



Rating Action: Moody's affirms RCI Banque's ratings and changes outlook to stable from negative

22 Nov 2022

Paris, November 22, 2022 -- Moody's Investors Service ("Moody's") today affirmed RCI Banque (RCI)'s long-term deposit and senior unsecured debt ratings at Baa2, the bank's Baseline Credit Assessment (BCA) and Adjusted BCA of ba1, its subordinated debt ratings of Ba2, its long-term Counterparty Risk (CR) Assessment and long-term Counterparty Risk Rating (CRR) at Baa1(cr) and Baa1 respectively. The outlook on the long-term senior unsecured debt and deposit ratings has been changed to stable from negative.

This action was prompted by the affirmation of the corporate family rating (CFR) of RCI's parent Renault S.A. (Renault) at Ba2, and the change of outlook to stable from negative. For further details, please see Moody's press "Moody's changes Renault's outlook to stable from negative, affirms the Ba2 ratings" (https://www.moodys.com/research/--PR_471465) published on 18 November 2022.

A list of all affected ratings is provided at the end of this press release.

RATINGS RATIONALE

The affirmation of RCI's Baa2 long-term deposit and senior unsecured debt ratings reflect (1) the bank's ba1 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 unsecured long-term debt resulting in a very low expected loss rate on these instruments.

RCI's BCA of ba1 is supported by the bank's role as a key strategic arm of Renault and its sound financial fundamentals, including strong profitability through the credit cycle, moderate asset risk, and capitalization which is commensurate with its risk profile.

At the same time, the BCA is constrained by the bank's lack of business diversification and exposures to car dealers, which accounted for 15% of the bank's loan portfolio at end-June 2022. Moreover, Moody's factors in RCI's high reliance on confidence-sensitive wholesale funding, even though the loan book is funded to a significant degree with long term liabilities, resulting in low refinancing risk. Furthermore the bank has over time expanded its online deposits, which currently accounts for 46% of its funding needs.

OUTLOOK

Moody's believes that the improvement of its parent's creditworthiness will benefit RCI's fundamentals because RCI is an integral part of the car manufacturer's business model. However, 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 stable outlook on RCI's long-term deposit and senior unsecured ratings therefore results from the stable outlook of Renault's rating, reflecting the intrinsic linkages between both companies.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Factors that could lead to an upgrade

RCI's BCA could be upgraded due to an upgrade of its parent Renault assuming that its strong solvency profile is maintained. An upgrade of RCI's BCA would likely result in an upgrade of its long-term debt and deposit ratings.

Factors that could lead to a downgrade

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 and profitability. A substantial reduction in outstanding senior unsecured debt could lead to a higher expected loss on this instrument, and in turn would prompt a lower rating.

LIST OF AFFECTED RATINGS

Issuer: RCI Banque

..Affirmations:

....Long-term Counterparty Risk Ratings, affirmed Baa1

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

....Long-term Bank Deposits, affirmed Baa2, outlook changed to Stable from Negative

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

....Long-term Deposit Note/CD Program, affirmed (P)Baa2

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

....Long-term Counterparty Risk Assessment, affirmed Baa1(cr)

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

....Baseline Credit Assessment, affirmed ba1

....Adjusted Baseline Credit Assessment, affirmed ba1

....Senior Unsecured Regular Bond/Debenture, affirmed Baa2, outlook changed to Stable from Negative

....Senior Unsecured Medium-Term Note Program, affirmed (P)Baa2

....Subordinate Regular Bond/Debenture, affirmed Ba2

....Subordinate Medium-Term Note Program, affirmed (P)Ba2

...Commercial Paper, affirmed P-2

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

..Outlook Action:

...Outlook changed to Stable from Negative

Issuer: RCI Banque Sucursal Argentina

..Affirmation:

...Long-term Issuer Rating, affirmed Caa1, outlook changed to Stable from Negative

..Outlook Action:

...Outlook changed to Stable from Negative

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/api/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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