

# RCI Banque

## Business report first half 2007



**RENAULT**

# BUSINESS ACTIVITY

- **AMID CONTINUING DIFFICULT MARKET CONDITIONS FOR THE AUTOMOBILE INDUSTRY IN THE 1<sup>ST</sup> HALF OF 2007, RCI BANQUE MAINTAINED ITS PENETRATION RATE (33.1%) IN WESTERN EUROPE AND ISSUED €4,854 MILLION OF NEW FINANCINGS (- 4.8%).**
- **CUSTOMER AND DEALER OUTSTANDING LOANS REMAINED STEADY, COMPARED WITH THE END OF DECEMBER 2006, AT €23 BILLION.**

The RCI Banque group finances sales of Renault Group vehicles (Renault, Samsung and Dacia) world-wide and of Nissan cars mainly in Europe. The RCI Banque group is active in France, in Europe (15 countries), in America (Brazil, Argentina, Mexico and Colombia) in "Euromed zone" (Romania, Russia, Morocco, Algeria) and in Asia (South Korea).

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 2007 BUSINESS ACTIVITY

The Group's worldwide sales over the first six months of the year dipped 3.8% with 1,266,343 vehicles sold, due to a 9.1% dip in sales on European markets. The Group's worldwide market share was 3.6%.

The Renault Group continued to grow internationally, with a 10.1% increase in its sales outside Europe to 400,412 vehicles, thanks to the Renault, Dacia and Renault Samsung Motors brands.

Sales outside Europe represented 31.6% of the Group's total sales in the 1<sup>st</sup> half of 2007, compared with 27.6% at the end of June 2006.

The RCI Banque group wrote 472,541 new vehicle finance contracts in the 1<sup>st</sup> half of 2007. Of these, 16.11% (76,113 contracts) were outside Western Europe.

Amid market conditions that were still difficult in the 1<sup>st</sup> half, RCI Banque group's new financings totalled €4,854m, dipping 4.8% from the same period of 2006. RCI Banque maintained its penetration rate (33.1%) in new vehicle registrations for the Renault and Nissan Group in Western Europe (versus 33.3% to the same date in 2006).

Customer and Dealer outstanding loans at 30 June 2007 remained steady, compared with the end of December 2006, at €23bn.

Faithful to its role of supporting the carmakers' brands in all their markets, the RCI Banque group continued its international expansion:

- In Great Britain, preparation for the 100% takeover of RFS from 2 July 2007. This takeover was followed by the merger of the Renault (RFS) and Nissan (NFGB) sales financing activities, which are now grouped together within the same entity: RCI Financial Services.
- In Slovakia, the creation of a 100% subsidiary dedicated to Dealer loan activity.
- In Slovenia, the operational start-up of a commercial agreement relating to Dealer loan activity.
- Baltic countries: launch of a commercial agreement relating to Direct Customer activity.

RCI Banque simplified its structures in Italy and Spain. The RNC SpA and Renault Financiaciones subsidiaries were converted into branches.

Passenger car & light utility vehicle market*		Group Renault market share (%)	Nissan market share (%)	RCI Banque penetration rate (%)	No. of cars financing contracts processed	New financings (€m)	Net loans outstanding at year-end (€m)	Of which: Dealers (€m)
Western Europe	2007	9.5%	1.8%	33.1%	396,428	4,366	21,656	5,000
	2006	10.3%	2.2%	33.3%	446,972	4,897	22,800	5,151
Of which: Germany	2007	4.6%	1.3%	39.7%	64,711	747	4,608	865
	2006	4.7%	1.6%	42.3%	80,466	864	5,010	981
Of which: Spain	2007	10.6%	2.7%	44.2%	65,770	827	3,729	648
	2006	10.9%	3.2%	46.4%	75,335	927	3,909	796
Of which: France	2007	25.2%	1.5%	31.4%	142,660	1,672	7,973	2,107
	2006	27.6%	1.7%	30.5%	156,006	1,822	7,991	2,035
Of which: UK	2007	5.6%	2.8%	24.6%	45,595	369	1,712	388
	2006	6.0%	3.3%	29.6%	57,410	475	1,797	367
Of which: Italy	2007	5.3%	1.7%	38.3%	43,107	448	1,917	371
	2006	6.0%	1.9%	31.1%	38,734	420	2,129	364
Brazil	2007	3.0%	0.4%	33.5%	13,712	130	438	120
	2006	2.9%	0.3%	40.0%	13,260	70	204	55
South Korea*	2007	9.2%	0.2%	28.1%	16,324	190	261	-
	2006	10.1%	0.1%	8.4%	4,918	58	50	-
Rest of world**	2007	15.7%	0.9%	29.2%	46,077	168	657	196
	2006	16.6%	0.4%	27.2%	35,584	74	398	114
Total group RCI Banque	2007	9.4%	1.5%	32.4%	472,541	4,854	23,012	5,316
	2006	10.2%	1.8%	31.6%	500,734	5,099	23,452	5,320

Nb :

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

\*\*Rest of world: 2006 : Poland, Czech Republic, Slovakia, Romania, Hungary and Argentina.

2007 : Poland, Czech Republic, Slovakia, Romania, Hungary, Argentina and Slovenia.

# CONSOLIDATED FINANCIAL HIGHLIGHTS

- PRE-TAX INCOME WAS €256 MILLION (-5%).
- ROE\* OF 16%.

## EARNINGS

The RCI Banque group's consolidated pre-tax income was €256m at the end of June 2007, down 5.08% compared with June 2006.

Changes in the main components of these earnings:

- stability of net banking income, compared with June 2006, despite a fall in average performing loans (-2.54%),
- improved margin on services (0.95% of average performing loans at June 2007, compared with 0.86 % at June 2006),
- operating expenses up 13.1%, compared with June 2006, due to the buyout of RFS Ltd and the reorganisation of the English subsidiaries. Except for this non-recurring item, operating expenses rose only by 4.25%, in relation to international expansion,
- continued improvement in the cost of risk (0.57% of average performing loans at the end of June 2007, compared with 0.67% at the end of June 2006).

Apart from non-recurring items, mainly relating to the 100% takeover of RFS, pre-tax income was steady at €271m.

Consolidated net income attributable to the group amounted to €187m at 30 June 2007, compared with €170m in June 2006.

The fall in the tax rate seen over the 1<sup>st</sup> half of 2007 mainly resulted from the exceptional payment of Italian tax credits, for which provision had been previously made.

## BALANCE SHEET

The RCI Banque group's stockholders' equity, totalling €2,372m, was impacted in particular by the net income (€187m), and by the payment out of 2006 earnings of the dividend to Renault (€250m).

The RCI Banque group's (net) sales financing outstandings remained steady at €23bn, compared with the end of December 2006. The rise in outstandings in Brazil, Argentina and in South Korea offset the reduction in activity in Italy, Germany and Spain.

The RCI Banque group continued its securitization programme in 2007, with the renewal of the 2003 Italian operation. The proportion of securitizations amounted to 16% of total indebtedness.

Resources deriving from medium and long-term instruments (> 1 year) made up 71% of the balance sheet.

## PROFITABILITY

The RCI Banque group's solvency ratio was 9.6% (of which TIER 1 at 8.5%) at 30 June 2007, compared with 9.5% (of which TIER 1 at 8.4%) at the end of December 2006.

It should be noted that, at 30 June, RFS outstandings were still 50% consolidated.

Excluding non-recurring items, the ROE was 16%, compared with 15.1% in December 2006.

INCOME STATEMENT (consolidated, in millions of euros)	6 Month 2007 IFRS	6 Month 2006 IFRS	2006 IFRS	2005 IFRS
Operating income	1,054	951	1,911	1,865
Operating expense	(525)	(418)	(892)	(863)
Net banking income	529	533	1,019	1,002
Operating cost	(213)	(188)	(392)	(389)
Cost of risk	(63)	(77)	(141)	(159)
Share of net income of associates	3	2	5	2
Consolidated income before tax	256	269	491	457
Consolidated net income	187	170	305	311

BALANCE SHEET (consolidated, in millions of euros)	6 Month 2007 IFRS	6 Month 2006 IFRS	2006 IFRS	2005 IFRS
Net total outstandings	23,012	23,452	22,983	23,411
Of which:				
• Retail customer loans	11,514	11,765	11,695	11,738
• Leasing & long-term rentals	6,182	6,367	6,038	6,193
• Dealers	5,316	5,320	5,250	5,480
Financial asset at fair value through profit or loss and hedging derivatives	184	145	186	177
Other assets	2,650	2,397	1,952	2,729
Shareholders' equity (including current year's net income)	2,644	2,547	2,685	2,329
Of which:				
• Equity	2,372	2,376	2,414	2,062
• Subordinated debt	272	271	271	267
Bonds	3,485	2,988	3,005	3,882
Negotiable debt securities (CD, BT, CP, BMTN, EMTN)	10,012	11,708	10,473	10,621
Securitization	3,385	2,045	3,108	2,850
Banks & other lenders (including <i>Schuldschein</i> )	4,881	5,247	4,579	5,408
Financial liability at fair value through profit or loss and hedging derivatives	128	127	117	179
Other liabilities	1,311	1,332	1,154	1,048
Total balance sheet	25,846	25,994	25,121	26,317

\* Excluding non-recurring items.

# FINANCIAL POLICY

- **100% TAKEOVER OF THE REFINANCING OF THE ENGLISH JV IN CONNECTION WITH THE BUYOUT OF THE PARTNER'S SHARE IN JULY 2007.**
- **ISSUE BY THE SECURITIZATION MASTER TRUST IN ITALY OF A SECOND SERIES TOTTALLING €876 MILLION.**

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 market:

- At June 30<sup>th</sup>, 2007, the RCI Banque group's sensitivity to interest rate risk was €1.27m for 100 basis points.
- Exposure to currency risk amounted to €2.5m. Over 87% of the group's requirements are in euros.
- Available securities totalled €5,441m, (including €5,276m in confirmed lines of credit, stable compared to December 31<sup>st</sup>, 2006 ; €165m 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.

In a manner similar to what was done in the previous year and in order to ensure diversification of its investor base, RCI Banque launched a "benchmark" size (€500m) 5-year public issue, whose distribution was handled by a syndicate of 8 banks.

This operation enabled a significant number of investors to be reached who had never in the past participated in RCI Banque issues.

RCI Banque also launched 12 private issues for a total consideration of €996m.

RCI Banque also issued, from the Italian securitization Master Trust, a new series totalling €876m, the settlement of which took place at the beginning of July.

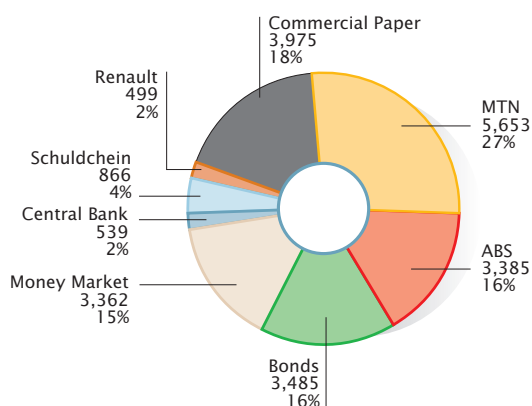
Owing to a 100% takeover of the refinancing of the English JV, in anticipation of the takeover of total control of the company on 2 July 2007, total indebtedness rose by comparison with 31 December 2006, while commercial outstandings remained steady.

This factor, as well as the anticipated receipt on 6 July of the funds deriving from the Italian securitization, explains the temporary dip in available securities, which securities remained nevertheless at a high level.

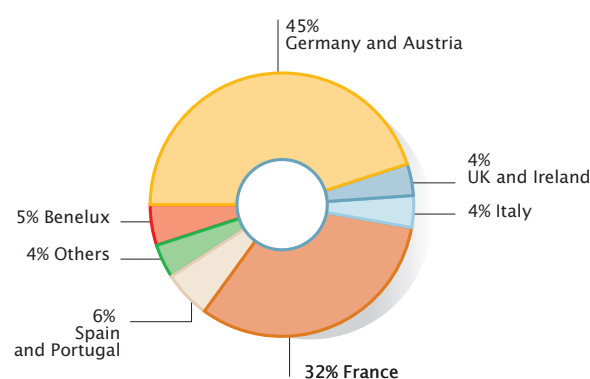
Pursuant to the policy determined over many years, RCI Banque provided centralised refinancing of its subsidiaries in countries assigned at least a "single A" rating.

The outstandings originated by the South Korean subsidiary and which rose significantly were thus refinanced by the group's front office, boosting the entity's competitiveness in Seoul.

**Composition of debts at June 30<sup>th</sup>, 2007**  
(in million of euros)



**Regional breakdown of RCI group's medium-term debt during the first half 2007**



**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 millions	A2	P2	F2	a1
RCI Banque	Euro MTN	Euro	EUR 12,000 millions	A-	A3	A-	A
RCI Banque	CD	French domestic	EUR 4,000 millions	A2	P2	F2	
RCI Banque	BMTN	French domestic	EUR 2,000 millions	A-	A3	A-	
Diac	CD	French domestic	EUR 1,500 millions	A2	P2	F2	
Diac	BMTN	French domestic	EUR 1,500 millions	A-	A3	A-	
RCI Banque	CP	US domestic	USD 1,000 millions	A2	P2	F2	
RCI Banque + Overlease + Renault AutoFin (Guarantor: RCI)	CP	Belgian domestic	EUR 500 millions	A2	P2	F2	

For all information, please visit our web site [www.rcibanque.com](http://www.rcibanque.com)  
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