

Credit Opinion: [Diac](#)

Diac

Noisy-le-Grand, France

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured MTN -Dom Curr	A3
Commercial Paper	P-2
Ult Parent: Renault S.A.	
Outlook	Negative
Senior Unsecured	Baa1
Subordinate MTN -Dom Curr	Baa2
Commercial Paper -Dom Curr	P-2
Other Short Term -Dom Curr	P-2
Parent: RCI Banque	
Outlook	Stable
Bank Deposits	A3/P-2
Bank Financial Strength	C
Senior Unsecured	A3
Subordinate -Dom Curr	Baa1
Commercial Paper	P-2
Other Short Term -Dom Curr	P-2

Contacts

Analyst	Phone
Virginie Merlin/Paris	33.1.53.30.10.20
Stephane Le Priol/Paris	
Reynold R. Leegerstee/London	44.20.7772.5454

Opinion

SUMMARY RATING RATIONALE

Moody's assigns an issuer rating of A3/Prime 2 to DIAC. The ratings reflect DIAC's high integration within RCI Banque, which has a bank financial strength rating (BFSR) of C mapping to a baseline credit assessment (BCA) of A3. DIAC benefits from RCI Banque's sound financial position, independent funding and solid risk management. In Moody's view, as is the case with other financial captives, RCI Banque's BFSR is mainly driven by qualitative aspects such as the bank's franchise and corporate governance issues, both factors being heavily impacted by the integration of the captive bank within the automotive group. These qualitative aspects can also be applied to DIAC given its high level of integration.

DIAC's A3 long-term and Prime-2 short-term debt ratings reflect its intrinsic creditworthiness and at present are not constrained by Renault's Baa1 rating.

DIAC is 100% owned by RCI Banque, which is the captive auto finance company of Renault SA, the French car manufacturer. DIAC is the subsidiary of RCI Banque dedicated to the financing of retail and corporate auto loans in France as well as the refinancing of the dealer floor plans in France. It is a credit institution regulated by the French Banking Commission (Commission Bancaire) but does not have a banking license. Although DIAC does not benefit from any formal guarantee from its parent, RCI Banque, Moody's has assessed the support as very high given the strong degree of integration between both entities.

Historically, DIAC was Renault's first captive finance company, but when the group decided to start activities abroad, it created RCI Banque as a holding to consolidate all local financing subsidiaries. As a consequence, each local subsidiary is responsible for its local activities including retail and corporate auto-loans and refinancing of the dealer floor plans. DIAC's business mix is thus exactly the same as that of the group and all of the products provided by DIAC (loans, ancillary services such as loan insurance, maintenance) are the same than those

proposed to its customers worldwide by RCI Banque. DIAC is de facto run as the "French business unit" of RCI Banque.

DIAC is considered as strategically very important to RCI Banque since it undertakes all the financing activity of RCI Banque on French territory, which is RCI Banque's core market and accounts for one-third of RCI Banque's total outstanding loans (retail, corporate and dealers). DIAC and RCI Banque also share the same management.

The funding of RCI Banque's subsidiaries is managed centrally and the debt is issued via RCI Banque. The subsidiaries are allowed to refinance outside the group, but never do so as they get better refinancing conditions through RCI Banque, which is rated and known on the market. DIAC's funding is therefore provided by RCI Banque (except for the legacy debt issued by DIAC) and is managed entirely centrally.

Credit Strengths

- Very high level of integration of DIAC within RCI Banque
- Strategic importance to RCI Banque: DIAC is the operating entity of the bank in France, the bank's core market
- Regulated as a credit institution and supervised by the French banking authority
- DIAC's funding is predominantly provided by RCI Banque and is managed centrally

Credit Challenges

- Commercial dependence on direct and ultimate parent and vulnerability to significant and prolonged stress scenarios affecting Renault Group
- Lack of business diversification
- Pressure on margins on the French market
- Relatively high level of impaired loans on balance sheet, in common with other French banks

Rating Outlook

The outlook is stable on the issuer and debt ratings, reflecting the strong level of integration and dependence on RCI Banque whose ratings also have a stable outlook.

What Could Change the Rating - Up

The issuer and debt ratings are unlikely to be upgraded in the short term. Moody's believes that the strategic and commercial linkages with RCI Banque and Renault effectively limit the possibility for an upgrade of the issuer rating.

What Could Change the Rating - Down

In Moody's opinion, a downgrade of the issuer and debt ratings would primarily be triggered by a downgrade of RCI Banque's ratings. For instance, a marked decline of Renault's business profile, substantial adverse change in Renault's ratings affecting DIAC through RCI Banque could potentially have a negative impact on DIAC's issuer rating. Additionally, a change in the very strong integration between DIAC and its parent, RCI Banque, could also lead to a downgrade of DIAC's ratings. Moody's views these threats as remote, especially the latter.

Recent Results and Company Events

The bank reported total assets of EUR 8.7 billion, down 2% year-on-year, whereas the net loans outstanding were up 2.3% to EUR 8.4 billion at year-end 2007.

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness,

completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody's.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."