



Rating Action: RCI Banque

Moody's downgrades RCI Banque's ratings to C-/Baa2

Outlook stable on C- BFSR and Baa2 long-term ratings

Paris, November 23, 2009 -- Moody's Investors Service has today downgraded the bank financial strength rating (BFSR) of RCI Banque (RCI) to C- -- mapping to a Baseline Credit Assessment of Baa2 -- from C and its long-term debt and deposit ratings to Baa2 from A3, thereby concluding the review for possible downgrade initiated on 30 October 2008. The outlook on the BFSR and long-term debt and deposit ratings is stable. The Prime-2 short-term debt and deposit ratings are affirmed.

Moody's downgrade of the BFSR to C- from C was driven by the rating agency's expectation of weakening profitability as a combination of subdued new business and lending volumes and a deterioration in asset quality. Following the completion of Moody's stress tests on RCI's assets and earnings, the rating agency regards RCI's capital levels as adequate within its revised rating category given the bank's overall risk profile.

Moody's notes that RCI -- a wholly owned captive finance and non-diversified company that supports the sales of Renault Group and Nissan -- is reliant on the number of cars sold by its parent's and Nissan's brands, which have been temporarily boosted by "scrappage" schemes. The bank may therefore suffer from a further decrease in its lending volumes in the near future, thereby weakening its profitability. Additionally, RCI's penetration rate (new car financing as a proportion of parent sales) decreased to 28.9% at the end of H1 2009 from 30.2% at the end of H1 2008.

Furthermore, RCI is suffering from the deterioration of its asset quality, notably in the retail loan portfolio, its main business line, which has in turn resulted in an increase in its provisioning levels. Non-performing loans stemming from the retail loan book in particular have increased to 4.99% at the end of June 2009 from 3.67% one year earlier. However, Moody's acknowledges that RCI's high provisioning policy and its solid capitalisation levels (the Tier 1 ratio stood at 10.91% at the end of June 2009) is providing the bank with significant loss absorption capacity.

Moody's adds that the bank's high reliance on wholesale funding and particularly on capital market (46% as of the end of 2008), interbank (28% at the end of 2008), and securitisation (17%), a funding profile that Moody's regards as a rating constraint. Although RCI has been able to issue debt on the markets since April 2009, the bank, as a wholesale-funded institution, suffers from high funding costs and remains highly sensitive to its need for access to wholesale funding as well as its potentially tighter access to funding through the European Central Bank.

The two-notch downgrade of RCI's debt and deposit ratings is also underpinned by Renault SA's ratings (Ba1/stable). RCI, as a wholly owned captive bank, is highly constrained by its strategic, commercial and financial links to its parent. Moody's points to the risks facing credit institutions that concentrate on a single industry segment, especially given the current challenging environment of the European automobile sector. RCI's debt and deposit ratings are therefore inherently linked to Renault's performance and ratings. Given the institution's lack of diversification coupled with the risk associated with its wholesale funding profile, the differential between Renault and RCI's long-term ratings should not exceed two notches.

The stable outlook on RCI's C- BFSR is underpinned by the bank's solid capitalisation levels (the Tier 1 ratio stood at 10.9% at the end of June 2009) and by the stable outlook of RCI parent's ratings.

Moody's previous rating action for RCI was taken on 30 October 2008 when the rating agency placed RCI's A3 long-term debt and deposit ratings and C BFSR on review for possible downgrade and affirmed the Prime-2 short-term ratings. Moody's subsequently reiterated the ongoing review of these ratings on 31 July 2009 further to Renault SA's interim results, and again on 30 October 2009 further to Renault SA's Q3 results.

The principal methodologies used in rating RCI were Moody's "Bank Financial Strength Ratings: Global Methodology," published in February 2007, and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology," published in March 2007, which are available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies

sub-directory on Moody's website.

Headquartered in Noisy-le Grand, RCI Banque reported total assets of EUR22.451 billion and reported shareholders' equity (including minority interests) of EUR2.059 billion as of 30 June 2009.

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