Additional Rating Factors: None

No additional factors affect this rating.

Environmental, Social, And Governance

We do not see ESG credit factors for RCI Banque influencing the bank's credit quality more positively, or negatively, than peers. Still, environmental and governance factors will have to be monitored, due the ownership structure (linked to its parent Renault) and the car-finance business model.

Like any carmaker, environmental considerations are important for Renault, especially due to its large share of volume sales in Europe (49% in 2020). To meet the EU's carbon dioxide emissions target, Renault is stepping up its efforts to electrify its portfolio and will constrain, at least temporarily, its operating profitability and free cash flow due to the associated capital expenditure and research and development costs. In the context of transition to a greener economy, RCI is an important asset to support the electric and electrified vehicles sales of the group. It increased its financing of electric new and used vehicles by 73% in 2020 and we expect it to increase substantially by more than 10% annually in the coming two years. However, the sustainability of the bank's business model partly hinges on Renault's capacity to manage its energy transition.

Management and governance do not specifically influence, positively or negatively, RCI's credit profile.

Group Structure, Rated Subsidiaries, And Hybrids

DIAC: Core subsidiary

We consider DIAC S.A. (DIAC) a core subsidiary of RCI, mainly because it is the entity through which RCI serves the French market, its main market. Therefore, we align our ratings on DIAC with those on RCI.

Key Statistics

Table 1

RCI Banque--Key Figures

	--Year ended Dec. 31--				
(Mil. €)	**2020**	**2019**	**2018**	**2017**	**2016**
Adjusted assets	58,800	57,990	53,304	49,619	43,228
Customer loans (gross)	48,726	52,691	48,367	44,911	39,307
Adjusted common equity	5,911	4,992	4,912	4,426	3,811
Operating revenues	1,977	2,117	1,951	1,643	1,473
Noninterest expenses	600	603	575	522	463
Core earnings	816	944	898	752	623

Table 2

RCI Banque--Business Position

	--Year ended Dec. 31--				
(%)	**2020**	**2019**	**2018**	**2017**	**2016**
Total revenue from business line (mil. €)	1,983	2,125	1,961	1,657	1,484
Commercial banking/total revenue from business line	19.7	22.0	21.4	24.0	24.5
Retail banking/total revenue from business line	78.9	76.6	77.1	74.2	74.7
Commercial & retail banking/total revenue from business line	98.6	98.6	98.4	98.2	99.2
Other revenue/total revenue from business line	1.4	1.4	1.6	1.8	0.8
Return on average common equity	13.2	16.6	17.3	16.5	16.0

Table 3

RCI Banque--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2020**	**2019**	**2018**	**2017**	**2016**
Tier 1 capital ratio	17.3	14.4	15.5	15.0	15.7
S&P Global Ratings' RAC ratio before diversification	14.4	10.9	11.4	11.0	10.4
S&P Global Ratings' RAC ratio after diversification	16.0	12.2	12.6	12.3	11.4
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenue	65.0	68.6	71.4	74.4	73.5
Fee income/operating revenue	18.2	17.5	17.0	17.2	0.7
Market-sensitive income/operating revenue	(0.1)	0.8	(1.8)	0.9	0.7
Cost to income ratio	30.3	28.5	29.5	31.8	31.4
Preprovision operating income/average assets	2.4	2.7	2.7	2.4	2.5
Core earnings/average managed assets	1.4	1.7	1.7	1.6	1.6

Table 4

RCI Banque--RACF [Risk-Adjusted Capital Framework] Data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government and central banks	8,129	63	0.8	308	3.8
Of which regional governments and local authorities	168	34	20.0	6	3.6
Institutions and CCPs	1,845	781	42.3	894	48.4
Corporate	13,535	9,080	67.1	10,458	77.3
Retail	34,020	18,275	53.7	22,456	66.0
Of which mortgage	0	0	0.0	0	0.0
Securitization§	0	0	0.0	0	0.0
Other assets†	2,651	2,259	85.2	3,517	132.6
Total credit risk	60,181	30,458	50.6	37,632	62.5
Credit valuation adjustment					
Total credit valuation adjustment	--	237	--	0	--
Market risk					
Equity in the banking book	3	3	100.0	26	875.0
Trading book market risk	--	0	--	0	--
Total market risk	--	3	--	26	--
Operational risk					
Total operational risk	--	4,003	--	3,387	--
(Mil. €)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	34,702	--	41,044	100.0
Total diversification/ concentration adjustments	--	--	--	(4,050)	(9.9)
RWA after diversification	--	34,702	--	36,994	90.1
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		6,017	17.3	5,911	14.4
Capital ratio after adjustments‡		6,017	17.3	5,911	16.0

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2020; S&P Global Ratings.

Table 5

RCI Banque--Risk Position

	--Year ended Dec. 31--				
(%)	2020	2019	2018	2017	2016
Growth in customer loans	(7.5)	8.9	7.7	14.3	19.8

Table 5

RCI Banque--Risk Position (cont.)					
	--Year ended Dec. 31--				
(%)	2020	2019	2018	2017	2016
Total diversification adjustment/S&P Global Ratings' RWA before diversification	(9.9)	(10.7)	(10.1)	(10.0)	(9.0)
Total managed assets/adjusted common equity (x)	10.0	11.6	10.9	11.2	11.4
New loan loss provisions/average customer loans	0.7	0.4	0.3	0.1	0.3
Net charge-offs/average customer loans	0.2	0.2	0.2	0.2	0.3
Gross nonperforming assets/customer loans + other real estate owned	1.6	1.3	1.3	1.3	1.5
Loan loss reserves/gross nonperforming assets	141.0	130.7	129.4	113.4	112.2

Table 6

RCI Banque--Funding And Liquidity					
	--Year ended Dec. 31--				
(%)	2020	2019	2018	2017	2016
Core deposits/funding base	44.0	38.0	37.1	37.6	36.2
Customer loans (net)/customer deposits	221.2	278.5	283.4	279.4	291.2
Long-term funding ratio	86.2	87.1	85.7	86.3	82.4
Stable funding ratio	93.9	86.7	86.1	85.6	81.4
Short-term wholesale funding/funding base	15.6	14.3	15.9	15.2	19.5
Broad liquid assets/short-term wholesale funding (x)	1.1	0.4	0.4	0.4	0.3
Net broad liquid assets/short-term customer deposits	2.5	(25.0)	(28.3)	(28.6)	(46.8)
Short-term wholesale funding/total wholesale funding	27.8	23.1	25.3	24.4	30.5
Narrow liquid assets/3-month wholesale funding (x)	3.3	1.4	1.2	1.1	0.7

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011

- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Industry Top Trends Update: Autos EMEA, July 15, 2021
- Economic Outlook Europe Q3 2021: The Grand Reopening, June 24, 2021
- Various Rating Actions On French Banks As Easing Macroeconomic Downside Risk Is Dampened By Structural Profit Pressure, June 24, 2021
- French Automaker Renault Affirmed At 'BB+' On Credible Path Toward Deleveraging; Outlook Remains Negative, March 05, 2021
- Banking Industry Country Risk Assessment: France, Aug. 26, 2020

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	**4**	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	**bbb**	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of September 17, 2021)*	
RCI Banque	
Issuer Credit Rating	BBB-/Stable/A-3
Commercial Paper	A-3
Senior Unsecured	BBB-
Short-Term Debt	A-3
Subordinated	BB
Issuer Credit Ratings History	
24-Jun-2021	BBB-/Stable/A-3
26-Feb-2019	BBB/Negative/A-2
27-May-2016	BBB/Stable/A-2

Ratings Detail (As Of September 17, 2021)*(cont.)	
Sovereign Rating	
France	AA/Stable/A-1+
Related Entities	
DIAC S.A.	
Issuer Credit Rating	BBB-/Stable/A-3
Commercial Paper	
Local Currency	A-3
Senior Unsecured	BBB-
RCI Banque Sucursal Argentina	
Issuer Credit Rating	
Argentina National Scale	raBBB-/Negative/raA-3
Renault S.A.	
Issuer Credit Rating	BB+/Negative/B
Commercial Paper	
Local Currency	B
Senior Unsecured	BB+
Short-Term Debt	B

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.