

Rating Action: RCI Banque

Moody's places RCI Banque's A3 long-term ratings on review for possible downgrade

Short-term ratings are affirmed at Prime 2

Paris, October 30, 2008 -- Moody's Investors Service today announced that it has placed the C Bank Financial Strength Rating (BFSR) and the A3 long-term debt and deposit ratings of RCI Banque on review for possible downgrade. The Prime-2 short-term debt and deposit ratings are affirmed.

The rating action is based on Moody's expectations of a decrease in the bank's profitability driven by lower lending volumes and as well as by a deterioration of the bank's asset quality leading to increasing provisioning levels. Moody's added that it remains concerned by the liquidity position of the bank which is a wholesale funded institution and is therefore sensitive to more limited and more expensive access to financial markets as a result of the current challenging environment.

On 23 October 2008, the shareholder of RCI Banque, Renault S.A. (Baa2 / stable), announced lower forecasts in car sales especially in its core market in Western Europe due to an overall weakening of the automobile market. For further details, please refer to Moody's press release on Renault S.A. dated 27 October 2007. Moody's believes that RCI Banque, which is a wholly-owned captive finance company that supports the sales of Renault and Nissan vehicles, is reliant on the number of cars sold by its parent and will therefore suffer from a decrease in its lending volumes, weakening its profitability.

Moreover, Moody's notes that the current weaker economic environment is negatively affecting the asset quality of the bank's loan portfolio. RCI Banque's overall loan portfolio comprising of retail (50%), dealer floor plan (25%) and corporate (23%) loans, is split between French (36%), German (18%), Spanish (15%), British (8%) and Italian (7%) loans. The cost of risk ratio of retail loans (loan losses plus loan loss provisions changes taken as a percentage of outstanding loans) has increased from 0.64% at year end 2007 to 0.77% at end-June 2008. The Spanish loan book, in particular, contributed to the increased cost of risk. Moody's expects this negative trend to accelerate in the coming months and the deterioration to extend to other Western European countries as well as to dealer floor plans loans. Moody's acknowledges that the good level of RCI Banque's profitability provides a cushion to absorb a further increase in losses, while capital with a Tier 1 ratio at 8.5% is not high enough to give any additional buffer.

Moody's added that the continuous challenging financial environment feeds persistent concerns on the bank's liquidity. RCI Banque is indeed highly reliant on capital markets (57%), interbank (22%) and securitization (16%) funding as of end-June 2008. The bank has substantial short-term liquidity needs linked to the financing of its network of dealers.

The review for possible downgrade will focus on the ability of the bank to improve its liquidity position by lowering its short-term liquidity needs notably through a reduced financing of its network of dealers, thereby also reducing its concentration risk, to limit the extent of its asset quality deterioration and to maintain satisfactory levels of profitability and capital.

Headquartered in Noisy le Grand, France, RCI Banque has total assets of € 25,975 billion and reported shareholders' equity (including minority interests) of € 2,313 billion as of June 30th, 2008.

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