

RCI Banque



BUSINESS REPORT FIRST HALF 2006



RENAULT

BUSINESS ACTIVITY

- RCI BANQUE KEEPS UP ITS STRONG SALES FINANCING PERFORMANCE WITH A 33.3% PENETRATION RATE IN EUROPE IN FIRST-HALF 2006.
- RCI BANQUE'S WHOLLY OWNED SUBSIDIARY IN SOUTH KOREA MAKES A SUCCESSFUL START IN SUPPORT OF RENAULT SAMSUNG MOTORS.

The RCI Banque group finances sales of Renault Group vehicles worldwide and of Nissan cars mainly in Europe. The RCI Banque group is active in ten countries in Western Europe and six in Central Europe (Poland, Czech Republic, Slovakia, Romania, Hungary and Croatia), four countries in America (Brazil, Argentina, Mexico and Colombia) one in Asia (South Korea) and has sales offices in Morocco and in Russia.

As a captive finance company, the RCI Banque group offers a comprehensive range of financing and related services to three target customer categories:

- ▶ the Retail and Corporate markets. The RCI Banque group offers new and used car loans, rentals with options to buy, leases and long-term rentals. It also provides services to motorists such as maintenance contracts, extended warranties, roadside assistance and fleet management ;
- ▶ Renault and Nissan dealers. The RCI Banque group finances inventories of new cars, used cars and spare parts, as well as short-term cash requirements.

FIRST-HALF 2006 BUSINESS ACTIVITY

Worldwide, the Renault Group sold 1,315,385 vehicles, down 3.2% compared with first-half 2005, and maintained its 4.1% share of the world market.

In Europe, the Group's vehicle sales were down 7.6%, reflecting more selective marketing combined with a less favorable position in the product cycle. The Group's market share slipped to 9.8%.

Outside Europe, sales of the Group's three brands (Renault, Dacia, Samsung) were up 10.6% over first-half 2005 and accounted for 27.7% of total worldwide sales.

Dacia sales increased by 28.5% to a total of 103,604 vehicles. Renault Samsung Motors' sales in Korea rose by 3.3% to 57,710 vehicles.

Nissan had sales of 177,747 units in the nine European countries where the RCI Banque group finances sales of these vehicles. Its market share was 2.15%.

The RCI Banque group wrote 514,424 new finance contracts in first-half 2006. Of these, 67% were outside France and 54,437 (10.5%) were outside Western Europe.

Amid more difficult market conditions for the automobile industry, new financings by the RCI Banque group declined to €5.1bn in the first six months of 2006, down 4.4% from the same period in 2005. RCI Banque nevertheless maintained its 33.3% penetration rate on sales of new Renault and Nissan vehicles in Western Europe.

Customer and Dealer loans outstanding were €23.4bn at 30 June 2006, in line with their level at end-December 2005. Customer loans outstanding continued to show a slight growth (up 1%).

Loyal to its role of supporting the carmakers' brands in all their markets, the RCI Banque group stepped up the pace of its international expansion:

- ▶ In South Korea, successful launch of RCI Financial Services Korea.
- ▶ In Russia, promising beginning of a commercial agreement.
- ▶ In Poland, beginning offering retail customer loans by RCI Banque Polska.
- ▶ In Croatia, beginning retail sales financing under a commercial agreement.
- ▶ In Colombia, creation of a new affiliate to be part of a commercial agreement.

In the Enterprise segment, RCI Banque entered into a partnership in the Netherlands as part of its new strategy for improving competitiveness.

Passenger car & light utility vehicle Market*		Renault Market Share (%)	Nissan Market Share (%)	RCI Banque Penetration Rate (%)	No. of Financing Contracts Processed	New Financings (€m)	Net Loans Outstanding at year-end (€m)	Of which Dealers (€m)
Germany	2006	4.6	1.6	42.3	80,649	864	5,010	981
	2005	5.4	1.6	46.5	97,414	1,015	5,280	1,067
Spain	2006	10.6	3.2	46.4	75,447	927	3,909	796
	2005	12.5	3.6	43.9	80,453	1,017	3,731	814
France	2006	26.8	1.7	30.5	167,576	1,822	7,991	2,035
	2005	28.1	2.0	30.4	171,605	1,790	7,417	2,087
UK	2006	6.0	3.3	29.6	57,581	475	1,797	367
	2005	7.5	3.7	24.9	61,984	478	1,888	370
Italy	2006	6.0	1.9	31.1	39,434	420	2,129	364
	2005	7.0	2.5	35.6	49,945	513	2,513	397
Rest of Western Europe	2006	9.2	1.6	24.6	39,300	388	1,962	609
	2005	10.0	1.6	24.8	41,097	406	1,922	552
Total Western Europe	2006	10.1	2.2	33.3	459,987	4,897	22,798	5,152
	2005	11.3	2.4	33.3	502,498	5,220	22,751	5,287
Central Europe and Romania**	2006	7.1	0.2	29.2	28,719	55	346	90
	2005	7.8	0.2	31.2	34,355	57	276	83
MERCOSUR	2006	4.8	0.5	29.8	20,800	89	258	78
	2005	4.5	0.6	33.5	18,370	59	208	70
South Korea***	2006	-	0.1	8.4	4,918	58	50	0
	2005	-	-	-	-	-	-	-
Total RCI Banque group	2006	8.9	1.8	31.6	514,424	5 099	23 452	5,320
	2005	10.5	2.1	33.1	555,223	5 335	23 710	5,439

* Figures apply to the markets for passenger cars and light utility vehicles,

** Poland, Romania, Hungary and Czech Republic,

*** 2006: South Korea consolidated.

FINANCIAL HIGHLIGHTS

- PRETAX INCOME UP 1.3% TO €269M.
- TIER 1 CAPITAL RATIO INCREASED TO 8.4%.
- ROE* OF 16.6%.

EARNINGS

The RCI Banque group's consolidated pretax income for the six months ended 30 June 2006 was €269m, up 1.3% on 2005.

€1m of the increase is attributable to consolidation of the new subsidiary in South Korea.

Compared with first-half 2005, the main factors in the change in earnings were the following:

- ▶ growth in net banking income of 3.7%, resulting from a 3% increase in average performing loans outstanding and a slight expansion of the margin on services (to 0.86% of outstandings in June 2006, from 0.69% in first-half 2005),
- ▶ near-stability in operating costs, which amounted to 1.64% of average performing loans outstanding at end-June 2006, versus 1.61% in 2005,
- ▶ a controlled rise in the cost of risk (to 0.67% of outstandings at end-June 2006, from 0.60% at end-June 2005) due mainly to deterioration in the Dealer Financing segment (UK and Spain) partly offset by improvement in the Retail segment (Germany).

Consolidated net income was €170m at 30 June 2006, down from €182m in June 2005, owing to an increase in tax expense, during 2005 RCI Banque recognized an exceptional tax income item in Germany.

BALANCE SHEET

Loan assets of the RCI Banque group were €23.5bn at end-June 2006, compared with €23.7bn at end-June 2005. Declines in the United Kingdom and Italy were offset in part by good results in France and Spain.

During first-half 2006, the securitization of Italian customer receivables entered the amortization phase, as the securitization of French customer receivables had done from 2005. This automatically produced a decline in this mode of financing.

Funds derived from medium-term instruments represented 66% of the balance sheet, compared with 69% in 2005.

PROFITABILITY

At 30 June 2006, the RCI Banque group's solvency ratio stood at 9.5% and its Tier 1 capital ratio at 8.4%, versus 9.2% and 8.1% at 30 June 2005.

Excluding non-recurring items, return on equity (ROE) was 16.6%, versus 17.6% in June 2005.

* Excluding non-recurring items

Income statement <i>(consolidated, in millions of euros)</i>	6 month 2006 IFRS	6 month 2005 IFRS	2005 IFRS	2004 IFRS
Operating income	951	943	1,865	1,865
Operating expense	(418)	(429)	(863)	(901)
Net banking income	533	514	1,002	964
Operating cost	(188)	(181)	(387)	(396)
Cost of risk	(77)	(67)	(159)	(126)
Share of net income of associates	2	–	–	–
Consolidated income before tax	269	266	457	442
Consolidated net income	170	182	311	266

Balance Sheet <i>(consolidated, in millions of euros)</i>	6 month 2006 IFRS	6 month 2005 IFRS	2005 IFRS	2004 IFRS
Net total outstandings	23,452	23,710	23,411	22,142
Of which:				
▶ Retail customer loans	11,765	12,007	11,738	11,410
▶ Leasing & long-term rentals	6,367	6,264	6,193	5,828
▶ Dealers	5,320	5,439	5,480	4,904
Financial asset at fair value through profit or loss and hedging derivatives	145	332	177	346
Other assets	2,397	2,070	2,729	1,850
Shareholders' equity <i>(including current year's net income)</i>	2,547	2,309	2,329	2,269
▶ Equity	2,276	2,041	2,062	1,861
▶ Subordinated debt	271	267	267	408
Bonds	2,988	4,673	3,882	4,957
Negotiable debt securities (CD, BT, CP, BMTN, EMTN)	11,708	9,713	10,621	8,798
Securitization	2,045	3,363	2,850	2,512
Banks & other lenders <i>(including Schuldschein)</i>	5,247	4,722	5,408	4,600
Financial liability at fair value through profit or loss and hedging derivatives	127	316	179	259
Other liabilities	1,332	1,016	1,048	943
Total balance sheet	25,994	26,112	26,317	24,338

FINANCIAL POLICY

- FITCH UPGRADES ITS RATING OF RCI BANQUE'S LONG-TERM DEBT BY ONE NOTCH TO A-.
- FIRST SIGNIFICANT ISSUE OF EMTNS DENOMINATED IN STERLING.
- FIRST CENTRALIZED REFINANCING TRANSACTIONS WITH THE NEW KOREAN SUBSIDIARY.

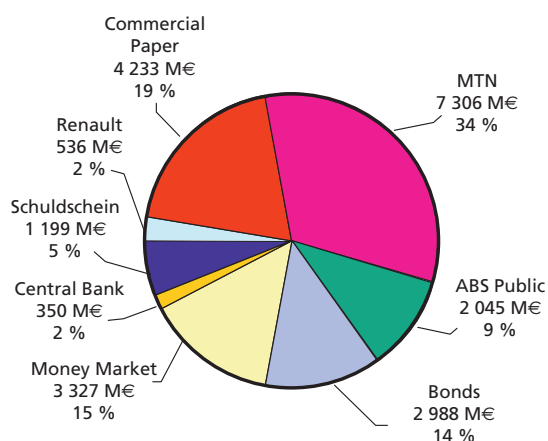
The objective of RCI Banque's financial policy is to preserve the gross margin of each group entity while maintaining secure sources of funding for its business activities. The group financial policy is defined and implemented by RCI Banque at the consolidated level. It applies to all the Group's Renault and Nissan sales finance affiliates.

The strength of the group's balance sheet is evidenced by strictly limited market risks (interest rate, currency and counterparty exposure) that are monitored on a daily basis, by the quality of its financial ratios and by substantial confirmed available lines of credit that provide secure access to diversified sources of funding in financial markets:

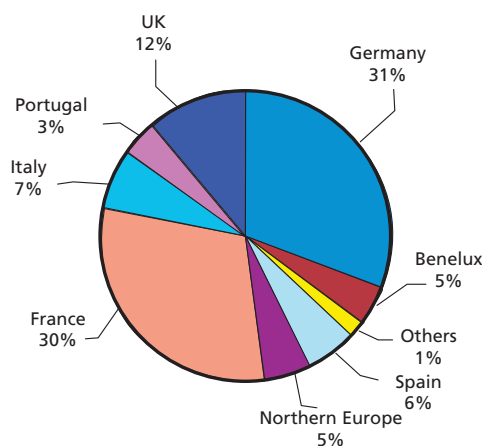
- ▶ At 30 June 2006, the RCI Banque group's sensitivity to interest rate risk was €2.57m for 100 basis points.
- ▶ Exposure to currency risk amounted to €1.3m. Over 90% of the group's requirements are in euros.
- ▶ Available securities totalled €7,234m, (including €5,295m in confirmed lines of credit, stable compared to December 31, 2005, and €1,939m in reserves and cash available from the Central Bank facility). Available securities allowed to cover globally the combined total of commercial paper and certificates of deposit outstanding.

Mindful of diversifying its investor base, RCI Banque chose to make its first major borrowing of 2006 in the form of a syndicated public issue. The choice of this distribution channel allowed RCI Banque to reach new investors while bolstering its position in the 5-year segment of the yield curve. The €700m total amount of this borrowing included refunding of €300m in addition to the first tranche.

Composition of debts at June 30th, 2006



Regional breakdown of RCI group's medium-term debt during the first half 2006



THE GROUP'S PROGRAMS ARE CONCENTRATED ON TWO ISSUERS (RCI BANQUE, DIAC) THEY REPRESENT A TOTAL OF OVER €24 BILLION

Issuer	Program	Market	Size	S & P	Moody's	Fitch	R & I
RCI Banque	Euro CP	Euro	EUR 2,000 million	A2	P2	F2	a1
RCI Banque	Euro MTN	Euro	EUR 12,000 million	A-	A3	A-	A
RCI Banque	CD	French domestic	EUR 4,000 million	A2	P2	F2	
RCI Banque	BMTN	French domestic	EUR 2,000 million	A-	A3	A-	
Diac	CD	French domestic	EUR 1,500 million	A2	P2	F2	
Diac	BMTN	French domestic	EUR 1,500 million	A-	A3	A-	
RCI Banque	CP	US domestic	USD 1,000 million	A2	P2	F2	
RCI Banque + Overlease + Renault AutoFin (Guarantor: RCI)	CP	Belgian domestic	EUR 500 million	A2	P2	F2	

For all information, please visit our web site www.rcibanque.com
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