



BANQUE POPULAIRE GROUP

2003 Annual report



Banque et populaire à la fois.

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Profile

The Banque Populaire Group stands apart from other French banking institutions, with a unique organization structure, a culture rooted in the cooperative movement, and a corporate governance structure that embodies its cooperative values. These three characteristics represent the driving force behind the client acquisition and partnership strategy which has delivered sustained business growth.

A three dimensional organization

The 21 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif, local retail banking specialists and the shareholders of Banque Fédérale des Banques Populaires, represent the Group's cooperative dimension.

Banque Fédérale des Banques Populaires

is the federal dimension. As the Banque Populaire Group's central body and the holding company of Natexis Banques Populaires, it is responsible for overseeing, coordinating and leading all Group activities. This structure eases the integration of new partners, such as Crédit Maritime Mutuel which joined the Group in 2003.

Natexis Banques Populaires provides the listed-company dimension. Quoted on the *Premier Marché* of Euronext Paris, Natexis Banques Populaires is the Group's financing, investment banking and service bank. The 2002 acquisition of Coface has expanded the bank's service offering to corporate clients, as well as extending its geographic reach.

A cooperative bank with a strong regional presence

The Banque Populaire Group operates in the cooperative banking sector, which in Europe represents more than 100 million members and clients. The cooperative structure creates a unique relationship between the Banque Populaire regional banks and their clients, that is perfectly in tune with today's banking service needs.

The 2,450,000 member-stakeholders guarantee their banks' independence as well as providing capital for their development. Together, the 21 Banque Populaire regional

banks and the representation offices of the other Group entities cover the whole of France. The Directors of the regional banks are actively involved in the economic and community life of their regions, and help to promote a better understanding of the local economic fabric as well as of the businessmen and women who play a key role in its development.

A corporate governance structure that reflects the Group's values

The Group's corporate governance is organized around the role of the parent companies and the cooperative structure. The parent companies' Directors represent the member-stakeholders, and are responsible for determining their bank's strategy – in line with the Group's overall domestic strategy – as well as for exercising oversight and control over its implementation. At Group level, corporate governance is rooted in the principles underlying the cooperative movement, with the Board of Directors of Banque Fédérale des Banques Populaires responsible for making decisions that apply naturally to the Group and its various components. The Chairman of the Board, who represents the Group at both national and international level, guarantees the Group's cohesion and identity.

A strategy based on winning new customers and extending the network of partnerships

To achieve its goal of becoming a major player in the European bancassurance market, the Group is focusing on winning new clients in each of its markets. It has steadily expanded its franchise in the personal banking market, with a penetration rate of over 8%. And with more than 570,000 small businesses and farming enterprises on its books, and a 34% penetration rate among businesses, the Group is among the leaders in these markets. In addition, the Group has bolstered its position in the institutions market, thanks to Crédit Coopératif's solid presence in the social economy sector.

Interview with Philippe Dupont

Chairman of the Banque Populaire Group



2003 was a good year for the Banque Populaire Group, despite the persistently lackluster economy.

What were the main factors behind this performance?

It's true that 2003 will go down as a good year for our Group – the best in fact, if you exclude 2000, when earnings were boosted by exceptional items.

Our consolidated net banking income grew 23% to a record €7 billion, our gross operating income rose 41% to €2,270 million and our earnings capacity soared 57% to €1 billion.

What is most pleasing about these figures is their underlying quality.

All of our main business lines performed well. Revenues were high, costs were kept under control and provision expense remained contained.

This strong showing was indeed achieved in a lackluster economy. Our success can be put down to factors deeply rooted in our history and culture that underpin our cooperative values.

The first is our solid commitment to maintaining high quality client relations, and to extending our franchise across all client segments: personal banking clients, small businesses, corporates and institutions. You'll find the same focus on offering a local, personalized service to each and every client in all of our businesses. Our determination to partner clients over the long term owes much to our cooperative values, since many of these clients are also member-stakeholders of our Banque Populaire banks.

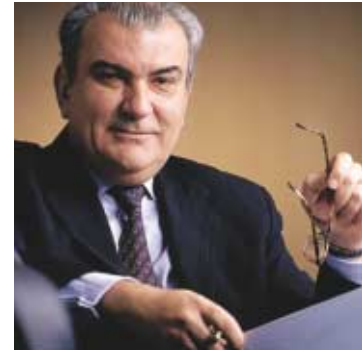
The one constant feature of our strategy is the priority given to satisfying clients, anticipating their needs and proposing innovative solutions, an approach which

clearly paid off well in last year's difficult environment.

The second factor is the quality and motivation of the men and women who make up the Banque Populaire Group. Our Group is expanding rapidly and employee numbers have risen from 31,200 to 43,000 in the space of just four years, representing a 40% increase. We have, of course, integrated the teams of Coface, Crédit Coopératif, Crédit Maritime Mutuel, but we've also hired many new people. One of the keys to our success in the area of human resources is our ability to give each entity considerable leeway in managing its skills base, while at the same time offering our employees mobility opportunities across the entire organization. I'd like to take this opportunity to thank each and every one of our people for their enthusiasm and active support for our development.

In 2003, you took time out from your acquisitions strategy. What are your plans for the future?

In 2002, we carried out a number of external growth operations, in a variety of forms. These transactions provided a life-size demonstration of



the possibilities offered by our flexible business model. Some of the deals were negotiated in 2002 but weren't closed until early 2003. Overall, however, it's true to say that in 2003 we focused mainly on integrating these businesses and unleashing synergies, rather than undertaking new initiatives. However, you shouldn't interpret this as a change in our development strategy. On the contrary, we are still pursuing the same three strategic goals.

Organic growth is our key growth engine, especially in local retail banking where this policy has delivered handsome results, year after year. Targeted external growth operations, such as our acquisition of Coface, represent a second lever which we activate as and when opportunities arise. Acquisitions are useful in speeding up the pace of growth, provided that they are decided on the basis of objective value creation criteria. And we also intend to keep up our policy of long-term partnerships, such as the one with DZ Bank.

During 2003, we continued working on two major projects.

Less spectacular than a large-scale acquisition, they will nevertheless substantially change the face of our Group. The first is the program of mergers among the Banque Populaire banks and the second is our ambitious i-BP information systems project. In both cases, we are putting considerable human and financial resources to work to ensure that our Group keeps pace with the changes taking place in the banking industry.

The Banque Populaire Group turned in a solid earnings performance and its financial position is growing stronger year by year.

What do you plan to do with this considerable agility?

The economy has been showing signs of picking up since the start of the year, although the recovery could still be derailed. We plan to devote our energies to continuing to grow the business and moving ahead with the major projects currently underway. We are also working on major organizational changes at Natexis Banques Populaires. As for our financial agility, we have built a strong capital base and we intend to go on adding to it. Under no

circumstances will we yield to the temptation of departing from our cautious approach to development opportunities. We may decide to make further targeted acquisitions, provided that we can find opportunities that fit well with our long-term plans and with the core values on which we have built our success. We are naturally keeping a close watch on the competitive environment, but we nevertheless share with all of our staff great confidence in the robustness of our business and cultural fundamentals.

This is an important point. We are very proud of our ability to achieve good financial results while at the same time making a real contribution to society. Our Group is an important creator of jobs in France. Our Banque Populaire banks contribute actively to strengthening the economic fabric of our regions and whenever we embark on necessary restructuring operations, we make sure that no-one is laid off.

Thanks to the quality of our teams and the confidence of our member-stakeholders, our Group is poised to open a new chapter in the history of one of the most successful players in the French banking area.

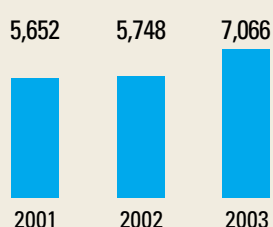
2003 key figures

year ended December 31

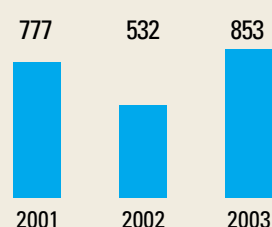


Profile

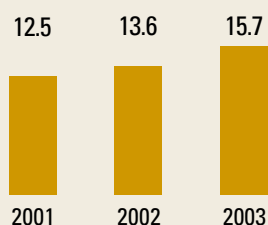
23	Banque Populaire banks⁽¹⁾
95	mutual guarantee companies
2,605	branches
6,300,000	clients
3,780	ATMs
43,200	employees⁽²⁾
2,450,000	member-stakeholders
200,000	shareholders of Natexis Banques Populaires



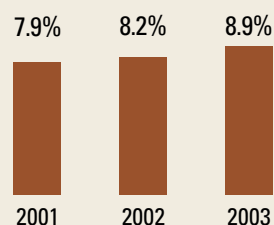
NET BANKING INCOME
IN € MILLIONS



NET INCOME
IN € MILLIONS



TOTAL REGULATORY CAPITAL
IN € BILLIONS



TIER ONE RATIO

(1) 21 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif

(2) Active employees

Strong across-the-board increase in results

Results

in € millions

7,066 net banking income
2,270 gross operating income
853 net income
15,666 total regulatory capital
8.9% Tier One ratio

in € billions

113 outstanding loans⁽³⁾
89.5 customer deposits⁽³⁾
90.1 customer savings⁽⁴⁾
364 assets in custody

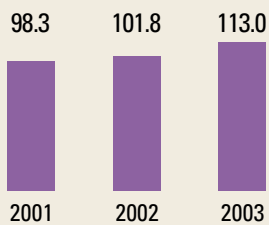
Ratings⁽⁵⁾

BANQUE POPULAIRE GROUP

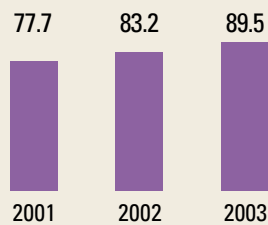
MOODY'S	STANDARD & POOR'S	FITCH RATINGS
Aa3	-	A+

NATEXIS BANQUES POPULAIRES

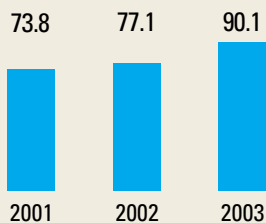
MOODY'S	STANDARD & POOR'S	FITCH RATINGS
Aa3	A+	A+



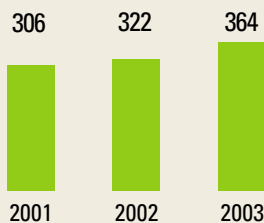
OUTSTANDING LOANS
IN € BILLIONS



CUSTOMER DEPOSITS
IN € BILLIONS



CUSTOMER SAVINGS
IN € BILLIONS



ASSETS IN CUSTODY
IN € BILLIONS

(3) Excluding repurchase agreements

(4) Net assets of management funds, employee savings plans, life insurance and other investment products

(5) Senior long-term debt



Corporate governance

The Board of Directors of
Banque Fédérale des Banques Populaires



Philippe Dupont

René Clavaud

Christian Hébrard

Richard Nalpas

Francis Thibaud



Christian Brevard

Jean-François Comas

Claude Cordel

Michel Devianne

Daniel Duquesne



Stève Gentili

Alain Jacquier

Marc Jardin

Yvan de La Porte du Theil

François Moutte



Jean-Louis Tourret

François Ladam

Jean-Claude Detilleux

Michel Goudard

Jean-Paul Dubus

as of December 31, 2003

Principal function in the Company⁽¹⁾First appointed
Term end⁽²⁾

Philippe Dupont

Chairman and Chief Executive Officer

Chairman of the Banque Populaire Group

July 8, 1999 / May 2005

René Clavaud
Christian Hébrard
Richard Nalpas**Vice Chairmen**

Chairman of Banque Populaire Centre Atlantique

Honorary Chairman of CASDEN Banque Populaire

Chief Executive Officer of Banque Populaire Toulouse-Pyrénées

July 5, 2000 / May 2006
September 27, 1995 / May 2004
July 5, 2000 / May 2006

Francis Thibaud

Board Secretary

Chief Executive Officer of Banque Populaire du Sud-Ouest

July 5, 2000 / May 2006

Christian Brevard
Jean-François Comas
Claude Cordel
Michel Devianne
Daniel Duquesne**Directors**

Deputy Vice Chairman of Banque Populaire d'Alsace

Chief Executive Officer of Banque Populaire Côte d'Azur

Chairman of Banque Populaire du Midi

Chairman of Banque Populaire du Nord

Chief Executive Officer of Banque Populaire Loire et Lyonnais

December 20, 2000 / May 2006
May 31, 2001 / May 2004
September 23, 1999 / May 2005
September 27, 1995 / May 2005
May 31, 2001 / May 2004
October 20, 1999 / May 2005
May 31, 2001 / May 2004
May 22, 2002 / May 2004
May 22, 2002 / May 2005Stève Gentili
Alain Jacquier
Marc Jardin
Yvan de La Porte du Theil
François Moutte

Chairman of BRED Banque Populaire

Chairman of Banque Populaire Bourgogne Franche-Comté

Chairman of Banque Populaire BICS

Chief Executive Officer of Banque Populaire Val de France

Chief Executive Officer of Banque Populaire des Pyrénées-Orientales,
de l'Aude et de l'Ariège

Jean-Louis Tourret

Chairman of Banque Populaire Provençale et Corse

November 21, 2001 / May 2005
July 8, 1999 / May 2006François Ladam
Jean-Claude Detilleux**Non-voting Directors**

Chief Executive Officer of Natexis Banques Populaires

Chairman and Chief Executive Officer of Crédit Coopératif⁽³⁾Michel Goudard
Jean-Paul Dubus**Members in a consultative capacity**

Deputy Chief Executive Officer of Banque Fédérale des Banques Populaires

Deputy Chief Executive Officer of Banque Fédérale des Banques Populaires

Olivier Haertig
Philippe Bessard
Michel Mazière**Also present at meetings**

General Secretary

Works Council representative

Works Council representative

(1) Banque Fédérale des Banques Populaires

(2) Date of the Annual Shareholders' Meeting

(3) Effective since the Crédit Coopératif Extraordinary General Meeting of January 30, 2003
when Crédit Coopératif took on the status of *société anonyme coopérative de banque populaire*

Other directorships held by Directors

Principal function outside Banque Fédérale des Banques Populaires

Other directorships

Philippe Dupont

Chairman of the Banque Populaire Group

Chairman of the Board of Directors of:

Natexis Banques Populaires

Natexis Assurances

Christian Brevard

Deputy Vice Chairman of the Board of Directors of:

Banque Populaire d'Alsace

Chairman of the Board of Directors of:

Sicav Planinter

Natexis Bleichroeder S.A.

Chairman of the Management Board of:

Bruker Biospin SA

Director of:

Natexis Bleichroeder Inc.

René Clavaud

Chairman of the Board of Directors of:

Banque Populaire Centre Atlantique

Chairman of the Board of Directors of:

Natexis Lease

Director of:

Natexis Banques Populaires

Coface

Smurfit Limousin

Jean-François Comas

Chief Executive Officer of:

Banque Populaire Côte d'Azur

Director of:

Natexis Banques Populaires

Natexis Coficiné

Natexis Assurances

Claude Cordel

Chairman of the Board of Directors of:

Banque Populaire du Midi

Chairman of the Board of Directors of:

Natexis Factorem

Chairman of:

SAS CLOBIA

SAS CPSL

Director of:

Natexis Banques Populaires

SAS Dupleix

SNC Hydromons

Michel Devianne

Chairman of the Board of Directors of:

Banque Populaire du Nord

Chairman of the Board of Directors of:

Banque Populaire Développement

Sicav BP Trésorerie J

Chairman of the Supervisory Board of:

SA Devianne

Director of:

Natexis Private Equity

Natexis Assurances

Non-voting Director of:

Sicav Septentrion Court Terme

Legal Manager of:

Primvet SARL

Daniel Duquesne

Chief Executive Officer of:

Banque Populaire Loire et Lyonnais

Director of:

Natexis Banques Populaires

Natexis Asset Management

Sepel

Member of the Supervisory Board of:

Volksbank CZ

Stève Gentili

Chairman of the Board of Directors of:

BRED Banque Populaire

Chairman of the Board of Directors of:

BRED Gestion

Natexis Pramex International

Vice Chairman of:

Banque Internationale de Commerce-BRED (BIC)

Director of:

Natexis Banques Populaires

Coface

BRED Cofilease

COFIBRED

LFI

Bercy Gestion Finances +

Christian Hébrard

Honorary Chairman of:

CASDEN Banque Populaire

Chairman of the Board of Directors of:

Banque Monétaire et Financière (BMF)

Vice Chairman of the Board of Directors of:

Parnasse Maif

Director of:

Natexis Assurances

Parnasse Services SA

Permanent representative of CASDEN

Banque Populaire on the Board of:

BICEC

Parnasse Finance SA

Filial-Maif SA

Permanent representative of Banque Fédérale des Banques Populaires on the Board of:

Natexis Banques Populaires

Non-voting Director of:

Natexis Immo Placement

Alain Jacquier

Chairman of the Board of Directors of:

Banque Populaire Bourgogne Franche-Comté

Chairman of the Board of Directors of:

Banque Privée Saint Dominique

Société Financière Investissements Hôtelières

Chairman and Chief Executive Officer of:

Central Hôtel

Société Investissements Hôtelières et Touristiques

Director of:

Natexis Banques Populaires

Natexis Intertitres

Legal Manager of:

60 limited partnership (SNC) subsidiaries of Société Financière Investissements Hôtelières (Villages Hôtel)

Marc Jardin

Chairman of the Board of Directors of:

Banque Populaire BICS

Chairman of the Board of Directors of:

Natexis Immo Placement

Chairman and Chief Executive Officer of:

Toupret Industrie SA

Deputy Chief Executive Officer of:

Groupe Jardin SA

Toupret SA

Director of:

Natexis Lease

Yvan de La Porte du Theil

Chief Executive Officer of:

Banque Populaire Val de France

Chairman of the Supervisory Board of:

SBE

Representative of Banque Populaire Val de France on the Board of:

informatique-Banque Populaire

BICEC

Ouest Croissance

Director of:

Natexis Immo Placement

Natexis Assurances

Natexis Pramex North America Corp.

Coface

Non-voting Director of:

FructiFrance

François Moutte

Chief Executive Officer of:

Banque Populaire des Pyrénées-Orientales, de l'Aude et de l'Ariège

Director of:

Natexis Pramex International

Permanent representative of Banque Populaire des

Pyrénées-Orientales, de l'Aude et de l'Ariège on the Board of:

Socama du Roussillon

Socami des Pyrénées-Orientales

Richard Nalpas

Chief Executive Officer of:

Banque Populaire Toulouse-Pyrénées

Vice Chairman of the Board of Directors of:

Natexis Bleichroeder SA

Director of:

Natexis Banques Populaires

Natexis Assurances

Natexis Bleichroeder Inc

Permanent representative of Banque Populaire

Toulouse-Pyrénées on the Board of:

Natexis Immo Placement

Maison du Commerçant SA

Multi-croissance SA

Socama 31

informatique-Banque Populaire

Irdi

Francis Thibaud

Chief Executive Officer of:

Banque Populaire du Sud-Ouest

Vice Chairman of the Board of Directors of:

Natexis Paiements

Director of:

Natexis Banques Populaires

Soprolib Sud-Ouest

Socami Bordeaux Région

Socama Sud-Ouest

Jean-Louis Tourret

Chairman of the Board of Directors of:

Banque Populaire Provençale et Corse

Chairman of the Board of Directors of:

Natexis Interépargne

Natexis Épargne Entreprise

Chairman of:

Tourret SAS

Proclair SAS

Director of:

Natexis Banques Populaires

Ciments Lafarge

Legal Manager of:

Tourret Entreprises

Tourret Electronique

Proclair Provence

Role of the Board of Directors

The Board of Directors of Banque Fédérale des Banques Populaires, a joint stock company (société anonyme) governed by company law since May 31, 2001, represents the Company in its role as the central body of the Banque Populaire network. The Board also determines the Banque Populaire Group's strategy and oversees its implementation. As such, the Board is responsible for strategic decisions concerning the development of the business, measures to improve operating profitability and protect assets, organizational issues, information systems and other matters.

Each Director is considered as representing all of the shareholders and is expected to act in all circumstances in the shareholders' best interests.

Membership of the Board of Directors

The Board of Directors has sixteen members, all elected by the shareholders in General Meeting. All the Directors are individuals.

The majority of the Directors must be either Chairmen or Chief Executive Officers of Banque Populaire banks. These Directors are selected from among the two lists of candidates put forward by the Chairmen and the Chief Executive Officers of the Banque Populaire banks, according to a selection process defined by the Board of Directors. Directors are elected for a three-year term and may stand for re-election. Their term expires at the close of the Annual Shareholders' Meeting. Each Director is required to hold one Banque Fédérale des Banques Populaires share.

Election of the Chairman of the Board

The Chairman is elected by the Board of Directors, for a period corresponding to his or her term as Director (Art. 11 of the bylaws of Banque Fédérale des Banques Populaires and the Company's internal rules). He or she may be re-elected (Art. 11 of the bylaws and the Company's internal rules). At least one half of the Directors must be present at the meeting and the Chairman is elected by a majority of the votes cast by the Directors present (Art. 12 of the bylaws).

The Chairman of the Board of Directors of Banque Fédérale des Banques Populaires has the title of Chairman of the Banque Populaire Group.

Chief Executive Officer

The Chairman of the Board of Directors of Banque Fédérale des Banques Populaires also acts as Chief Executive Officer (*Directeur Général*) of the Company. As such, he has the fullest powers to act in the Company's name, subject to compliance with the corporate purpose and except as regards those matters which, by law, are required to be submitted to the shareholders in General Meetings or to the Board of Directors in plenary session, or which concern the Company's role as central body of the Banque Populaire network and as such, are required to be submitted to the Board of Directors in plenary session in accordance with Banque Populaire Group internal rules.

The Chief Executive Officer represents the Company in its dealings with third parties. If recommended by the Chairman, the Board of Directors may appoint up to five Deputy Chief Executive Officers to assist the Chairman in his role as Chief Executive Officer.

Organization of the Board of Directors

The Board of Directors meets at least five times a year, on the dates decided at the beginning of the year. The Chairman may call additional meetings, if the circumstances so require.

In 2003, the Board met 11 times with an average attendance rate of 99%. This high rate is in keeping with the internal rules which stipulate that Directors should make every effort to attend all meetings of the Board and of any Committees of the Board of which they are members.

The meetings are in-depth and last 4 hours on average.

In addition to the meetings for approving the financial statements in March and September, as well as the meeting following the Annual Shareholders' Meeting in May, whose agenda is exclusively devoted to renewing the Office of the Board, there are also meetings for reviewing the operations of Banque Fédérale des Banques Populaires and of the Group, as well as for discussing main topical issues concerning the Banque Populaire Group.

As well as approving the financial statements of Banque Fédérale des Banques Populaires and the Banque Populaire Group, the Board takes all decisions relating to the Group's strategy. Any major strategic investments undertaken by other Group entities, such as Natexis Banques Populaires, are first submitted to the Board for approval.

Four times a year, the Board hears a detailed report on the work conducted by the Audit and Group Risks Committee. Acting on the recommendations of this committee, the Board subsequently takes any decisions it deems appropriate.

A full file is sent to the members of the Board approximately ten days before the Board meetings are held, and the Board undertakes to clearly explain its decisions.

A report on the decisions taken is sent to all of the Group's Executives within two days following the Board meeting.

A detailed report of the Board meetings is drawn up systematically, including a description of any debates that took place regarding the various points on the agenda. Once this report has been approved by the Board, it is also sent to all of the Executives of the Banque Populaire Group.

The Board of Directors of Banque Fédérale des Banques Populaires and of Natexis Banques Populaires have twelve Directors common to the two Boards.

Main topics addressed by the Board of Directors in 2003

During 2003, several major and/or strategic files were presented to the Board of Directors for information and decision-making purposes. An apt example is the formation of Banque Populaire Centre Atlantique and Banque Populaire d'Alsace, which in each case resulted in the merger of two Banque Populaire regional banks.

A detailed framework has been established to set out in contractual terms the relationship between Natexis Banques Populaires, Banque Fédérale des Banques

Populaires and all of the Banque Populaire banks. This framework is being extended to all of the services offered by Natexis Banques Populaires.

The Board has approved the procedures for launching the Group's local private equity funds and has authorized the creation of a new venture capital company – Banque Populaire Développement – in order to tap this market.

The Internal Audit Department of Banque Fédérale des Banques Populaires reports to the Board of Directors on its missions conducted within the Banque Populaire Group. Specific issues raised in these reports can, at times, be debated on in a Board meeting.

An in-depth status report on the Group's work concerning the Basle II and IAS projects have also been presented to the Board.

Decisions of the Board of Directors

The Company's internal rules stipulate that a formal ballot of Directors must be held for all decisions concerning the approval of the financial statements and the budgets, the resolutions to be tabled at Shareholders' Meetings and all key strategic and policy issues submitted to the Board by the Chairman.

Office of the Board

The Office of the Board comprises the Chairman, three Vice Chairmen

– including two Chairmen of Banque Populaire banks and one Chief Executive Officer of a Banque Populaire bank –, and a Secretary, who must also be a Chief Executive Officer of a Banque Populaire bank. The Office of the Board does not have decision-making powers but the Chairman may call meetings of the members to inform or consult them on matters falling within his authority.

Independent Directors

The concept of independent Director, as defined in the Bouton Report on corporate governance, is difficult to apply at Banque Fédérale des Banques Populaires.

As the central body of the Banque Populaire network, it is natural that the Board of Directors should be composed of representatives of the Banque Populaire banks. These banks hold over 99% of the Company's capital (as of December 31, 2003), as well as being affiliated with Banque Fédérale des Banques Populaires pursuant to the law.

The seats on the Board are held not by the Banque Populaire banks but by individuals who are either Chairmen or Chief Executive Officers of these banks. As such, the Directors do not represent their respective banks but sit on the Board as part of the corporate governance structure of the Banque Populaire Group and the Banque Fédérale des Banques Populaires.

Code of ethics

The internal rules (Art. 11) include a reminder of the provisions of the law banning the use of insider information about the Group's listed subsidiaries that the Directors may have access to in their capacity as members of the Board.

Independent internal audit function

The Board of Directors is responsible for guaranteeing the independence of the internal audit function. The internal auditors have full authority to require the audited entities to provide them with all necessary documents and information to enable them to carry out their audit. They also have unrestricted access to all of the computer applications used by the Group.

Assessment of the Board's performance

The performance of the Board of Directors of Banque Fédérale des Banques Populaires is measured primarily by the frequency of its meetings, the wealth of information made available to Directors – who also sit on the Boards of the Banque Populaire banks – and the openness of discussions on the various matters submitted to the Board. The representative nature of the Board and the ground rules for the conduct of meetings ensure that the Board fulfils its stewardship role at the head of the central entity of the Banque Populaire Group, assuming

full responsibility for determining Group strategy and policies.

Directors' fees

The fees awarded to the Board of Directors by the shareholders in General Meetings are shared equally among the Directors⁽¹⁾, except that members of the Office of the Board and the Committees of the Board receive double the standard fee. Directors who are members of both the Office of the Board and a Committee of the Board, or of more than one Committee of the Board receive a separate fee for each such function.

(1) Details of the amounts received by individual Directors are provided in the section "Directors' fees" (page 95)

Corporate governance at the Banque Populaire banks

On November 20, 2002, the Board of Directors of Banque Fédérale des Banques Populaires approved a Corporate Governance Charter and Framework Internal Rules for the Boards of Directors of the Banque Populaire banks. These documents establish various rules in the area of corporate governance as well as setting a code of conduct to be adhered to by all Directors.

They also describe the responsibilities of the Board of Directors, the Chairman, the Chief Executive Officer and the Committees of the Board of the Banque Populaire banks.

The Banque Populaire banks are cooperative banks and their Boards of Directors are made up of member-stakeholders, a number of whom are also clients. The Audit and Group Risks Committee oversees decisions to make loans to these Directors, to avoid the decisions being influenced by a conflict of interests.

Well before the new French corporate governance law came into effect on May 15, 2001,

the Banque Populaire banks had already taken action to establish a clear separation between responsibility for the day-to-day running of the business and responsibility for setting strategies and overseeing management, by segregating the functions of Chairman and Chief Executive Officer. Each year, the Boards of the banks lay themselves open to the judgment of the member-stakeholders at General Meetings.

These well attended meetings represent a high point in the life of a cooperative bank, giving the Boards the opportunity to speak openly about the various issues facing their bank and to participate in an informed exchange of views with member-stakeholders.

Committees of the Board

Following a review of corporate governance structures based on the recommendations of the 1999 Viénot Report, Banque Fédérale des Banques Populaires decided to set up two committees of the Board, the Accounts Committee and the Remunerations Committee, alongside the Audit and Group Risks Committee.

Like the Audit and Group Risks Committee, these committees make recommendations designed to assist the Board of Directors of Banque Fédérale des Banques Populaires in making decisions about issues submitted for its consideration. Each committee has four members – two Chairmen and two Chief Executive Officers of Banque Populaire banks – selected by the Board from among the Directors, based on the recommendation of the Group Chairman. Minutes of the meetings of these committees are drawn up and the Chairman of each committee reports to the Board of Directors on the committee's conclusions.

Audit and Group Risks Committee

The Audit and Group Risks Committee took over from the former Central Lending Committee set up in application of the law of 1929. At its meeting on June 20, 2001, the Board of Directors of Banque Fédérale des Banques Populaires decided that the composition of the new committee and its terms of reference would be unchanged compared with its predecessor, in accordance with the powers vested in the Company as central body of the Group under Art. L.511-31 of the Monetary and Financial Code. During the same meeting, the Board also approved rules governing the composition of the Committee and the Committee's rules of procedure.

In November 2002, the Board of Directors of Banque Fédérale des Banques Populaires changed the terms of reference of the Audit and Group Risks Committee by setting up a separate Committee for Banque Fédérale des Banques Populaires.

Plenary sessions

The Audit and Group Risks Committee meets four times a year to review reports dealing with the Group's risk assessment and

monitoring systems and its system of internal control, as required by French banking regulations.

It independently monitors overall risks, on an ex ante and ex-post basis. Monitoring is based on standard counterparty risk reports providing analyses of industry and country risks and a breakdown between interbank, sovereign and client risks, as well as on interest-rate and liquidity risk reports. The Committee's remit also includes examining overall risk strategies, exposure limits and internal control systems. Risk management decisions applicable to all Group banks are submitted to the Board of Directors for approval.

During two of the meetings, the Committee reviews reports dealing with the risk assessment and monitoring systems and the appraisal of the system of internal control of Banque Fédérale des Banques Populaires.

The plenary sessions of this Committee are chaired by the Group Chairman. The Committee is made up of six Directors, four of whom are members of the Office of the Board. The two Deputy Chief Executive Officers of Banque Fédérale des Banques Populaires, the Chief Executive Officer of Natexis Banques Populaires and the head of Internal Audit also

participate in the Committee's meetings. No Executive Directors are present at meetings to review reports concerning Banque Fédérale des Banques Populaires.

Experts or line managers from any of the Group's banks may also be invited to attend, to provide additional insight concerning the matters under review.

Decisions in the plenary sessions are taken by a two-thirds majority vote. Reports of these sessions are presented to the Board of Directors of Banque Fédérale des Banques Populaires.

Main topics addressed in the plenary sessions in 2003

The Audit and Group Risks Committee met six times in 2003:

- four times in connection with the Banque Populaire Group:
 - in March, to examine the concentration of major risks and the Group's balance-sheet risks, as well as to approve the creation of a set of methods and risks applicable to overall balance sheet risk management;
 - in June, to analyze the annual report on Group internal control and to validate the action plan to be recommended to the Board of Directors encompassing:
 - reinforced monitoring of financial risks;
 - extending to all Group entities the process for containing operating risks, in connection with the Basle II project;
 - devising a Group Internal Control Charter;

- strengthening information systems security (definition of ISS officer missions, and drawing up an information system user chart);
- in October, to examine the internal audit report on the Basle II project and to review the organization structure of the Capital Markets activities conducted by the Group's two main entities that are specialized in this area;
- in December, to analyze the annual report on the Group's counterparty risks;
 - twice in connection with Banque Fédérale des Banques Populaires:
 - in June, to analyze the annual report on internal control;
 - in December, to recapitulate on the procedures for measuring risks at Banque Fédérale des Banques Populaires.

Monthly meetings

Three members of the Committee meet once a month to review the exposure of Banque Fédérale des Banques Populaires and the Group to certain counterparty risks, as well as any loans made to Directors of the Banque Populaire banks. This forms part of the Committee's role in preventing any conflict of interests.

The three standing members and three substitutes are appointed for one year by the Board of Directors of Banque Fédérale des Banques Populaires, based on the recommendation of the Chairman, after the Annual Shareholders' Meeting.

The Chairman of the Committee, who is one of the three members attending monthly meetings, is selected from among the Chairmen of Banque Populaire banks who are members of the Office of the Board. His or her substitute is selected from among all the Directors. The two Chief Executive Officers sitting on the Committee are selected from among the Directors who are not members of the Office of the Board and their substitutes are selected from among all the Directors. Decisions are adopted by at least two votes to one.

In carrying out its central supervisory role, the Audit and Group Risks Committee is backed by the Internal Audit and Group Risks Division of Banque Fédérale des Banques Populaires.

This Division, which is responsible for internal control missions in the various Group entities, is organized around three departments:

- the Risk Control Department, which is responsible for establishing standard rules applicable throughout the Group, deploying appropriate risk control methods, and monitoring the Group's risks on a daily basis. This Department takes no part in business decisions;
- a department responsible for overseeing internal control systems put in place in the Group entities and providing them with methodological and technical support in this area. The department's primary role is to promote the adoption by all banks of best practices

identified within the Group in the area of internal control. Each year, the department prepares an overview of internal control practices within the Group, for submission to the Audit and Group Risks Committee;

■ the Internal Audit Department, which performs periodic audits of the various Group entities, in line with a program which ensures that the main identified risk areas are given priority. Recurring audits are performed of all Group entities on a revolving basis according to a multi-year plan. The Internal Audit Department reports to the Chairman and Chief Executive Officer of the Group and copies of its reports are also distributed to the members of the Board of Directors.

Accounts Committee

The Accounts Committee independently reviews the financial statements of Banque Fédérale des Banques Populaires and the consolidated financial statements of the Banque Populaire Group prior to their submission to the Board of Directors. The Committee is responsible for ensuring that accounting policies are appropriate and are applied consistently from one year to the next, as well as for assessing the reasonableness of the main assumptions used to prepare the financial statements. It also makes recommendations to the Board concerning the choice

of Statutory Auditors, their audit program and the fee budget.

The Committee meets at least twice a year. The meetings are attended by the Statutory Auditors, and the Committee can also make enquiries of members of the Finance and Internal Audit Departments.

The Accounts Committee of Banque Fédérale des Banques Populaires met twice in the presence of the Statutory Auditors – on September 5, 2003 and February 27, 2004.

The purposes of these meetings were, respectively, to examine the consolidated financial statements of the Banque Populaire Group for the six months ended June 30, 2003 and for the year ended December 31, 2003 before presenting them to the Board of Directors.

Remunerations Committee

The Remunerations Committee makes recommendations to the Board concerning the compensation, pension benefits and other benefits awarded to Executive Directors.

The Directors concerned are not present at the meeting at which their compensation and benefits are discussed.

The Chairman of the Board may also ask the Committee to examine any issues related to the Group's overall compensation and benefits policy applicable to Executive Directors of all Group entities.

During 2003, the Remunerations Committee of the Banque Populaire Group – headed by the Chairman, Philippe Dupont – met in order to review the compensation of Group Executives, in accordance with its remit. All the Committee members were present.

After examining the effective compensation payable in respect of 2002 to Executive Directors of the Banque Populaire regional banks and of Banque Fédérale des Banques Populaires, the Committee put forward recommendations for 2003. These were relayed to the Executives of the Banque Populaire regional banks in order to be approved by the regional Remunerations Committees.

Two work sessions took place before these meetings, in which the Committee examined the criteria enabling it to determine the fixed and variable components of the compensation.

The criteria for the fixed component concern the level of net banking income, career mobility and seniority in the position.

For 2003, the variable component was determined based on performance related to:

- net banking income;
- cost/income ratio;
- return on equity.

Committees	Chairmen	Members	Attendance rate	Number of meetings in 2003
Audit and Group Risks Committee				
Plenary sessions				
1st half 2003 ⁽¹⁾	Philippe Dupont	⁽²⁾ R. Clavaud, D. Duquesne, C. Hébrard, F. Moutte, R. Nalpas, F. Thibaud	98%	4 meetings dealing with Group risks 2 meetings dealing specifically with risks at Banque Fédérale des Banques Populaires
2nd half 2003 ⁽¹⁾	Philippe Dupont ^(1a)	⁽³⁾ R. Clavaud, Y. de La Porte du Theil, C. Hébrard, F. Moutte, R. Nalpas, F. Thibaud		
Monthly meetings				
1st half 2003	René Clavaud ⁽²⁾	Standing members ⁽²⁾ D. Duquesne, F. Moutte Substitutes ⁽²⁾ J-F. Comas, Y. de La Porte du Theil, J-L. Tourret	85%	9
2nd half 2003	René Clavaud ⁽³⁾	Standing members ⁽³⁾ Y. de La Porte du Theil, F. Moutte Substitutes ⁽³⁾ J-F. Comas, R. Nalpas, J-L. Tourret		
Accounts Committee				
1st half 2003	Richard Nalpas ⁽⁴⁾	⁽⁴⁾ C. Cordel, M. Devianne, F. Thibaud	100%	2
2nd half 2003	Richard Nalpas ⁽⁴⁾	⁽⁴⁾ C. Cordel, M. Devianne, F. Thibaud		
Group Remunerations Committee				
1st half 2003	Philippe Dupont ^(5 a)	⁽⁵⁾ R. Clavaud, R. Nalpas, F. Thibaud, C. Hébrard	100%	2
2nd half 2003	Philippe Dupont ^(5 a)	⁽⁵⁾ R. Clavaud, R. Nalpas, F. Thibaud, C. Hébrard		

- (1) First half 2003: members appointed by the Board of Directors of Banque Fédérale des Banques Populaires on June 19, 2002
Second half 2003: members appointed by the Board of Directors of Banque Fédérale des Banques Populaires on June 18, 2003
- (1a) When the Audit and Group Risks Committee examines risks at Banque Fédérale des Banques Populaires, it is chaired by René Clavaud
- (2) Appointed for a period expiring at the 2002 Annual Shareholders' Meeting
- (3) Appointed for a period expiring at the 2003 Annual Shareholders' Meeting
- (4) Appointed for their term as Director of Banque Fédérale des Banques Populaires
- (5) Appointed for their term as member of the Office of the Board of Banque Fédérale des Banques Populaires
- (5a) When the Remunerations Committee examines issues relating to Banque Fédérale des Banques Populaires, it is chaired by Christian Hébrard

The Statutory Auditors

The Statutory Auditors and Substitute Auditors are appointed in accordance with Art. 27 to 33 of Decree no. 84-709 of July 24, 1984 dealing with the activities and supervision of credit institutions. The Statutory Auditors were appointed by the Conseil Syndical of the former Chambre Syndicale des Banques Populaires on September 20, 2000 for a six-year term.

Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT

32, rue Guersant
75017 Paris
Represented by Yves Nicolas and Guy Flury

BARBIER FRINAULT & AUTRES

Member of the

Ernst & Young network

41, rue Ybry
92576 Neuilly-sur-Seine Cedex 4
Represented by Richard Olivier and Olivier Durand

Substitute Auditors

Louis-Pierre Schneider
Coopers & Lybrand Audit
Member of PricewaterhouseCoopers
32, rue Guersant
75017 Paris

Pascal Macioce
Barbier Frinault & Autres
Member of the
Ernst & Young network
41, rue Ybry
92576 Neuilly-sur-Seine Cedex 4

Statutory Auditors fees

The fees invoiced to the Banque Populaire Group by the Statutory Auditors and their networks in respect of 2002 and 2003 were as follows:

en € thousands	December 31, 2003			December 31, 2002		
	Ernst & Young network	PricewaterhouseCoopers network	%	Ernst & Young network	PricewaterhouseCoopers network	%
Audit						
- Statutory and contractual audit work ⁽¹⁾	922	1,546	39.3%	613	1,297	38.6%
- Special engagements ⁽²⁾	3,007	389	54.0%	1,865	381	45.4%
Sub-total	3,929	1,935	93.3%	2,478	1,678	84.0%
Other services						
- Legal and tax advice	6	277	4.5%	4	151	3.2%
- IT consulting	–	–	–	–	–	–
- Internal audit services	46	–	0.7%	634	–	12.8%
- Other	–	94	1.5%	–	–	–
Sub-total	52	371	6.7%	638	151	16.0%
Total	3,981	2,306	100.0%	3,116	1,829	100.0%

(1) Including fees for the audit of fully consolidated subsidiaries:
- Ernst & Young network: €764 thousand in 2003 and €508 thousand in 2002
- PricewaterhouseCoopers network: €1,237 thousand in 2003 and €1,205 thousand in 2002

(2) Including fees for assistance given in implementing the Basle II capital accord at Banque Fédérale des Banques Populaires and Natexis Banques Populaires (classified in 2002 under "Other services")

Internal financing mechanisms

The system to guarantee the liquidity and capital adequacy of the Banque Populaire network has been organized by Banque Fédérale des Banques Populaires in its capacity as central body, in accordance with Art. L.511-30, L.511-31, L.511-32 and L.512-12 of the Monetary and Financial Code.

The system functions by pooling the capital of all of the banks in the network.

If any of the banks is faced with a lack of liquidity or is undercapitalized, all of the other banks will be called on to contribute capital, within the limit of their own resources. As a last resort, the Banque Fédérale des Banques Populaires will also provide capital from its own resources.

The capital pool is organized in two tiers. The first tier consists of the “federal solidarity fund” included in the fund for general banking risks set aside by Banque Fédérale des Banques Populaires. The second tier pool is the “regional solidarity fund” set up by the Banque Populaire banks and included

in their own funds for general banking risks.

Each year, 10% of each Banque Populaire bank’s net income before transfers to the fund for general banking risks and tax is transferred to this fund, net of tax. Withdrawals from these funds by the Banque Populaire banks must be authorized by Banque Fédérale des Banques Populaires.

A collective agreement has also been signed, whereby each Banque Populaire bank guarantees the liquidity and capital adequacy of the mutual guarantee companies whose corporate purpose is limited to guaranteeing the lending activities of the banks.

The guarantee system of the Banque Populaire network also guarantees the liquidity and capital adequacy of Crédit Maritime Mutuel, for which Banque Fédérale des Banques Populaires is the central body, in accordance with Art. L.512-69 of the Monetary and Financial Code. This guarantee system kicks in after Crédit Maritime Mutuel’s own system.

Lastly, the members of the network contribute, along with all French credit institutions, to the *Fonds de Garantie des Dépôts* (deposit guarantee fund) set up in application of the Depositors’ Protection Act.



Group organization structure



23 Banque Populaire banks



Banque Fédérale des Banques Populaires



Natexis Banques Populaires

Introduction

The Banque Populaire Group is a cooperative group owned by the 21 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif, which in turn are wholly-owned by their member-stakeholders. The Banque Populaire banks control Banque Fédérale des Banques Populaires, the central body of the Banque Populaire Group and the parent company of Natexis Banques Populaires which is listed on the *Premier Marché* of Euronext Paris.

The other Group entities – the largest of which is Natexis Banques

“The Group has achieved what it set out to do. From a federation of Banque Populaire regional banks, it has become a full-scale banking establishment, backed by major specialized subsidiaries and boasting a wealth of skills in cutting-edge areas of competence. Its strength lies in its unique structure, which successfully combines the cooperative model with the listed company model.”

A Banque Fédérale des Banques Populaires
Internal Auditor

Populaires – are direct or indirect subsidiaries of Banque Fédérale des Banques Populaires. Banque Fédérale des Banques Populaires is the central body of the Banque Populaire Group.

The mutual guarantee system of the Banque Populaire banks has been extended to include Crédit Maritime Mutuel since it joined the Banque Fédérale des Banques Populaires network, following the introduction of the French Financial Security Act dated August 1, 2003 (Art. 93). Also in accordance with this law, Crédit Maritime Mutuel's former central body, the Caisse Centrale de Crédit Coopératif was merged into Crédit Coopératif on June 30, 2003 and legally dissolved on October 17, 2003.

In exchange for being covered by the Banque Populaire guarantee system, Crédit Maritime Mutuel will contribute to any financial measures

in favor of other banks in the Banque Populaire network, that may be decided by the Board of Directors of Banque Fédérale des Banques Populaires.

In this AMF *document de référence*, all references to “the Banque Populaire banks” correspond to:

- the 21 Banque Populaire regional banks (as of December 31, 2003);
- CASDEN Banque Populaire, a national bank dedicated to serving the employees and employer institutions of the French national systems of education, research and culture;
- Crédit Coopératif Banque Populaire or “Crédit Coopératif”, a major player in the social economy sector. Crédit Coopératif joined the other Banque Populaire banks on January 30, 2003, when it took on the status of *société anonyme coopérative de banque populaire à capital variable*.

The Crédit Coopératif group comprises around twenty banking establishments, including BTP Banque.

The “network” of Banque Populaire banks includes:

- the Banque Populaire banks, all of which are cooperative banks;
- the mutual guarantee companies (*Sociétés de Caution Mutuelle*) dedicated to guaranteeing customer loans granted by the Banque Populaire banks;
- Banque Fédérale des Banques Populaires, a joint stock company (*société anonyme*) governed by company law.

The Banque Fédérale des Banques Populaires AMF *document de référence* was registered with the Autorité des marchés financiers (AMF) in May 2004. The Natexis Banques Populaires *document de référence* was filed under no. D-04-0392 on April 2, 2004.

The Group's history

From 1917 to 1929

March 13, 1917

The Banque Populaire banks are established to contribute to financing trade and the small and medium-sized business sector. They are organized as cooperatives and are entirely owned by their member-stakeholders.

June 20, 1921

The 74 Banque Populaire banks, united by a common identity, decide to set up a central structure to organize a system of mutual financial support by centralizing, managing and investing their cash surpluses. Their decision leads to the creation of Caisse Centrale des Banques Populaires.

May 23, 1929

A second central body, Chambre Syndicale des Banques Populaires, is set up to strengthen the system of mutual financial support, with the aim of offering depositors greater protection. The Chambre Syndicale des Banques Populaires has three roles – to exercise control, to represent the banks and to offer a forum for dialogue and consultation.

Recent milestones

October 8, 1997

Caisse Centrale des Banques Populaires acquires a 23.35% stake in Natexis S.A.

June 2, 1998

The Banque Populaire Group makes a friendly takeover bid for Natexis S.A. At the time, Natexis S.A. was the holding company of the Natexis group formed through the 1996 merger of Crédit National and Banque Française du Commerce Extérieur. At the close of the offer period, Caisse Centrale des Banques Populaires held 53.2% of Natexis S.A. and the Group's total interest stood at 71.4%. Its interest was raised to 74.36% at the end of 1998.

July 27, 1999

The businesses conducted by Caisse Centrale des Banques Populaires are transferred to Natexis S.A., which is renamed Natexis Banques Populaires.

December 23, 1999

Caisse Centrale des Banques Populaires changes its name to Banque Fédérale des Banques

Populaires and transfers its headquarters to the Ponant de Paris building.

By the end of 1999, the Group's interest in Natexis Banques Populaires stood at 88.06%. At year-end 2000, it was reduced to 79.23%, following the IPO carried out by Natexis Banques Populaires in its new configuration.

May 31, 2001

Banque Fédérale des Banques Populaires is converted into a joint-stock corporation (*société anonyme*) in application of Art. 27 of the "NRE" Act (Act no. 2001-420 of May 15, 2001 corporate governance). Chambre Syndicale des Banques Populaires is wound up and its assets, rights and obligations are transferred to Banque Fédérale des Banques Populaires together with the collective guarantee fund.

December 19, 2001

Banque Fédérale des Banques Populaires' role as the parent company of Natexis Banques Populaires is strengthened by the acquisition of all of the direct interests held by the Banque Populaire banks in the Group's listed subsidiary.

Banque Fédérale des Banques Populaires holds 75.9% of Natexis Banques Populaires.

August 2, 2002

Natexis Banques Populaires acquires a majority interest in Coface, a credit insurance and credit management specialist, through a simplified public tender offer launched in July 2002. At the close of the offer period, Natexis Banques Populaires held 98.01% of Coface's capital.

November 18, 2002

A memorandum of understanding is signed, setting the terms of a business combination between the Banque Populaire Group and Crédit Coopératif, a major player in the social economy whose clients include small businesses, public and semi-public entities, associations and mutual organizations.

December 19, 2002

The Extraordinary Shareholders' Meeting of Banque Fédérale des Banques Populaires approves various issues designed to allow Crédit Coopératif to acquire 2% of the Company's capital, at December 31, 2002, alongside the other Banque Populaire banks.

January 10, 2003

A memorandum of understanding is signed, setting the terms by which Crédit Maritime Mutuel will become affiliated to Banque Fédérale des Banques Populaires. The latter will take over from Caisse Centrale de Crédit Coopératif as the central body of the Crédit Maritime Mutuel banks and will be ultimately responsible for guaranteeing Crédit Maritime Mutuel's liquidity and capital adequacy.

January 30, 2003

Following the Extraordinary General Meeting, Crédit Coopératif adopts the status of "*société anonyme coopérative de banque populaire*". Crédit Coopératif accordingly becomes a Banque Populaire bank, and joins the Banque Populaire mutual guarantee system.

August 1, 2003

Following changes in legislation in the summer of 2003 (Art. 93 of the French Financial Security Act No. 2003-706), and in line with the agreement signed in January 2003 between the Banque Populaire Group and Crédit Maritime Mutuel, Banque Fédérale des Banques Populaires takes over

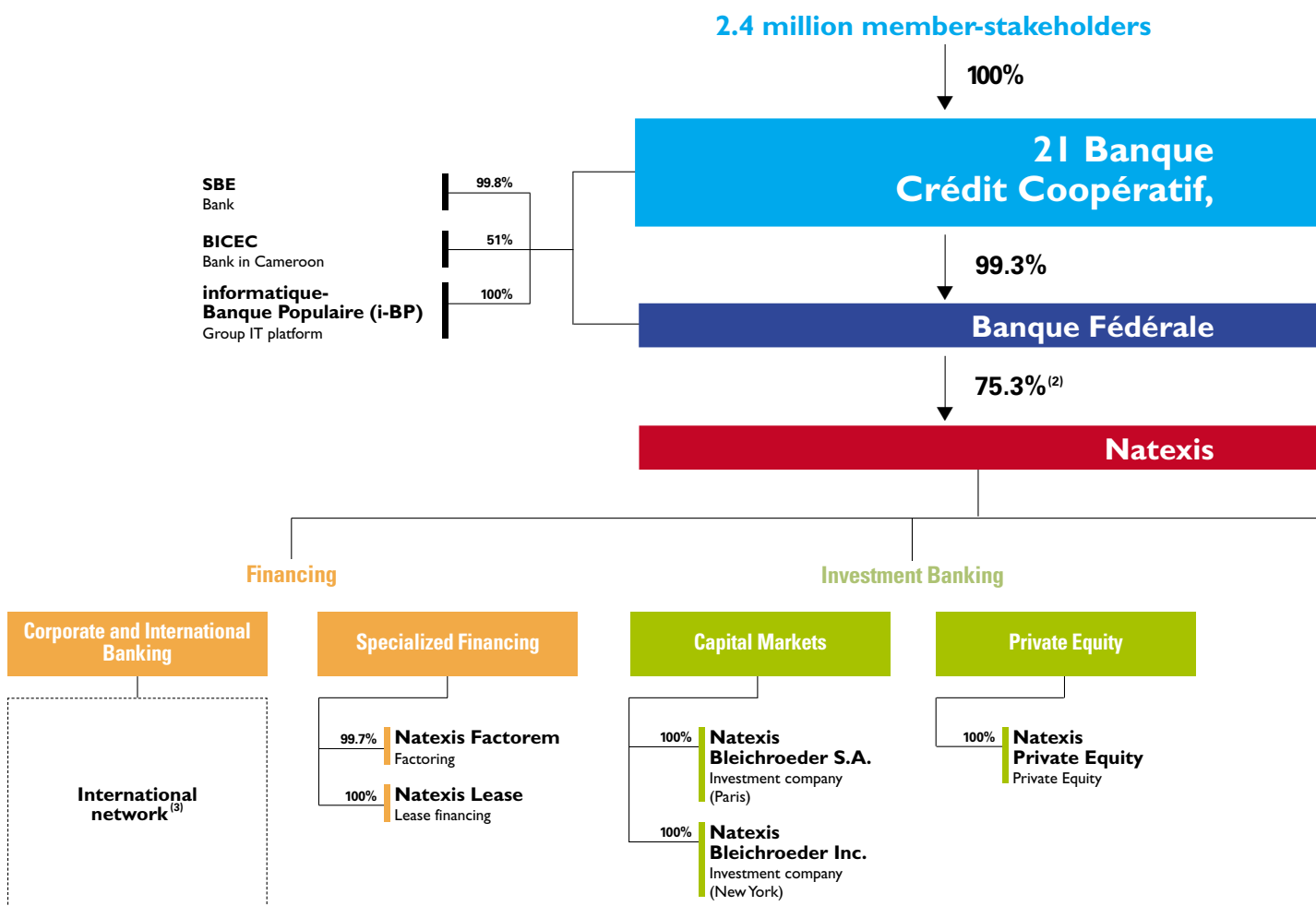
from Caisse Centrale du Crédit Coopératif as the central body of the Crédit Maritime Mutuel banks.

Caisse Centrale de Crédit Coopératif was merged into Crédit Coopératif Banque Populaire, by decision of the Annual Shareholders' Meeting of June 30, 2003. It was legally dissolved on October 17, 2003.

Simplified financial organization chart

of the Banque Populaire Group ⁽¹⁾

as of January 1, 2004



(1) This organization chart only shows subsidiaries with over 100 full-time equivalent employees (FTEs) as of December 31, 2003

(2) Including 2.2% held by the Alizé Levier corporate mutual fund

(3) See map of international network on pages 44 and 45

Populaire regional banks
CASDEN Banque Populaire

des Banques Populaires

Affiliated

Crédit Maritime Mutuel

Banques Populaires

Services

Banking, Financial and Technology Services

- 100% **Natexis Paiements**
Electronic banking
- 100% **Slib**
Banking software and facilities management
- 75.6% **Samic**
Banking software

Asset Management and Insurance

- 100% **Natexis Assurances**
Life and non-life insurance, personal risks insurance
- 100% **Natexis Asset Management**
Fund management
- 87.8% **Natexis Private Banking Luxembourg S.A.**
International private banking
- 100% **Banque Privée Saint Dominique**
Private banking in France
- 100% **Natexis Interépargne**
Employee savings plans
Accounts/financial management

Information Systems and logistics

- 100% **Natexis Altaïr**
IT services and data processing

Credit Insurance and Credit Management Services

- 98% **Coface SA**
Credit insurance and credit management services
- 100% **Coface Scrl**
Services and ratings
- 100% **AK Coface**
Credit insurance, services and ratings (Germany)
- 100% **Viscontea Coface**
Credit insurance, guarantees, services and ratings (Italy)
- 94% **ÖKV Coface**
Credit insurance, services and ratings (Austria)

A strong increase in member-stakeholders

The sharp rise in the number of member-stakeholders reflects the Banque Populaire Group's cooperative commitment and its underpinning entrepreneurial values. Based on a solid relationship that is fostered over the long term, each member-stakeholder acts in close cooperation with the Banque Populaire banks to bolster their development. In 2003, the Group counted 200,000 new member-stakeholders, raising the total number to 2,455,499 at the year-end. It is standing by its objective of topping the 3 million mark in 2005.

Strong rallying within the Group

2003 saw all Group players rallying to the strategy of developing the member-stakeholder structure not only at the level of the Boards of Directors of the Banque Populaire banks but also among senior managers and the network as a whole. Banque Fédérale des Banques Populaires is responsible for orchestrating and coordinating the member-stakeholder working group. This group was set up in 2002, initially comprising representatives of the 10 Banque Populaire banks and was extended in 2003 to include representatives from Crédit Coopératif and Natexis Banques Populaires. There is a member-stakeholder committee in each Banque Populaire bank, which

recommends strategic initiatives to the Board of Directors regarding member-stakeholders. Lastly, a "Societatis" Intranet has been made available, containing the Group's best practices.

Strengthening ties between member-stakeholders

Over the past 18 months, the Banque Populaire banks have stepped up efforts to tighten the links that bind their member-stakeholders. Déclit Clubs, have been set up by three Banque Populaire banks (Centre Atlantique, du Nord, and Provençale et Corse). Created and managed entirely by member-stakeholders with a view to undertaking local projects with a humanitarian, cultural or social aim, these clubs are supported by local Banque Populaire branches.

The "Regional Initiative" awards were set up with the same objective in mind. Awarded to projects aimed at protecting cultural heritage and the social environment, they help to showcase each region and bolster relations between the member-stakeholders who promote these projects and the Banque Populaire banks. Welcome sessions are regularly organized in almost half of the Banque Populaire banks. Lastly, seminars are organized during the summer in Lorraine Champagne,

which are attended by several hundred member-stakeholders.

Representing the interests of member-stakeholders on an international scale

The Banque Populaire banks represent their member-stakeholders' interests, as well as those of the Group as a whole, within cooperative bodies. At a regional level, several Banque Populaire banks also actively participate in the Chambres Régionales de l'Economie Sociale. On a national level, Banque Fédérale des Banques Populaires is a member of the Groupement National de la Coopération and, through the latter, of the Conseil des Entreprises et Groupements de l'Economie Sociale.

At the same time, the Group is involved in the Brussels-based European Association of Cooperative Banks, which actively carries out a supervisory role regarding legislation and regulations. It is also directly and indirectly represented on the Coordinating Committee of European Cooperative Associations, the Permanent European Conference of Cooperatives, Mutuals, Associations and Foundations, as well as the International Cooperative Alliance and the European Regional Committee of the International Association of Cooperative Banks.



€ 4,625 million
in net banking income

€ 598 million
in net income

2,605 branches

The Banque Populaire banks

In 2003, the Banque Populaire banks continued to leverage their unique strengths. As cooperative banks firmly anchored in their respective regions, they are keenly attuned to their clients' needs – especially the need for local services from a bank with a human dimension.

A genuinely cooperative bank

As of the end of January 2003, the Banque Populaire network – representing the cooperative dimension of the Banque Populaire Group – was made up of 21 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif.

Founded by people who wanted to take control of their destiny, the banks now offer the same opportunity to their 2.4 million member-stakeholders. Holding firm to the philosophy underlying the cooperative movement, their overriding goal is to serve the needs and expectations of their

member-stakeholders, their clients and their staff.

In 2003, this commitment to cooperative values paved the way for a new entry to the Group. In early January 2003, the Banque Populaire Group and Crédit Maritime Mutuel signed a memorandum of understanding on a proposed business combination. At the end of January 2003, Crédit Coopératif took on the status of *société anonyme coopérative de banque populaire*, joining the other Banque Populaire banks. Lastly, following changes in French legislation in the summer of 2003, Crédit Maritime Mutuel became affiliated to Banque Fédérale des Banques Populaires.

A genuinely regional bank

All of the banks have a very strong regional focus. For each and every one of them, being a regional bank does not simply define the territory served. It means being a local bank actively involved in the region's economy and dedicated to serving the local community.

The 388 Directors including 22 non-voting Directors of the Banque Populaire banks include 206 business owners or members of senior management, 39 trades people, 8 farmers and 25 self-employed professionals. All of them maintain close ties with local community and business organizations as well as with local chambers of commerce, in many cases serving on their boards.

The territory served by each bank is not fixed once and for all. New techniques and communications technologies offer opportunities to redraw the maps in order to make more efficient use of resources, without ever losing sight of the overriding need to maintain close local relations between the bank and its member-stakeholders, clients and the many other players in the regional economy.

With the European Union increasingly becoming a community of regions, several Banque Populaire banks have merged to create major regional players. By joining forces, they have strengthened their capital base and enhanced their ability to partner clients, as well as paving the way for market share gains. At the same time, their employees benefit

“One of the strong points of the Banque Populaire banks and branches is being fully tuned in to client needs. We don't feel that we're just selling a product.”

A client relationship manager



by having access to a wider range of career opportunities.

The mergers have been ongoing for several years now. In 2003 they continued, with the formation in May of Banque Populaire Centre Atlantique (merger between Banque Populaire du Centre, in Limoges, and Banque Populaire Centre-Atlantique, in Niort), followed by the creation in September of Banque Populaire d'Alsace (merger between Banque Populaire de la Région Economique de Strasbourg and Banque Populaire du Haut-Rhin, in Mulhouse).

A genuinely local bank

At the forefront of the Group's local presence, the network of branches has grown steadily, year by year. The Banque Populaire banks support and add value to the development of their region. In 2003, remodeling of the network continued apace, with the addition of 83 branches (net) raising the total number of branches sporting the Banque Populaire colors to 2,605 as of December 31, 2003 (excluding Crédit Coopératif and Crédit

Maritime Mutuel). Over the last four years a total of 554 additional branches have opened for business, testifying to the Group's long-term commitment to deepening its coverage of the French territory.

For the Banque Populaire banks, local retail banking services represent the main growth driver, creating a diversified, high quality and stable franchise and providing a valuable source of long-term financing. This physical presence is rounded out by other forms of local service, such as an e-banking offer providing a full range of on-line banking services. The Group has more than 800,000 e-banking subscribers who made a total of 36 million visits to the site in 2003. Corporate clients also use the new technologies to conduct banking transactions, 80% of whom have been equipped with teletransmission systems.

Local client relationships have been further bolstered by adding to the array of expert advice available at the branches. This strategy is based on a global client approach. For each of the Banque Populaire

employees, the goal is not to get clients to sign up immediately for such or such a savings product or loan, but rather to gain deep understanding of each client's requirements and objectives. There has been an ever-increasing focus throughout the Banque Populaire network on carefully adapting to client needs and taking into consideration at any moment changes in these needs. Thanks to this approach, client relationships can be established on a long-term basis.

In order to meet the full range of client needs, the Banque Populaire banks have strengthened their capacity in all areas, especially in personal asset management, project finance and insurance.

The Banque Populaire Group has also built up strategic alliances with a view to becoming a leading European name in bancassurance. For example, it has drawn on networks such as Socama (mutual

guarantee companies), Acef and CASDEN Banque Populaire – a national cooperative bank dedicated to serving the employees and employer-institutions of the French national systems of education, research and culture – whose member-stakeholders total one million.

Bylaws of the Banque Populaire banks

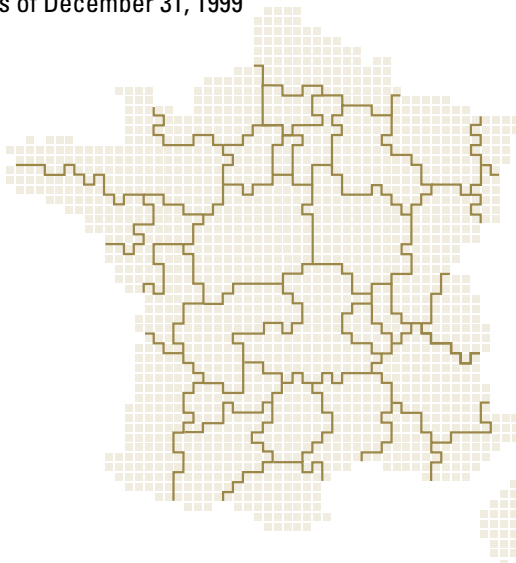
The Banque Populaire banks are “*sociétés anonymes coopératives de banque populaire*” governed by Art. L.512-2 et seq. of the Monetary and Financial Code and the various legislative texts concerning the “Banques Populaires”, the Cooperative Movement Act of September 10, 1947, Art. I to IV of book II of the Commercial Code, the first chapter of section I of book V and section III of the Monetary and Financial Code, the relating enabling legislation and their individual bylaws.

Their bylaws were extensively amended to comply with the provisions of the Corporate Governance Act of May 15, 2001.

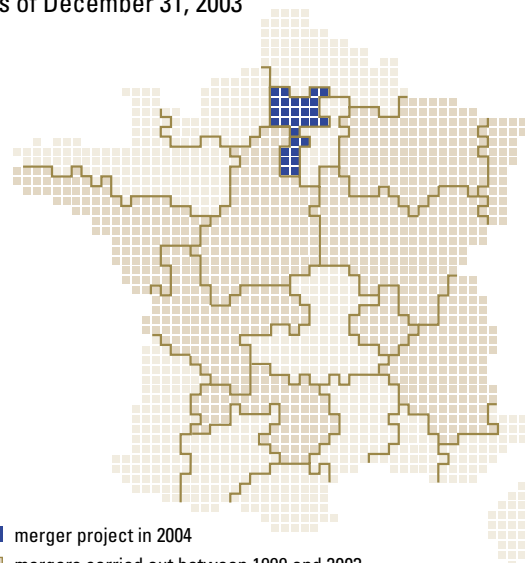
The Banque Populaire banks are licensed to operate as credit institutions and are consequently authorized to conduct the following transactions:

- all banking transactions with trading and manufacturing companies, small businesses, agricultural ventures, self-employed professionals, whether incorporated or unincorporated, as well as with any other grouping or legal entity, which may or may not be member-stakeholders. They may also provide services to personal banking clients, participate in any and all transactions guaranteed by the mutual guarantee companies, make loans to holders of CEL (*Compte Epargne Logement*) or PEL (*Plan Epargne Logement*) home-savings accounts for the acquisition of a residential property, and collect deposits from private individuals and companies;

Map of the 31 Banque Populaire banks
as of December 31, 1999



Map of the 23 Banque Populaire banks
as of December 31, 2003



- merger project in 2004
- mergers carried out between 1999 and 2003

■ all related transactions, as defined in Art. L.311-2 of the Monetary and Financial Code, all investment services governed by Art. L.321-1 and L.321-2 of the Monetary and Financial Code, and all brokerage and insurance transactions;

■ all real estate and securities investment transactions. They may purchase any and all marketable securities, for their own account, and acquire equity interests in any and all companies, associations and other unincorporated entities.

Individuals and companies are eligible to become member-stakeholders of a Banque Populaire bank, regardless of whether they are clients of the bank. To become a member-stakeholder, they must be approved by the bank's Board of Directors and be recognized as creditworthy.

The bylaws of the Banque Populaire banks stipulate that their Board of Directors are not required to explain the reasons for rejecting any application to become a member-stakeholder.

Member-stakeholders' liability for any losses of a Banque Populaire bank is limited to the value of their shares in the bank.

All member-stakeholders are entitled to attend General Meetings and vote on resolutions personally or by proxy, in accordance with applicable law and regulations, irrespective of the number of shares they own.

All member-stakeholders may vote by correspondence using a postal voting form addressed to the Banque Populaire bank in accordance with applicable law and regulations.

As stipulated in Art. L.512-5 of the Monetary and Financial Code, at General Shareholders' Meetings no member-stakeholder may exercise a number of voting rights – including proxy votes and votes in respect of shares held indirectly – representing more than 0.25% of the total voting rights attached to shares of the Banque Populaire bank concerned.

All shares of the Banque Populaire banks are issued in registered form. They may not be sold or transferred without the prior authorization of the Board of Directors. The capital stock of all of the Banque Populaire banks (except for BRED Banque Populaire) is variable. The capital is increased on issuance of shares to new member-stakeholders or to existing member-stakeholders, in both cases with the prior approval of the bank's Board of Directors.

The Board of Directors may set a ceiling on the number of shares that may be held by a single member-stakeholder. Different ceilings may be set for different categories of member-stakeholders.

The capital may be reduced by buying back member-stakeholders' shares. If the buybacks would have the effect of reducing the capital to less than three-quarters of the highest amount reached since the Banque Populaire bank was set up, the prior authorization of Banque Fédérale des Banques Populaires must be obtained before the capital may be reduced. In addition, under no circumstances may the capital be reduced to below the minimum capital required under banking regulations.

The bylaws also stipulate that the dividends paid on shares, as decided each year by the Annual Shareholders' Meeting, may not exceed the average corporate bond yield, as published by the Ministry of the Economy (Art. 14 of the Cooperative Movement Act of 1947 and Art. L.512-3 of the Monetary and Financial Code).

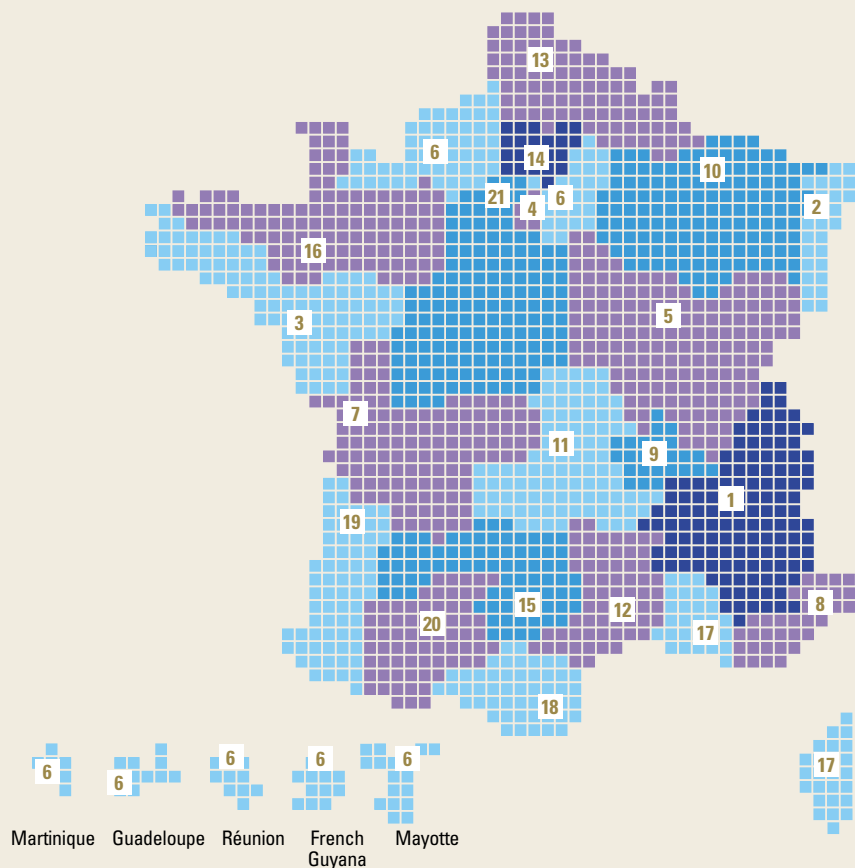
Dividends on shares acquired or surrendered during the year are prorated to the whole number of months during which the shares were held.

The price at which shares are bought back by a Banque Populaire bank may not exceed their par value. Buybacks are effected no later than the thirtieth day following the Annual Shareholders' Meeting at which the accounts for the year in which the member-stakeholder surrendered his, her or its shares. Dividends are paid within a period of nine months from the fiscal year-end.

Banque Fédérale des Banques Populaires may authorize the Banque Populaire banks to capitalize a portion of their reserves. In this case, the related capital increase must be for double the amount concerned, with half being paid up by capitalizing reserves and half in cash.

In addition, no more than half of the bank's reserves may be capitalized.

In cases where reserves are capitalized on several occasions, the portion that may be capitalized on each occasion may not exceed one half of the amount by which reserves have increased since the previous capitalization – Art. 1 of the Cooperative Banking Act of August 18, 1942 (amended) –.



Network of the 23 Banque Populaire banks

- 1 **BANQUE POPULAIRE DES ALPES**
- 2 **BANQUE POPULAIRE D'ALSACE**
- 3 **BANQUE POPULAIRE ATLANTIQUE**
- 4 **BANQUE POPULAIRE BICS**
- 5 **BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ**
- 6 **BRED BANQUE POPULAIRE**
- 7 **BANQUE POPULAIRE CENTRE ATLANTIQUE**
- 8 **BANQUE POPULAIRE CÔTE D'AZUR**
- 9 **BANQUE POPULAIRE LOIRE ET LYONNAIS**
- 10 **BANQUE POPULAIRE LORRAINE CHAMPAGNE**
- 11 **BANQUE POPULAIRE DU MASSIF CENTRAL**
- 12 **BANQUE POPULAIRE DU MIDI**

- 13 **BANQUE POPULAIRE DU NORD**
- 14 **BANQUE POPULAIRE NORD DE PARIS**
- 15 **BANQUE POPULAIRE OCCITANE**
- 16 **BANQUE POPULAIRE DE L'OUEST**
- 17 **BANQUE POPULAIRE PROVENÇALE ET CORSE**
- 18 **BANQUE POPULAIRE DES PYRÉNÉES-ORIENTALES, DE L'AUDE ET DE L'ARIÈGE**
- 19 **BANQUE POPULAIRE DU SUD-OUEST**
- 20 **BANQUE POPULAIRE TOULOUSE-PYRÉNÉES**
- 21 **BANQUE POPULAIRE VAL DE FRANCE**

CASDEN BANQUE POPULAIRE*

CRÉDIT COOPÉRATIF*

* Banque Populaire banks operating on a national scale



CHAIRMAN
Henry
Merlin

CHIEF EXECUTIVE
OFFICER
Alain
Rogès

BANQUE POPULAIRE DES ALPES

www.alpes.banquepopulaire.fr

Number of member-stakeholders	75,711	Regulatory capital	€453 M
Number of employees ⁽¹⁾	1,304	Net banking income	€208 M
Number of branches	143	Net income	€33 M



CHAIRMAN
Thierry
Cahn

CHIEF EXECUTIVE
OFFICER
Dominique
Didon

BANQUE POPULAIRE D'ALSACE

www.alsace.banquepopulaire.fr

Number of member-stakeholders	59,618	Regulatory capital	€362 M
Number of employees ⁽¹⁾	1,433	Net banking income	€184 M
Number of branches	96	Net income	€18 M



CHAIRMAN
François
Ferdinand

CHIEF EXECUTIVE
OFFICER
Yves
Gevin

BANQUE POPULAIRE ATLANTIQUE

www.atlantique.banquepopulaire.fr

Number of member-stakeholders	53,484	Regulatory capital ⁽²⁾	€479 M
Number of employees ⁽¹⁾	1,451	Net banking income ⁽²⁾	€214 M
Number of branches	140	Net income ⁽²⁾	€28 M



CHAIRMAN
Marc
Jardin

CHIEF EXECUTIVE
OFFICER
Jean
Criton

BANQUE POPULAIRE BICS

www.bics.banquepopulaire.fr

Number of member-stakeholders	171,251	Regulatory capital	€415 M
Number of employees ⁽¹⁾	1,825	Net banking income	€265 M
Number of branches	97	Net income	€27 M



CHAIRMAN
Alain
Jacquier

CHIEF EXECUTIVE
OFFICER
Bernard
Jeannin

BANQUE POPULAIRE BOURGOGNE FRANCHE-COMTÉ

www.bpbfc.banquepopulaire.fr

Number of member-stakeholders	113,930	Regulatory capital	€498 M
Number of employees ⁽¹⁾	1,659	Net banking income	€283 M
Number of branches	162	Net income	€41 M

(1) Active employees

(2) Consolidated data

2003 figures



CHAIRMAN
Stève
Gentili

**CHIEF EXECUTIVE
OFFICER**
Jean-Michel
Laty

BRED BANQUE POPULAIRE

www.bred.banquepopulaire.fr

Number of member-stakeholders	106,094	Regulatory capital ⁽²⁾	€940 M
Number of employees ⁽¹⁾	2,768	Net banking income ⁽²⁾	€539 M
Number of branches	321	Net income ⁽²⁾	€108 M



CHAIRMAN
René
Clavaud

**CHIEF EXECUTIVE
OFFICER**
Pierre
Gautier

BANQUE POPULAIRE CENTRE ALTANTIQUE

www.centreatlantique.banquepopulaire.fr

Number of member-stakeholders	62,333	Regulatory capital	€221 M
Number of employees ⁽¹⁾	967	Net banking income	€133 M
Number of branches	94	Net income	€17 M



CHAIRMAN
Bernard
Fleury

**CHIEF EXECUTIVE
OFFICER**
Jean-François
Comas

BANQUE POPULAIRE CÔTE D'AZUR

www.cotedazur.banquepopulaire.fr

Number of member-stakeholders	30,563	Regulatory capital	€165 M
Number of employees ⁽¹⁾	902	Net banking income	€132 M
Number of branches	79	Net income	€14 M



CHAIRMAN
Hervé
Genty

**CHIEF EXECUTIVE
OFFICER**
Daniel
Duquesne

BANQUE POPULAIRE LOIRE ET LYONNAIS

www.loirelyonnais.banquepopulaire.fr

Number of member-stakeholders	45,907	Regulatory capital	€320 M
Number of employees ⁽¹⁾	1,177	Net banking income	€178 M
Number of branches	87	Net income	€24 M



CHAIRMAN
Michel
Hellenbrand

**CHIEF EXECUTIVE
OFFICER**
Jacques
Hausler

BANQUE POPULAIRE LORRAINE CHAMPAGNE

www.lorrainechampagne.banquepopulaire.fr

Number of member-stakeholders	122,577	Regulatory capital	€531 M
Number of employees ⁽¹⁾	1,390	Net banking income	€260 M
Number of branches	133	Net income	€30 M

(1) Active employees
(2) Consolidated data



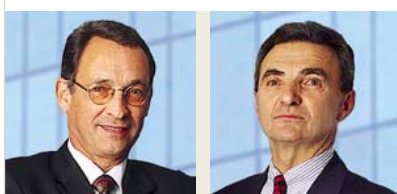
CHAIRMAN
Philippe
Hospital

CHIEF EXECUTIVE
OFFICER
Christian
du Payrat

BANQUE POPULAIRE DU MASSIF CENTRAL

www.massifcentral.banquepopulaire.fr

Number of member-stakeholders	39,092	Regulatory capital	€220 M
Number of employees ⁽¹⁾	843	Net banking income	€116 M
Number of branches	84	Net income	€14 M



CHAIRMAN
Claude
Cordel

CHIEF EXECUTIVE
OFFICER
Max
Thomas-Trophime

BANQUE POPULAIRE DU MIDI

www.midi.banquepopulaire.fr

Number of member-stakeholders	33,578	Regulatory capital	€222 M
Number of employees ⁽¹⁾	582	Net banking income	€114 M
Number of branches	58	Net income	€27 M



CHAIRMAN
Michel
Devianne

CHIEF EXECUTIVE
OFFICER
Yves
Breu

BANQUE POPULAIRE DU NORD

www.nord.banquepopulaire.fr

Number of member-stakeholders	45,393	Regulatory capital	€229 M
Number of employees ⁽¹⁾	990	Net banking income	€135 M
Number of branches	79	Net income	€13 M



CHAIRMAN
Pierre
Noblet

CHIEF EXECUTIVE
OFFICER
Jean
Criton

BANQUE POPULAIRE NORD DE PARIS

www.nordparis.banquepopulaire.fr

Number of member-stakeholders	74,457	Regulatory capital	€226 M
Number of employees ⁽¹⁾	816	Net banking income	€139 M
Number of branches	85	Net income	€19 M



CHAIRMAN
Jean-Paul
Malrieu

CHIEF EXECUTIVE
OFFICER
Alain
Condaminas

BANQUE POPULAIRE OCCITANE

www.occitane-est.banquepopulaire.fr (Tarn, Aveyron)

www.occitane-ouest.banquepopulaire.fr (Lot, Lot-et-Garonne)

Number of member-stakeholders	54,755	Regulatory capital	€294 M
Number of employees ⁽¹⁾	1,062	Net banking income	€153 M
Number of branches	103	Net income	€25 M

(1) Active employees

2003 figures



CHAIRMAN
Pierre
Delourmel

CHIEF EXECUTIVE
OFFICER
Philippe
Queuille

BANQUE POPULAIRE DE L'OUEST

www.ouest.banquepopulaire.fr

Number of member-stakeholders	45,355	Regulatory capital	€352 M
Number of employees ⁽¹⁾	1,368	Net banking income	€187 M
Number of branches	118	Net income	€23 M



CHAIRMAN
Jean-Louis
Tourret

CHIEF EXECUTIVE
OFFICER
François-Xavier
de Fornel

BANQUE POPULAIRE PROVENÇALE ET CORSE

www.provencecorse.banquepopulaire.fr

Number of member-stakeholders	28,923	Regulatory capital	€187 M
Number of employees ⁽¹⁾	677	Net banking income	€103 M
Number of branches	71	Net income	€14 M



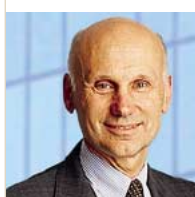
CHAIRMAN
Bernard
Vergès

CHIEF EXECUTIVE
OFFICER
François
Moutte

**BANQUE POPULAIRE DES PYRÉNÉES-ORIENTALES,
DE L'AUDE ET DE L'ARIÈGE**

www.pyreneesaudeariege.banquepopulaire.fr

Number of member-stakeholders	88,663	Regulatory capital	€246 M
Number of employees ⁽¹⁾	864	Net banking income	€142 M
Number of branches	61	Net income	€20 M



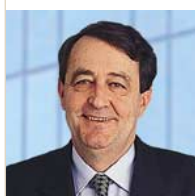
CHAIRMAN
Jean-Louis
d'Anglade

CHIEF EXECUTIVE
OFFICER
Francis
Thibaud

BANQUE POPULAIRE DU SUD-OUEST

www.sudouest.banquepopulaire.fr

Number of member-stakeholders	45,627	Regulatory capital	€202 M
Number of employees ⁽¹⁾	849	Net banking income	€124 M
Number of branches	89	Net income	€18 M



CHAIRMAN
Michel
Doligé

CHIEF EXECUTIVE
OFFICER
Richard
Nalpas

BANQUE POPULAIRE TOULOUSE-PYRÉNÉES

www.toulousepyrenees.banquepopulaire.fr

Number of member-stakeholders	54,225	Regulatory capital	€309 M
Number of employees ⁽¹⁾	1,049	Net banking income	€173 M
Number of branches	100	Net income	€22 M

(1) Active employees



CHAIRMAN
Jean-Pierre
Tremblay

CHIEF EXECUTIVE
OFFICER
Yvan de
La Porte du Theil

BANQUE POPULAIRE VAL DE FRANCE

www.bpvf.banquepopulaire.fr

Number of member-stakeholders	78,896	Regulatory capital ⁽²⁾	€736 M
Number of employees ⁽¹⁾	2,086	Net banking income ⁽²⁾	€321 M
Number of branches	191	Net income ⁽²⁾	€45 M



CHAIRMAN
Pierre
Desvergnès

CASDEN BANQUE POPULAIRE

www.casden.banquepopulaire.fr

Number of member-stakeholders	975,719	Regulatory capital ⁽²⁾	€831 M
Number of employees ⁽¹⁾	393	Net banking income ⁽²⁾	€171 M
Number of branches	1	Net income ⁽²⁾	€34 M



CHAIRMAN
Jean-Claude
Dettileux

CRÉDIT COOPÉRATIF

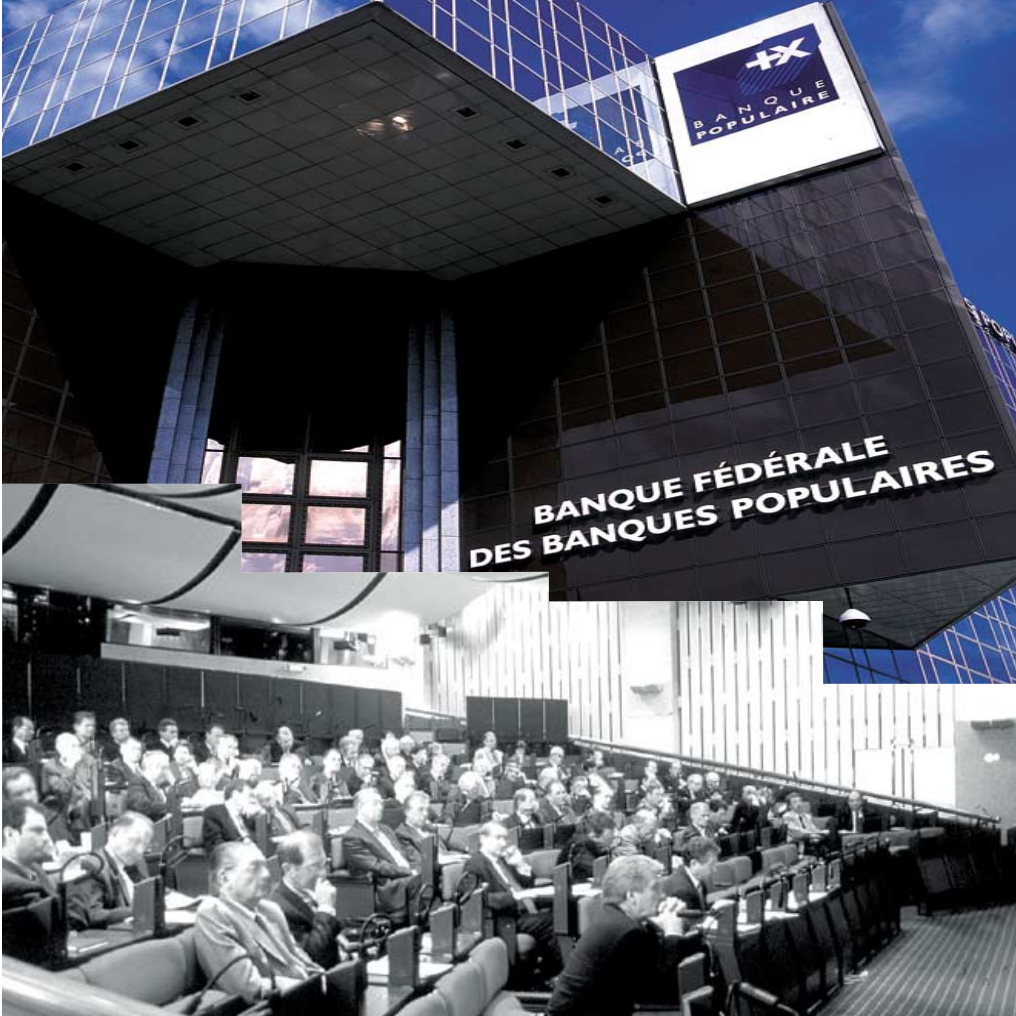
www.credit-cooperatif.fr

Number of member-stakeholders ⁽³⁾	33,347	Regulatory capital ⁽²⁾	€409 M
Number of employees ⁽¹⁾	1,486	Net banking income ⁽²⁾	€207 M
Number of branches	97	Net income ⁽²⁾	€22 M

(1) Active employees

(2) Consolidated data

(3) Member-stakeholders of Crédit Coopératif = member-stakeholders of the parent company



**Central body
and guarantor
of the Group's liquidity
and capital adequacy**

**Holding company
of Natexis
Banques Populaires**

Banque Fédérale des Banques Populaires

Banque Fédérale des Banques Populaires is the central body of the Banque Populaire Group, and was set up to replace Chambre Syndicale des Banques Populaires in its role of supervising and controlling the activities of the Group, in accordance with French banking law. Banque Fédérale des Banques Populaires has also replaced Caisse Centrale des Banques Populaires, whose role was refocused in 1999 on managing the cash surpluses of the Banque Populaire banks and acting as holding company of Natexis Banques Populaires. During 2003, Banque Fédérale des Banques

Populaires continued to coordinate Group operations, while also fulfilling its supervisory role and its role as holding company.

Representing the Group

A bank in its own right, subject to French banking laws, Banque Fédérale des Banques Populaires plays a role that sets the Banque Populaire Group apart from other banking institutions. Banque Fédérale des Banques Populaires does not head the Banque Populaire Group – it operates at the heart of the organization. Responsible for determining Group strategy, it also

coordinates the activities of the network, manages the mutual guarantee mechanism and supervises all Group entities, including subsidiaries. It is also the holding company of one of the subsidiaries – Natexis Banques Populaires. The Banque Fédérale des Banques Populaires Board of Directors is made up of representatives of the Group – nine Chairmen and six Chief Executive Officers of Banque Populaire banks. The Board of Directors is the Group's main corporate governance structure and its decisions apply to the Group as a whole, as well as to all of its component parts. In keeping with

the Group's cooperative values and federal organization structure, the members of the Board are elected by their peers for a three-year term. One third of Directors retire by rotation each year. The Board of Directors plays an essential role in the Group's development and Directors devote one third of their time to Board matters, attending meetings of the Banque Fédérale des Banques Populaires Board, the Boards of subsidiaries and the Audit and Group Risks Committee.

A cooperative organization

The Chairmen and Chief Executive Officers of the Banque Populaire banks, members of Natexis Banques Populaires senior management and the Banque Fédérale des Banques Populaires executive team regularly meet to exchange views, within the framework of five federal commissions and various federal conferences.

The members of the cross-functional federal commissions draw on their individual expertise and experience to map the Group's development path in Europe and the international market, and propose strategies in the areas of communications, information technology, risk management and finance, and human resources.

Federating strategic projects

Positioned at the core of the Banque Populaire Group, in 2003, Banque Fédérale des Banques Populaires continued to initiate strategic decisions affecting the Group and

to support their implementation. Acting as a thought-leader, Banque Fédérale des Banques Populaires is involved in identifying and preparing key decisions for the future of the Group. It acquires direct interests in Group entities, such as BICEC in Cameroon and SBE, the Group's direct banking arm. At the same time, it purchases external stakes, examples of which include a 2% interest in DZ Bank – the central body for a network of some 1,400 German cooperative banks – and a stake in Ovag's Central European subsidiaries.

In the second half of 2003, Banque Fédérale des Banques Populaires took the final steps in the process of integrating Crédit Coopératif by transferring to Natexis Banques Populaires the shares it held in CrédiFrance Factor and Sopromec Participations, respective factoring and private equity specialists.

Banque Fédérale des Banques Populaires was also behind the strategic decision to acquire Coface, a credit insurance and credit management services specialist with global reach. The transaction was carried out through Natexis Banques Populaires which subsequently held 98.01% of Coface's shares. Banque Fédérale des Banques Populaires also prepared the entry of Crédit Coopératif as one of the Banque Populaire banks as well as the affiliation of Crédit Maritime Mutuel.

Crédit Maritime Mutuel is a well-known player in the economies of France's coastal towns and villages. It has a strong franchise

in the fishing and seafood industries and has considerable experience in pleasure boat financing.

On November 13, 2003, ten Caisses Régionales de Crédit Maritime Mutuel and eight Banque Populaire banks located on the coast signed a cooperation agreement at the headquarters of Caisse Régionale de Crédit Maritime Mutuel du Sud-Ouest in La Rochelle. The objective of the agreement was to foster sales and marketing synergies between these Banque Populaire banks and the Crédit Maritime Mutuel establishments recently affiliated to the Group.

As well as sharing the same cultures rooted in the cooperative movement, the two banks represent a good strategic fit in terms of their geographic markets, client bases and sales strategies. They carry out similar local retail banking activities along the coast of mainland France and in the French overseas territories.

Guaranteeing the liquidity and capital adequacy of the Banque Populaire Group

French banking law requires mutual banks to have a central body responsible for guaranteeing their liquidity and capital adequacy and for supervising and controlling the activities of the group.

This is the role of Banque Fédérale des Banques Populaires, which can offer banks seeking such a body the opportunity to join the Banque Populaire Group.

The guarantee system covers all of the Banque Populaire banks,

the mutual guarantee companies (*Sociétés de Caution Mutuelle*) and Banque Fédérale des Banques Populaires, in its capacity as central body of the Group in accordance with Art. L.511-31 and 512-11 of the Monetary and Financial Code.

The system functions by pooling the capital of all the banks in the network (see Internal financing mechanisms, p. 19). If any of the banks is faced with a lack of liquidity or is undercapitalized, all of the other banks will be called on to contribute capital, within the limit of their own resources. As a last resort, Banque Fédérale des Banques Populaires will also provide capital from its own resources. The capital pool is organized in two tiers.

The first tier consists of the “federal solidarity fund” included in the fund for general banking risks set aside by Banque Fédérale des Banques Populaires, which can call on the Banque Populaire banks to help top up this fund, as and when required.

The second tier pool is the “regional solidarity fund” set up by the Banque Populaire banks and included in their own funds for general banking risks. In addition, the members of the network contribute, along with all French credit institutions, to the *Fonds de Garantie des Dépôts* (deposit guarantee fund) set up in application of the Depositors’ Protection Act.

The holding company of Natexis Banques Populaires

Listed on the *Premier Marché* of Euronext Paris, Natexis Banques

Populaires is the Banque Populaire Group’s financing, investment banking and service bank.

As of December 31, 2003, it was 75.3%-owned by Banque Fédérale des Banques Populaires (including 2.2% held by the *Alizé Levier* corporate mutual fund).

Like each of the Banque Populaire banks, Natexis Banques Populaires is placed under the direct control of Banque Fédérale des Banques Populaires.

Strategic decisions concerning the Group’s investment in Natexis Banques Populaires are made by the Banque Fédérale des Banques Populaires Board of Directors.

A credit institution

As a credit institution licensed to conduct banking transactions, Banque Fédérale des Banques Populaires manages a cash pool for the Banque Populaire banks and also meets their refinancing needs. Responsibility for placing surplus cash and raising funds on the market is delegated to Natexis Banques Populaires under a specific agreement.

More generally, as the Banque Populaire Group’s treasurer, Banque Fédérale des Banques Populaires is authorized to conduct all types of banking transactions and to provide any investment services designed to facilitate its performance of this function.

Coordinating major Group projects

Banque Fédérale des Banques Populaires management is also

responsible for devising projects and checking their overall feasibility before handing them over to other Group structures for implementation. This responsibility concerns not only new products but also projects to structure Group operations more efficiently. Examples in 2003 include major projects initiated and/or continued, such as the Basle II and IAS projects, and the ongoing migration to i-BP, the Group’s common IT platform.

Placed under the overall responsibility of Banque Fédérale des Banques Populaires, i-BP – launched in 2001 – will federate the IT systems of all the Banque Populaire banks in order to build a system adapted to the future challenges related to the distribution of banking products and services.

The year 2003 saw the migration of five Banque Populaire regional banks to the common platform, including one merger migration. Two other banks have also merged their systems. During this successful migration period, business could be conducted as usual, maintaining the same high level of service quality throughout.

Banque Fédérale des Banques Populaires also oversaw the formation of an Information Systems Steering Committee which met in May 2003. This Committee brings together Natexis Assurances, Natexis Asset Management, Natexis Paiements, and i-BP, which will be the first to form part of the new datawarehouse aimed at establishing a common architecture for pooling IT tools and resources.



€2,455 million
in net banking income

€716 million
in gross operating
income

12,227 employees (*)

(*) Active employees

Natexis Banques Populaires

Natexis Banques Populaires is the Banque Populaire Group's financing, investment banking and service bank. It is listed on the Premier Marché of Euronext Paris, making the Banque Populaire Group one of the first cooperative groups to have a listed-company dimension.

Increased cross-functional integration

In 2003, the Natexis Banques Populaires headquarters teams completed certain major projects and launched new ones designed to leverage the fundamentals underpinning the bank's leading positions in the financing, investment banking and services markets.

Operating in their own area or joining forces on cross-functional projects, the teams set about optimizing the bank's strategic management, bolstering the organization, upgrading management tools, enhancing risk management processes, fostering employee buy-in, strengthening international

operations and unleashing synergies with the Banque Populaire Group and its partners.

Together, these initiatives have represented the final building blocks in the drive to create a modern and efficient bank, completely focused on serving clients.

Strict risk discipline

One of the priorities in 2003 was to strengthen control over risks. A coordination committee was set up with a broad overview of risk control activities, to regularly review identified risks and incidents.

An Internal Control Department reporting to the General Secretariat was also set up during the year,

to enhance the independence of the bank's control structures. The new department has some 100 employees, half of whom work at Corporate level and half in the subsidiaries and branches. It is responsible for ensuring that the controls performed by operations personnel and by the heads of the business lines are appropriate and are systematically implemented. The creation of this new structure represents an important milestone in developing a battalion of internal controllers applying the same standards and procedures across all of Natexis Banques Populaires' businesses.

A stronger international presence

Since 1977, when Natexis Banques Populaires opened its first and largest branch in New York, it has steadily extended its geographic footprint. It now has subsidiaries or branches in the United States (in New York, Houston and Los Angeles), Europe (in London, Dusseldorf, Luxembourg, Madrid and Milan), and Asia (in Singapore, Hong Kong, Labuan, Ho Chi Minh City and Shanghai), representation offices in Latin America and, since 2002, a subsidiary in Russia.

In 2003, Natexis Banques Populaires continued to deepen its international presence, opening two new branches in Algeria – in Oran and Setif – where it has had operations since 1999. Reaping the benefits of the improving Algerian economy and the greater openness to foreign investment observed over the last three years, the aim is to

become a banker of choice for Algerian companies and to help French companies establish a foothold in the country. To achieve this goal, Natexis Banques Populaires will leverage its excellent reputation, expertise in the guarantee business and solid understanding of lending operations.

The sharply improved Russian economy created opportunities to expand operations in Moscow. The bank first set foot in the Russian capital in 1987, through a representation office, and in 2002 opened a local subsidiary. Its plans for the new subsidiary include diversifying its business base, by introducing new products and services to partner more effectively the growing number of French clients doing business in Russia.

Closer ties with other Banque Populaire Group subsidiaries

In 2003, Natexis Banques Populaires continued to reap the benefits of its membership of the Banque Populaire Group. In addition to opening up cross-selling opportunities, the Group provides added security and the financial clout to support an ambitious growth strategy.

On the marketing front, efforts were made to enhance the strategic fit between Natexis Banques Populaires and the Banque Populaire regional banks in terms of product and service offerings and client-base diversification.

At their respective Annual Shareholders' Meetings,

Natexis Banques Populaires' main subsidiaries switched from a two-tier management structure, with a Supervisory Board and Management Board, to a single tier structure based on a Board of Directors. At the same time, the membership of their Boards was changed to permit the Executives of the Banque Populaire banks to become more closely involved in these subsidiaries' activities.

Ties with the Banque Populaire Group were also tightened on the technical and technological fronts. Natexis Banques Populaires shared its information systems expertise with the other Group entities, in particular by providing assistance in rolling out the new CRM (customer relationship management) application, Equinoxe, to the Banque Populaire banks. i-BP (informatique-Banque Populaire, the information systems platform used by two-thirds of the Banque Populaire banks) chose to transfer its hardware to Natexis Altair, thereby confirming the role of the bank's facilities management and systems operations subsidiary as a technological lynchpin and cross-functional technical service provider.

Natexis Banques Populaires businesses

Organized around three core businesses and six business lines, plus Coface, Natexis Banques Populaires serves a diversified clientele made up of large corporates, mid-sized companies, institutions and the Banque Populaire retail banking network.

Financing

Corporate and International Banking

The Corporate and International Banking business line offers a full range of integrated banking services to a clientele of large corporates, mid-sized companies, banking and other financial institutions in France and abroad. It manages the Natexis Banques Populaires domestic and international network, with a view to bolstering the strong position that the bank has carved out for itself in the corporate and international banking arena.

Corporate and International Banking is organized around three business areas comprising sixteen business units. The Corporates business area serves as the lynchpin, managing all aspects of client relationships. The Structured Finance area develops a wide range of asset financing, financial engineering, syndication, acquisition financing and LBO financing solutions. The Correspondent Banking area acts as the lynchpin for relationships with financial institutions, as well as offering a wide range of services to clients in France and abroad.

Specialized Financing

Specialized Financing includes lease financing offered through Natexis Lease and factoring services offered through Natexis Factorem. The bulk of specialized financing business is contributed by the Banque Populaire Group network.

Natexis Lease develops and distributes real estate and

“My job? At the moment, I am looking at whether we should insure a major oil and liquid natural gas import contract for a Chinese client.”

An underwriter in Asia



equipment lease financing products for companies of all sizes.

Natexis Factorem offers receivables management outsourcing solutions that help companies optimize their cash position and reduce customer credit risks. Four types of service are offered: receivables management, receivables collection, bad debt guarantees and receivables financing.

Investment Banking

Capital Markets

In 2003, the Capital Markets business line set up a single sales force offering clients the full range of fixed income, credit and foreign exchange products. At the same time, Natexis Bleichroeder's Global Equities business started to reap the benefits of the synergies among the French, UK and US operations.

Corporate control over the entire Capital Markets business has been bolstered by transferring internal control teams to the new Internal Control Department and market risk teams to the Risk Management Department, and by setting up a

new Securities Law unit reporting to Legal and Tax Affairs.

A new Development Department has also been set up, as part of the drive to ensure that business growth goes hand-in-hand with tight control over risks. The teams responsible for rationalizing and upgrading front and back office systems have been strengthened. The development of Straight Through Processing (STP) continued, helping to reduce and, in some cases, eliminate breaks in the process.

Private Equity

The Private Equity business, spearheaded by Natexis Private Equity, provides financing at each stage of a company's development, from seed capital to mezzanine finance, bringing it to the point where it is ready to launch an IPO. Natexis Private Equity acquires majority or minority interests, generally in unlisted companies, which it holds for an average of five years.

The business is conducted by eleven subsidiaries organized around four business areas: Expansion capital, Buy-Out/Buy-In Capital

(LBOs), Venture Capital and International Private Equity.

The business line also operates in the mergers and acquisitions market, through Natexis Finance and the M&A unit of Natexis Bleichroeder in New York.

Services

Banking, Financial and Technology Services

The Banking, Financial and Technology Services business line covers the entire spectrum of back office processing operations carried out by Natexis Banques Populaires and the Banque Populaire banks, related to payments and stock market transactions.

For many years now, these services have also been offered to a broad array of clients, including network banks, specialist banks with or without a network and other financial institutions.

Securities custody and processing services are provided by the Financial Services unit, while the Banking Services unit offers processing services for electronic banking and payment transactions. The business line also includes a Personal Banking Services unit, which is developing a multi-channel offer.

Asset Management and Insurance

The Asset Management and Insurance business line comprises four main businesses, insurance, fund management, employee savings plans and private asset management.

It offers the clients of the Banque Populaire Group a very broad range of savings, investment and insurance products and services.

The business line has a complement of 1,203 staff, working in ten subsidiaries: Natexis Assurances, Natexis Asset Management, Natexis Asset Square, Axeltis, Natexis Immo Placement, Natexis Interépargne, Natexis Épargne Entreprise, Natexis Intertitres, Banque Privée Saint Dominique and Natexis Private Banking Luxembourg S.A.

Together, these subsidiaries offer a comprehensive skill-set tailored to the needs of all clients, including private individuals, self-employed professionals, companies and institutions.

Coface

With nearly sixty years' experience and a broad international presence, Coface is one of the world's leading credit insurance and credit management service providers. It offers companies solutions to managing, protecting and financing their business transactions, by allowing them to outsource all or part of their receivables/payables management.

Alongside its four core businesses – credit insurance, credit information, factoring and receivables management – Coface has developed three related businesses, guarantee insurance, receivables management training and, in France, the management of export credit insurance for very large scale contracts on behalf of the French State.

Coface has operations in 57 countries and offers local services in 91 countries, through its partners in the international CreditAlliance network.

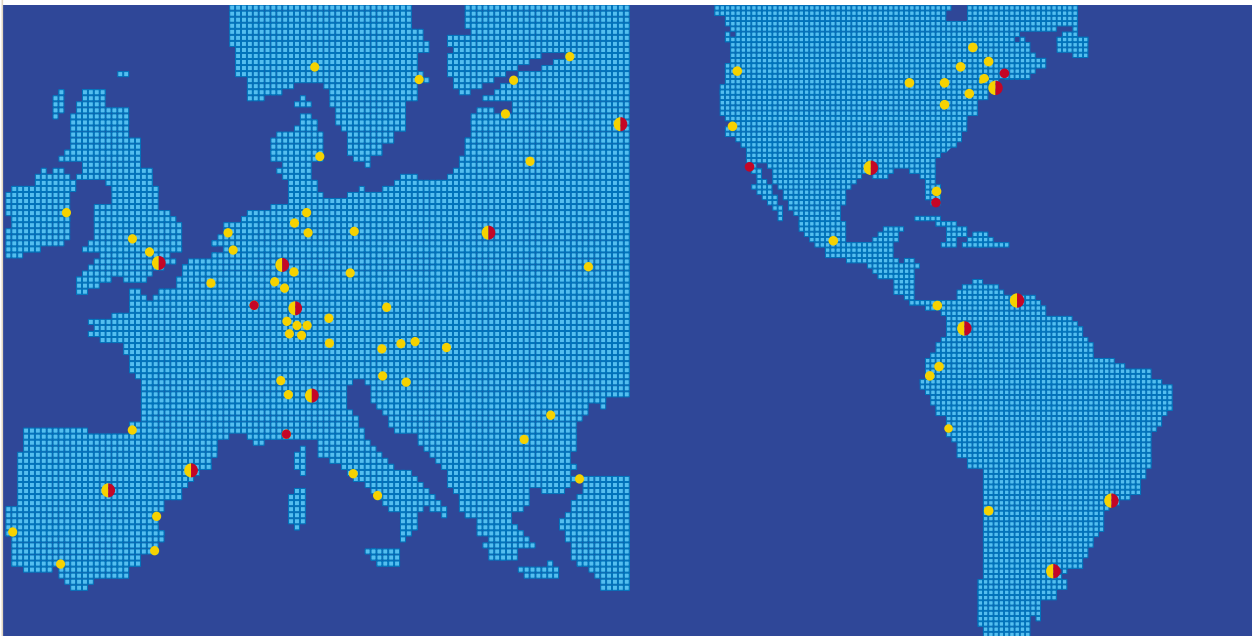
The strategy followed in 2003 is designed to secure the company's long-term growth by gradually extending the product offer and the number of countries covered, while also taking more structural measures in response to the global credit crisis.

Coface has built its expertise and reputation on providing credit insurance for French exporters. From this solid base, Coface has developed its business in two directions.

Since the early 1990s, the company has steadily expanded its service offer in a multitude of countries, in order to achieve economies of scale, penetrate buoyant markets and offer a better service to international clients.

In parallel, over the last ten years or so, Coface has been extending its receivables management, protection and financing offering. The service line-up now includes credit information and company ratings, receivables management, credit insurance and guarantees, and factoring. This approach has also delivered economies of scale and improved client service, through a gradual shift from piecemeal product offers to the marketing of complete solutions for the outsourcing of services or risks.

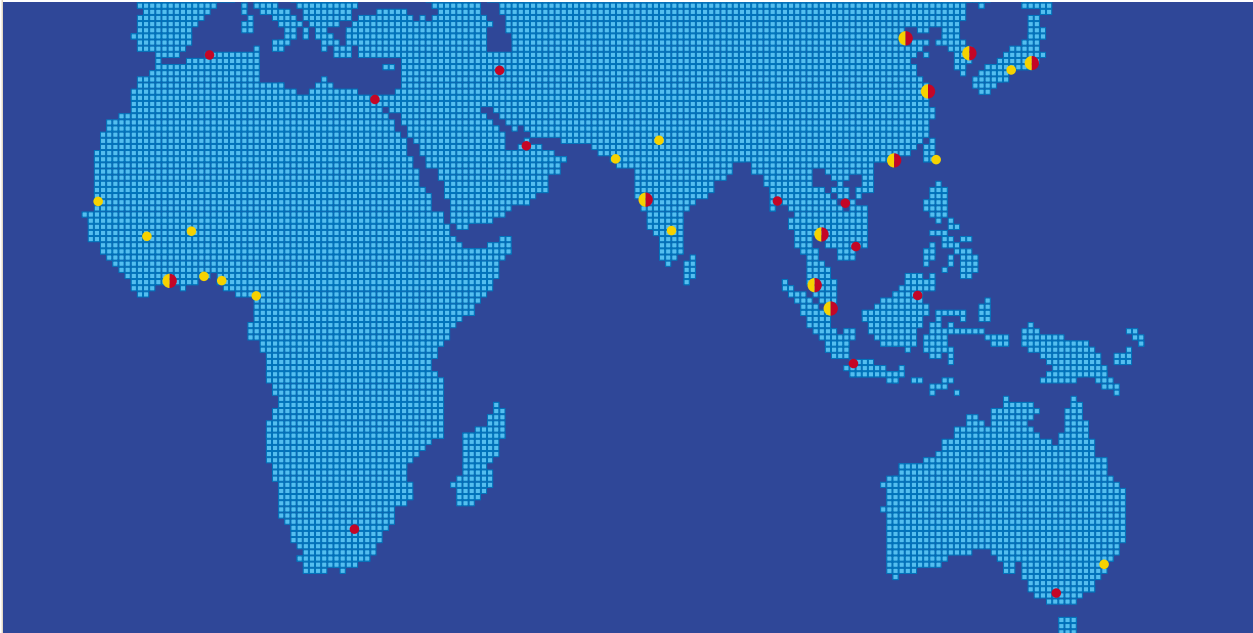
International network



- ALICANTE
- AMSTERDAM
- BARCELONA
- BERLIN
- BIELEFELD
- BIELLA
- BIRMINGHAM
- BONN
- BRATISLAVA
- BREDA
- BREMEN
- BRUSSELS
- BUCHAREST
- BUDAPEST
- COLOGNE
- DUBLIN
- DUSSELDORF
- ESCHBORN
- FRANKFURT
- FREDERIKSBERG
- HAMBURG
- HANOVER
- ISTANBUL
- KARLSRUHE
- KIEV
- LAMPERTHEIM
- LAUSANNE
- LEIPZIG
- LINZ

- LISBON
- LJUBLJANA
- LONDON
- LUXEMBOURG
- MADRID
- MAINZ
- MILAN
- MONACO
- MOSCOW
- MUNICH
- NAPLES
- NUREMBERG
- OSLO
- PRAGUE
- RIGA
- ROME
- SAINT-PETERSBURG
- SAN SEBASTIAN
- SEVILLE
- SOFIA
- STOCKHOLM
- STUTTGART
- TALLINN
- VALENCIA
- WARSAW ⁽¹⁾
- VIENNA
- VILNIUS
- WATFORD
- ZAGREB

- BOCA RATON
- BOGOTA
- BUENOS-AIRES
- CARACAS
- CHICAGO
- EAST WINDSOR
- FAIRFIELD
- GLENDALE
- GREENWICH
- GUAYAQUIL
- HOUSTON
- HUNT VALLEY
- JENKINTOWN
- LIMA
- LOS ANGELES
- MEDINA
- MEXICO CITY
- MIAMI
- NEW HAVEN
- NEW YORK
- PANAMA
- PIERREFONDS
- PORTLAND
- QUITO
- SAN JOSE
- SANTIAGO
- SÃO PAULO



- ABIDJAN
- ALGIERS
- BAMAKO
- COTONOU
- DAKAR
- DOUALA ⁽²⁾
- DUBAI
- JOHANNESBURG
- CAIRO
- LOME
- OUAGADOUGOU
- TEHRAN
- BANGALORE
- BANGKOK
- BEIJING
- HANOI
- HO CHI MINH CITY
- HONG KONG
- JAKARTA
- KUALA LUMPUR
- LABUAN
- MELBOURNE
- MUMBAI (BOMBAY)
- NEW DELHI
- OSAKA
- SECUNDERABAD
- SEOUL
- SHANGHAI
- SINGAPORE
- SYDNEY
- TAIPEH
- TOKYO
- YANGON

- Natexis Banques Populaires
- Coface
- Shared network

(1) BISE: subsidiary of Crédit Coopératif

(2) BICEC: subsidiary of Banque Fédérale des Banques Populaires

To find out more, visit:
www.banquepopulaire.fr



Group business review

In 2003, all of the Banque Populaire Group's businesses reported significantly higher earnings in a persistently difficult environment. The Banque Populaire banks combined sustained business growth with solid financial performance, while Natexis Banques Populaires' results improved significantly. This success was due, first and foremost, to the enthusiasm and commitment of the 43,000 men and women who make up the Group. It also testifies to the quality of a business model that delivers robust performance while at the same time taking into account the interests of all stakeholders, in keeping with the Group's cooperative values.

Growth across all of the Group's businesses

The Banque Populaire Group turned in a very satisfactory performance in 2003.

Net banking income rose 23% and earnings capacity – reflecting underlying profitability before the transfer of profit to the fund for general banking risks – topped €1 billion.

All of the Group's businesses contributed to these good results, with the Banque Populaire regional banks reporting net banking income up 14% and Natexis Banques Populaires staging a solid recovery.

“We succeeded in pulling off a major transaction, by leveraging the Group's national skill-base and Natexis Banques Populaires' structures and products. The way that our branch was able to help in the transaction, which concerned the divestment of a regional company, strengthened the credibility of our bank and the image of the Group as a whole.”

An Operations Director

€7.07 billion in net banking income

€1.02 billion earnings capacity^(*)

8.9% Tier One ratio

(*) Net income + net charge for the year to the fund for general banking risks

A year of investment

The Group achieved this strong showing without scaling back the substantial capital budgets earmarked for the development and rationalization of information systems, the network and the organization structure.

Work continued on the ambitious i-BP project to establish a Group-wide information systems platform, with the migration to i-BP of five Banque Populaire regional banks. The Group also kept up its drive to expand the network, opening 106 new branches during the year. In the space of the last four years, a total of 554 branches have been added to the network, more than half of them through organic growth. Lastly, the geographic organization of the local retail banking network continued to evolve; including the

mergers carried out during the year, the number of Banque Populaire regional banks was reduced from 30 at the end of 1999 to 21 at end-2003.

Enhanced profitability

Despite the major investments made in 2003 and the rapid pace of business growth, the Group posted a significant improvement in return on equity. Based on earnings capacity – corresponding to underlying profitability – return on equity stood at 14.6% in 2003 compared with 9.2% the year before.

A stronger capital base

The Group further strengthened its capital base in 2003. Regulatory capital expanded 15% to €15.7 billion. At €12.22 billion, Tier One capital

was €5.34 billion higher than at end-1999, representing an increase of 78% over the last four years.

The Tier One ratio also rose significantly, to reach 8.9% in 2003. Growth in the ratio was achieved without any lessening of momentum in the Group's lending activities.



5.7 million personal banking clients

7.7 products per demand account

€40.7 billion in outstanding loans, up 16%

Personal banking clients

Rapid expansion of the client base

The personal banking client base expanded significantly in 2003 to reach 5.7 million clients. This represented an excellent performance in a stable market characterized by client moves to concentrate all their banking operations with a single bank.

Growth in the client base strengthened the Group's position in this highly competitive market. Over the two years between 2001 and 2003, its penetration rate increased by more than half a point, to 8.1% (source: Sofres survey of new accounts and account closures – July 2003). This performance is the

payoff from a long-term strategy of extending the branch network, tailoring the product and service offer to client needs, and leveraging the close relations between client relationship managers and their clients. The Group is pursuing a dual objective, to win new clients, particularly in the under-25 category, and retain existing clients.

The success of this strategy was evidenced in 2003 by the strong increase in the Group's share of new account openings in France and the decline in its share of account closures (source: Sofres survey of new accounts and account closures – July 2003). These figures testify to the Group's ability to build loyalty among its personal banking clients.

With 976,000 member-stakeholders, CASDEN Banque Populaire now has a market share of nearly 50% among the employees and employer institutions of the French national systems of education, research and culture. In 2003, the bank continued to expand its business, in close partnership with the Banque Populaire regional banks. Campaigns targeted at student teachers and the partnership agreement signed with MGEN – the mutual insurance company serving the teaching profession – for the promotion of Banque Populaire Group products and services among students whose parents are insured by MGEN,

together led to a 43,000 increase in the number of CASDEN Banque Populaire member-stakeholders.

Crédit Coopératif, which has a network of 65 regional branches, offers its personal banking clients a full array of banking services, investment products and financing solutions. Through its strong franchise in the social economy, it also ranks among the leaders in the solidarity investment market (see *Sustainable Development*, page 67).

Crédit Maritime Mutuel's personal banking client base, served by over 150 branches, accounted for more than 50% of its banking resources in 2003.

Client referrals

When it comes to choosing a bank, French people invariably select the one that has the nearest branch. In each of the last six years, this was the deciding factor in over 75% of cases (source: *Sofres survey of new accounts and account closures – July 2003*). The Group has responded effectively to this demand and also to another important selection criteria, that of offering a personalized service. During 2003, the Group continued to expand its branch network, opening a total of 106 new branches (representing a net increase of 83). It also leveraged the high quality relations between client relationship managers and their clients to increase the number of referrals.

The strategy of fostering client referrals has reaped benefits; in a space of two years, the proportion of accounts opened

on the recommendation of a relative or friend nearly doubled, from 26% to 50%.

Following clients on the move

One of the main reasons given by French people for closing their account is that they have moved home (17%) or changed jobs (15%) and it is no longer convenient for them to visit their branch. To combat this attrition, the Group has launched a project to manage the effects of client moves.

The "French people on the move" project enables the Banque Populaire regional banks to identify automatically clients who move into their catchment area or relocate to an area served by another Banque Populaire regional bank. The banks take care of all the formalities required to transfer the account and offer the clients concerned a package of specific products, including financing to cover moving costs. Actively partnering clients during their move helps to avoid banking relationships being broken off.

In 2003, some 17,000 clients benefited from this service and chose to remain with the Banque Populaire Group. In 2004, the project will be rolled out to all the Banque Populaire banks, helping the Group to further improve its score in terms of client loyalty. In 2003 already, Banque Populaire Group clients accounted for only 5.9% of account closures in France.

> SMS+: a head start

The first bank in France to offer clients SMS text-messaging services, in April 2003 the Banque Populaire Group launched a new distance banking channel, SMS+ 6.11.10. The service enables clients to use their mobile phone to check their bank balance, their last three transactions and the balance outstanding on their bank card.

The principle is very straightforward. The client sends an SMS text message containing his or her account number and access code to the short code 6.11.10 and in a matter of seconds the requested information is displayed on the phone screen. The no-subscription service costs €0.35 per call, excluding the cost of sending the text message.

With a monthly average of 3 text messages per client, the service is proving very popular among the under-25s, who are particularly fond of this form of communication. They are the main users of the service, accounting for half of the messages, followed by clients in the 25-35 age group who account for one third.

20% of clients are under 25

As of end-2003, the under-25s represented more than 20% of the Group's personal banking clients, compared with 16% two years earlier. The marked lowering of the average age of the client base is the result of the active client acquisition strategy launched in 2001. In 2003, the Banque Populaire banks signed up a total of 170,000 under-25s.

To achieve this result, the Group developed an attractive, no nonsense offer, comprising *PassPop* for 12 to 16-year olds and *Equipage Horizon* for the 18-25 age group. The offer enables young clients to obtain the same basic banking products and services as other personal banking clients, at prices tailored to their more limited budgets. The *Equipage Horizon* offer, which is suited to both students and young people who already have a job, was extended in 2003 to include three new services specifically targeting the needs of this client segment.

Since June 2003, the *CinéPop* service has been added to the offer for 16 to 18 year olds, enabling them to order cinema tickets directly by telephone or on the Internet, at the lowest prices, and to pay for them using their bank card.

Products tailored to the needs and habits of young clients

The under-25s are big fans of the new contact media. Recognizing this, the Group has extended its range of

“Our first duty to our clients is to offer them advice. It's important that we examine with clients the consequences of their choice of products or financing solutions.”

A branch manager



distance banking services to include SMS+, a new account consultation service based on text-messages (see inset page 49).

Many young people leave home at 18, either to go to university or to enjoy increased independence as they embark on their career. These clients need home insurance tailored to their situation. This need has been met since June 2003, with *AssurBP Horizon*.

Specific offers have been developed for students, such as advances against scholarships, and since 2003, the 700,000 apprentices who are clients of the Banque Populaire banks have their own offer, *Equipage Horizon spécial apprentis*. Developed by the Group with the backing of the small business community, this offer comprises not only the basic products and services but also financing modules to cover the purchase of equipment needed by apprentices.

Providing a Multi-Channel Service

As well as deepening its local presence by opening new branches,

the Group has also continued to invest heavily in new distribution methods, offering clients a genuine multi-channel service.

In 2003, the number of subscribers to online banking services rose by nearly 50%. The number of clients who used the services offered on the web sites of the 21 Banque Populaire regional banks ten times a month, on average, rose to 677,000, representing 21.16% of the network's total client base. While continuing to offer electronic data transmission services, the Group also developed telephone services, via its ALODIS call centers, and launched new mobile-phone based account consultation services, via an interactive voice response server and SMS text-messaging.

A major player in bancassurance

The fast-growing market for comprehensive insurance cover for accident victims is dominated by bancassurers, who held 80% of the market in 2002. It was therefore normal for the Group to seek a

position consistent with its share of the personal banking market.

Launched in September 2003, the Group's comprehensive accident insurance product was enthusiastically welcomed by both clients and the retail banking network. In the four months following the product's launch, no less than 30,000 policies were sold. Developed by Natexis Banques Populaires' specialized subsidiary, Natexis Assurances, the product offers coverage of up to €1 million for victims of accidents in or outside the home, medical accidents, terrorist attacks or criminal injury.

The robust initial results testify to the product's quality and close fit with client needs, as well as to the ability of the Group's various entities to put all their efforts behind meeting an ambitious common goal. Based on current sales figures, the Group looks set to become a major player in this market in 2004, further strengthening its image as a bancassurer.

Growing investor appetite for medium-term investment products

During 2003, sales of guaranteed funds by the Banque Populaire banks continued at a brisk pace. With nine new funds launched during the year, new money collected by the network on these products totaled €505 million, an increase of 43% compared with €334 million in 2002.

This strong growth was due, in no small measure, to the success of the new Sérénéo 1, 2 and 3 guaranteed funds. Despite shifting financial markets, all three of these products developed by Natexis Asset Management and launched at different times in the year, offered the same conditions and guarantees. This stability ensured that savers had access to a competitive offer throughout the year.

In a market that has not yet fully recovered, 2004 should see continued strong interest among private investors for this type of medium-term product. The Group intends to leverage this interest to expand its share of this major segment of the savings products market, by launching a guaranteed fund that clients can invest in at any time of the year without any change in conditions.

> Serving mass affluent clients

Meeting the personal asset management needs of business owners was a main focus of Banque Fédérale des Banques Populaires' strategic review of the personal banking business during 2003.

New tools have been developed to promote sales of personal banking products and services to business owners and showcase the Banque Populaire Group's expertise in personal asset management. The Banque Populaire banks have started offering advisory sessions on the issues involved for business owners in managing personal assets and client relationship managers have been equipped with guides to help them prepare the meetings.



570,000 small
business clients

28% of
the business start-up
loan market

(source: BDPME)

Small business clients

A preferred partner of SMEs

In 2003, the Group strengthened its position as the benchmark provider of banking services to SMEs, with 570,000 small business clients. This performance represented the payoff from a number of converging measures to optimize the activities of the network of dedicated client relationship managers who are recognized for their deep understanding of the needs of small businesses.

The development of joint offers with several business organizations contributed to boosting the client base. Leveraging its long-standing close relations with small business

organizations, during 2003 the Group signed unique partnership agreements with the three leading organizations, Union des Métiers et des Industries de l'Hôtellerie, representing hotel owners, Confédération de l'Artisanat et des Petites Entreprises du Bâtiment (CAPEB), representing the building trades, and Fédération Nationale de la Coiffure Française, representing hairdressers.

The main purpose of the agreements is to offer small businesses operating in these sectors an array of services selected from the Group's offering by the partner organization, which are promoted through regular local communication campaigns organized jointly by the Banque Populaire

regional banks and the organizations' regional offices. The partnerships have enabled client relationship managers to enter into contact with 530,000 small businesses.

Members of the building trade have access to dedicated banking and financial services offered by BTP Banque, a subsidiary of Crédit Coopératif. The offer comprises short-term financing to meet their cash flow needs, including receivables refinancing solutions, and a range of teleservices to help them speed up the management of cash flows.

Crédit Maritime Mutuel offers practical solutions to the needs of small businesses operating in the sailing and shipping sectors, including "Point Skipper", a specialized pleasure

boat financing solution, and the “Point Shipping” service offered in all branches located close to a commercial port by client relationship managers specialized in meeting the needs of port service providers.

Partnering new business owners

The Group is the benchmark provider of banking services to people launching or acquiring a business, a category of clients that plays an essential role in renewing the small business client base.

It is also a major contributor to the activities of the networks that support the creators of new businesses, such as chambers of commerce, trade associations and other structures set up to support local businesses, France Active, the Association pour le Droit à l'Initiative Economique (ADIE), a micro-finance specialist, and the Boutiques de Gestion network. During 2003, the Banque Populaire regional banks rolled out the charter setting out the Group's commitments towards these networks, signed in December 2002.

In 2003, the Group's experts provided advice and assistance in connection with a growing number of start-ups and acquisitions. The close relations established with these companies from the outset or when they are undergoing a change of ownership help to improve the quality of the banking relationship over the long term and also to reduce the level of risk.

The Group is also the leading distributor of business start-up

loans offered by Banque du Développement des PME, with a 28% market share (source: BDPME).

Two packages combining selected services with advice for new business owners have been developed in partnership with the chambers of commerce and chambers of trade.

As well as testifying to the Group's close relations with these organizations, the offers illustrate its commitment to helping new business ventures get off to a good start.

In June 2003, the Group took part in the “L'entreprise à la portée de tous” fair organized by the chamber of commerce network. The fair was designed to encourage budding entrepreneurs to take the plunge, a cause enthusiastically embraced by the Banque Populaire banks. In October 2003, the Group once again showcased its commitment to supporting new business owners through a major television advertising campaign.

Enabling business owners to obtain financing without a personal guarantee

With the backing of the European Investment Fund (EIF), since July 2003 the Banque Populaire banks have been distributing a pioneering capital project financing solution, the *prêt Express Socama sans caution personnelle*. The offer enables business owners to finance their capital spending needs without providing a personal guarantee. In the event of default, the EIF covers 50% of the final loss.

Small businesses and their representative organizations have been calling for this type of product for many years. It is only now that the need can be met, following adoption of the Dutreil Act which includes a raft of measures to help the small business sector.

The new product puts the Group's small business offering in a class of its own. It reflects the close attention that the Group pays to the needs expressed by member-stakeholders and their representatives, as well as the Group's constant ability to innovate. Following the success of the sustained radio advertising campaign conducted in 2002 to support the roll-out of the *prêts Express Socama*, a new campaign was

> Socama mutual guarantee companies

The mutual guarantee business has become a core component of the Banque Populaire Group's offering since the phasing out of low-interest loans to tradespeople. Consequently, the Group has launched the *prêt Express Socama sans caution personnelle*, a solution that enables business owners to finance their capital spending needs without providing a personal guarantee and which is counter-guaranteed by the EIF.

In 2003, the Socama companies continued to amend their bylaws, allowing them to make mutual guarantees available to all types of company.

launched in 2003. By the end of the year, over 3,000 small businesses had taken out loans, backed by €39 million worth of guarantees provided by the network of Socama mutual guarantee companies.

Supporting the buoyant trade sector

To bolster its position as the preferred partner of tradesmen and women, during 2003 the Group launched a steady stream of initiatives (see p. 53) and upgraded its offer for trades people starting out in business or acquiring an existing business. One example among many was the development in partnership with the chambers of trade of *Equipage Horizon spécial apprentis*, a financing product to help apprentices meet the cost of purchasing their equipment.

Present at all events bringing it into contact with small businesses, in 2003 the Group participated actively in the flagship events organized by the chambers of trade, including as exclusive banking partner of the *Semaine Nationale de l'Artisanat* and the *Rencontres Sénatoriales de l'Apprentissage*. Several years ago, the Group launched the national *Dynamique Artisanale* awards, to find the best trades people of the year. All of the Banque Populaire regional banks take part in the event, by proposing candidates from the four corners of France. The annual awards ceremony organized by Banque Fédérale des Banques Populaires attracts more than 300 trades people and leading figures in the small business community.

“After working in a branch as a client relationship manager serving personal banking and small business clients, I am now based at headquarters where I'm responsible for developing offerings for new business owners.”

A project manager



New agreements in the franchise sector

The Group is committed to supporting all forms of commerce and in 2003, it stepped up its efforts in the franchising sector. As the preferred partner of the industry federation, *Fédération Française de la Franchise*, the Group signed a large number of agreements with franchise chains during the year, in a bid to boost the volume of business obtained from the new members of their networks. All told, the Group has agreements with 60 franchise chains and maintains close relations with the 200 largest networks.

The Group takes part in the annual *Franchise Expo* fair and partners the *Mercurus d'Or* and *Panonceaux d'Or* awards organized by the chambers of commerce. Through *Crédit Coopératif*, the Group has considerable expertise and a significant market share in the cooperative sector. It is also an active partner of the *Organisation Professionnelle des Enseignes du Commerce Associé*, which represents organized groups of independent retailers.

Sustained support for the farming community

The Group kept up its efforts to expand its share of this market by increasing the number of dedicated client relationship managers.

By taking part in all keynote events for the farming community and supporting farmers hit by the various crises that affected the agriculture industry, the Group provided a clear demonstration of its commitment to partnering clients through good times and bad. For the first time in 2003, a radio advertising campaign was launched, showcasing the Group's offering for farmers and tapping a client acquisition medium that has been ignored by other banking networks.

During 2003, the tenth national *Dynamique Agricole* awards were organized, attracting candidates from throughout France proposed by the Banque Populaire regional banks. The awards ceremony held in Palais Brongniart, former home to the Paris Stock Exchange, was attended by over 500 farmers and leading figures in the agriculture industry.

Building market share among members of the professions

During 2003, the Group stepped up its drive to build market share and increase its penetration rate among members of the medical and accounting professions, by extending its recent three offerings.

Natexis Interépargne joined forces with the federation representing the members of the professions, UNAPL, to develop *ESPL*, an employee savings plan specifically designed for this client category. Natexis Paiements has developed an electronic banking product for healthcare professionals (doctors, dentists, etc.) enabling them to accept patient payments by bank card. Accountants are offered the Banque Populaire/Xpert service, allowing them to receive client bank statements electronically and integrate the data automatically into their accounting systems. The service generates productivity gains of up to 80% in the input and processing of banking transactions (*source: Xpert*).

During the year, the Group renewed its partnership with FCGA, a group of more than 100 centers offering accounting and administration services to over 450,000 small businesses. The services offered by *Observatoire de la Petite Entreprise FCGA - Banque Populaire*, a quarterly newsletter, have been certified by DECAS, a division of the government department for small businesses, retailers, trades people, members of the professions and consumers.

A comprehensive product offering

■ Electronic banking services

Despite the entry in the market of new competitors, the Group held onto its No. 2 ranking in the retailer POS terminals, based on the number of contracts (*source: GIE Cartes Bancaires*). In the promising healthcare professionals segment, the Group proposes a broad range of fixed, mobile and autonomous payment terminals.

The Group also made significant advances in the cardholder services market. In 2003, the number of managed cards increased by 29,000 or 21%. The service covers Visa Business, Visa Gold Business (169,000 cards) and Business Card (167,000 cards).

■ Insurance, employee benefit plans and pension products

The comprehensive business insurance product launched in 1999, which is distributed by Assurances Banque Populaire-IARD, is proving very successful. Some 5,000 policies were sold in 2003, raising the total portfolio to 12,924 policies.

In personal insurance, good results have been obtained with *Fructi-Pro*, a personal risk and pension product for self-employed professionals.

In 2003, 3,600 policies were sold, raising the total portfolio to 34,500, comprising 24,560 pension plans and 30,330 personal risk plans.

■ Employee savings plans

Natexis Interépargne, the leading manager of employee savings plans for companies with over 100 employees, pulled out all the stops to support the launch of *Fructi-Epargne*, a Fabius

Act product targeted at small businesses. With a portfolio of more than 100,000 contracts, the Group is a leading player in this market. This position will represent a significant advantage when it comes to launching the new PERCO pension products introduced in the August 2003 Fillon Act, which by law can only be sold to companies that already have an employees savings plan. The Group's foremost market position was strengthened during the year by the signature of agreements with UNAPL, UMIH (representing hotel owners), the auto repair shop sector and CAPB (representing woodworkers).

■ Factoring services

Natexis Factorem confirmed its position as the leading provider of factoring services for small businesses, bolstering the Group's overall standing in the credit management market. The product range designed specifically for small businesses provides an efficient and flexible response to all client needs, in the form of a comprehensive, no-frills solution (*Créancepro*) backed by an evolutive, modular offer (*Créanceplus*).

Clients can also select from a range of interactive services, including online management and electronic data interchange, to optimize their cash management. In 2003, the number of active users of *Créancepro* and *Créanceplus* rose 13% compared with the previous year and the number of new contracts sold increased by more than 20%.



4th largest lender to French companies

(source: Banque de France)

34% penetration rate among companies with 10 to 1,000 employees

(source: Sofres survey – July 2003)

Corporate clients

The Banque Populaire Group, supporting the development of French businesses

With a 34% penetration rate, the Banque Populaire Group is a major player in the corporate market *(source: Sofres survey – July 2003)*.

While retaining its strong roots in the small business market, down the years the Group has steadily expanded its position in the corporate market, both in France and internationally, leveraging the expertise developed by Natexis Banques Populaires and Coface.

By organizing the specialized businesses around Natexis Banques Populaires, the Group has devised an efficient method of developing a comprehensive range of products and services for corporate clients. The offer is distributed by the Banque Populaire regional banks and the Natexis Banques Populaires business centers spanning the entire country, with the two networks operating in perfect synergy. In the business centers and the Banque Populaire branches, the client relationship managers who stand at the forefront of the client relationship can draw on a vast network of

seasoned experts in specialized financing, structured finance, cash management, capital flow management, employee savings plans, international banking and financial engineering. These specialized businesses contribute to fulfilling the Group's overarching aim of developing close local relationships with clients by offering comprehensive solutions to their needs.

With an overall market share of over 8% in 2003 based on outstanding loans *(source: Banque de France)*, the Group is the fourth largest lender to French companies *(source: Banque de France risk data)*,

serving companies of all sizes. It is the second largest lender to companies that have less than €15 million in sales, with a market share of nearly 11%, and provides banking services to one in three SMEs, as well as to substantially all of the leading French groups (source: Sofres survey – July 2003).

The Group's position in the corporate market was strengthened by the entry in the Banque Populaire community of Crédit Coopératif which has a very strong franchise in the SMEs and cooperatives market. Financing for the investments made by the SCOP (production cooperatives) are guaranteed by two mutual guarantee companies that are associate members of Crédit Coopératif. And Crédit Coopératif also partners several SCIC cooperatives set up to manage activities that benefit the local community.

Leasing solutions for companies of all sizes

Natexis Lease is ranked No. 3 in the equipment and real estate lease financing market (source: ASF – Association des Sociétés Financières), serving companies of all sizes.

In 2003, the unfavorable economic environment led to a drop in demand for real estate lease financing and a small decline in demand for equipment lease financing, reflecting

the absence of growth in corporate capital spending.

Against this difficult backdrop, Natexis Lease sold a total of €1.43 billion worth of lease financing for real estate purchases and energy-saving projects, lifting total outstanding financing to €5.3 billion. This performance was achieved while tightly protecting margins and limiting risks.

In the last two years, Natexis Lease has been expanding its geographic reach in Europe and North Africa, and in May 2003 it set up operations in Madrid. The purpose of this international development drive is to diversify the company's revenue sources and partner the Banque Populaire Group's corporate clients.

At the end of 2003, Natexis Lease set up a partnership with a new affiliate of the Banque Populaire Group, Crédit Maritime Mutuel, along the same lines as those in place for many years with the Banque Populaire regional banks, covering its entire product offering.

Expertise in cash management solutions

In the area of cash flows and information, corporate clients place a premium on fast, reliable and secure service. To meet these needs, the Banque Populaire banks and Natexis Banques Populaires treat cash

> A successful year in structured finance

Natexis Banques Populaires' structured finance business area offers a wide range of asset financing, loan structuring and syndication, acquisition financing and LBO solutions.

In 2003, the bank strengthened its position as arranger and lead manager of loan syndications, winning 82 mandates.

These included major transactions by Arcelor, Casino, Charbonnages de France, Ciments Français, Elixor, France Télécom, GMB-Cora, Le Figaro, Rémy Cointreau and Vivendi Universal.

In the French LBO financing market, the bank was ranked No.1 based on the number of deals (source: Dealogic Loanware).

The bank was also very active on the primary bond market, obtaining 52 lead manager mandates in 2003.

management as a specific service. The aim is to offer a comprehensive response that takes into account the increasing automation of transactions within client organizations and between clients and their bank.

Incoming and outgoing payments, international and domestic cash pooling transactions, the investment of cash surpluses and secure transaction processing are all seamlessly covered, using the various existing communication channels.

As the leading issuer on France's SIT interbank clearing system (source: *G-SIT*), the Group regularly upgrades its processing systems to comply with new regulatory requirements and technological advances, in order to meet all the needs of its corporate clients.

The electronic banking offer was extensively upgraded during the year. New functions have been added to the electronic expense claim management service, *Mission Plus*, contributing to a 66% rise in sales of corporate cards in 2003 compared with the previous year.

International development

Backed by a structured, regularly enhanced product and service offer, the Group actively supported its clients' international trade transactions

and their development initiatives in markets outside France.

Natexis Banques Populaires continued to extend its international network, opening two new branches in Algeria – in Setif and Oran – alongside the Algiers branch. In Europe, the Madrid and Milan branches enjoyed sustained growth.

In Spain, the bank helped to finance the second phase of the Barcelona tramway, and in Italy, the branch was selected as joint arranger of the Centroleasing loan syndication. In China, the Shanghai branch obtained a Renmibi license in April 2003, enabling it to work in domestic currency and offer banking services to the local subsidiaries of major French groups.

Lastly, the New York branch had a good year, especially in the leveraged finance market, helped by the US economic recovery.

Sustained efforts were made to partner companies in markets outside France and the Group expanded its strong position in commodity financing by winning some thirty mandates to finance soft commodity, metal and energy contracts.

Natexis Banques Populaires confirmed its position as a major player in the trade finance market, becoming

the world's sixth largest arranger of syndicated loans (source: *Dealogic Loanware*). Natexis Pramex International advises all types of companies on their international development projects. Drawing on the expertise of a team of 45 seasoned consultants based in France and in its eight international subsidiaries and representation offices (in the United States, Spain, Germany, the United Kingdom, China, Poland and Algeria), as well as its global network of experts in areas ranging from legal and tax issues, to marketing and finance, Natexis Pramex International partners companies looking to set up business in no less than around thirty countries. In 2003, it advised 380 – mainly French – companies referred by the other Group entities, on their import and export projects and foreign investment projects.

Enhanced offerings

The development of new products for French exporters and importers is backed by an array of international trade financing and guarantee solutions. Thanks to its relations with a large number of international financial institutions, during 2003 Natexis Banques Populaires' teams in London, Singapore and other international markets, built strong positions in certain regions, such as India, and partnered clients in major structured finance transactions.

Natexis Banques Populaires' capital markets business line offers a broad range of fixed income, credit and foreign exchange products, sold by a single, cross-functional salesforce set up in 2003. For complex products, the salesforce is backed by a specialist structuring team which is also responsible for monitoring technological developments, and for Government securities, interest rate derivatives, asset-backed securities and convertible bonds, it is backed by a team of product specialists.

In interest product trading, Natexis Banques Populaires has a strong presence in euro interest rate derivatives and has developed solid expertise in inflation-indexed products. In government securities, the bank is a *Spécialiste en Valeurs du Trésor* (SVT) in France – where it was ranked among the ten most active primary dealers (source: *Agence France Trésor*) – and a Creador in Spain, and is also rapidly expanding its activities in Southern Europe (Italy, Portugal and Greece).

At the same time, Natexis Banques Populaires is one of the leading primary dealers on the French government securities repo market. Its expertise extends across the entire euro zone, allowing it to offer clients optimal liquidity management and improved yields on their securities portfolios.

One year down the road from the acquisition of

Arnhold & S. Bleichroeder Holdings' equity brokerage business and the creation of the Global Equities business line, synergies are being unleashed between the French business (Natexis Bleichroeder S.A.), the UK business (Natexis Bleichroeder UK) and the US business (Natexis Bleichroeder Inc.). The Paris-based research teams now comply with US/UK standards, paving the way for the distribution of European equities in the United States.

These developments testify to the growing synergies between the Banque Populaire regional banks and Natexis Banques Populaires and its subsidiaries, including Coface. As well as enhancing the various product and service offers, these synergies contribute actively to driving the value chain benefiting all of the businesses operating in the international arena, and strengthen the image of unity projected by the Group.

A leading player in employee savings plans

Natexis Épargne Entreprise is the No. 1 employee savings plan manager in France, with €11.7 billion in assets under management at December 31, 2003 (source: *AFG-ASFFI*) and a 21% market share.

Natexis Interépargne is France's leading administrator of employee savings plans, both in terms of the number

> A key position in asset management

Natexis Asset Management has consolidated its leadership in the management of treasury products, with a market share of 10% (source: *Europreference*).

> €700 million syndicated loan for Publicis

Natexis Banques Populaires was selected by Publicis as mandated lead arranger and agent, alongside BNP Paribas, ABN Amro, Citibank and Bank of America, for a €700 million syndicated loan. The bank also acted as facility agent for the transaction, which represented a first for the world's fourth largest communications group. The aim was to set up a close-knit pool of banks to partner Publicis in its development.

(*) Not including Fructi Epargne, ES-PL and Fructi Epargne UMIH contracts sold directly by client relationship managers in the self-employed professionals market

of company clients and the number of plan accounts managed. At December 31, 2003, the company managed over 2.3 million employee savings plan accounts for a total of 19,839 companies.

Despite the persistently unfavorable stock market environment in 2003, business was brisk at Natexis Interépargne, thanks to a number of successes in the large corporates segment. In the SME market, the company obtained 734^(*) contracts, through the Banque Populaire banks and Natexis Banques Populaires, out of 1,035 overall.

Emerging opportunities in the pensions market

Following the adoption of the August 2003 Pensions Act (known as the Fillon Act), Natexis Interépargne developed new pensions offers, including one designed specifically for SMEs which will be distributed by the Banque Populaire regional banks and Natexis Banques Populaires.

With the launch of the new PERCO pension plans introduced in the Pensions Act, one of the objectives in 2004 will be to add a long-term product alongside the PEE (*Plan d'Épargne d'Entreprise*) company savings plan offer for clients of the Banque Populaire regional banks, Natexis Banques Populaires and Natexis Interépargne.

“Our Group is a benchmark player in employee savings plans and corporate banking. The new pensions legislation has brought to the fore its ability to react quickly to new situations.”

A corporate client relationship manager



A comprehensive approach to managing trade receivables

The Group meets the needs of all companies through its comprehensive receivables management solution, encompassing financing, cash management services, credit information, debt recovery services, credit insurance and factoring services.

In 2003, the *Créodis* credit information and debt recovery offer was launched in partnership with Coface, allowing companies to obtain a “4-in-1” service comprising credit information, receivables monitoring and analysis services and debt recovery services.

In a lackluster factoring market, Natexis Factorem lifted its market share to 13.2% at end-2003 (12.6% excluding CrédiFrance Factor) from 12.5% in 2002 (source: ASF - *Association française des Sociétés Financières*).

Redeployment of marketing operations with the

Banque Populaire network led to improved efficiency and a sharp rise in the number of new contracts sold in the small business and corporate markets. At the same time, the pooling of skills and a new regional organization enabled Natexis Factorem to match more closely the organization of the Banque Populaire regional banks. The increased proximity and responsiveness of the company's teams fueled an improvement in service quality, leading to higher client satisfaction. The drive to win new clients and retain existing ones drove a significant increase in the business base, to over 3,696 contracts at end-2003.

Growth was further boosted by the integration in Natexis Banques Populaires of CrédiFrance Factor (Crédit Coopératif's factoring subsidiary) which has opened up new marketing opportunities through Crédit Coopératif, Crédit Maritime Mutuel and brokers.

Financial engineering and personal asset management

The Group is a major player in all segments of the private equity market, including expansion capital, buy-in/buy-out financing, venture capital, mezzanine financing and funds of funds. One of the leaders in this market for several years, Natexis Private Equity is organized around eleven subsidiaries, specialized by type of financing and by industry sector. This organization ensures that Natexis Private Equity offers the right solution for each project meeting its quality criteria and partners the companies in its portfolio throughout their development phase.

The team of more than 120 private equity specialists manages a portfolio of 670 companies, mainly privately-owned, spanning all sectors of the economy.

In 2003, the Group pursued two main objectives, supporting the local expansion-capital market – by reorganizing its Spéf Développement subsidiary and launching the first two FIP local private equity funds – and expanding the buy-in/buy-out capital offer by grouping together all of its experts in a single network, operating under the BP Transmission brand.

Lastly, in 2003, the Group launched a targeted marketing campaign to sell its private asset management

services to the business owners who use the Group for their corporate banking needs. Drawing on the expertise of Banque Privée Saint Dominique, Natexis Banques Populaires' private banking subsidiary, internal tools are being distributed to corporate client relationship managers, to help identify as early as possible the private asset management needs of their clients.

> Local private equity funds, a new source of finance for regional development

The Banque Populaire Group manages eight FCPI innovation funds and in 2003, it decided to launch two FIP local private equity funds. This new tax-advantaged product, introduced in the Dutreil Act, is targeted at private investors interested in paying less income tax and at companies interested in contributing to the economic development of their region.

The first two FIP were launched in South West France (Aquitaine, Midi-Pyrénées and Languedoc-Roussillon) and the South East (Rhône-Alpes, PACA and Corsica), for amounts of €3 million and €5 million respectively. They will be invested in SMEs which realize a significant proportion of their sales in these regions.

The line-up is scheduled to be completed, with the launch of six other fip covering the other regions of France.



Institutional clients

A fast-changing market

The key feature of the institutional market is the wide variety of players, ranging from insurance companies and employee benefits organizations, mutual health insurers and Social security organizations to business organizations, organizations bringing together employers and employee representatives, local public sector entities, social economy entities and major associations. It is a vast market, made up of public and private entities, mutual organizations and associations, operating on a local, regional, national and international scale.

The various market segments are undergoing major change – especially the mutual organizations, the employee benefits organizations and public sector entities – and, in some cases, rationalization, leading to significant changes in their banking and financial services needs. In 2003, a number of far-reaching measures were taken, not least of which was the reform of the pensions system.

The public sector was affected by changes in the system of allocating government contracts, ongoing decentralization and the launch of private finance initiatives (PFI).

The *Hôpital 2007* plan will speed up the pace of change in the hospital

sector, while the heavy death toll among the elderly during last summer's heatwave will lead to moves to improve the availability of retirement home accommodation.

A stronger position with the entry of Crédit Coopératif in the Banque Populaire community

The Group has traditionally held a solid position in this vast market, notably through Natexis Banques Populaires and BRED Banque Populaire. This position has been further strengthened by the entry of Crédit Coopératif in the Group.

In 2003, priority was given to serving the local public sector, mutual health insurers and large associations responsible for managing hospitals and retirement homes.

In the local public sector segment, several Banque Populaire banks stepped up their activities during 2003, and some of them now hold significant market shares.

Crédit Coopératif is the benchmark provider of banking services for many players in the social economy, including mutual insurers, associations set up to protect dependent adults, and major national associations.

In the health and welfare sector, Crédit Coopératif has set up a mutual guarantee fund covering the obligations of hospital and retirement home management associations. Also in this sector, for more than 15 years, Crédit Coopératif has been offering a full range of electronic data transmission and remote transmission services to help professional guardians fulfill their obligation to control and monitor the accounts of the people under their protection.

Crédit Coopératif is also a benchmark partner to organizations that help the long-term unemployed and the under-qualified to find work. For many years it has been offering these organizations a wide array of guarantees, such as the sector guarantee deposit set up with the

“One of the most important things today is service quality. We need to offer an almost faultless service, because this is what sets us apart from the competition.”

An institutional client relationship manager



Fédération des PACT-ARIM and the professional guarantee fund for organizations that offer temporary work to the long-term unemployed with Comité National des Entreprises d'Insertion and Fédération de Comités et d'Organismes d'Aide aux Chômeurs par l'Emploi.

A very broad offer

In 2003, the Banque Populaire banks kept up their drive to increase market share in the institutional market, leveraging a very broad offering which ranges from traditional investment, financing and cash management products and services to specific or custom-fitted solutions. New employee savings and electronic banking offers have been launched, which are closely tailored to the needs of institutional clients.

In the public sector, the Group took part in a study on the use of the purchasing card and paperless payments in this sector and began adapting its offer to the new needs.

Natexis Banques Populaires strengthened its position among leading national and international insurance companies and other institutions.

Natexis Banques Populaires has a strong presence in the regional authorities market and in 2003, it focused on increasing its penetration among public-private partnerships and other public sector players.

In 2003, Natexis Asset Management extended its sustainable development product line-up with the launch of *BP Développement Durable Monétaire*, a money market fund distributed alongside the equity and bond funds.

Responding to demand from many institutional clients, including CARPA – the association responsible for managing transfers of funds held in law firms' client accounts – and chambers of trade, in 2003 Natexis Asset Management took advantage of the favorable market conditions to relaunch its range of dynamically-managed guaranteed money market funds, *BP Trésorerie Plus*, *Dy-NAM 6 mois* and *Fructifonds Trésorerie Performance*.



€363.7 billion worth
of assets in custody

13.5% of the French
electronic banking market

(source: GIE - Cartes Bancaires)

No 1 issuer
in the SIT interbank
clearing system

(source: G-SIT)

Banks and financial institutions

A watershed year

During 2003, Natexis Banques Populaires' Banking, Financial and Technology Services business line completed several major projects, including the integration of back-office processing for major banking clients and the reorganization of its structures.

The three business areas all implemented large-scale projects to improve productivity and service quality. They also remapped their respective service offers. These operations, which were launched in 2002, have equipped the three business areas to effectively partner

the Group's development strategy. They also reflect these businesses' commitments to diversifying their activities, taking into account the new regulatory requirements and the need to keep pace with market changes, especially on the technology front.

An enhanced banking services offer

In 2003, the Banking Services focused primarily on completing the integration in Natexis Banques Populaires' systems of processing operations for two leading players in the electronic banking market. This

led to a sharp rise in processing volumes, to over one billion transactions, representing 13.5% of total French electronic banking transactions (source: GIE Cartes Bancaires statistics, December 31, 2003). Natexis Banques Populaires is the only banking institution in France to handle processing transactions for several leading electronic banking players, testifying to the maturity of its systems.

In connection with the integration of Crédit Coopératif in the Banque Populaire community and the Group's link-up with Crédit

Maritime Mutuel, Banking Services took over their issuing activities on France's SIT interbank clearing system. The Group's electronic banking system was upgraded during the year and a new national server platform came on stream. Natexis Paiements extended the Group's payment media offering by launching *e-carte bleue*, a secure payments service for purchases made on the Internet.

Lastly, in 2003 new functions were added to the *Mission Plus* web-based business expense claim management system and the *Visa Business* offer went from strength to strength with a 66% increase in card sales.

Redeployment of the Financial Services

The Financial Services were badly hit by the stock market crisis. In response to the severe impact of lower volumes and the withdrawal of a certain number of players, during 2003 the department launched a major restructuring and redeployment program, dubbed *Cap 2005*.

The department pulled out of unprofitable businesses and businesses carrying risks that were considered as not being inherent in back office operations. Redundant activities were transferred to more appropriate Natexis Banques Populaires business lines, to fully leverage synergies and opportunities for productivity gains. Risk management activities were tightened up and a new contractual framework was drafted, governing relations with all client categories. Balance was restored on the sales

front, with the renewal for 10 years of one of the largest service contracts and the successful integration of new banking industry technical standards.

These initiatives, which involved all Financial Services staff, led to an immediate return to profit.

New personal banking services

In 2003, the Personal Banking Services project team continued to develop LineBanque, the multichannel bank for personal banking clients. LineBanque is now fully operational and its services will be offered to clients before the end of 2004.

The Central branch, *l'Agence centrale*, which manages relations with Natexis Banques Populaires' personal banking clients, will be the main user of this new product and has been reorganized to optimize its use.

Specialized in trading, clearing and custody software, Slib expanded its pan-European offer by signing up major new clients. In Portugal, Slib now processes around 70% of clearing transactions on the Lisbon stock exchange. The company also confirmed its strategy to develop a front-to-back offer by buying out the minority shareholders of its E-Market subsidiary.

Monaco-based Samic, specialized in off-shore services, launched a major project to prepare for the transition to Basle II and IFRS/IAS.

> LineBourse : offering online quality

During the year, LineBourse kept up its development policy associating quantity with quality. Volumes increased from 280,000 orders in 2002 to 307,000 orders in 2003, significantly boosting LineBourse's penetration rate among Group clients. Over 50% of stock market orders placed by clients through the Banque Populaire banks are now executed by the Group's online broker.

LineBourse's commitment to quality and to offering clients highly efficient online brokerage services is evidenced by the ISO 9001:2000 certification obtained in December 2003. The company is also the first online broker to obtain *Association Française pour l'Assurance Qualité (AFAQ)* certification, which it was awarded in November 2003



Sustainable development

The Banque Populaire Group's business philosophy focuses on reconciling the interests of its member-stakeholders, clients and employees, while at the same time contributing to economic growth, acting in a socially responsible manner and helping to protect the environment. In 2003, this commitment to shared progress was illustrated by the scale-up of the activities of the Sustainable Development Commission established under the aegis of Banque Fédérale des Banques Populaires. The values of sustainable development and corporate social

responsibility permeate the Group's relations with member-stakeholders, its recruitment and career development policies, as well as its environmental policies. They also underpin the Group's programs to give a helping hand to young disabled people and budding musicians, and its support for sailing.

Group values

Since the first Banque Populaire banks were set up, the Group has held firm to the values underpinning the cooperative movement. In 2003, these values were as strong as ever, as reflected in the 9% increase in

the number of clients who have chosen to participate actively in the life of their bank by becoming member-stakeholders.

As cooperative institutions, the Banque Populaire banks are owned by their member-stakeholders, who totaled 2,445,499 as of December 31, 2003. The banks intend to continue developing this cultural difference, setting as their target to count one in two clients among their member-stakeholders by 2005. To this end, during 2003 they launched numerous initiatives to support member-stakeholders' projects, for

example by providing financing for the Déclic Clubs dedicated to charity work, and launching the “Regional Initiative” awards attributed to organizers of projects to protect the local cultural heritage.

Combining cooperation with entrepreneurship, the Banque Populaire banks never forget that they owe their existence to the vision of local businessmen. The tradition of appointing entrepreneurs to run them has continued down the years, ensuring that their management teams have a keen understanding of their clients' needs. The Banque Populaire banks have steadily extended their networks; as of June 2003, the Banque Populaire banks, Crédit Coopératif and Crédit Maritime Mutuel together had a total of 2,605 branches.

Reflecting their strong regional focus, the Banque Populaire banks and the Natexis Banques Populaires business centers offer local services to all players in the economy of each region.

In 2003, the Banque Populaire Group set a precedent in the French banking community by launching a partnership initiative with the Médecins sans frontières (MSF) charity operating in the humanitarian sector. The partnership is based on the principle of solidarity, one of the Group's founding values. Under the arrangement, the Banque Populaire banks make a donation to MSF on behalf of clients, for each new client that they introduce to the bank.

Providing banking services to the social economy

“Helping people who have fallen by the wayside isn't charity, it's a means of restoring balance in society.” This principle and the fact that people in certain sections of the community find it very difficult or even impossible to obtain financing for their projects, have led to the development of a vast movement in favor of solidarity investment. Today, 43% of French people are willing to invest in socially-responsible products in order to support projects to help the socially-excluded. The number of savers who invest in this type of product is currently growing at the rate of more than 20% per year (source: December 1, 2003 *Baromètre Finansol*^{*)}).

The Banque Populaire banks have a tradition of financing the social economy. Crédit Coopératif's entry in the Banque Populaire community has deepened and extended this commitment.

Crédit Coopératif operates in all segments of the social economy:

- ethical investment, with a broad range of products for private and institutional clients, such as Carte Agir, a Visa card which generates a donation by Crédit Coopératif to partner associations for each cash point withdrawal, and Codesol, a passbook savings account which enables holders to transfer automatically part of the interest to partner associations;

- technical and financial support for associations, including expert advice and assistance, and back-office processing of banking transactions;

- micro-finance loans and loan guarantees, offered directly or in partnership with other players. For example, Crédit Coopératif guarantees the liquidity and capital adequacy of Caisse Solidaire du Nord-Pas-de-Calais and NEF.

Crédit Coopératif is both the leading provider of solidarity loans in France, based on outstanding loans, and the provider of banking guarantees for short-term savings products offered by the main institutions operating in the social economy sector (source: December 1, 2003 *Baromètre Finansol*^{*)}).

It is also a major player in “revenue sharing funds”, managing 45% of the assets of these funds which allow investors to donate part of their investment revenue to charity.

2003 entry of Crédit Coopératif in the Banque Populaire Group will enable the Group to leverage its core strengths in this area. With its decentralized organization and deep local presence, its cooperative culture and the active involvement of its member-stakeholders, the Group is well equipped to promote socially-responsibility investing and has the expertise to direct these funds towards high quality sustainable development projects. It has already demonstrated this capability by marketing a range of sustainable development funds managed by Natexis Asset Management.

(*) Finansol is an association whose members are the leading providers of financing for the social economy. It started publishing the “*Baromètre des Finances Solidaires*” league table in 2003

Human resources

The over 43,000 men and women who work for the Group represent its principal asset and the engine that drives the steady improvement in its performance. A global vision of human resources is essential to support the successful integration of the Group's recent acquisitions, the internationalization of its business base and the increasingly specialized nature of its businesses.

The human resources policies of the various entities are increasingly closely linked to their business objectives, keeping pace with the Group's development and growth.

Growth in employee numbers

In 2003, the Group recorded a further increase in employee numbers. Following the integration of Crédit Coopératif and Coface in 2002, last year saw the arrival of the 959 active employees of Crédit Maritime Mutuel, the latest institution to become affiliated with Banque Fédérale des Banques Populaires. As of December 31, 2003,

the Group had 43,224 full-time equivalent employees (excluding employees on the payroll but not currently available for work) versus 40,578 at end-2002, representing an increase of 6.5% (see table 1).

As of December 31, 2003, the total number of employees of the Banque Populaire regional banks, CASDEN Banque Populaire, Crédit Coopératif and Crédit Maritime Mutuel represented 28,973 persons. Excluding Crédit Coopératif and Crédit Maritime Mutuel, the total was 26,528 persons, representing an increase of 3.1% compared with the year-earlier figure. Employee numbers at certain banks rose by over 5% during the year, while at certain others – such as the banks in the Paris region, – the headcount remained flat or, in some cases, declined.

The Banque Populaire regional banks continue to create a large number of jobs. On a comparable structure basis, despite the unsettled economy and uncertain growth outlook, and also despite the mergers of certain banks, they increased their employee numbers by 16.5% over the last five years, including 10% in the last three years, creating nearly 4,000 new jobs.

In 2003, another two mergers of Banque Populaire regional banks took place (Banque Populaire

du Centre and Banque Populaire Centre-Atlantique in May, followed by Banque Populaire du Haut-Rhin and Banque Populaire de la Région Economique de Strasbourg in September), raising to nine the number of mergers carried out in the last four years. The merged banks each have an average of 1,400 employees.

Natexis Banques Populaires and its subsidiaries – representing the Group's investment banking, financing and service bank – had 12,227 employees as of December 31, 2003, representing an increase of 6.8% compared with the year-earlier figure. The sharp rise stemmed primarily from the integration of the 283 active employees of Natexis Bleichroeder Inc. (New York) in 2003 (see table 2).

Outside France, the Group has operations in some fifty countries worldwide. In 2003, it deepened its international presence, notably by extending the Coface network. Among the 3,807 employees based outside France, 58% work in the Coface network, 28% are employed by Natexis Banques Populaires and 14% by BICEC. All told, 8.8% of the Group's total employees were based outside France in 2003, compared with just 1.7% in 1998 (see table 3).

Table 1: Number of active employees ⁽¹⁾ of the Banque Populaire Group

	Dec. 31, 1998	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003
Banque Populaire regional banks and CASDEN Banque Populaire	22,760	23,167	24,079	25,218	25,725	26,528
Crédit Coopératif	–	–	–	–	1,425	1,486
Sub-total Banque Populaire banks	22,760	23,167	24,079	25,218	27,150	28,014
Crédit Maritime Mutuel	–	–	–	–	–	959
Banque Fédérale des Banques Populaires	400	390	404	430	443	453
Natexis Banques Populaires and subsidiaries	5,780	6,140	6,935	7,589	7,681	8,151
Coface	–	–	–	–	3,765	4,076
Sub-total Natexis Banques Populaires and subsidiaries	5,780	6,140	6,935	7,589	11,446	12,227
IT platform ⁽²⁾	790	803	810	807	759	761
Other structures ⁽³⁾	612	691	781	767	780	810
Total	30,342	31,191	33,009	34,811	40,578	43,224

(1) Active employees correspond to employees listed on the "Total Convention Collective" employee register at the end of each month, including employees under fixed term contracts, calculated on a full-time equivalent basis. Part-time employees and employees under fixed-term contracts are included ratably based on the number of hours worked during the month.

(2) December 31, 2002: including employees of CTR Metz-Troyes reintegrated in Banque Populaire Lorraine Champagne.

(3) SBE, BICEC, CAR-IPBP, Guidéo, Click & Trust, employees seconded to the subsidiaries of BRED, Cofilease, Sopromec, M+X, a subsidiary of Banque Fédérale des Banques Populaires.

Table 2: Number of active employees of Natexis Banques Populaires

	Dec. 31, 1998	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003
Parent company	3,860	3,938	4,061	4,349	4,375	4,391
French subsidiaries	1,387	1,605	2,253	2,612	2,616	2,698
Employees outside France ^(*)	532	597	621	628	690	1,062
Coface France	–	–	–	–	1,921	1,871
Coface outside France	–	–	–	–	1,844	2,205
Total	5,780	6,140	6,935	7,589	11,446	12,227

(*) Integration of Natexis Bleichroeder New York

Table 3: Number of Group employees outside France

	Dec. 31, 2001		Dec. 31, 2002		Dec. 31, 2003	
Africa	534	46.0%	540	17.7%	668	17.5%
Europe	285	24.6%	1,895	62.2%	2,105	55.3%
Asia	206	17.7%	258	8.5%	371	9.7%
North America	126	10.9%	199	6.5%	552	14.5%
South America	9	0.8%	155	5.1%	110	3.0%
Total	1,160	100%	3,047	100%	3,807	100%

Table 4: 2002 deferred compensation

	Amount (€ thousands)	% of salary
Profit-related incentive bonuses	85,960	8.7
Profit-sharing	67,346	6.8
Bonuses	113,532	11.5
Matching payments under employee stock ownership plans	15,928	1.6
Total	266,838	28.6

One of the key priorities of the Group's human resources policy is to create and protect jobs. The recent mergers of Banque Populaire regional banks and the *Cap 2005* action plan launched by Natexis Banques Populaires in the financial services area of the Banking, Financial and Technology Services business line, testify to the Group's commitment to avoiding job losses. In exchange, employees have a moral obligation to maintain their employability at the highest possible level.

Recruitment policy

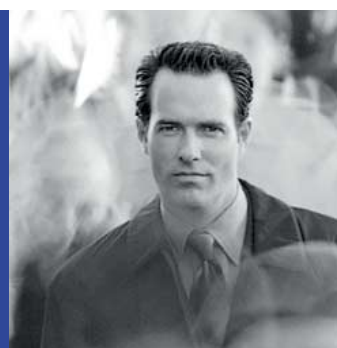
The Group's 43,224 employees include some 3,000 new hires under permanent contracts, 60% of whom have taken up positions in the network. In France, the Group has one of the most active hiring policies in the private sector. The recruitment section of the web site regularly includes around 60 to 70 online job postings.

This dynamic recruitment policy provides the Group with the new skills needed to keep pace with the development of its businesses, and has also refreshed the age pyramid ahead of the wave of retirements scheduled for 2006 and beyond, mainly in the retail banking business. Today, one employee in three is under 35.

The level of qualifications of new recruits is high, with 83% of them having followed at least two years' higher education. As was the case in 2002, the majority of new hires

“One of the things that makes a manager's job worthwhile is the opportunity to discover new talents, help employees to achieve their true potential – in other words, to build a team of happy and confident individuals who work well together.”

A personnel manager



in 2003 already had some work experience (55% versus 45% school-leavers and graduates).

The Group participates actively in helping school-leavers and graduates to set foot on the career ladder, through effective training solutions which build loyalty. Some 640 employees were hired under work-study programs in 2003, of which two-thirds under apprenticeship contracts. In addition, the Group took on around 3,800 interns during the year.

The Group maintains a high profile in the job market, by participating in over 200 events such as university recruitment forums and job fairs organized at national and regional level. In 2003, a new recruitment campaign was launched in 2003 with the slogans “You too can be POP” and “Stay true to your values”, to attract the attention of young graduates and students preparing banking diplomas.

The active recruitment drive also contributes to reshaping the profile of the men and women who are in daily contact with clients. In 2002,

for the first time over 50% of Group employees were university graduates, compared with 29% in 1992. Refreshing the age pyramid has been a slower process, although the average age of employees has been steadily lowered since 1998, with employees under 25 and with less than 5 years' seniority accounting for a growing proportion of the work force. In 2002, 69% of new hires were under 30.

Nurturing talents and developing well-rounded managers

The Group encourages diversity among its teams and places considerable emphasis on nurturing each individual's talents. Mobility programs enable staff to broaden their experience not only by taking up new positions but also by transferring to other units. Succession planning initiatives include identifying potential high-flyers and preparing the executives of the future.

Each Group entity has set up a career management program which

includes giving employees opportunities to change jobs or move to new locations, as part of the drive to meet the needs created by the rapid pace of business expansion.

At the level of Banque Fédérale des Banques Populaires, a program is underway to identify high-potential managers in each function who have the skills and personal qualities required to rise to the top of the management ladder. And since October 2002, Banque Fédérale des Banques Populaires has had a dedicated structure responsible for managing mobility plans for Group executives.

Group policy consists of promoting staff mobility among the various entities and in 2003, the Human Resources department prepared a mobility guide which has been distributed to all employees. National "Job Outlook" forums are being organized to help young talents gain a better understanding of the Group's businesses and take a hand in managing their careers.

Another priority is to enhance senior management skills. Banque Fédérale des Banques Populaires is attentive to the training needs of the Group's future top executives. In October 2003, its management training institute, Centre de Perfectionnement au Management (CPM), welcomed its fourteenth annual intake of students, raising to 380 the number of managers who have followed this training cycle. In 2003, another milestone was reached in the implementation of executive

development programs with the launch, by Banque Fédérale des Banques Populaires, alongside the CPM courses, of a new "à la carte" management skills enhancement program, for senior executives interested in further developing their expertise. In addition, the "Liste d'Aptitude" training course for future executives has been relaunched, and the Chairmen and Chief Executive Officers of the Banque Populaire banks are offered monthly skills enhancement sessions. Lastly, on August 28 and 29, 2003, Banque Fédérale des Banques Populaires organized the first Group senior management seminar, attended by 300 executives, to help build a community of managers.

Training to extend the skills base

In today's rapidly changing banking industry, employees are constantly required to acquire new skills. On December 1, 2003, a major national agreement was signed ("*Emploi-Formation : vers une Gestion Prospective des compétences – GPC*") that will help to ensure that the Group's future skills needs are met.

The agreement reconciles the demands of the business with those of employees, by boosting current competence levels and developing the skill sets that will be needed in the future. The initial phase in the "GPC" skills planning strategy was completed in 2003 with the drawing up of new job classifications by Banque Fédérale des Banques Populaires. The next phase, which consists of rolling out

the classifications to all Group banks, is currently underway.

Ongoing professional training is another key aspect of human resources development policies. The Group budget for this type of training exceeds the legal requirement and in 2002, 75% of employees received at least one form of training.

The main focus of these plans is to enhance the selling skills of the sales force, to support the annual Marketing Action Plan. The areas covered include:

The areas covered include:

- "selling to personal banking clients": following the success of the Reference-Taking Kit, a new *CiblePatrimoine* course was launched, extending the range of training solutions to help build sales to the mass affluent clientele;

■ "selling to corporate clients": ten *CibleEntreprises* seminars were organized in 2003, and new training materials were developed to raise awareness among corporate client relationship managers of opportunities to cross-sell personal asset management products;

■ "selling to small businesses": in 2003, a further 143 sales people followed the *CibleProfessionnels* training cycle.

■ "selling to small businesses": in 2003, a further 143 sales people followed the *CibleProfessionnels* training cycle.

To support implementation of the Group's strategy, Banque Fédérale des Banques Populaires is partnering the banks' training drive in connection with the project to strengthen the member-stakeholder community, and the project to develop an internal credit rating system in preparation for the

implementation of Basle II. Banque Fédérale des Banques Populaires is also pursuing action to prevent money laundering, based on the recommendations of the industry federation, Fédération Bancaire Française. The Group's banks launched their new initiative to combat money laundering, corrupt practices and the financing of terrorism in October 2003, with the delivery of the first awareness-raising kit, as part of a campaign that will ultimately be extended to all employees.

In 2003, 159 employees passed the Institut des Techniques Bancaires exam, raising to 1,553 the total number of employees who have this banking diploma. All told, the Group sponsored 15% of the students who sat for the ITB diploma in 2003. Employees are actively encouraged to follow these vocational training courses as a means of extending their career opportunities.

Motivating compensation policies

Human Resources works with local managers to devise motivating compensation policies for staff.

Salaries

Average annual salaries within the Group are in line with market rates in the banking industry. As a general rule, 92% of an employee's compensation is fixed and the remainder is variable.

Salary increases depend largely on the policy of the individual banks, which have full responsibility for determining how they reward

individual and collective performance. Across-the-board pay rises are negotiated at industry or Group level taking into account the economic situation, overall pay levels and the competitive environment. In June 2003, a new Group-level salary agreement was signed with two trade unions (CFDT and CGT), granting all employees a permanent 1.2% pay rise, with a minimum of €340 and a maximum of €500.

Deferred compensation (profit-sharing, profit-based incentive bonuses, matching payments to employee stock ownership plans) represent a significant proportion of total compensation, in line with the policy launched in 2002 to gradually link part of each employee's compensation to individual and collective performance.

In 2002, deferred compensation represented an average of 28.6% of salary (see table 4, page 69).

Average deferred compensation per Group employee for 2002 amounted to €1,976 for the profit-related incentive bonus and €1,548 for profit-sharing.

Employee incentive plans

■ Profit-related incentive bonuses

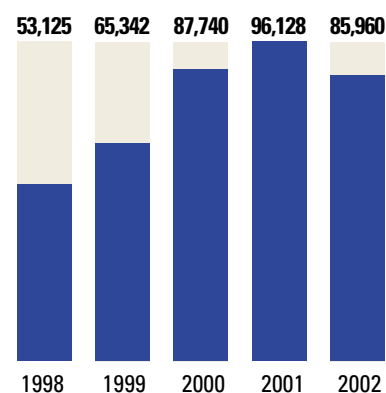
Profit-related incentive bonus schemes, profit-sharing schemes and employee stock ownership plans have been set up by substantially all of the Banque Populaire banks, Natexis Banques Populaires and most of its subsidiaries and Banque Fédérale des Banques Populaires.

All the profit-related incentive bonus schemes provide for the payment of incentive bonuses based on the results of the entities concerned. In the vast majority of cases, the calculation formula also takes into account market share gains and growth in return on equity. At the Banque Populaire banks, productivity (measured by the improvement in the cost/income ratio) and the quality of new business (measured by the decrease in provisions for loan losses and the number of client defaults) are also factored into the calculation. For more than half of the schemes, bonuses are paid only if a certain profitability objective is met. Depending on the bank, the trigger point may be expressed in terms of growth in gross operating income, the amount of undistributed income, growth in return on equity or other benchmarks.

The majority of funds earmarked for incentive bonuses are allocated by reference to each employee's salary. Only one Group entity pays the same bonus to all employees but many banks pay a combination of a flat bonus and a salary-based bonus, in varying proportions.

■ Incentive bonuses paid over the last five years

in € thousands



■ Profit-sharing

A large number of Group entities apply calculation formulas that are more generous than those prescribed by law. Some apply the alternative formula, others waive the 1/2 coefficient and yet others reduce the amount deducted from the calculation base in respect of return on equity. Some banks use an altogether different formula, basing profit-shares directly on taxable or book income.

■ Employee stock-ownership plans

Over 60% of employee stock ownership plans set up by Group entities are covered by agreements with employee representatives. Around fifteen entities only pay management costs on behalf of employees. The other entities also make matching payments, generally at different rates depending on the amount invested by employees. In some cases the entity fully matches contributions of less than €150 or €300. One half of Group employees are members of an employee stock ownership plan.

Employer-employee relations

Employer-employee relations are managed at industry level, at Group level and at the level of each Group entity.

Industry-level relations

As an associate member of the French Banking Association (Association des Banques Françaises – AFB), the Group participates in all industry-level surveys, technical

meetings and negotiations, as well as contributing at national level to the debate on proposed legislative changes.

Several industry-level agreements were signed in 2003, covering an increase in the minimum wage for bank employees, the creation of an interbank employee stock ownership plan for AFB-member banks with only a limited number of employees, and amendments to the training agreement for bank employees studying for the ITB (Institut des Techniques Bancaires) banking diploma.

Several industry-level work groups were set up to examine current national issues, such as the application of the industry-wide employment and training agreement, the protection of employees affected by bank restructurings, and the reform of the pension system.

The Group also submitted comments and suggestions concerning a certain number of proposed legislative changes, including a relaxing of the 35-hour week rules through the vote of an amendment designed to safeguard existing banking industry agreements, the new pensions law, and the bill on lifetime training and majority agreements.

Group-level relations

Within the Group, priority continued to be given to maintaining a healthy and constructive dialog with employee representatives.

Integrating the employees of newly-acquired companies is a recurring topic of discussion.

The many meetings held with employee representatives in 2003 led to the signature of agreements on staff mobility between the various Group entities, bank holiday working (Target and Stock Exchange calendars), salaries and the GPC employment and training plan to ensure that the Group's future skills needs are met.

The provisions of the Fillon Pensions Act were analyzed in detail and a major communications plan was organized to inform all human resources teams and employee representatives of the obligations and opportunities created by the reform. A “pensions” training program has also been launched, for Human Resources managers and the teams working directly beneath them.

Human Resources is also offering on-site advice at the request of the various Group entities, and a support structure has been established to help the banks audit their employment and employee relations practices, and set up good quality tools and procedures.

Relations at the level of the individual entities

Employee relations initiatives at the level of the Group's banks and non-banking entities were actively pursued in 2003. Numerous local agreements were signed, helping to maintain a healthy social climate.

The program of mergers between Banque Populaire regional banks continued without any job losses. For all of these mergers, the Group has provided support in managing employee relations and allaying the fears of the banks' employees.

Protecting the environment

In 2003, the Banque Populaire Group continued to partner clients in their environmental projects.

Financing to help protect the environment

French banks play a key role in promoting economic development by supplying the financing needed to prime the growth pump. The resources that they provide represent valuable levers to facilitate environmental initiatives. The Banque Populaire Group's contribution is embodied in *Prevair*, a low interest corporate loan to finance ecological investments by SMEs. Applications for the loan are reviewed by a committee of independent experts, based on a technical assessment of the project's ecological benefits.

Since 2002, auto repair shops have been offered the *prêt Express Socama environnement* counter-guaranteed by the European Investment Fund (EIF) to help cover the cost of complying with the new European regulations governing the disposal and recycling of old automobile parts and waste. For major renewable energy

projects, Group clients can obtain "Sofergie" (*Société de Financement des Economies d'Energie*) lease financing or structured finance from Natexis Banques Populaires, which specializes in energy projects.

The Coface Medium-Term department gives clients the benefit of the expertise acquired in managing State guarantees, by performing sustainable development analyses of foreign investment projects. Coface has drawn up a Quality Charter and obtained ISO references attesting to the reliability of its services. The company has also established guidelines setting out the environmental standards to be fulfilled by French companies seeking credit insurance for electricity generation, dam construction and oil and gas projects. The offer includes medium and long-term credit insurance written by Coface on behalf of the French State. In 2003, Coface examined over 120 projects, some of which required detailed environmental impact assessments. In some cases, insurance cover was granted only after the companies concerned had installed additional pollution control equipment or taken measures to protect biodiversity.

A low interest home loan for energy-efficient houses

New financing solutions have been developed to act as an incentive for people to make their own contribution to sustainable development. Banque Populaire d'Alsace played a pioneering role by introducing, in December 2003, the first low interest home loan for energy-efficient houses. Developed in partnership with the French environmental and energy efficiency agency, ADEME, the loan finances the construction or renovation of individual homes according to environmentally-sound principles. The initiative forms part of a broader, nationwide plan launched by MIES, an environmental agency, to promote the use of construction methods that help to limit the production of greenhouse gases.

The Group's banks have launched other cooperation initiatives with international institutions. For example, BRED Gestion is working with UNDP (United Nations Development Program) on a program for the adoption of a policy of financial support for the development of renewable energies in Morocco.

Crédit Coopératif underscores the Group's commitment to financing sustainable development through its

focus on financing the social economy and the environment. Environmental projects are financed through Société financière de la Nouvelle Economie Fraternelle (NEF). In addition, WWF (World Wildlife Fund) - France offers its supporters the opportunity to invest in the Codesol ethical fund.

Sustainable development investment products

The Group also contributes to protecting the environment by offering products specially tailored to the needs of investors interested in investing in sustainable development. In 2003, Natexis Asset Management expanded its range of sustainable development money market funds. These funds are eligible for inclusion in the portfolios of employee stock ownership plans and pension products. In private equity, Spéf-Venture, a subsidiary of Natexis Private Equity, which in turn is wholly-owned by Natexis Banques Populaires, supports EMERTEC, a fund dedicated to the environment and new technologies. In the social economy area, Crédit Coopératif is the reference shareholder of ESFIN-IDES, a private equity group specialized in ethical

investing, and also provides private equity capital to support the development of cooperatives, mutual insurance companies and associations operating in the social economy sector.

Environmentally-friendly facilities

The Group's commitment to the environment is not limited to product offerings and partnerships, it is also reflected in the choices made by its banks concerning their facilities. For example, to improve the thermal performance of their buildings, Banque Populaire du Sud-Ouest used ventilated wall technology for its headquarters in Bordeaux and Banque Populaire Atlantique clad the outside of its Nantes headquarters with a "breathing" wall.

Natexis Banques Populaires also opted for cutting-edge ecological solutions for the *Liberté 2* building currently under construction at Charenton-le-Pont in the Paris suburbs. The energy-efficient building, which includes a co-generation plant to power the heating system, will contribute to the drive to limit greenhouse gases.

> International commitments in favor of sustainable development

The Banque Populaire Group was one of the first French banking groups to have signed the Global Compact, starting with BRED Gestion in 1999, followed by Banque Populaire Nord de Paris in 2003, while Banque Populaire d'Alsace was the first French banking institution to sign the UNEP declaration "A Statement by Banks on the Environment and Sustainable Development" in 1996. Since 2003, all entities in the Banque Populaire Group are committed to complying with the Global Compact.

The nine principles of the Global Compact concern the protection of human rights, the application and promotion of ethical labor standards, and responsible environmental choices.

Patronage

Through its patronage activities, the Banque Populaire Group Foundation promotes the Group's values and supports the principles of sustainable development. The foundation was set up by Natexis Banques Populaires some ten years ago and now also receives funding from Banque Fédérale des Banques Populaires and all the Banque Populaire banks which also contribute to projects and help implement its initiatives.



The Group plays an active role in society, by nurturing talent, helping the disabled enter the world of work and protecting France's marine and aquatic heritage.

The Group's commitment to acting as a responsible corporate citizen takes shape through the Foundation in the form of funding for cultural activities, the disadvantaged members of the population and the protection of the natural heritage. The philosophy governing the choice of causes is the same as that applied in all of the Group's activities – putting people first and making a long-term commitment. For example, the Foundation supports young musicians during the three critical years between the completion of their studies and the launch of their career as a soloist or a member of a leading orchestra. Its assistance for the disabled is designed to help them enter professional life, while its action to protect marine and aquatic life will aim to ensure that endangered species survive to be appreciated by future generations.

In 2003, the Foundation was particularly active in all three areas. The most recent area of intervention is the enhancement and conservation of marine and river species and plants. In this area, the Foundation will support initiatives to rehabilitate lakes, water management structures and water use equipment, renovate historic vessels, create specialist museums,

and sponsor artistic, research and educational initiatives related to water.

In October 2003, the Foundation appointed the jury responsible for selecting projects. Made up of representatives from Ifremer, the Conservatoire de l'Espace Littoral et des Rivages Lacustres, Crédit Maritime Mutuel and academia, as well as other specialists, the jury will present its initial selections during 2004.

Under a partnership agreement with the Eric Tabarly Association, in September 2003, the Group will participate in maintaining the seaworthiness of the boats formerly owned by Eric Tabarly, a world famous French yachtsman who drowned in 1998. It will thus contribute to the history of major sailing races and innovative projects. The Foundation continued to assist the disabled by supporting 19 individual projects in the areas of professional training, business start-ups, higher education, participation in handisports and in artistic activities. The Foundation has been supporting talented young musicians for many years, some of whom are now moving to center stage, including prize winners at last year's *Victoires de la Musique*. In 2003, it supported 17 new young musicians, including pianists, string quartets, double base players, violinists, alto-violinists, saxophonists, guitarists and composers.

Sponsoring

The Banque Populaire Group has been a long-standing supporter of sailing at all levels, from helping to train the youngest participants in all forms of the sport to partnering the Olympic team and sponsoring the trimaran that bears its name.

As the official partner of the French sailing federation (FFVoile) since 2000, the Group is co-financing the development of a new category of catamarans, known as Tykas, for young sailors aged between 12 and 15. The fleet of Banque Populaire Tykas now numbers some 154 boats, used by sailing clubs along the French coast and on inland lakes. Last year, the Group purchased over 1,000 sails and 5,000 life-jackets for around 587 French sailing schools. At the other end of the spectrum, the Group sponsors high level competitions organized by FFVoile and also partners the French Olympic sailing teams.

Reflecting the Group's fundamental values, including its commitment to remaining close to its clients and member-stakeholders, sponsoring

activities have been actively rolled down to all the Banque Populaire banks, which have launched their own initiatives and provided backing for numerous local and regional sailing competitions. These initiatives serve as a reminder to everyone dreaming of taking to the sea that the Banque Populaire Group offers a comprehensive range of financing and insurance products for sailors, backed by a wealth of expertise.

Illustrating the values of skill and tenacity that are the Group's hallmarks, in 2003 the Banque Populaire trimaran continued to plot a course enhanced by many competition successes. Taking 2nd place in the Mondial Assistance challenge, 6th place in the Jacques Vabre transatlantic yacht race and 4th place in the Orma world championship, skipper Lalou Roucayrol has helped to keep the Banque Populaire name in the headlines since the trimaran first took to the sea in April 2001.



The Banque Populaire Group has been a familiar name in the sailing world for the last fourteen years. It has become one of the sport's leading sponsors, encouraging people of all ages and from all walks of life to take the helm.



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Management report

Group overview in 2003

All Group businesses reported higher earnings in a persistently difficult environment.

The local retail banking business – corresponding essentially to the 21 Banque Populaire regional banks, Crédit Coopératif, CASDEN Banque Populaire, SBE and Crédit Maritime Mutuel – continued to combine sustained business growth with robust financial performance.

The financing, investment banking, services, credit insurance and credit management businesses – organized around Natexis Banques Populaires – also reported significantly improved results.

Changes in Group structure

The main changes in Group structure compared with 2002 were as follows:

■ Local retail banking

– entry in the Group of Crédit Coopératif. By decision of its Extraordinary General Meeting on January 30, 2003, Crédit Coopératif adopted the legal status of "société anonyme coopérative de banque populaire à capital variable", thus becoming a Banque Populaire bank and a new component of the consolidating entity;

– entry of Crédit Maritime Mutuel. As provided for in Art. 93 of the Financial Security Act (Act no. 2003-706) of August 1, 2003, Banque Fédérale des Banques Populaires has become Crédit Maritime Mutuel's central body;

– additional mergers of Banque Populaire regional banks to create more powerful and more competitive banks in their regions, better able to partner all their clients. On May 13, 2003, by decision of their respective General Meetings, Banque Populaire Centre-Atlantique (Niort) and Banque Populaire du Centre (Limoges) were merged to form Banque Populaire Centre Atlantique. In the second half of the year, by decision of their respective General Meetings held on September 23 and 30, 2003, the two banks serving the Alsace region, Banque Populaire du Haut-Rhin (Mulhouse) and Banque Populaire de la Région Economique de Strasbourg, were merged to form Banque Populaire d'Alsace;

– acquisition of four credit institutions in the French overseas departments from Agence Française de Développement, in December 2003: Sodema in Martinique, Sodega in Guadeloupe, Sofideg in Guyana and Sofider in Réunion. Due to the timing of their acquisition, these banks did not make any contribution to 2003 income.

■ Natexis Banques Populaires

The changes in scope of consolidation that impacted the 2003 accounts corresponded mainly to the full-year contributions of companies acquired in the second half of 2002:

– following the acquisition of 98% of Coface by Natexis Banques Populaires during the second half of 2002, Coface has been fully consolidated over the full twelve months of 2003 and the last six months of 2002, and accounted for by the equity method in the first half of 2002;

– Natexis Bleichroeder Inc., a New York-based equity brokerage company, and CrédiFrance Factor (Banque du Dôme), a French factoring company, were acquired at the end of 2002 and therefore did not make any contribution to results for that year.

■ Year-on-year comparisons

Unless otherwise specified, year-on-year changes in this report are based on reported data and therefore include the effects of changes in Group structure. However, to facilitate comparisons, 2002 figures have been restated on a pro forma basis where necessary to include Crédit Coopératif, Crédit Maritime Mutuel, Coface, Natexis Bleichroeder Inc. and CrédiFrance Factor as if they had joined the Group on January 1, 2003 (see Notes 69 and 70 to the consolidated financial statements).

Business and results overview

	12/31/2003	12/31/2002	% Change	% Change on a comparable structure basis
in millions of euros				
Net banking income	7,066	5,748	23	13
Operating expenses, depreciation and amortization	(4,796)	(4,137)		
Gross operating income	2,270	1,611	41	34
Provisions for loan losses and country risks	(565)	(513)		
Operating income	1,705	1,098	55	48
Income from companies accounted for by the equity method	11	3	-	-
Gains and losses on disposals of fixed assets	19	42	-	-
Income before exceptional items and tax	1,735	1,143	52	44
Exceptional items	(23)	(45)	-	-
Corporate income tax	(544)	(405)	-	-
Amortization of goodwill	(17)	47	-	-
Net charge to fund for general banking risks (b)	(169)	(118)	-	-
Minority interests	(129)	(90)	-	-
Net income (a)	853	532	60	52
Earnings capacity (a) + (b)	1,022	650	57	50

Net banking income

Consolidated net banking income totaled €7,066 million in 2003, an increase of 23% over 2002. On a comparable structure basis, the increase was 13%. Local retail banking contributed €4,265 million, Natexis Banques Populaires €2,408 million and Banque Fédérale des Banques Populaires €33 million.

This strong showing reflects the following developments:

- the local retail banking business enjoyed strong growth momentum. Net banking income rose 14% to €4,625 million, representing around 66% of the consolidated total:

- the interest margin amounted to €2,748 million, representing 59% of the total. The 12% increase compared with 2002 was primarily attributable to higher volumes, which offset a slight erosion of the margin rate due to lower interest rates;
- net customer fee and commission income rose 11% to €1,550 million, reflecting increased service activity and payment media processing volumes, which offset lower securities trading fees. Fee and commission represented 34% of net banking income, unchanged from 2002. On a comparable structure basis, the increase was 6%;
- net banking income from other businesses amounted to €327 million (7% of net banking income), consisting essentially of capital markets revenues generated by BRED Banque Populaire.

- Natexis Banques Populaires net banking income rose by a strong 38% to €2,408 million (19% gain on a comparable structure basis). The contribution of the core businesses was €2,362 million, an increase of 11% excluding changes in Group structure:

- the Financing business enjoyed sustained 9% growth on a comparable structure basis, reporting net banking income of €968 million. The contribution of Corporate and International Banking expanded by a strong 17% to €776 million excluding the dollar effect, reflecting robust performance by the structured finance and commodity financing businesses. Weighted average outstanding loans were reduced by 13% over the period. Net banking income from Specialized Financing inched up a comparable 1% to €192 million, with growth in lease financing offsetting a small decline in factoring revenues;
- Investment banking rebounded, with net banking income up a comparable 9% to €304 million. Capital Markets net banking income remained flat compared with 2002 on a comparable structure basis, but rose 60% on a reported basis. The origination, sales and trading (treasury and fixed income products) businesses performed well. In equity derivatives, priority was given to reducing risks. The equity brokerage business continued to be penalized by low volumes but the bank strengthened its position in the primary market and in public offers. Private Equity significantly increased its contribution, thanks to a very good second half. Unrealized gains at December 31, 2003 totaled €203 million, €54 million more than at the previous year-end;
- Services net banking income amounted to €602 million, an increase of 6% on both a reported and a comparable structure basis. In the Banking, Financial and Technology Services business line, financial services revenues were adversely affected by the bank's withdrawal from certain

businesses that were not sufficiently profitable. The value of securities held in custody expanded 13% over the year to €364 billion. Banking services turned in a very good performance. All told, the Services business line's contribution to net banking income contracted by 5%. The Asset Management and Insurance business line increased its contribution by 15%, reflecting robust performance by the fund management, employee savings and insurance businesses. Assets under management totaled €80.6 billion at December 31, 2003, up 11% over the year-earlier figure;

- Coface's contribution to net banking income (calculated on an equivalent basis) rose by a very strong 23% to €488 million. Credit insurance premium income climbed 13% and the more selective underwriting policy adopted in 2002 led to an improvement in the loss ratio, which significantly boosted net banking equivalent. Credit management services revenues also increased compared with 2002.

Operating expenses and cost/income ratio

Operating expenses amounted to €4,796 million versus €4,137 million in 2002. The 2003 total breaks down between €2,794 million in payroll costs, up 17%, and €2,002 million in general operating expenses, including €305 million in depreciation and amortization expense. Changes for the year were as follows:

- local retail banking operating expenses rose a comparable 6.5% to €3,084 million, reflecting the Group's drive to expand the business. Cost increases were attributable to:
 - ongoing investment to expand the network. A total of 106 branches were opened during the year by the Banque Populaire banks, raising the total to 2,605 (including 97 Crédit Coopératif branches and 153 Crédit Maritime Mutuel branches);
 - continued rationalization of information systems around the informatique-Banque Populaire (i-BP) platform, and additional mergers of Banque Populaire regional banks.
- Natexis Banques Populaires operating expenses increased by a very modest 1% on a comparable structure basis. The major post-merger projects have now been completed, paving the way for a sharp reduction in the use of outside contractors, as well as in information systems and logistics costs.

Organic growth fueled a sharp rise in employee numbers to 43,224 full-time equivalents at December 31, 2003 from 39,223 at the previous year-end. Acquisitions led to a 2,445-person increase, including 1,486 Crédit Coopératif employees and 959 Crédit Maritime Mutuel employees. At Natexis

Banques Populaires, employee numbers were unchanged from December 31, 2002 figure. In addition, completion of information systems convergence projects led to a reduction in the use of external personnel.

The local retail banking cost/income ratio improved by 0.3 points to 66.7%. On a comparable structure basis, the decrease was 0.8 points.

Provisions for loan losses and operating income

Provisions for loan losses came to 565 million. The increase of 6% on a comparable structure basis reflects the Group's consistently conservative provisioning policy and is explained by:

- the robust risk coverage policy implemented by the Banque Populaire banks. Specific provisions for loan losses represented 71% of non-performing loans at December 31, 2003. Provisions for loan losses recorded during the year amounted to €354 million versus €320 million in 2002;
- a significant increase in general provisions at Natexis Banques Populaires. Provisions for loan losses booked in 2003 totaled €211 million, including:
 - €148 million in net charges to specific provisions, down 33% compared with 2002;
 - €63 million in net charges to general provisions, corresponding to:
 - €3 million net released from provisions for country risks – reducing the balance to €139 million – due mainly to lower outstanding loans;
 - €7 million net released from provisions for industry risks, also due to lower outstanding loans. At December 31, 2003, provisions for industry risks amounted to €100 million, representing 26% of total general provisions. Releases of other provisions for industry and country risks amounted to €17 million, reflecting the currency effect related to the fall in the dollar;
 - €90 million in addition to provisions for potential losses arising from major European corporate failures.

All told, the net charge for the year represented 0.41% of risk-weighted loans, more or less unchanged compared with 2002.

Operating income grew 55% to €1,705 million and income before exceptional items and tax rose 52% to €1,735 million.

Net income

Income before exceptional items and tax totaled €1,735 million versus €1,143 million in 2002. The 52% increase (44% comparable) takes into account:

- a €12 million contribution from companies accounted for by the equity method, compared with €3 million in 2002. The inclusion of Crédit Coopératif subsidiaries added €3 million to local retail banking income and Assurances Banque Populaire-IARD contributed €3 million to Natexis Banques Populaires income;
- net gains on disposals of fixed assets of €19 million versus €42 million in 2002.

Exceptional items represented a net expense of €23 million compared with €45 million in 2002. The costs arose mainly in connection with the mergers of Banque Populaire regional banks.

Corporate income tax climbed 34% to €544 million from €405 million in 2002.

In 2003, €169 million were transferred to the fund for general banking risks, an increase of €50 million over 2002. The total included a €73 million transfer to the regional mutual guarantee fund set up under the Group's internal guarantee mechanism.

Amortization of goodwill amounted to €17 million. Impairment tests performed on goodwill, using the discounted cash flows method, led to the recognition of a €16.7 million impairment charge included in the €17 million total.

Minority interests stood at €129 million versus €89 million in 2002, corresponding essentially to minority interests in Natexis Banques Populaires which is 75.34%-owned by the Group.

Net income for the year came in at €853 million, an increase of 60% over 2002 including 52% growth on a comparable structure basis.

Shareholders' equity and capital adequacy ratio

In 2003, the Group continued to strengthen its capital base. Total regulatory capital expanded 15% to €15.7 billion, including Tier One capital of €12.2 billion, up 17%. The Tier One ratio stood at 8.9% at December 31, 2003 versus 8.2% one year earlier.

Regulatory capital and international capital adequacy ratio

In millions of euros	12/31/2003	12/31/2002	% Change
Tier One capital	12,217	10,419	17.3
Total regulatory capital	15,666	13,624	15.0
Credit risks	130,949	121,047	8.2
<i>Capital requirement to cover credit risks</i>	<i>10,476</i>	<i>9,684</i>	<i>8.2</i>
Market risks	5,708	5,486	4.1
<i>Capital requirement to cover market risks</i>	<i>457</i>	<i>439</i>	<i>4.1</i>
Total consolidated risks	136,658	126,533	8.0
<i>Total capital requirement</i>	<i>10,933</i>	<i>10,123</i>	<i>8.0</i>
Capital adequacy ratios	12/31/2003	12/31/2002	Change
Tier One ratio	8.9%	8.2%	0.7
Total ratio	11.5%	10.8%	0.7

At December 31, 2003, the Group's Tier One capital totaled €12.2 billion, up 17.3% over the year-earlier figure. The strong increase reflects the inclusion of income for the year and the following movements:

- in local retail banking, changes in scope of consolidation (inclusion of the retained earnings of Crédit Coopératif and Crédit Maritime Mutuel, and recognition of negative goodwill on four credit institutions operating in the French overseas departments), higher net sales of shares in the Banque Populaire banks to member-stakeholders

(the number of member-stakeholders increased by 250,000 in 2003 to 2,450,000 at the year-end), and a net increase in the fund for general banking risks;

- at Natexis Banques Populaires, the issuance of \$200 million worth of preferred stock placed by the private asset management business in Europe, Asia and the Middle East. The stock qualifies as Tier One capital because it does not include a 10-year step-up. Inclusion of preferred stock was partly offset by negative translation adjustments related essentially to the fall in the dollar.

Tier Two capital rose 7.6%, reflecting subordinated debt issues of €203 million by Banque Fédérale des Banques Populaires and €400 million by Natexis Banques Populaires. The proceeds from these issues were used to repay other debt and, after deducting new securities corresponding to the initial losses on the IGLOO2 synthetic securitization launched during the year on a notional amount of €2 billion.

Including Tier Three capital and net of deductions, total risk asset ratio capital amounted to €15.7 billion, up 9% on 2002.

Risk-weighted assets grew by a strong 8% over the year, to €137 billion from €127 billion in 2002:

- local retail banking risk-weighted assets rose 20%, including 10% growth on a comparable structure basis;
- risk-weighted assets at Natexis Banques Populaires contracted by just under 8%, after taking into account the IGLOO2 synthetic securitization.

Between 2002 and 2003, the Group's Tier One ratio improved by 0.7 points to 8.9%, and the total international capital adequacy ratio rose to 11.5% from 10.8%. The European capital adequacy ratio (CAD) stood at 149% versus 140%.

Return on equity

Return on equity (earnings capacity)	12/31/2003	12/31/2002	Change
ROE (1)	14.6%	9.2%	+ 5.4 pts
in millions of euros			
Adjusted net income (current year) (2)	1,039	595	74.6%
Adjusted shareholders' equity (prior year) (3)	7,110	6,497	9.4%

(1) Current year earnings capacity / Prior year shareholders' equity

(2) Earnings capacity – net amortization of goodwill

(3) Shareholders' equity (excl. fund for general banking risks) + Goodwill (negative – positive)

Earnings capacity, corresponding to net income before transfers to the fund for general banking risks, rose 57%

(50% comparable) to €1,022 million. ROE, based on earnings capacity, reached 14.6%, a 5.4-point increase over 2002.

Liabilities

Customer deposits

in millions of euros	12/31/2003	12/31/2002	% Change
Private deposits	45,653	40,631	12.4
Demand deposits	9,612	9,061	6.1
Special savings accounts	34,273	29,402	16.6
Time deposits	1,768	2,168	(18.5)
Corporate deposits	32,652	27,080	20.6
Demand deposits	25,763	19,961	29.1
Time deposits	6,889	7,118	(3.2)
Retail certificates of deposit and savings bonds	11,214	15,449	(27.4)
Total customer deposits (1)	89,519	83,160	7.6
<i>O/w demand deposits</i>	<i>35,375</i>	<i>29,022</i>	<i>21.9</i>
<i>O/w special savings accounts</i>	<i>34,273</i>	<i>29,402</i>	<i>16.6</i>
<i>O/w time deposits</i>	<i>8,657</i>	<i>9,286</i>	<i>(6.8)</i>
<i>O/w retail certificates of deposit and savings bonds</i>	<i>11,214</i>	<i>15,449</i>	<i>(27.4)</i>

(1) Excluding repurchase agreements

Customer deposits increased by 8% to €90 billion, including €5.7 billion contributed by Crédit Coopératif and Crédit Maritime Mutuel.

Demand deposits grew 22% to €35 billion and deposits in special savings accounts rose 17%, offsetting the 7% decline

in time deposits and the 27% drop in retail certificates of deposit and savings bonds.

Off-balance sheet savings products

In billions of euros	12/31/2003	12/31/2002	% Change
Life insurance	22.5	20.2	11.4
Employee savings plans	11.7	10.2	14.7
Mutual funds	50.0	41.2	21.4
Other	5.9	5.5	7.3
Total off-balance sheet savings products	90.1	77.1	16.9

At December 31, 2003, off-balance sheet savings products represented assets under management of €90.1 billion (including €4.9 billion for Crédit Coopératif and Crédit Maritime Mutuel), an increase of 17% over the year.

Life insurance portfolios expanded by 11% to €22 billion and mutual fund assets by 21% to €50 billion (including €4.5 billion in assets managed by Crédit Coopératif and Crédit Maritime Mutuel).

Natexis Interépargne, the Group's employee savings plan subsidiary, reported a 15% increase to €11.7 billion in the value of assets under management, confirming its market leadership in France.

Total managed savings

Out of total managed savings of €180 billion, up 12% (including 6% growth attributable to the inclusion of Crédit Coopératif and Crédit Maritime Mutuel), on-balance sheet products represented 49.8% and off-balance sheet products 50.2%.

Assets

Customer loans

in millions of euros	12/31/2003	12/31/2002	% Change
Private loans	40,711	35,044	16.2
Short-term loans	7,192	6,821	5.4
Home loans	33,519	28,223	18.8
Corporate loans	62,536	56,214	11.2
Short-term loans	26,078	24,899	4.7
Equipment financing (1)	36,458	31,315	16.4
Other loans	9,776	10,544	(7.3)
Total customer loans (2)	113,023	101,802	11.0

(1) Including lease financing

(2) Excluding resale agreements

Outstanding customer loans grew 11% to €113 billion. Excluding Crédit Coopératif, Crédit Maritime Mutuel and the four banks acquired in the French overseas departments, the increase was 4.5%.

Corporate loans – including loans to small businesses – expanded 11% to €62.5 billion. In line with Group strategy, the local retail banking business was particularly active in the personal banking market, recording a 16% increase in private loans to €40.7 billion. Excluding the retail banks consolidated for the first time in 2003 (Crédit Coopératif, Crédit Maritime Mutuel and the four banks acquired in the French overseas departments) the growth rates were 2.5% and 12.5%, representing a respectable performance.

Other assets

Interbank and money market assets rose 8% to €53.4 billion, primarily reflecting a €6 billion increase in repo transactions with financial sector clients. The fixed and variable income portfolios contracted to €22.4 billion, insurance company investments grew 12% to €23.4 billion, while investments in affiliates and other securities held for investment declined by just 1% to €2.1 billion.

International financial reporting standards (IFRS)

A Group project

At its meeting on October 22, 2003, the Board of Directors of Banque Fédérale des Banques Populaires decided that the consolidated financial statements of the Banque Populaire Group would be presented in accordance with IFRS as from January 1, 2005. This voluntary decision was made despite the fact that the Group is not listed on the stock exchange, in the interests of transparency and to permit the Group accounts to be compared with those of other European

financial institutions. The first set of IFRS consolidated financial statements will concern the six months ending June 30, 2005.

The IFRS project was launched in September 2002, immediately following publication of the European regulations requiring listed companies to switch to the new standards in 2005. It is being conducted jointly with the Natexis Banques Populaires IFRS project. The period from September 2002 to January 2003 was devoted to reviewing the new standards and assessing their impact on the Group accounts. Detailed analyses were then performed between February and November 2003, and the project is now in the implementation phase.

The work performed to date has consisted of:

- identifying the differences between French Gaap and IAS/IFRS, for each core business;
- assessing the impact of applying IFRS on accounting systems and upstream application;
- preparing general systems specifications and estimating the workload in each area;
- launching, at the beginning of 2004, the necessary IT systems developments;
- selecting a consolidation system that provides a detailed audit trail between company financial statements prepared according to local Gaap and the consolidated financial statements prepared according to IFRS. The choice of system contributed to the drive to improve internal control and analyze in detail the accounting and financial impacts of the switch to IFRS;
- organizing comprehensive training sessions across the entire Group, to be stepped up in 2004.

Main differences between IFRS and French Gaap

The following description of the main identified differences between French Gaap and IFRS only concerns the standards adopted by ARC (the European Accounting Regulatory Committee) on July 16, 2003. No account has been taken of the proposed standards on financial instruments (IAS 32 and IAS 39), the exposure drafts currently under discussion or the proposed revisions to existing standards.

- **Customer transactions:** according to the amortized cost method recommended in IAS 18 and IAS 17 (leases), interest on loans and borrowings is recognized on the basis of the effective rate, taking into account related revenues and expenses (mainly commissions) received or paid at the transaction's inception. Application of these standards is expected to have the effect of reducing shareholders' equity by the amount of commissions taken to the income statement in the years prior to 2004, which will be required to be recognized over the lives of the loans.
- **Employee benefit obligations:** employee benefit obligations currently recognized in liabilities will be reviewed based on IAS 19. This standard requires benefit obligations to be stated at fair value and also stipulates the actuarial assumptions to be applied, including for application of the corridor method.
- **Property and equipment and intangible assets:** application of IAS 16 and IAS 36 will lead to an adjustment of the depreciation and amortization recorded prior to January 1, 2004. According to these standards, fixed assets must be broken down into cash generating units for the purpose of calculating depreciation and amortization. The adjustments will be charged to opening shareholders' equity at January 1, 2004. The Group has not yet decided whether to value buildings used in the business and investment properties at fair value, as provided for in IAS.
- **Provisions and fund for general banking risks:** the fund for general banking risks carried in the balance sheet at December 31, 2003 will be written off against shareholders' equity in the opening IFRS balance sheet at January 1, 2004, in accordance with IAS 30. Application of this standard may also lead to the recognition of provisions to cover potential liabilities associated with home savings accounts and other regulated savings accounts. Any such provisions would also be charged to opening shareholders' equity at January 1, 2004. The Group is awaiting publication of guidelines by the French accounting authorities (CNC) before making a final decision.
- **Scope of consolidation and consolidation adjustments:** Based on the current version of IAS 27, units in dedicated funds held by the insurance subsidiaries and certain minority interests held in the Group's private equity portfolios

will have to be consolidated. Application of this standard would also lead to negative goodwill being reclassified in shareholders' equity. Positive goodwill will no longer be amortized but will be subject to annual impairment tests.

Risk management

Risk management organization

The Group is exposed to four main categories of risks:

- credit risks arising from customer transactions;
- market risks arising from capital markets transactions;
- interest rate, currency and liquidity risks, arising from retail banking transactions;
- operational risks.

In accordance with standard CRBF 97-02, each bank has set up risk management and monitoring structures that are independent from operating units. All Group banks have also set up their own systems of exposure limits and decision-making procedures, complying with the rules established at Group level, as set out in the credit risk manual approved in September 2002 and the interest rate and liquidity risk manual approved in April 2003.

Each bank's risk policy is determined by the bank's senior management and approved by its Board of Directors. The banks are also responsible for exercising continuous control over risks, in accordance with the rules laid down by the Board of Directors of Banque Fédérale des Banques Populaires – dealing in particular with the role of the Audit and Group Risks Committee – and by the banking regulator. The Group's central body is responsible for assessing risk policies and management procedures according to standard principles and criteria. Risks are monitored at Group level, as follows:

- Banque Populaire banks, on a consolidated basis;
- Banque Fédérale des Banques Populaires subsidiaries on a consolidated basis;
- Crédit Maritime Mutuel on a consolidated basis (once the bank has been fully integrated in the risk management system).

In addition to this consolidated risk monitoring system, the Audit and Group Risks Committee (CARG) performs monthly assessments of material individual exposures at Group level or at the level of individual banks. Responsibility for performing file reviews and the credit rating process may be delegated to the Banque Fédérale des Banques Populaires Risk Control Department.

All Group entities are informed of the decisions made by the Audit and Group Risks Committee.

Risk diversification represents a fundamental risk management rule and is governed by external and internal guidelines.

Each bank has internal risk concentration limits which are lower than the limits authorized under banking regulations.

The organization of risk monitoring and control procedures is described in the "Chairman's Report on Internal Control Procedures" included in this annual report.

Portfolio analysis

In 2003, a number of developments impacted the credit risk environment.

In France, the economy only just avoided slipping into recession. Economic conditions in the rest of Europe and worldwide were similarly gloomy and only the low interest rates and fairly buoyant consumer spending prevented a wave of corporate failures.

All told, despite some resounding corporate failures and a difficult market, the banking industry held up reasonably well in the unfavorable environment of the last four years. The Banque Populaire Group turned in a particularly resilient performance, thanks to its strong risk management culture and the increasing diversification of commitments.

In the credit market, although risk premiums for both corporate and sovereign loans increased across the board (while remaining below their early-2001 levels), volatility remained high. This helped to create strong momentum in the credit derivatives market, driven in part by the growing appetite for these instruments among non-banking players such as hedge funds and insurance companies.

■ Total risks

In billions of euros	12/31/2003	12/31/2002
Interbank and money market assets	53.4	49.4
Customer loans	111.8	98.9
O/w customer overdrafts	9.4	7.9
O/w commercial loans	3.4	3.1
O/w factoring receivables	1.9	1.9
O/w other customer loans	94.1	84.0
<i>Export loans</i>	1.2	2.0
<i>Short-term loans and consumer loans</i>	18.2	18.6
<i>Equipment loans</i>	28.4	23.9
<i>Home loans</i>	33.5	28.2
<i>Other customer loans</i>	12.7	11.3
O/w accrued interest and suspense accounts	1.2	1.0
O/w non-performing loans, net of provisions	1.7	1.5

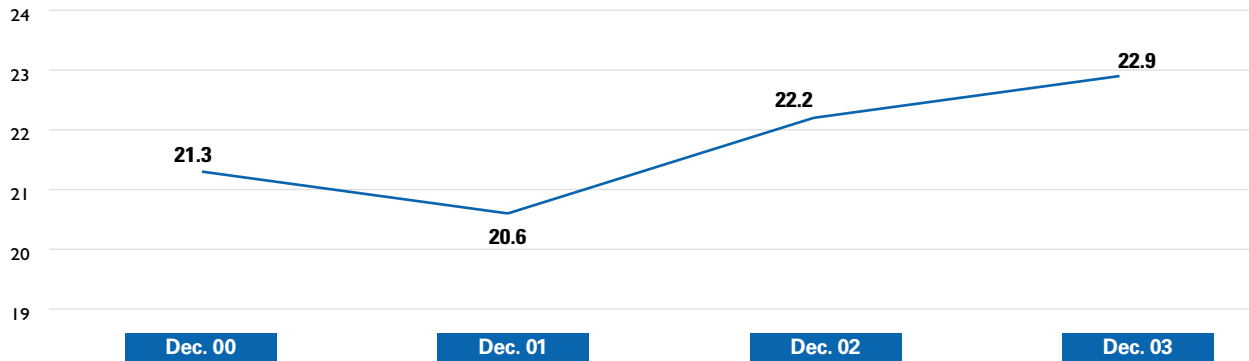
Total outstanding loans increased in 2003. Interbank loans grew at a slower rate than customer loans.

In billions of euros	12/31/2003	12/31/2002
Guarantees given	18.0	19.0
Guarantees given to credit institutions	2.1	2.0
Guarantees given on behalf of customers	15.8	16.9
Financing commitments given	31.7	29.0
Financing commitments given to credit institutions	2.7	3.7
Financing commitments given to customers	29.0	25.3

Financing commitments given to customers increased slightly, while other commitments and guarantees declined, reflecting the overall drive to contain risks.

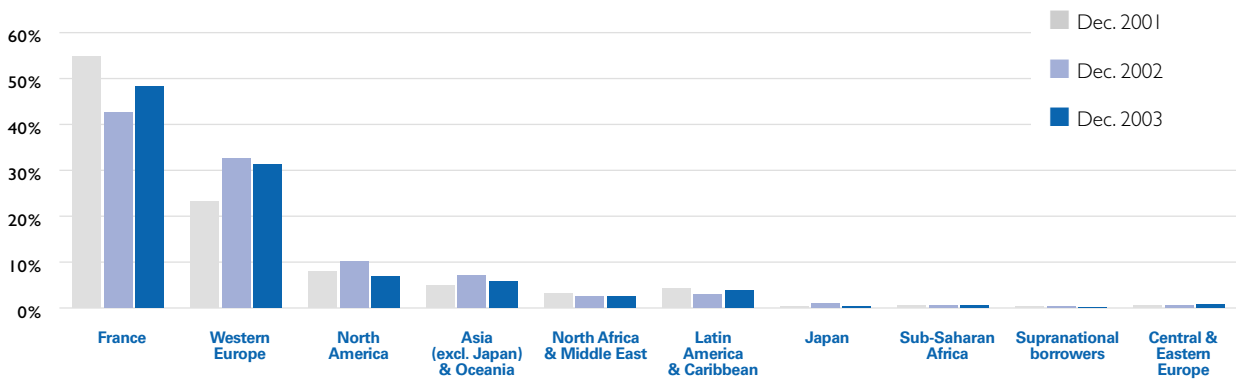
■ Interbank risks

Change in outstanding loans and utilized commitments to credit institutions (in billions of euros)



Growth in outstanding loans and utilized commitments to credit institutions slowed in 2003 to 3.1% from 7.7% in 2002.

Interbank counterparties by country*

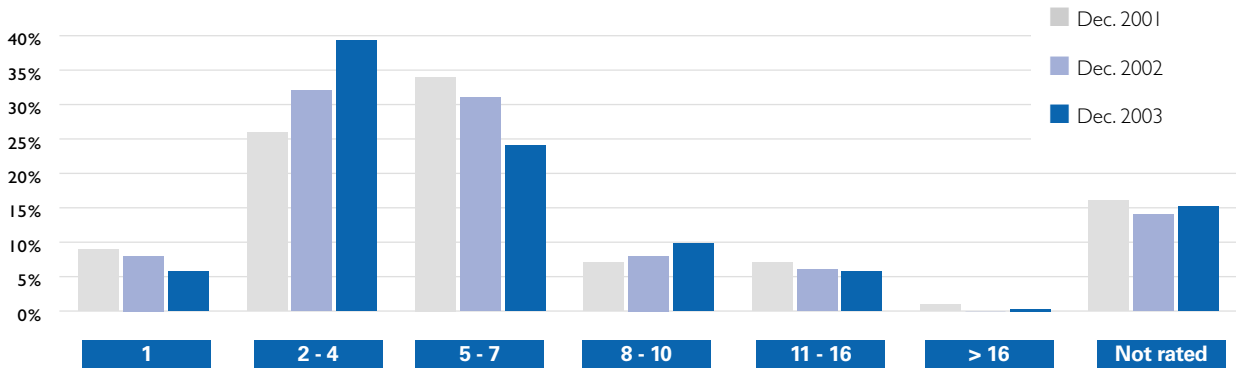


* Balance sheet commitments + guarantees + confirmed, undrawn lines of credit + risk exposure on repos + market value of derivatives

Counterparties include a large number of banking institutions in OECD countries. The weighting of French counterparties inched up to 48% from 42% in 2002, partly due to the inclusion of Crédit Coopératif's interbank assets. Loans and

commitments to foreign banks concern the leading banks in each country, 79% of which are rated investment grade. The concentration of risks has remained fairly stable.

Change in interbank commitments by credit rating



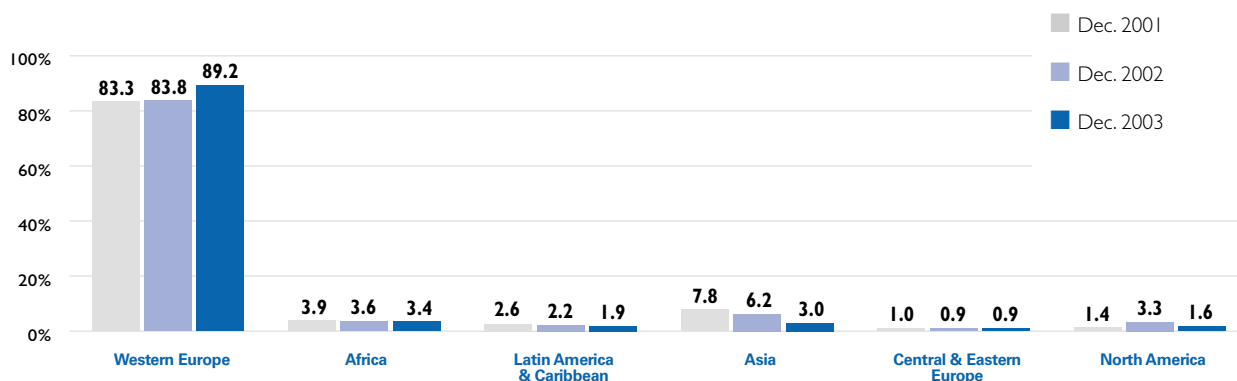
The overall situation of the global banking industry improved in 2003, after a difficult year in 2002. Banking counterparties rated AA or equivalent (2-4) continue to represent the largest category.

■ Sovereign risks

Sovereign risk corresponds to the risk of a government (and/or central bank) being unable to honor its debts. Sovereign borrowers almost never default on their loans;

instead, they initiate negotiations with lenders, frequently leading to the waiver of interest and/or of part of the outstanding principle.

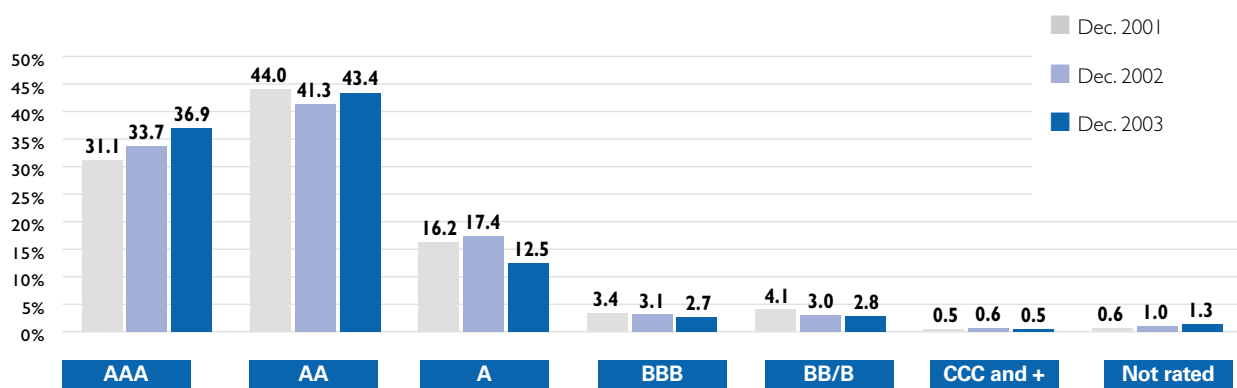
Sovereign risks by geographic area



Nearly 90% of the Group's sovereign loans concern Western Europe and the increased weighting of this region has led to a relative decrease in risks in the other regions. Africa now

represents only 3.4% of the total, and Latin America – where the risks are greater – accounts for just 1.9%. Commitments in Asia and North America have also declined.

Change in sovereign loans by credit rating



Exposures to non-investment grade sovereign borrowers represent only 3.3% of the total, reflecting the Group's marginal exposure to foreign sovereign risks.

■ Customer risks

Breakdown by industry

Industry	Commitment 12/03		Commitment 12/02		% change 2003/2002
	€ thousands	%	€ thousands	%	
Real estate	14,419,048	17.2	11,587,582	14.7	24.4
Finance & Insurance	6,510,355	7.8	7,967,487	10.1	(18.3)
Construction & Public Works	5,930,434	7.1	4,687,102	6.0	26.5
Services	5,640,598	6.7	5,352,084	6.8	5.4
Retailing	6,646,968	7.9	6,113,609	7.8	8.7
Basic Industries	5,187,631	6.2	5,580,829	7.1	(7.0)
Food	4,879,208	5.8	4,671,634	5.9	4.4
Mechanical & Electrical Engineering	4,797,426	5.7	4,592,814	5.8	4.5
Consumer Goods	4,502,865	5.4	4,919,600	6.3	(8.5)
Transport	3,595,444	4.3	3,517,678	4.5	2.2
Holding Companies & Diversified	3,461,779	4.1	3,581,859	4.6	(3.4)
Unallocated	3,066,180	3.7	1,285,170	1.6	138.6
Pharmaceuticals & Healthcare	2,867,310	3.4	2,476,194	3.2	15.8
Tourism – Hotels – Restaurants	2,774,061	3.3	2,540,676	3.2	9.2
Communications	2,675,256	3.2	2,468,194	3.1	8.4
Technology	2,620,915	3.1	2,976,859	3.8	(12.0)
Government	2,106,373	2.5	1,255,357	1.6	67.8
Utilities	1,394,083	1.7	2,032,015	2.6	(31.4)
Energy	788,432	0.9	995,680	1.3	(20.8)

Source: Banque de France risk reports (reported commitments > €76,000)

Industry segments have been redefined in connection with the Basel II project, in order to analyze the Group's commitments in more detail. Changes in 2003 compared with 2002, according to the new basis, are generally fairly limited. The real estate sector is still at the top of the

list. Half of the related loans are to "SCI" non-trading real estate companies. The inclusion of Crédit Coopératif and its BTP Banque subsidiary had the effect of lifting the construction and public works industry from 7th to 3rd place.

Concentration by borrower

	2003 breakdown %	Risk-weighted loans as a % of capital	2002 breakdown %	% Change
Largest borrower	1.7	8.9	2.3	(21.5)
Top 10 borrowers	10.9	58.2	11.0	5.4
Top 50 borrowers	25.3	135.4	28.8	(6.3)
Top 100 borrowers	31.3	167.6	36.3	(8.0)

Source: Banque de France risk reports (reported commitments > €76,000)

The trend towards a greater concentration of risks observed in 2002 reversed sharply in 2003, in line with the guidelines laid down by the Board of Directors. The top

ten risk-weighted loans represented less than 55% of capital at end-2003, versus 60% the year before.

High-risk industries

in millions of euros	12/31/2003	12/31/2002
Telecommunications services	860	1,417
Air transport (airlines and structured finance)	933	1,234
Aerospace (manufacturers and equipment suppliers)	1,258	1,448
Tourism – Hotels – Restaurants	2,315	2,476
Luxury goods	1,435	1,927
Insurance	1,359	2,231

Source: Banque de France risk reports (reported commitments > €76,000)

The change in definition of industry segments did not impact year-on-year comparisons of loans to higher risk industries. The Group's exposure to these industries was reduced at a faster rate in 2003 than in the previous year.

Non-performing loans

Provisions for loan losses totaled €565 million, an increase of 6% on a comparable structure basis. The total breaks down as €354 million for local retail banking, representing 0.42% of risk-weighted assets, and €211 million for Natexis

Banques Populaires. General provisions carried in the books of Natexis Banques Populaires were raised by a significant amount, in line with the Group's policy of ensuring that potential loan losses are fully covered. In relative terms, provisions for loan losses remained flat, at 0.41% of risk-weighted assets.

Specific provisions for loan losses recorded by the retail banking business represented 71% of non-performing loans, attesting to the Banque Populaire regional banks' conservative provisioning policy.

in millions of euros	2003				2002			
	Gross	Provisions	Net	Coverage rate %	Gross	Provisions	Net	Coverage rate %
Non-performing loans								
Interbank loans	117	(74)	44	63	104	(68)	36	65
Customer loans	5,293	(3,556)	1,737	67	4,465	(3,014)	1,451	68
Lease financing	415	(249)	166	60	314	(203)	111	65
Securities portfolio + leased assets + other advances	207	(129)	79	62	212	(138)	74	65
Total	6,033	(4,006)	2,027	66	5,095	(3,423)	1,672	67

■ Breakdown by client category

As can be seen from the following table, the majority of non-performing loans are to corporate borrowers.

At December 31, 2003

in %	Corporates	Entrepreneurs	Private clients	Others
Customer loans and lease financing	56	8	30	6
Sound loans	56	8	30	6
Irrecoverable loans	72	13	14	1
Other non-performing loans	68	14	17	1
Provisions on irrecoverable loans	73	13	13	1
Provisions on other non-performing loans	68	15	16	1

Loan defaults, before provisions, experienced by the Banque Populaire regional banks break down as follows by client category in 2003:

Corporates	44%
Self-employed professionals	21%
Personal banking clients	24%

Reflecting the structure of the local retail banking business, 99.7% of defaults concerned clients in France.

At Natexis Banques Populaires, the two leading regions in terms of credit risks are France and Asia, representing

respectively 22.8% of credit risks and 55% of provisions, and 26% of credit risks and 5% of provisions.

Geographic area	Specific credit risks	Country risks (net basis)	Total credit risks	Specific provisions	Provisions for country risks	Provisions for industry risks	Total provisions
France	1,060	-	1,060	670	-	139	809
Rest of Western Europe	232	280	512	132	-	24	156
Eastern Europe	39	218	257	24	0	7	31
North America	157	-	157	55	-	62	117
Central and Latin America	120	575	695	75	56	10	141
Africa and Middle East	113	616	730	56	67	5	129
Japan	0	-	-	0	-	0	0
Asia and Oceania	91	1,131	1,222	52	15	6	73
Unallocated	13	-	13	13	-	0	13
Credit risks and provisions	1,826	2,820	4,646	1,077	139	253	1,469

Breakdown of Natexis Banques Populaires credit risks and provisions for loan losses at December 31, 2003

Market risks

Market risks primarily concern Natexis Banques Populaires.

They are managed using the Value at Risk (VaR) method. Natexis Banques Populaires uses Riskmanager software developed by Riskmetrics to perform historical VaR calculations designed to quantify the risk of losses from capital markets activities.

VaR calculations are based on:

- one year's historical data;
- a one-day potential loss horizon;
- a 99% confidence level.

At December 31, 2003, VaR amounted to €11.91 million, as follows:

In millions of euros	VaR at Dec. 31, 2003
Interest rate risk	4.45
Currency risk	2.48
Equity risk	7.44
Commodities risk	0.18
Diversification	(2.63)
Total	11.91

For the US subsidiary ABM Corp., which operates in the mortgage-backed securities market, stress tests are performed based on a uniform 100 bps distortion of the yield curve and its impact on the market (in the shape of early repayments, increased volatility, etc.). At December 31, 2003, the impact of the worst-case scenario would be a \$16.15 million fall in the value of the portfolio.

Improvements to market risk management systems

The market risk management system covers the capital markets operations of Natexis Banques Populaires and its subsidiaries. The improvement program launched in 2002 was pursued in 2003, focusing on:

- strengthening existing controls by introducing new quantitative and qualitative exposure limits;
- statistically calibrating risks measurement methods, to quantify risks more accurately. The new methods based on this approach that were introduced in 2003 concern currency risk and spread risk.

The maximum sensitivity to a 1-point increase or decrease in interest rates is set at €100 million. This limit also applies to a point-by-point distortion of the yield curve.

The exposure limit for currency risks – expressed as the maximum potential loss with a one-day holding period and a 99% confidence level – is €3 million.

The maximum sensitivity to a change in spreads on bond trading portfolios – expressed as the maximum potential loss with a one-day holding period and a 99% confidence level – is €8 million.

Exposure limits for interest rate, currency and equity options are as follows:

- €1.5 million for a 1 point change in interest rate volatility;
- €2.5 million for a 1 point change in equity volatility;
- €0.4875 to €0.975 million per currency for a 1 point change in foreign exchange volatility.

In addition to these general indicators, more detailed measurements are performed by underlying, maturity and strike price.

Interest rate and liquidity risk

Interest rate risk is measured primarily in terms of the impact of a 2-point across-the-board rate increase or decrease.

However, the Group also measures the impact of a 1-point increase in short-term rates accompanied by a 1-point decrease in long-term rates.

Interest margin sensitivity

The sensitivity of interest margins at the Banque Populaire regional banks remained largely unchanged in 2003 compared with the previous year. Excluding changes in balance sheet items and based on the same parameters as those applied in the past, sensitivity to a 2-point across-the-board decline in market interest rates was -10% in 2003. Sensitivity to a 2-point increase in market rates remained unchanged at -6%.

Including year-on-year changes in the balance sheet, the risk increased slightly, with sensitivity to a 2-point across-the-board decline in market interest rates rising to -11% from -10% under the stable balance sheet scenario.

Liquidity management

Liquidity needs increased in prior years due to the Group's determined business growth strategy. The rate of growth slowed in 2002 and in 2003 liquidity needs contracted slightly.

Specific liquidity ratios have been set for each individual bank.

Operational risks

In 2003, action was taken to adapt risk control and monitoring systems to the needs of the expanded Group. The system to prevent money laundering and the financing of terrorism was upgraded, consideration was given to ways of improving control over outsourced activities, a comprehensive contingency plan was drawn up, and a charter based on Group standards covering the use of IT, digital and technological resources was put in place.

In addition, work began on two projects commissioned by the Board of Directors to determine the amount of capital required to cover operational risks under Basel II.

The first project consisted of analyzing the activities of the Group entities subject to banking regulations, based on the eight business lines defined in Basel II. The second project aims to gradually bring the Group to a situation of compliance with the ten sound practices for the management and supervision of operational risks underpinning the Basic Indicator Approach, and ultimately to implement operational risks systems complying with the minimum criteria for the application of the Standardized Approach.

Insurance and risk coverage

The Group has taken out €22.86 million in professional liability insurance covering liability claims against directors and officers, as well as liability for losses resulting from fraud or embezzlement. Since January 1, 2004, the vast majority of Group information systems infrastructures are insured under a nationwide policy providing cover of €175 million, as well as business interruption and consequential loss cover.

The entire program has been renewed for 2004 on generally better terms than in 2003, reflecting the benefits of centralized negotiation. All cover has been taken out with leading international insurers that are recognized for their claims-paying ability.

Legal risks

The Group is not currently involved in any liability claims that could have a material adverse impact on its results or financial position. Provisions have been recorded in the financial statements at December 31, 2003 for all legal risks that can be reasonably estimated.

Directors' compensation

The information below concerns the compensation paid to the executive directors and officers of Banque Fédérale des Banques Populaires, the central body of the Banque Populaire Group.

Compensation and benefits paid to executive directors and officers in 2003 by Banque Fédérale des Banques Populaires and any company controlled by Banque Fédérale des Banques Populaires

The total gross compensation paid to executive directors and officers of Banque Fédérale des Banques Populaires includes both a fixed and a variable portion, determined as follows:

- fixed compensation is based on:
 - the level of net banking income;
 - the executive's mobility;
 - the number of years in the position.
- variable compensation is based on:
 - growth in net banking income;
 - the level of and improvement in the cost/income ratio;
 - the level of and increase in ROE.

The table below shows the compensation paid to executive directors and officers for 2002 and 2003:

in euros	2003					2002				
	B.F.B.P.		Companies controlled by B.F.B.P.		Total compensation	B.F.B.P.		Companies controlled by B.F.B.P.		Total compensation
	Fixed	Variable	Fixed	Variable		Fixed	Variable	Fixed	Variable	
Philippe Dupont	227,899	75,000	263,000	75,000	640,899	227,312	-	263,000	30,000	520,312
Michel Goudard	294,380	90,000	-	-	384,380	270,489	23,000	-	-	293,489
Jean-Paul Dubus*	247,200	60,000	-	-	307,200	225,407	23,000	-	-	248,407

* Jean-Paul Dubus has an employment contract

■ Allowances and benefits in kind awarded to executive directors and officers of Banque Fédérale des Banques Populaires.

Philippe Dupont, Michel Goudard and Jean-Paul Dubus each have a car and an apartment paid for by the bank. In

addition, Philippe Dupont receives a standard allowance in his capacity as Chairman and Chief Executive Officer. Allowances and benefits in kind awarded to executive directors and officers for 2002 and 2003 were as follows:

in euros	2003			2002		
	B.F.B.P.	Companies controlled by B.F.B.P.	Total	B.F.B.P.	Companies controlled by B.F.B.P.	Total
Philippe Dupont	56,658	-	56,658	53,452	-	53,452
Michel Goudard	13,182	-	13,182	12,262	-	12,262
Jean-Paul Dubus	16,393	-	16,393	19,881	-	19,881

Directors' fees

Directors' fees paid to members of the Board of Directors of Banque Fédérale des Banques Populaires are determined on the basis of each member's attendance rate at meetings of the Board and the Committees of the Board, and are therefore entirely variable:

- the fee per director and per Board Meeting was €817 in the first half and €1,429 in the second half;
- the fee per member and per meeting of the Committees of the Board is as follows:
 - Audit and Group Risks Committee (CARG): €1,524;
 - Accounts Committee: €1,524;
 - Remunerations Committee: €762.

The total directors' fees paid in 2003 in respect of 2002 amounted to €205,860. The amounts received per director are shown in the table below.

The directors of Banque Fédérale des Banques Populaires are also paid fees in their capacity as directors of companies controlled by Banque Fédérale des Banques Populaires. The total fees paid in respect of 2003 amounted to €152,243. The amounts received per director are shown in the table on the following page.

in euros

Directors	Directors' fees paid in 2003* by B.F.B.P.	Directors' fees paid in 2003* by companies controlled by B.F.B.P.
Philippe Dupont	11,435	10,065
Christian Hébrard	12,959	10,065
Henry Merlin	7,188	-
Jean-Claude Halb	4,847	-
Christian Brevard	9,189	-
René Clavaud	13,721	12,505
Jean-François Comas	11,435	13,725
Claude Cordel	14,483	17,325
Michel Devianne	14,483	-
Daniel Duquesne	14,483	13,725
Stève Gentili	11,435	10,980
Alain Jacquier	11,435	14,580
Marc Jardin	7,350	-
Yvan de la Porte du Theil	7,350	-
François Moutte	12,142	-
Richard Nalpas	15,245	13,724
Francis Thibaud	15,245	11,895
Jean-Louis Turret	11,435	23,654
Total	205,860	152,243

* In accordance with the French corporate governance act of May 15, 2001 ("NRE" Act), this table only shows directors' fees paid during 2003. For Banque Fédérale des Banques Populaires, they correspond to fees for attending meetings of the Board of Directors and the Committees of the Board held during 2002. For the companies controlled by Banque Fédérale des Banques Populaires, they correspond to fees for attending Board meetings held during 2003.

During 2003, Michel Goudard received fees of €10,065 in his capacity as non-voting director of Natexis Banques Populaires.

Stock options granted to and exercised by executive directors and officers

No options have been granted on Banque Fédérale des Banques Populaires shares. However, executive directors of Banque Fédérale des Banques Populaires have been awarded options on Natexis Banques Populaires shares, as follows:

Natexis Banques Populaires stock options granted to executive directors of B.F.B.P.	Number of options granted		Exercise price in euros	Exercise period		Plan no.
	As director of B.F.B.P.	As director of companies controlled by B.F.B.P.		From	To	
Philippe Dupont	10,000	10,000	94.30	09/19/05	09/19/08	N°9-BD 09/19/01
	5,500	5,500	72.47	09/11/06	09/11/09	N°10-BD 11/20/02
	6,000	6,000	83.25	09/10/07	09/10/10	N°11-BD 09/10/03
Michel Goudard	6,000	-	94.30	09/19/05	09/19/08	N°9-BD 09/19/01
	4,200	-	72.47	09/11/06	09/11/09	N°10-BD 11/20/02
	4,200	-	83.25	09/10/07	09/10/10	N°11-BD 09/10/03
Jean-Paul Dubus	4,000	-	94.30	09/19/05	09/19/08	N°9-BD 09/19/01
	2,800	-	72.47	09/11/06	09/11/09	N°10-BD 11/20/02
	2,800	-	83.25	09/10/07	09/10/10	N°11-BD 09/10/03

No options were exercised by executive directors in 2001, 2002 or 2003.

BD: Board of Directors.

Loans and guarantees given to directors or officers

None.

Recent developments and outlook

Banque Populaire Group

■ Mergers of Banque Populaire regional banks

A merger is being planned between Banque Populaire BICS and Banque Populaire Nord de Paris. On October 6, 2003, the Boards of the two banks unanimously decided to conduct a feasibility study with a view to merging their businesses. On October 7, 2003, the two banks' work councils were informed of the plan.

The final decision will be made at Extraordinary General Meetings of the two banks, to be held in the spring of 2004. The merger will have the effect of reducing the number of Banque Populaire regional banks to 20.

■ Cooperation agreement with DZ Bank

In 2002, an exchange of shares took place between the Banque Populaire Group and DZ Bank AG, the institution at the heart of the cooperative banking movement in Germany. Several work groups set up between the partners identified synergies with Natexis Banques Populaires' specialized businesses.

In early December 2003, the Banque Populaire Group and DZ Bank announced the launch of four joint initiatives:

- the first concerns equity research and brokerage: following an agreement signed in November 2003, since January 1, 2004 Natexis Bleichroeder uses research produced by DZ Bank to strengthen its position as a specialist in European equities;
- the second relates to the factoring business: on November 21, 2003, the two groups signed a joint venture agreement leading to the formation of VR Factorem, a company specialized in factoring services for German SMEs;
- the third is in the area of asset management. Starting in 2004, the two partners' subsidiaries, Union Investment and Natexis Asset Management, will step up their ten-year partnership in the EuroAction Luxembourg fund, by establishing a joint venture (Union Natexis Asset Management) to offer a selection of the two groups' Luxembourg funds marketed under a common brand, UniNatexis;
- the fourth initiative concerns the private equity business: in July 2003, Natexis Private Equity International,

a subsidiary of Natexis Banques Populaires, and DZ Equity Partner, a subsidiary of DZ Bank, signed a letter of intent concerning the joint financing of Buyout Finatem II, a German private equity fund invested in small and medium-sized companies.

Natexis Banques Populaires

■ Coface delisting

At the meeting on March 3, 2004, the Board of Directors of Natexis Banques Populaires decided to launch a Public Buyout Offer followed by a Compulsory Buyout of Coface shares. At the time of the decision, Natexis Banques Populaires held 98.01% of Coface's capital and 98.6% of the voting rights.

The Offer was filed with the French securities regulator – Autorité des Marchés Financiers (AMF) – on April 23, 2004 and was announced by the AMF the same day under reference no. 204C0542. In accordance with regulation COB 2002-04, a press release was published by Natexis Banques Populaires on April 23, 2004, after being submitted to the AMF, and was reproduced in a financial announcement published in AGEFI on April 26, 2004. The Offer was reviewed and found to be acceptable by the AMF at its meeting on April 27, 2004. The notice of admissibility was published on April 27, 2004 under no. 204C0555.

■ Reorganization of Natexis Banques Populaires

At the time of the 2003 results presentation, on March 4, 2004, management unveiled a plan to guide Natexis Banques Populaires towards a new more client-centric organization structure in order to leverage more effectively its various franchises. The first phase consists of creating two major divisions, which should be up and running by the summer. The first division, serving corporate and institutional clients, will be created by merging the Corporate and International Banking and Capital Markets business lines. It will be headed by Olivier Schatz. The second division, combining the Private Equity and Asset Management business lines, will be headed by Jean Duhaux de Berenx.

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Consolidated financial statements

Consolidated balance sheet - Assets

in millions of euros	notes	12/31/2003	12/31/2002	12/31/2001
Interbank and money-market assets	1 to 3	53,438	49,442	31,232
Customer loans	4 to 5	111,800	98,880	94,600
Lease financing	6	8,072	7,384	6,948
Bonds, equities and other fixed and variable income securities	7 to 11	22,397	24,834	24,923
Insurance company investment portfolios	12	23,451	20,927	18,863
Investments in affiliates and other securities held for investment	13 to 15	2,096	2,120	860
Property and equipment and intangible assets	16 to 18	2,237	2,040	1,513
Goodwill	19	261	330	143
Accrued income, prepaid expenses and other assets	20 to 23	13,411	14,787	14,526
Total assets		237,163	220,744	193,608

Consolidated balance sheet - Liabilities and shareholders' equity

in millions of euros	notes	12/31/2003	12/31/2002	12/31/2001
Interbank and money-market liabilities	24 to 25	39,682	48,935	36,431
Customer deposits	26 to 27	98,945	84,209	72,943
Debt securities	28	37,527	31,403	32,082
Insurance company technical reserves	29	23,660	21,312	19,436
Deferred income, accrued charges and other liabilities	30 to 33	18,212	18,068	17,575
Badwill	34	290	229	298
Provisions for contingencies and charges	35 to 37	1,873	1,853	1,716
Long-term subordinated debt	38 to 39	4,431	3,927	3,457
Fund for general banking risks	40 to 41	2,077	1,891	1,773
Minority interests	40	1,962	1,706	1,554
Shareholders' equity (excluding fund for general banking risks)	40	8,504	7,211	6,342
- Capital stock		2,886	2,431	2,076
- Additional paid-in capital		635	455	215
- Retained earnings		4,130	3,793	3,274
- Net income for the year		853	532	777
Total liabilities and shareholders' equity		237,163	220,744	193,608

Consolidated financial statements

Off-balance sheet items

in millions of euros	notes	12/31/2003	12/31/2002	12/31/2001
Commitments given				
Banking operations		50,144	48,556	49,710
- <i>Financing commitments</i>	42	31,673	29,031	27,265
- <i>Guarantees</i>	43	17,955	19,004	21,461
- <i>Commitments on securities</i>		516	521	984
Insurance operations		-	-	-
Commitments received				
Banking operations		10,199	5,861	5,752
- <i>Financing commitments</i>	42	3,955	853	1,864
- <i>Guarantees</i>	43	5,378	4,536	3,264
- <i>Commitments on securities</i>		866	472	623
Insurance operations		36	14	0

Consolidated statement of income

in millions of euros	notes	12/31/2003	12/31/2002	12/31/2001
Interest income	48	9,283	10,806	12,589
Interest expense	48	(5,933)	(7,699)	(10,220)
Income from variable income securities	49	65	68	72
Net fees and commissions income	50	2,172	1,866	1,978
Net gains on trading account securities	51	361	159	522
Net gains on securities held for sale	52	183	(21)	338
Other banking revenues and expenses	53	32	78	103
Gross margin on insurance operations	54	722	383	208
Other net income	55	181	108	63
Net banking income		7,066	5,748	5,652
General operating expenses	56	(4,491)	(3,896)	(3,508)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets		(305)	(241)	(200)
Gross operating income		2,270	1,611	1,945
Provisions for loan losses	58	(565)	(513)	(437)
Operating income		1,705	1,098	1,508
Income from companies accounted for by the equity method	65	11	3	10
Net gains on disposals of fixed assets	59	19	42	59
Income before exceptional items and tax		1,735	1,143	1,577
Exceptional items	60	(23)	(45)	(43)
Corporate income tax	61	(544)	(405)	(447)
Goodwill amortization and goodwill written back to income		(17)	47	33
Net charge to fund for general banking risks		(169)	(118)	(196)
Minority interests		(129)	(90)	(147)
Net income		853	532	777

Consolidated companies – Consolidation methods and principles

Note 1 – Consolidation methods and principles

1.1 – Structure of the Banque Populaire Group

The Banque Populaire Group is a group of cooperative banks with an ownership structure in the form of an inverted pyramid. The capital of the Group's central body, Banque Fédérale des Banques Populaires, is owned by the Banque Populaire banks, which are wholly-owned by their member-stakeholders.

Banque Fédérale des Banques Populaires is also the holding company for Natexis Banques Populaires, which is the Group's listed entity. As a cooperative banking group, the Banque Populaire Group is not required to publish consolidated financial statements, but has chosen to do so in order to provide clear and transparent information about its operations.

These consolidated financial statements are directly comparable with those of other banking groups and have been audited. Due to its unusual ownership structure, the consolidated financial statements of the Banque Populaire Group have been prepared on the basis provided for in Art. 1001 of Comité de la Réglementation Comptable standard CRC 99-07, which allows banking networks with a central body to define a consolidating entity made up of a group of institutions directly or indirectly affiliated with the central body.

The Banque Populaire Group's consolidating entity is made up of:

- the Banque Populaire banks, i.e. the 21 Banque Populaire regional banks, CASDEN Banque Populaire and Crédit Coopératif. The latter bank joined the Banque Populaire

Group in 2003 and took on the status of *société anonyme coopérative de banque populaire à capital variable*, by decision of its member-stakeholders at the Extraordinary Meeting held on January 30, 2003. Following this change of status, Crédit Coopératif has become a Banque Populaire bank and joined the ranks of the parent companies of the consolidating entity (see Note 3.2);

- the mutual guarantee companies (SCMs) which are licensed jointly with the Banque Populaire banks;
- the Group's central body – within the meaning of the law – Banque Fédérale des Banques Populaires.

In 2003, the Crédit Maritime Mutuel group also joined the Banque Populaire Group as a structure affiliated to the Group's central body, Banque Fédérale des Banques Populaires (see Note 3.3).

The other Group companies, including Natexis Banques Populaires, are treated as subsidiaries of the consolidating entity.

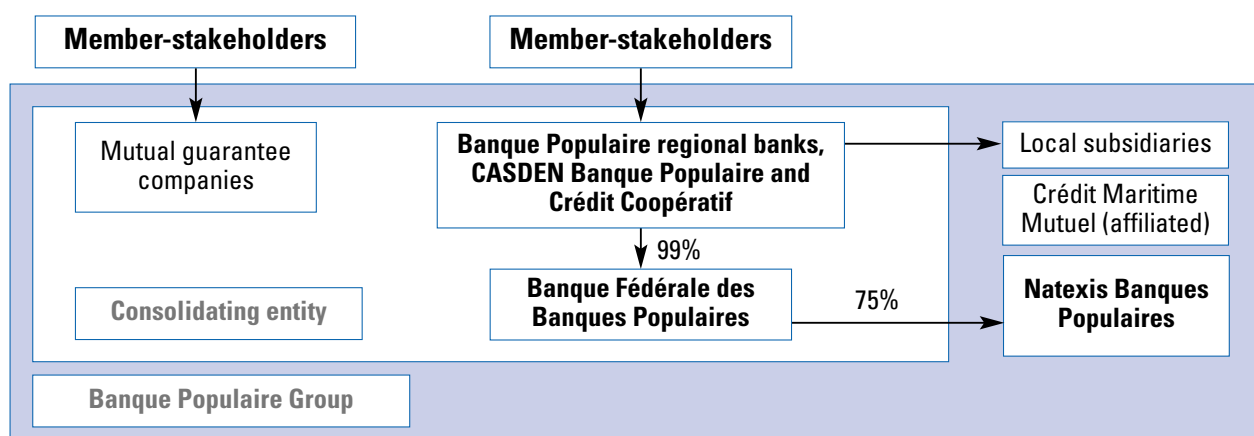
This definition of the consolidating entity means that the capital stock of the Banque Populaire Group corresponds to the sum of the capital stock of the 21 Banque Populaire regional banks, CASDEN Banque Populaire, Crédit Coopératif and the mutual guarantee companies, and is owned exclusively by the member-stakeholders.

1.2. – Liquidity and capital adequacy – Internal guarantee mechanisms

The system to guarantee the liquidity and capital adequacy of the Banque Populaire network has been organized by Banque Fédérale des Banques Populaires in its capacity as central body, in accordance with Art. L.511-30, L. 511-31, L.511-32 and L.512-12 of the Monetary and Financial Code.

The system functions by pooling the capital of all of the banks in the network.

If any of the banks is faced with a lack of liquidity or is undercapitalized, all of the other banks will be called on to



contribute capital, within the limit of their own resources. As a last resort, the Banque Fédérale des Banques Populaires will also provide capital from its own resources.

The capital pool is organized in two tiers. The first tier consists of the “federal solidarity fund” included in the fund for general banking risks set aside by Banque Fédérale des Banques Populaires. The second tier pool is the “regional solidarity fund” set up by the Banque Populaire banks and included in their own funds for general banking risks. Each year, 10% of each Banque Populaire bank’s net income before transfers to the fund for general banking risks and tax is transferred to this fund, net of tax. Withdrawals from these funds by the Banque Populaire banks must be authorized by Banque Fédérale des Banques Populaires.

A collective agreement has also been signed, whereby each Banque Populaire bank guarantees the liquidity and capital adequacy of the mutual guarantee companies whose corporate purpose is limited to guaranteeing the activities of the Banque Populaire banks.

The guarantee system of the Banque Populaire network also guarantees the liquidity and capital adequacy of Crédit Maritime Mutuel, for which the Banque Fédérale des Banques Populaires is the central body, in accordance with Art. L.512-69 of the Monetary and Financial Code. This guarantee system kicks in after Crédit Maritime Mutuel’s own system.

Lastly, the members of the network contribute, along with all French credit institutions, to the *Fonds de Garantie des Dépôts* (deposit guarantee fund) set up in application of the Depositors’ Protection Act.

1.3. – Accounting principles

The consolidated financial statements of the Banque Populaire Group have been prepared in accordance with French generally accepted accounting principles and the standards formulated by the Comité de la Réglementation Comptable, including standard CRC 99-07 dealing with consolidation methods and principles and standard CRC 2000-04 concerning the format of the consolidated financial statements.

■ Changes of accounting method

– Standard CRC 2002-03 relating to the accounting treatment of credit risks was adopted on January 1, 2003. The standard concerns the classification of non-performing loans, the identification of irrecoverable loans and the accounting treatment of restructured loans at below market rates. For the restructured loans identified as concerned by this standard, the future interest differential between the rate charged and the market rate at the time of the restructuring represents a discount of €11.4 million.

For loans restructured in prior years, the discount, totaling €7.4 million after tax, has been set off against shareholders’ equity in the amount of €5.6 million, with the balance set off against minority interests. €1.9 million of this discount was recognized in the 2003 income statement under “interest income”.

– Standard CRC 2002-10 relating to depreciation, amortization and impairment of assets is applicable from January 1, 2005. The Banque Populaire Group has not opted for early application of this standard.

The standard contains transitional provisions applicable from January 1, 2003 relating to expenses incurred under multi-year programmes for major repairs or refits. At December 31, 2003 application of this new standard led to the recognition of a provision of €2.7 million, including €1.4 million after tax deducted from shareholders’ equity and €0.1 million after tax deducted from minority interests.

– Following the change in French insurance regulations concerning liquidity risk reserves (decree no. 2003-1236 of December 22, 2003 amending Art. R331-5-1 of the Insurance Code), the Banque Populaire Group reviewed these risks and decided that they were not covered by other reserves. A liquidity risk reserve was therefore booked in the consolidated balance sheet at December 31, 2003 covering the total risk, whereas in 2002 – with the approval of the insurance regulator (Commission de Contrôle des Assurances) – only part of the risk was reserved for, reflecting the method applied in the accounts of the insurance subsidiaries. The switch from partial reserving to full reserving constituted a change of accounting method, the effects of which were charged against opening shareholders’ equity at January 1, 2003 in the amount of €148.5 million before tax and €95.9 million after tax (of which €72.3 million attributable to the Group). This accounting treatment was in accordance with recommendation no. 2004-B dated January 21, 2004 issued by the Comité d’Urgence (French National Accounting Committee Urgent Issues Task Force). Following the improvement in stock market prices in 2003, no charge to the liquidity risk reserve was necessary at December 31, 2003 and the additional reserve booked in the opening balance sheet (difference between full and partial-reserving method) was released by crediting shareholders’ equity. Consequently, the change of method had no impact on either consolidated net income or shareholders’ equity.

1.4. – Consolidation methods

Companies controlled exclusively by the consolidating entity whose business represents an extension of the

consolidating entity's banking or financial services businesses are fully consolidated. This method is also applied to exclusively controlled companies engaged in related lines of business, such as insurance, as well as to real estate investment and development companies and IT services companies.

Exclusive control is considered as being exercised where the consolidating entity is in a position to manage the financial and operating policies of the subsidiary in order to benefit from the subsidiary's business. This is the case where the consolidating entity holds the majority of the voting rights (and not just the majority of the shares) or exercises dominant influence by virtue of contractual rights or due to the dilution of the subsidiary's capital, without holding the majority of voting rights.

Jointly controlled subsidiaries are consolidated by the proportional method. Joint control is considered as being exercised where the financial and operating policies of the subsidiary are decided jointly by a limited number of shareholders.

Affiliates over which the consolidating entity exercises significant influence are accounted for by the equity method. Significant influence is considered as being exercised where the consolidating entity holds at least 20% of the voting rights.

In the second half of 2002, the Group acquired exclusive control of Coface, through its Natexis Banques Populaires subsidiary. Due to the timing of the acquisition of exclusive control, Coface continued to be accounted for by the equity method in the first half of 2002 and was fully consolidated in the second half of 2002 and for the full year 2003.

1.5. – Scope of consolidation

The consolidated financial statements include the consolidating entity, as defined above, and the direct and indirect subsidiaries of Banque Fédérale des Banques Populaires. The majority of indirect subsidiaries are owned by Natexis Banques Populaires which was 75.34%-owned by the Group at December 31, 2003.

Subsidiaries that are not material in relation to the Group as a whole are not consolidated. Materiality is determined on the basis of the subsidiary's qualitative contribution to the Group accounts without applying any threshold in terms of net assets or revenues.

To maintain consistency between the consolidated financial statements of sub-groups and those of the Banque Populaire Group, all entities consolidated at the level of a sub-group are also consolidated at the next level, even if they are not considered material at that level.

The list of companies included in the scope of consolidation and the changes in scope that occurred during 2003 are presented in Notes 3 and 5.

1.6. – Presentation of the consolidated financial statements

The consolidated financial statements are presented in millions of euros, with prior year comparatives covering two years.

The consolidated financial statements have been prepared based on the financial statements of Group companies at December 31. Entities that do not have a December 31 year-end are consolidated based on audited interim financial statements prepared at that date.

1.7. – Business combinations

Business combinations are accounted for by the purchase method, in accordance with standard CRC 99.07. Under this method, the net assets of newly-acquired subsidiaries are taken to the consolidated balance sheet at the date of acquisition after fair value adjustments to identifiable assets, liabilities and off-balance sheet items.

The difference between the cost of shares in a newly-acquired subsidiary and the consolidating entity's equity in the underlying net assets after fair value adjustments is recorded as goodwill.

Goodwill is amortized and badwill is written back to the income statement by the straight-line method over a period determined based on the objectives and nature of the acquisition, not to exceed 10 years. Goodwill representing less than €1 million is amortized over one year.

The value of goodwill is tested periodically to ascertain whether it is necessary to amend the amortization schedule applicable. In 2003 the Banque Populaire Group carried out a valuation of material goodwill representing over €4 million, using the discounted cash flows method. The Group was assisted by a firm of independent valuers. Based on the results of this valuation, the Group recorded additional amortization of €16.7 million on top of the standard amortization charge for the year (see Note 19 to the consolidated financial statements).

In the case of sale of part of the consolidating entity's interest in the company concerned, a corresponding fraction of the unamortized goodwill or badwill is written off or written back to the income statement.

The Banque Populaire Group does not use the pooling of interests method – provided for in paragraph 215 of standard CRC 99-07 – to account for business combinations.

1.8. – Foreign currency translation

The balance sheets and off-balance sheet items of foreign subsidiaries and branches are translated into euros at the year-end exchange rate with the exception of their capital stock or capital allocation and reserves which are translated at the historical rate. Differences arising on translation are taken directly to consolidated shareholders' equity.

The income statements of foreign subsidiaries and branches are translated at the average rate for the year. The difference between net income translated at the average rate and the year-end rate is also taken to consolidated shareholders' equity.

The exchange rates applied are the rates published by the Banque de France.

1.9. – Leasing transactions as lessor

Finance leases where the Group is lessor – corresponding to lease financing granted by the Group's specialist leasing companies – are recorded in the consolidated balance sheet in an amount corresponding to the net investment in the lease and not the net book value in the individual company accounts. Lease payments are analyzed between amortization of the net investment and interest income. Deferred taxes are recorded on the total difference between accumulated book depreciation of the leased assets and the accumulated amortization of the net investment in the lease. The difference is recorded under shareholders' equity net of deferred taxes.

Lease financing on which any instalments are more than three months past due (equipment leases) or six months past due (real estate leases) are classified as non-performing. Where a finance lease is classified as non-performing, all other amounts receivable from the client concerned are also classified as non-performing.

Gains and losses on disposal of leased assets and movements in provisions for impairment in value of leased assets and temporarily unleased assets are included in net banking income. Lease termination penalties are recorded under interest income. Charges to provisions for losses on lease financing recorded under "Provisions for loan losses" correspond solely to the fraction of the provision covering the past due principal.

In the case of finance leases concerning real estate, a provision for impairment in value is recorded where the book value of the property is less than its estimated market value and there is a probable or certain risk of it remaining the property of the lessor when the lease expires.

Real estate and equipment leased to clients under operating leases are included in "Property and equipment" and valued accordingly.

1.10. – Leasing transactions as lessee

Operating assets leased under finance leases where the Group is lessee are recorded in the consolidated balance sheet under "Property and equipment", except for assets whose unit cost is not material.

Depreciation is calculated over the estimated useful lives of the assets. The annual depreciation charge is recorded in the consolidated statement of income under "Depreciation, amortization and provisions for impairment of property and equipment and intangible assets".

1.11. – Regulated reserves and provisions

Regulated reserves and provisions recorded solely for tax purposes, including excess tax depreciation recorded in the accounts of subsidiaries, are eliminated in consolidation.

1.12. – Employee-related liabilities and retirement benefit obligations

■ **Unfunded employee-related liabilities and retirement benefit obligations** of all Group entities are provided for in the consolidated balance sheet.

The main provisions for employee-related liabilities concern:

- pension benefits payable by the Caisse Autonome de Retraites (CAR) pension scheme,
- pension benefits payable by the Caisses de Natexis Banques Populaires pension plan,
- long-service awards payable to employees on retirement and early-retirement benefits,
- long-service awards payable to active employees.

– The Banque Populaire Group "CAR" pension scheme was closed to new entrants as of December 31, 1993, pursuant to the banking industry agreement of September 13, 1993, the terms of which were applied to the Banque Populaire banks through an internal agreement dated January 7, 1994. This scheme also covered Natexis Banques Populaires employees previously employed by the former Caisse Centrale des Banques Populaires.

The Group's obligations towards active and retired employees concern supplementary pension benefits payable under the Banque Populaire Group plan and the fraction of benefits due under the banking industry scheme closed to new entrants on December 31, 1993 that is not covered by the Social Security system.

Commitments are calculated each year based on updated individual employee data. The projected obligation is determined using appropriate mortality tables and a discount rate of 3.5% net of inflation.

– Concerning the specific Natexis Banques Populaires pension plans, the assets of the former BFCE pension fund exceed

the projected benefit obligation and those of the former Crédit National fund are equal to the projected benefit obligation. Consequently, no provision has been booked in the consolidated financial statements for these plans.

– Long-service awards payable to employees on retirement are funded in part or in full under insured plans set up with *Prospérité*, a fully consolidated insurance subsidiary of the Group. In accordance with opinion no. 2001-G of the CNC Urgent Issues Task Force, the related mathematical reserves carried in the accounts of *Prospérité* are eliminated from the consolidated balance sheet and a provision for charges is recorded in the same amount.

Unfunded obligations are provided for in full in the consolidated balance sheet by the projected unit credit method, based on employees' vested rights at the balance sheet date and end-of-career salaries. The obligation is calculated by applying a discount rate of 3.5% and a staff turnover rate ranging from 0% to 7.5%.

– Obligations for the payment of long-service awards to active employees are also calculated by the projected unit credit method, in the same way as for long-service awards payable to employees on retirement.

■ Early-retirement plan

On February 18, 2002, the Banque Populaire Group signed an agreement with employee representatives, providing for the implementation of a "CATS" early-retirement plan in application of the A.F.B. industry-wide agreement dated January 15, 2001. On August 30, 2002, the Banque Populaire Group signed a "CATS" convention with the Ministry of Social Affairs, Employment and Solidarity, exempting early-retirement payments from social security taxes.

A provision of €22 million was recorded in the consolidated financial statements at December 31, 2003, covering the Group's obligation towards employees eligible for early-retirement under the plan. The estimated cost of the plan, determined on an actuarial basis, is being recognized over the remaining service lives of the employees concerned, up to the expiry date of the agreement on March 31, 2006.

Obligations towards employees who had applied for early-retirement as of December 31, 2003, are included in accrued expenses in the amount of €11 million, corresponding to the benefits payable to these employees in the period until they reach the normal retirement age.

■ Impact of Pensions Act of August 21, 2003 (Act no. 2003-775)

Under the Pensions Act of August 21, 2003 (Act no. 2003-775), employees cannot be asked to retire before the age

of 65, although they can retire earlier on a voluntary basis. The new rules have had the effect of increasing the company's liability for long-service awards and for long-service awards payable on retirement, because of the expected extension of the average service lives of employees and the fact that when an employee retires at the company's request, the total long-service award is subject to social security taxes.

In accordance with opinion 2004-A dated January 21, 2004 of the CNC Urgent Issues Task Force concerning the accounting treatment of changes in commitments relating to long-service awards payable to employees on retirement, due to the application of Act no. 2003-775 of August 21, 2003, the reform is treated as a change in the regime applicable to such payments and its impact can be recognized over the average remaining service life of employees. In order to reflect the impact of the reform on long-service awards payable to employees on retirement, the Group recorded a provision of €1.6 million in 2003 with a balance of €36 million to be deferred over future years as mentioned above.

The impact of the reform on long-service awards payable to active employees was provisioned in full in 2003 in an amount of €5.3 million. If this impact was deferred over the average remaining service lives of employees, the Group would have recorded a provision of €0.3 million for the year.

The Group does not currently apply CNC recommendation 2003-R.01 of April 1, 2003 to measure its employee-related commitments. This recommendation is based on International Accounting Standard 19 and the Group is currently determining the amount of its commitments under IAS 19 as part of its transition to International Financial Reporting Standards.

1.13. – Fund for general banking risks

Funds for general banking risks are recorded by Group entities to cover general risks. Charges to these funds are not tax deductible and do not give rise to any deferred tax asset.

Funds for general banking risks, which form an integral part of consolidated shareholders' equity, include the Banque Fédérale des Banques Populaires guarantee fund, as well as the guarantee funds set aside by the Banque Populaire banks that are available to the Group under the internal guarantee mechanism (see Note 1.2), and the funds for general banking risks recorded in the accounts of the individual Group banks.

As allowed under Art. 300 of CRC 99.07, the funds for general banking risks recorded in the accounts of the individual Group banks or the consolidated accounts of sub-groups are adjusted as required in the Banque

Populaire Group's consolidated financial statements, to a level in keeping with Group risks. In 1999 and 2000, no such adjustments were made.

In 2001 and 2002, such adjustments were made for the following:

- Gains realised in 2001 on the exchange of Natexis Banques Populaires shares for Banque Fédérale des Banques Populaires shares in the amount of €317 million;
- A portion of the gains realised on the 2002 sale of Natexis Asset Management (formerly BPAM) and Natexis Interépargne shares to Natexis Banques Populaires in the amount of €69 million (see Note 1.14).

No such adjustments were made in 2003.

1.14. – Intercompany transactions

Material intercompany receivables, payables and off-balance sheet commitments and intercompany income and expenses between fully consolidated companies are eliminated in full in consolidation. In the case of intercompany transactions with proportionally consolidated companies, eliminations are prorated to the Group's interest in the company concerned.

Intercompany dividends, provisions for impairment in value of investments in consolidated companies and gains on intercompany sales of assets are eliminated in full.

1.15. – Corporate income tax

The corporate income tax charge recorded in the consolidated statement of income includes:

- current taxes payable by the French entities, at the rate of 35.43%, and by foreign subsidiaries and branches, at the local corporate tax rate,
- deferred taxes arising from temporary differences between the book value of assets and liabilities and their tax basis.

Deferred tax assets and liabilities are netted off at the level of each taxable entity. In the case of companies that have elected for group relief, deferred tax assets and liabilities are netted off at the level of the tax group. Net deferred tax assets are recognized only where their future recovery is considered probable. In accordance with this principle, net deferred tax assets are recognized at the level of each entity only when they do not correspond to tax loss carryforwards or when the taxable entity has not reported a tax loss in either of the preceding two years.

Deferred taxes are determined by the liability method for all temporary differences. They are not discounted,

whatever the year in which the temporary differences are expected to reverse.

Deferred taxes are calculated at the rate of 35.43% for temporary differences reversing in 2003 and subsequent years.

Deferred taxes of foreign subsidiaries are calculated using local tax rates.

1.16. – Insurance companies

The accounts of Group insurance companies, prepared in accordance with the accounting standards described in Note 2.12, are not restated in consolidation based on Group policies. However, income and expenses are presented according to their form, in accordance with bank accounting standards, whereas in the insurance companies' accounts they are reclassified based on their substance.

Balance sheet and off-balance sheet items are included in the corresponding captions of the financial statements presented in the banking format, with items that are specific to the insurance business reported separately.

The items concerned are "Insurance company investment portfolios" and "Insurance company technical reserves" in the balance sheet, and "Gross margin on insurance operations" in the income statement (see Note 54).

Insurance company investments corresponding to securities issued by other consolidated entities are qualified as intercompany receivables and are therefore eliminated in consolidation. Consequently, in the consolidated balance sheet, insurance company technical reserves are represented by assets recorded under either "insurance company investment portfolios" or under banking assets.

In accordance with standard CRC 2000-05 dealing with the consolidated financial statements of insurance companies, insurance company loss equalization reserves have been eliminated in consolidation. In addition, a portion of the capitalization reserve, net of deferred taxes, has been credited to policyholder surplus reserves, corresponding to the amount that is expected to be written back from the capitalization reserve in the case of a fall in value of qualifying investments, to cover distributions to policyholders.

The loss equalization reserves of the Coface group are included in technical reserves because they cover a macro-economic risk of a change in claims experience over several years. At December 31, 2003, loss equalization reserves included in technical reserves in the consolidated balance sheet amounted to €135 million (see Note 29).

Note 2. – Accounting policies and valuation methods

The consolidated financial statements have been prepared from the financial statements of Group companies presented according to the following accounting policies and valuation methods:

2.1. – Customer transactions

Customer loans are analyzed between commercial loans, customer overdrafts and other customer loans.

Loans are recorded in the balance sheet at face value, including low interest loans and restructured loans but excluding purchased customer loan portfolios which are stated at acquisition cost.

Non-performing loans are identified and accounted for using the methods set out in standard CRC 2002-03. In accordance with this method, loans are classified as non-performing when one installment is more than three, six or nine months overdue, depending on the type of loan.

All other loans to the same customer are also classified as non-performing, even in cases where no provision is booked for the outstanding principal based on an analysis of the recovery risk.

In the case of non-performing loans where the debtor has resumed making regular payments in accordance with the original repayment schedule, the loan may be reclassified as sound. Non-performing loans that have been restructured are also reclassified as sound provided that the restructuring terms are met.

If a restructured loan reclassified as sound is at below market rates, it is recorded in a separate account at nominal value less a discount corresponding to the difference between the expected future cash flows calculated at a) the new interest rate and b) the lower of the original rate of interest and the market rate prevailing at the time of the restructuring. Discounts on restructured loans calculated as described above are deducted from the carrying value of the loan and amortized over the remaining life of the loan by the yield-to-maturity method.

If any installments on a restructured loan are not paid, whatever the terms of the restructuring, the loan is permanently reclassified as irrecoverable.

Irrecoverable loans include loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as non-performing for more than one year.

Provisions for loan losses are recorded to cover the estimated recovery risk, taking into account the value of any collateral or other guarantees. Provisions for loan

losses are determined on a case-by-case basis and are adjusted at quarterly intervals or more frequently where necessary, based on an analysis of the related risk and the available guarantees.

Accrued interest is recorded separately in the balance sheet and credited to the income statement. Interest accruals on non-performing loans are not suspended but a provision is booked for the total amount accrued, together with all overdue interest. Charges to provisions for accrued interest are set off against the related revenue in the statement of income.

Provision movements, loan write-offs, recoveries on loans written off in prior years, and discounts calculated on restructured loans are reported in the consolidated income statement under “Provisions for loan losses”, except for movements in provisions relating to accrued interest on non-performing loans which are recorded under “net banking income”. The amortization of discounts on restructured loans calculated in accordance with the yield-to-maturity method as well as interest thereon are also included in net banking income.

Loans to real estate professionals are classified as non-performing on a case-by-case basis taking into account the exit potential, the ability of the company’s shareholders to contribute fresh capital and their credit rating. A provision is booked for the total amount of accrued interest. The outstanding principal is provided for based on the guarantees received, future rental revenues, the project exit price compared with market values and the credit rating of the parties concerned.

2.2. – Conversion of assets and liabilities in foreign currencies

Assets, liabilities and off-balance sheet commitments denominated in foreign currencies are converted into euros at the year-end exchange rate.

Realized and unrealized exchange gains and losses are taken to the statement of income.

Revenues and expenses denominated in foreign currencies are converted at the exchange rate ruling on the transaction date.

Fixed assets and investments in affiliates denominated in foreign currencies but financed in euros are converted at the historical exchange rate.

Hedged and unhedged forward purchases and sales of foreign currencies are converted at the exchange rate quoted for the remaining term.

Exchange differences arising on conversion of borrowings for which the currency risk is guaranteed by the State or

which relate to Natexis Banques Populaires' institutional activities are recorded in an accruals account.

2.3. – Securities transactions

Trading account securities, securities held for sale, investment securities and equity securities held for investment are valued in accordance with Comité de la Réglementation Bancaire et Financière standard CRBF 90-01 (revised).

They are shown in the consolidated balance sheet under “government securities and equivalent” where the issuer is the State, or under “bonds and other fixed income securities” or “equities and other variable income securities” in other cases.

■ Trading account securities

Trading account securities are taken to the balance sheet at cost, including transaction expenses and accrued interest at the date of acquisition. At the period-end, they are marked to market and the resulting unrealized gain or loss is taken to the statement of income under “Net gains on trading account securities”, together with realized gains and losses on trading account securities sold during the period. Trading account securities that are still in the portfolio six months from the date of acquisition are transferred to the “Securities held for sale” portfolio at their market price on the transfer date.

■ Securities held for sale

Securities held for sale are stated at the lower of cost and market, determined on a case-by-case basis. The market price of listed securities corresponds to the price quoted on the market at the year-end and that of unlisted securities corresponds to probable realizable value.

Premiums and discounts, corresponding to the difference between the cost of fixed income securities and their redemption price, are amortized to the income statement over the remaining life of the securities, by either the yield-to-maturity method or the straight-line method depending on the type of securities concerned.

Where securities are hedged, the hedging gain or loss is taken into account to determine provisions for impairment in value.

Dividend income from equities carried in the “held for sale” portfolio is recorded in the income statement under “Income from variable income securities”.

Movements in provisions for impairment in value and disposal gains and losses are recorded in the income statement under “Net gains on securities held for sale”.

■ Investment securities

Investment securities are fixed income securities acquired with the intention of being held to maturity that

are either match-funded (generally via refinancing agreements, subordinated debt and time deposits) or on which the interest rate risk has been hedged (mainly by means of swaps for which a liquid market exists). If the match-funding or hedging relationship is broken, the securities are transferred to the “held for sale” portfolio.

Premiums and discounts are amortized to the income statement over the remaining life of the securities.

Interest income on bonds and other fixed income securities is recognized on an accruals basis.

In the case of sale of investment securities before maturity, the resulting gain or loss is recorded in the income statement under “Net gains on disposals of assets”.

■ Equity securities held for investment

These securities are acquired with the intention of being held in the medium to long-term in order to sell them at a profit. They are stated at the lower of cost, excluding transaction expenses, and fair value to the Group. Unrealized losses are not netted off against unrealized gains on the same line of securities.

Movements in allowances for impairment of value and disposal gains and losses are taken to the income statement under “Net gains on securities held for sale”.

The bulk of the portfolio consists of interests acquired by Natexis Banques Populaires private equity subsidiaries.

2.4. – Investments in affiliates, other investments in related companies and other equity interests

Investments in affiliates, other investments in related companies and other equity interests are stated at the lower of cost, excluding transaction expenses, and fair value to the Group.

The criteria used to determine fair value include the average stock market price for listed companies, and adjusted net assets for unlisted companies.

Unrealized gains are not recognized. Transaction expenses incurred at the time of purchase and sale of investments in affiliates, other investments in related companies and other equity interests are included in operating expense.

Disposal gains and losses and movements in provisions for impairment in value are recorded in the income statement under “Net gains on disposals of assets”.

Dividends are recorded under “Income from variable income securities” when their payment has been approved by a Shareholders' Meeting or when they are received when the decision of the Shareholders' Meeting is unknown.

2.5. – Property and equipment and intangible assets

■ Assets used in the business

Fixed assets of the former Crédit National purchased prior to December 31, 1976 are stated at fair value as determined at the time of the 1976 legal revaluation. Assets purchased since 1976 are stated at cost.

Fixed assets of the former BFCE are carried in the Group's consolidated balance sheet at their fair value as determined at the time of acquisition of BFCE by Crédit National.

For all other Group entities, land and buildings are stated at cost or at fair value as determined at the time of legal revaluations.

Property and equipment are depreciated over their estimated useful lives by the straight-line method or by the reducing balance method where the related depreciation charge is tax deductible.

■ Non-operating assets

Investment properties are stated at the lower of cost and market, determined based on discounted future rental revenues. In accordance with the terms of the letter dated October 21, 1997 from the Secretary General of the French Banking Commission (Commission Bancaire Française), provisions for impairment in value have been recorded for individual investment properties and other properties not used in the business, whose market value is less than their net book value. Unrealized losses are not netted off against unrealized gains on other properties for the purpose of determining the amount of the provisions.

As from January 1, 2003, in accordance with the transitional provisions defined in Art. 15 of standard CRC 2002-10 relating to depreciation, amortization and impairment of assets as well as opinion no. 2003-F of the CNC Urgent Issues Task Force, the cost of large-scale maintenance programs is accrued on a straight-line basis over the period between each successive maintenance operation. The costs, which are budgeted over several years, are intended solely to keep the assets concerned in good working order, without extending their initial estimated useful life and were therefore accrued in the 2003 consolidated financial statements. The impact of this accounting treatment is described in Note 1.3.

■ Intangible assets

Leasehold rights and purchased goodwill are stated at cost. A provision is recorded in the consolidated financial statements if their fair value to the Group is lower than their net book value, after taking into account the amortization or provisions recorded in the individual accounts of the entity that owns the asset.

Purchased software is amortized over a maximum of five years.

Intangible assets include the value attributed to the networks of Coface. The Coface insurance network has been valued on the basis of 40% of premium income. The credit information and credit management network has been valued using a range of criteria, including discounted cash flows, P/E multiples and revenue multiples. The networks are not being amortized but are tested for impairment at each year-end.

In 2003 the Banque Populaire Group measured the residual value of these networks, using the discounted cash flows method. The Group was assisted by a firm of independent valuers.

The results of this operation confirmed the valuation of the Coface group networks as recorded in the consolidated financial statements of the Banque Populaire Group. At December 31, 2003 the carrying value of the Coface networks was the same as a year earlier, i.e. €341.6 million, including €284.3 million for the insurance network and €57.3 million for the credit information and credit management network.

2.6. – Long-term subordinated debt

The majority of the Group's subordinated debt is raised by Banque Fédérale des Banques Populaires and Natexis Banques Populaires.

In the case of liquidation of the issuer, fixed term and perpetual subordinated debt is repaid only after all other creditors of the issuer have been paid.

Where perpetual subordinated loan notes are treated as equivalent to debt repayable in installments, each periodic payment is broken down between the repayment of principal, which is deducted from the outstanding debt, and interest, which is recorded in the income statement under banking expenses.

In the consolidated financial statements, subordinated debt issuance costs are expensed in the income statement for the year of issue. Subordinated debt issuance costs expensed in 2003 amounted to €4 million.

2.7. – Provisions for contingencies and charges

Provisions for contingencies and charges are intended to cover several types of risks:

■ **Provisions for domestic counterparty risks:** general provisions are recorded under liabilities for loan losses and losses on irrevocable off-balance sheet commitments.

■ **Provisions for industry and country risks:** these provisions cover certain businesses of Natexis Banques Populaires and BRED Banque Populaire that carry potential

future risks. These risks and the level of the related provisions are affected by cyclical developments in each industry and country, and are expected to change over time.

In 1991 and 1992, a defeasance transaction was carried out and a put option was purchased on BFCE sovereign risks. The defeasance structure, Edval Investment Ltd, and the structure set up to hold the put option, Worledge Investment Ltd, were consolidated for the first time at December 31, 2002 (see Note 3.8). This accounting treatment is in accordance with standard CRC 99-07 paragraph 10052, dealing with special purpose entities. It also complies with the joint Commission des Opérations de Bourse/Commission Bancaire guidelines published on November 6, 2002, providing an interpretation of the regulatory provisions governing special purpose entities and defeasance structures. Consolidation of these two entities led to an adjustment of provisions covering at-risk loans covered by the put option.

On the assets side of the consolidated balance sheet, the net outstanding balance of the loans concerned by the put option is covered by zero-coupon bonds held by the two entities. The results of the two entities consist solely of annual accruals to recognize the call premiums on the zero-coupon bonds through 2014 when the bonds mature and the defeasance structure will be wound up. The annual accrual of call premiums exactly matches the charges recorded to write down the total amount of the loans covered by the put option. Consequently, the operation has no impact on the income statement and the cash required to refinance the transactions is offset by a cash inflow.

The €4.8 million profit arising in 2003 relating to these subsidiaries was offset in full by a charge to provisions for country risks. This accounting treatment is consistent with the principle of matching provision charges to the entities' revenues.

At December 31, 2003, the loans covered by the put option had a net book value of €69 million (€146 million gross less provisions of €77 million). The entire portfolio of loans covered by the defeasance operation has been sold on the secondary market.

■ **Provisions for country risk:** group loans exposed to country risks other than the sovereign risks referred to above are analyzed and provided for according to the method recommended by the regulatory authorities, based on the estimated value of the loans on the secondary country risk market. Country risks mainly concern loans granted by Natexis Banques Populaires.

2.8. – Financial futures and options

The Group's exposure to risks on financial futures and options is constantly monitored by closely tracking results

and positions and performing regular controls to check compliance with the exposure limits set by management.

■ Interest rate instruments

These instruments are recorded off-balance sheet at their nominal value.

In accordance with standards CRBF 90-15 and 92-04, interest rate swaps, FRAs, caps and floors are classified based on the purpose for which they are acquired, as follows:

- micro-hedging (hedging of specific transactions or positions),
- macro-hedging (overall balance sheet management),
- speculative position-taking,
- specialized management of a trading portfolio.

The first two categories are treated for income statement purposes as equivalent to lending/ borrowing transactions and the amounts received or paid are taken to the income statement on an accruals basis.

Income and expenses on instruments acquired as hedges of specific items or groups of items with similar characteristics are recorded on a symmetrical basis with the income and expenses on the hedged items. The income or expense on the hedging instrument is recorded under the same caption as the income or expense on the hedged item, under "Interest income" or "Interest expense", except for income and expenses on hedges of trading securities which are included in "Net gains on trading account securities".

Income and expenses on financial futures acquired as hedges of overall interest rate risks are recorded in the income statement under "Interest income" or "Interest expense" on an accruals basis.

Financial futures acquired for speculative position-taking purposes are stated at the lower of cost and market and unrealized gains are not recognized.

Instruments held in connection with the specialized management of trading portfolios are valued at replacement cost or by the yield to maturity method, net of a discount for counterparty risks and the discounted present value of future management costs. Changes in value during the period are taken to the income statement under "Net gains on trading account securities".

Equalization payments made when interest rate swaps are terminated or assigned are recognized immediately in the income statement. Where the amounts involved are material they are recognized on an accruals basis over the residual term of the new contract where the swap is replaced or over the residual term of the former contract where the swap is not replaced.

Internal contracts are accounted for in compliance with formal regulatory guarantees, without recognizing any material intercompany profits.

Positive or negative margin changes on futures traded on organized markets are recorded in the income statement.

Provision is made for unrealized losses on over-the-counter contracts, by way of a charge to the income statement, but unrealized gains are not recognized.

■ Options

Options or forward contracts acquired as hedges are accounted for separately from contracts acquired in connection with trading activities, based on the notional amount of the underlying instrument.

Premiums paid and received on interest rate, currency and equity options are recorded in a suspense account. At the year-end, options traded on organized markets and equivalents are marked to market and the unrealized gain or loss is recorded in the income statement. In the case of options traded over the counter, an allowance is booked for any unrealized losses but unrealized gains are not recognized. When the option is resold, bought back, exercised or allowed to lapse, the premium is taken to the income statement immediately.

Income and expenses on options acquired for hedging purposes are recognized on a symmetrical basis with the income and expenses on the hedged items.

■ Currency instruments

Spot currency transactions outstanding at the year-end are valued at the year-end rate.

Contangos and backwardations on currency futures acquired as hedges are recognized in the income statement on an accruals basis. Other forward foreign exchange contracts and currency futures are marked to market.

Forward currency swaps are treated as a forward purchase of foreign currency combined with a forward sale of the same currency.

Currency swaps are accounted for in accordance with CRBF 90-15 (revised).

2.9. – Natexis Banques Populaires institutional activities

Commitments given to banks that grant export credits financed in foreign currencies in order to fix the exchange rate of their foreign currency borrowings are not included in published off-balance sheet commitments.

Income and expenses from institutional activities (swaps and exchange rate guarantees) are paid over or charged to the French Treasury in accordance with agreed terms and conditions.

2.10. – Interest income and expense, fees and commissions

Interest and fees considered as equivalent to interest are recorded in the income statement on an accruals basis.

Fees and commissions that are not equivalent to interest are accounted for as follows:

- fees for non-recurring services are recorded in the income statement when the service is performed,
- fees for ongoing or recurring services are recognized by the percentage of completion method.

2.11. – Exceptional items

Exceptional income and expenses are items of income and expense that are unusual in terms of their amount and frequency.

2.12. – Summary of accounting principles applied by insurance companies

■ Insurance company investment portfolios

The premiums collected by insurance companies are invested in three categories of assets – marketable securities, including fixed and adjustable rate bonds, equities, real estate, loans and deposits.

Bonds and other fixed income securities are stated at cost. Premiums and discounts, corresponding to the difference between cost and redemption price, are amortized over the remaining life of the securities. A liquidity risk reserve is booked for other securities whose aggregate cost is greater than their aggregate realizable value at the year-end.

Unlisted real estate investments are stated at cost, net of transaction expenses. The realizable value shown in the statement of investments is determined based on five-yearly independent valuations which are updated annually.

Investments in related companies are stated at cost.

Assets held to cover linked liabilities are marked to market.

■ Technical reserves

Insurance companies are required to hold investments with a value at least equal to their commitments to policyholders. These commitments are evidenced by technical reserves.

The assets are the property of the insurance company. Protection of policyholders is assured by recording technical reserves under liabilities.

Insurance companies write business without knowing what the actual future cost of the policies will be. Their risks correspond to their commitments towards the insured, determined by performing statistical calculations.

Unearned premium reserves correspond to the portion of premiums written during the year that corresponds to insurance cover to be provided the following year.

Life reserves correspond to total premium income plus investment income attributable to policyholders less paid losses and benefits. A separate reserve is recorded to cover future management costs of life insurance policies.

Loss reserves correspond to the capital sum payable following a claim.

For credit insurance, loss reserves also include an amount to cover the estimated total cost of reported claims not settled at the period end. A reserve is also recorded for claims incurred but not reported, determined by reference to claims experience in prior underwriting years.

In 2003, Coface harmonized the methods used by certain of its subsidiaries to calculate their loss reserves. Taking into account loss equalization reserves, this harmonization did not have a material impact on net income.

Policyholder surplus reserves represent the portion of investment income attributable to policyholders that has not yet been distributed in the form of dividends. The policyholders' surplus must be paid out in dividends within eight years.

Liquidity risks reserves are recorded where the total realizable value of securities held for sale is less than their carrying value. The amount charged to the reserve corresponds to the lower of a) one-third of the total unrealized loss at the year-end and b) the difference between the opening provision and the total unrealized loss at the year-end. The applicable accounting treatment is described in Note I.4.

Other technical reserves include loss equalization reserves, financial contingency reserves and reserves for deferred acquisition costs.

Note 3. – Changes in scope of consolidation

The main changes in scope of consolidation in 2003 concerned:

- ongoing mergers of Banque Populaire banks;
- the integration of Crédit Coopératif as a new Banque Populaire bank belonging to the consolidating entity, and the transfer of the role of its central body to Banque Fédérale des Banques Populaires;
- the affiliation of Crédit Maritime Mutuel to Banque Fédérale des Banques Populaires.

None of the other changes in Group structure in 2003 had a material impact on the consolidated financial statements.

3.1. – Mergers of Banque Populaire banks

In 2003, the following Banque Populaire regional banks were merged:

- Banque Populaire Centre-Atlantique (Niort) and Banque Populaire du Centre (Limoges) merged to form Banque Populaire Centre-Atlantique (merger approved by the two banks' member-stakeholders on May 13, 2003).
- Banque Populaire du Haut-Rhin (Mulhouse) and Banque Populaire de la Région Economique de Strasbourg (Strasbourg) merged to form Banque Populaire d'Alsace (merger approved by the two banks' member-stakeholders on September 23, and September 30, 2003).

The mergers had no impact on the consolidated financial statements because the merged banks were part of the consolidating entity and the mergers were accounted for based on net book values.

3.2. – Consolidation of Crédit Coopératif

Following an Extraordinary General Meeting of January 30, 2003, Crédit Coopératif adopted the status of "*société anonyme coopérative de banque populaire à capital variable*". As a result of this change of status, Crédit Coopératif and the companies which it indirectly or directly owns became part of the Banque Populaire Group in 2003. The following companies were included in this first-time consolidation:

- Crédit Coopératif, which has joined the ranks of the parent companies of the consolidating entity of the Banque Populaire Group. On October 17, 2003 Caisse Centrale du Crédit Coopératif – which was formerly the Crédit Coopératif group's central body – was merged into Crédit Coopératif.
- Banque du Bâtiment et des Travaux Publics (BTP Banque), a bank serving corporate and institutional

customers in the construction and public works industries;

- Sicomi-Coop, which rents out buildings for professional use under finance leases;
- Coopamat, which sets up finance leases for equipment and vehicles used by SMEs, tradespeople and associations; and Transimat, which sells and purchases equipment on behalf of Coopamat;
- Inter-Coop, which sets up finance leases in the real estate sector for buildings for professional use;
- Eftel, a subsidiary providing electronic data transmission and general IT services;
- ECOFI Investissements, the Crédit Coopératif group's fund management subsidiary;
- BTP Capital Investissement, a private equity firm, which conducts business on behalf of BTP Banque;
- Transimo, a real estate trader;
- GIE USCC and Groupement de fait, shared services entities exclusively used by the Crédit Coopératif group;
- SCI Saint-Denis and SCI Crédit Coopératif, non-trading companies which manage the Crédit Coopératif group's buildings;
- Caisse Centrale, Crédit Coopératif Trésorerie Plus and Moné+CC2, three Crédit Coopératif mutual funds;
- Banque EDEL, which provides a full range of banking services with "le mouvement Leclerc", and SDR du Nord-Pas-de-Calais – a financial institution providing services exclusively to SMEs based in the Nord-Pas-de-Calais region in the north of France. These two companies are 34% and 29% owned by Crédit Coopératif Banque Populaire respectively and they are both accounted for by the equity method;
- BISE (Banque d'Initiatives Socio-économique), a credit institution operating in Poland; and the ESFIN Group, a holding company operating in social economy financing. These two companies are held in partnership with other entities and are respectively 27% and 38% owned by Crédit Coopératif Banque Populaire. They are also accounted for by the equity method.

In 2003, the Crédit Coopératif group contributed €207 million to the Banque Populaire Group's net banking income and €21 million to net income for the year.

3.3. – Consolidation of Crédit Maritime Mutuel

In accordance with Art. 93 of the French Financial Security Act of August 1, 2003 (law no. 2003-706), Banque Fédérale des Banques Populaires has become the central body of the Crédit Maritime Mutuel mutual bank network which operates along the French coast.

Crédit Maritime Mutuel has a strong franchise in the fishing and seafood industries and considerable experience of pleasure boat financing. It is also the exclusive provider of low interest loans for the fishing trade.

The Crédit Maritime Mutuel group entities which were consolidated for the first time in the second half of 2003 were as follows:

- Société Centrale du Crédit Maritime Mutuel, an entity responsible for the financing, coordination and development of the Crédit Maritime Mutuel group in accordance with the law of June 15, 1984;
- the 10 caisses régionales (CRCMM Caisse Régionale du Crédit Maritime Mutuel) including 7 located on the coast of France and 3 in the French overseas departments and territories:
 - CRCMM du Nord ;
 - CRCMM du Littoral de la Manche ;
 - CRCMM du Finistère ;
 - CRCMM du Morbihan et de la Loire-Atlantique ;
 - CRCMM de Méditerranée ;
 - CRCMM de Vendée ;
 - CRCMM du Littoral du Sud-Ouest ;
 - CRCMM de la Guadeloupe ;
 - CRCMM de la Réunion ;
 - CRCMM de la Martinique ;
- l'Union des Caisses Régionales (UCR) an entity which centralizes shares at a national level;
- the subsidiaries of Crédit Maritime Vie, a life insurance and endowment insurance company, and Crédit Maritime Investissement, the Crédit Maritime Mutuel group's fund management subsidiary.

As Crédit Maritime Mutuel only became affiliated to Banque Fédérale des Banques Populaires in regulatory terms during the year, the consolidated financial statements of the Banque Populaire Group only include the network's results for the second half of 2003. Crédit Maritime Mutuel's contribution to the Banque Populaire Group's net banking income amounted to €54 million in 2003. Finally, as Crédit Maritime Mutuel is not owned by the consolidating entity, its contribution to the Banque Populaire Group's net income was recorded under minority interests in an amount of €4 million.

3.4. – Increase in the interest held in Natexis Banques Populaires

The interest held by Banque Fédérale des Banques Populaires in Natexis Banques Populaires was increased to 75.34% at December 31, 2003 from 72.85% at the previous year-end, reflecting the combined impact of the following:

- On May 22, 2003, Banque Fédérale des Banques Populaires sold to Natexis Banques Populaires, the 748,531 shares it held in Banque du Dôme (CrédiFrance Factor). In order to finance this acquisition, Natexis Banques Populaires increased its capital by issuing 218,559 shares with a par value of €16 to Banque Fédérale des Banques Populaires, increasing the latter's interest in Natexis Banques Populaires by 0.12%.
- On November 19, 2003, Banque Fédérale des Banques Populaires sold to Natexis Banques Populaires, the 958,124 shares it held in Sopromec. In order to finance this acquisition, Natexis Banques Populaires increased its capital by issuing 336,647 shares with a par value of €16 to Banque Fédérale des Banques Populaires, increasing the latter's interest in Natexis Banques Populaires by 0.19%.
- The Alizé Levier fund was consolidated at December 31, 2003, contributing 1,079,310 Natexis Banques Populaires shares, which represented 2.25% of the bank's capital (the Alizé Levier operation is described in Note 3.8.4).

3.5. – Other companies consolidated for the first time in 2003

The following other companies were consolidated for the first time in 2003:

- Assurecrédit, Coface North America Insurance and Kompass Holding and its subsidiaries, which were consolidated in the Coface sub-group;
- Adir, a Lebanese company providing life insurance, personal risk insurance and property damage insurance was consolidated by the equity method. Adir is a subsidiary of Natexis Assurances;
- Bankéo, a Banque Fédérale des Banques Populaires subsidiary which is developing an online banking platform;
- BGF+, a company developing stock option optimization software for SMEs and Via-link, specialized in e-business based software. These two companies are subsidiaries of BRED Banque Populaire;
- E-Market, a Natexis SLIB subsidiary specializing in IT services;
- Finatem (Germany), Natexis Cape (Italy), Natexis Inversiones (Spain), Mercosul (Brazil), Natexis Investment Asia (NIA) and Natexis Venture Sélection – international venture capital companies – and Financière Natexis Singapour, a holding structure for the NIA fund;
- Natexis Bleichroeder UK, Natexis Bleichroeder Inc.'s London-based subsidiary, with the same equity brokerage business as its parent company which was acquired in late December 2002;
- Natexis Intertitres, a Natexis Interépargne subsidiary which specializes in managing luncheon vouchers;
- Natexis Preferred Capital III, a subsidiary set up by Natexis Banques Populaires to carry out the fourth tranche of a preferred stock issue,
- Société de Gestion et Transaction Immobilière (SGTI), a subsidiary of CASDEN Banque Populaire;
- Four credit companies and a holding company acquired at end-December 2003 from l'Agence Française de Développement (AFD) in the French overseas departments by BRED Banque Populaire:
 - SODEGA (Guadeloupe), SODEMA (Martinique) and SOFIDEG (Guyana), all owned by the holding company, SAS Antilles Guyane Participation;
 - SOFIDER in Reunion.

The impact of these companies on the Group's net banking income and net income was as follows in 2003 (in millions of euros):

December 31, 2003

Company	Net banking income	Net income
ADIR	0	1
ANTILLES GUYANE PARTICIPATIONS (*)	-	-
ASSURCREDIT	1	0
BANKEO	0	(1)
BGF+	0	0
COFACE INSURANCE NORT AMERICA	0	0
COFACERATING.SP	1	0
E-MARKET	1	(7)
FIN. NATEXIS SINGAPOUR	0	0
FINATEM	0	(1)
KOMPASS Holding & filiales	3	(5)
MERCOSUL	(3)	(3)
NAT. INVEST ASIA	(2)	(3)
NATEXIS BLEICHROEDER UK	0	0
NATEXIS CAPE	1	1
NATEXIS INTERTITRES	9	0
NATEXIS INVERSIONES	(4)	(3)
NATEXIS VENTURE SELECTION	(13)	(2)
NBP PREFERRED CAPITAL III, LLC	2	0
SGTI	0	(1)
SODEGA (*)	-	-
SODEMA (*)	-	-
SOFIDEG (*)	-	-
SOFIDER (*)	-	-
VIALINK	0	0

(*) The subsidiaries of l'Agence Française de Développement acquired at the end of December 2003 by BRED Banque Populaire did not contribute to consolidated net income for the year. For practical reasons, balance sheets at September 30, 2003 were used for the purposes of consolidating these entities. No material changes in their balance sheets occurred between September 30, 2003 and December 31, 2003.

Special purpose entities included in the scope of consolidation in 2003 are described in Note 3.8.

3.6. – Deconsolidated companies

Six companies were removed from the scope of consolidation in 2003:

- SAS Montmartrel and Sofinnova – two Natexis Banques Populaires subsidiaries – due to the non-material nature of their activities;
- GIE Parnasse Investissement and Interpromo – two Casden Banque Populaire subsidiaries – due to the non-material nature of their activities;
- SAS Valmy – a Banque Fédérale des Banques Populaires subsidiary – following the sale of its assets;

– SCI Cogestimmo, a real-estate company which held Coface SA's headquarters building that was sold during the year, and whose contribution to the Group was not material in 2002.

The contribution of these companies to consolidated net banking income and net income was as follows in 2002 (in millions of euros):

December 31, 2002

Company	Net banking income	Net income
SAS MONTMARTRE 1	0	0
SOFINNOVA	0	0
GIE PARNASSE INVEST.	1	0
INTER PROMO	0	0
SAS VALMY	(10)	0

3.7. – Other operations

■ - Other mergers carried out during the year

The other mergers carried out in 2003 were as follows:

- Banque du Dôme (CrédiFrance Factor) was purchased by Natexis Banques Populaires from Banque Fédérale des Banques Populaires (see Note 3.3) and merged into Natexis Factorem;
- IDF Nord Croissance, Sud-Est Croissance and Sud-Croissance (non-consolidated) were merged with +X Développement, to become BP Développement;
- Immobics SA was merged into BICS Banque Populaire;
- La Prospérité was merged into ABP-Vie;
- Natexis Actions Avenir and Natexis Actions Nouveau Marché were merged to create a new mutual fund named Natexis Actions Capital Structurant.

All of these mergers were carried out at net book value and the related merger surpluses or deficits were canceled in the consolidated financial statements.

■ Acquisition of Vivendi Universal Publishing on behalf of the Lagardère Group

In December 2002, the Banque Populaire Group acquired the European assets of Vivendi Universal Publishing on behalf of the Lagardère Group.

The shares were purchased by Investima 10, a wholly-owned subsidiary of Ecrinvest 4 which in turn is wholly-owned by Segex, a wholly-owned subsidiary of Natexis Banques Populaires. The transaction was carried out in application of Art. 3.5.a of the European Council Merger Regulation no. 4064/89 which allows financial institutions to acquire a company with a view to reselling it without obtaining the prior authorization of the European Commission.

In parallel with this transaction, Segex sold the Ecrinvest 4 shares to the Lagardère Group, which paid for them immediately.

As the sale was subject to European Commission authorization which was obtained on January 7, 2004, the transaction still featured in the Banque Populaire Group accounts at December 31, 2003.

Ecrinvest 4 has not been consolidated because the shares in this company are intended to be sold. In addition, the Group's ability to control Ecrinvest 4's assets is subject to severe and lasting restrictions, and the Group is not exposed to the majority of the company's risks, nor does it benefit from the majority of its profits. This accounting treatment is in accordance with standard CRC 99-07 paragraph 101.

3.8. – Special purpose entities

Special purpose entities over which the Group exercises control, in substance, without controlling their capital are consolidated.

Standard CRC 99-07, paragraph 10052, sets out the three criteria to be applied to determine whether control is exercised. If only one of the three criteria is met, this is not sufficient evidence of control. The criteria are as follows:

- the consolidating entity has the power to make decisions and manage the activities of the special purpose entity;
- the consolidating entity has the right to all or the majority of the profits of the special purpose entity;
- the consolidating entity retains the majority of the ownership risks related to the special purpose entity.

Following the publication, on November 6, 2002, of joint guidelines issued by the Commission des Opérations de Bourse (predecessor of the Autorité des Marchés Financiers) and the Commission Bancaire providing an interpretation of standard CRC 99-07, two subsidiaries of Natexis Banques Populaires set up in 1991 and 1992 – Edval C Investment Ltd and Worledge Investment Ltd – in connection with a

defeasance transaction involving ex-BFCE sovereign loans (see Note 2.7) were consolidated for the first time at December 31, 2002.

Based on a review of entities set up before December 31, 2002, none of the other special purpose entities set up by the Group fulfilled the criteria requiring them to be consolidated. These special purpose entities can be broken down into the following categories:

3.8.1 – Securitizations

■ Since 2000, Natexis Banques Populaires has carried out five synthetic asset securitizations on its own behalf for a total of €4,109 million. These transactions, implemented through the Paris I, Paris 2, Natix, IGLOO and IGLOO2 special purpose entities, have the effect of transferring a significant portion of counterparty risk relating to certain loan portfolios (collateralized loan obligation) or to bonds (collateralized bond obligation), using credit default swaps and credit linked notes. They consist of synthetic securitizations based on credit derivatives carried out jointly with third party banks and special purpose entities. In substance, the credit derivatives are equivalent to credit insurance protecting Natexis Banques Populaires against the risk of borrower default or debt rescheduling.

The special purpose entities Paris I, Paris 2, Natix and IGLOO, are not consolidated because their accounts only reflect the protection obtained by Natexis Banques Populaires and its coverage on the market. The remaining risk is assumed by the investors that acquire the securities issued by the special purpose entity.

Based on an analysis of the securitization transaction carried out through IGLOO2 in 2003, the Group decided to consolidate IGLOO2 as the Banque Populaire banks which acquired the securities issued by that entity are exposed to the majority of the risks.

The details of these transactions are as follows:

in millions of euros				December 31, 2003			
Entity	Currency	Set-up date	Expiry date	Securitized amount (gross)	Weighted securitized risks	Weighted retained risks	Initial losses retained by the Group
IGLOO	EUR	2000	2005	1,721	1,282	493	33
NATIX	USD (initial losses in EUR)	2000	2008	222	222	40	3
PARIS I & II	USD	2000	2011	396	396	18	8
IGLOO2	EUR	2003	2008	1,770	1,394	336	110
				4,109	3,294	887	154

■ In 2002, Natexis Banques Populaires carried out a securitization on behalf of clients. The purpose of the transaction was to refinance these clients' receivables portfolios on the commercial paper market. Natexis Banques Populaires acts as arranger, custodian, placing agent and liquidity provider and also guarantees the letter of credit. The transaction involves a multi-seller conduit named Elixir Funding.

Out of the three criteria applied to determine whether a special purpose entity should be consolidated, the criterion concerning the retention of the majority of ownership risks is the determining factor: during the period when the conduit's asset pool is being built up, Natexis Banques Populaires intends to transfer the majority of risks to a banking syndicate within one year. Once the conduit is fully operational, over 50% of the liquidity lines and the letter of credit will be financed by a banking syndicate at all times. The special purpose entity has therefore not been consolidated.

Liquidity lines have been opened on the commercial paper issued by this conduit, as well as a letter of credit:

in millions of euros	Dec. 31, 2003
Amount authorized	408.0
NBP liquidity line	204.6
NBP letter of credit	9.8

■ In March 2001, BRED Banque Populaire carried out a securitization through the FCC Crystalys special purpose entity. Asset-backed securities issued by the special purpose entity amounted to €787 million at December 31, 2003, included in securities held for sale. The special purpose entity holds a portfolio of home loans with a roughly equivalent value. A certain proportion of the loans is guaranteed by CASDEN Banque Populaire in the amount of €304 million. In the case of any sales or other transactions, detailed information about the related risks will be disclosed. FCC Crystalys is not consolidated because it is an independent management company and BRED Banque Populaire does not have any decision-making or management powers.

3.8.2 – Tax structures

Asset financing (aircraft, ships, hotels, technocenters, etc.) is provided to certain clients via look-through entities (GIEs, SCIs, SAs organized as a tax group) set up by Natexis Banques Populaires alone or in partnership with other banks. In these structures, Natexis Banques Populaires acts both as a lender and as a seller of tax positions. Natexis Banques Populaires has the power to make decisions concerning the activities of these look-through entities, in a fiduciary capacity on behalf of clients. As the activities represent in substance asset management activities and

Natexis Banques Populaires does not control the look-through entities within the meaning of standard CRC 99-07, paragraph 10052, these structures are not consolidated.

3.8.3 – Real estate structures

SCI non-trading real estate companies are established to hold finance leases set up by the Group's leasing subsidiaries to finance acquisitions of real estate (car parks, offices, headquarters buildings, etc.). As in the case of tax structures, these subsidiaries act in a fiduciary capacity at the request of clients and do not exercise control over the real estate structures according to the criteria set out in standard CRC 99-07, paragraph 10052.

3.8.4 – Group employee stock ownership plan ("Alizé" operation)

On May 31, 2001, Natexis Banques Populaires launched an employee share issue open to employees of the Banque Populaire Group. The issue was carried out in connection with the Group's employee stock ownership plan governed by the Act of February 19, 2001. A corporate mutual fund – FCPE Alizé Levier – was set up to hold the shares acquired by the employees participating in the issue.

Banque Fédérale des Banques Populaires entered into an agreement with the fund's custodian, guaranteeing the net asset value of any units surrendered to the fund by employees.

Based on the characteristics of the operation, the Group has consolidated the FCPE Alizé Levier mutual fund.

3.9. – Pro forma consolidated financial statements

The financial statements have been presented with Coface accounted for by the equity method for the first half of 2002 and fully consolidated for the second half of that year. In addition, the Crédit Coopératif group (see Note 3.2) and the Crédit Maritime Mutual group (see Note 3.3) were consolidated from January 1, 2003 and July 1, 2003 respectively and therefore only contributed to the Banque Populaire Group's results as from those dates. Finally, as Natexis Bleichroeder Inc. and Banque du Dôme (CrédiFrance Factor, which merged with Natexis Factorem in June 2003 – see Note 3.7) were acquired at the end of December 2002, those two companies did not contribute to the Banque Populaire Group's consolidated results for 2002.

Due to these changes in Group structure, meaningful year-on-year comparisons are not possible between the years ended December 31, 2003 and December 31, 2002. In order to facilitate these comparisons, a pro forma version of the main income statement items for the year ended

December 31, 2002 is included in Note 69 to the consolidated financial statements. In order to prepare these pro forma accounts, the published financial statements were adjusted as follows:

- Coface has been fully consolidated for the full year 2002,
- the income statement for the year ended December 31, 2002 has been adjusted to take into account the contribution of Crédit Coopératif Banque Populaire and its subsidiaries, as well as of Natexis Bleichroeder Inc and Banque du Dôme (CrédiFrance Factor). The adjusted accounts for these companies have been prepared based on management accounting data that have not been audited by the Statutory Auditors.
- the income statements for the year ended December 31, 2002 have been adjusted to take into account the contribution of the Crédit Maritime Mutuel group for the second half of 2002 to enable comparisons with 2003 when that group contributed to the Banque Populaire Group's results for the second half of the year as it was only consolidated on July 1, 2003. The figures relating to the Crédit Maritime Mutuel group were prepared based on management accounting data that have not been audited by the Statutory Auditors.

These pro forma figures for the year ended December 31, 2002 were used as the basis for calculating changes based on a "constant Group structure" in the presentation of the Group's results to analysts and journalists on March 4, 2004. Note 70 to the consolidated financial statements sets out a reconciliation between the published accounts for 2002 and the pro forma accounts.

Note 4 – Other information

In 2002, Banque Fédérale des Banques Populaires issued a guarantee relating to the shares issued by Natexis Banques Populaires on the acquisition of Natexis Bleichroeder Inc. in December 2002.

The acquisition of Natexis Bleichroeder Inc. (formerly Arnhold & Bleichroeder Inc) was paid for through the issuance of 1,401,082 new shares. The share issue, carried out on December 6, 2002, represented a capital increase of 3%.

Arnhold & S. Bleichroeder Holdings, the former owner of Natexis Bleichroeder Inc., is committed to retaining at least 45% of these shares for a minimum of five years. The remaining 55% of the shares may be sold over a period of seven years, as follows: no more than 10% between six months and one year after the transaction date, a cumulative maximum of 35% in the period to the end of the second year, a cumulative maximum of 45% in the period to the end of the third year and a cumulative maximum of 55% in the period to the end of the seventh year.

Arnhold & S. Bleichroeder Holdings and Banque Fédérale des Banques Populaires have also signed a value protection agreement stating that if the 55% of the shares referred to above are sold at a price below their value at the date of issue – i.e. €75.56 – Banque Fédérale des Banques Populaires will transfer additional Natexis Banques Populaires shares to Arnold & S. Bleichroeder Holdings without consideration.

This value protection agreement will only apply if the shareholders of Arnold & S. Bleichroeder Holdings have refused an offer to purchase the Natexis Banques Populaires shares at a price previously proposed by Banque Fédérale des Banques Populaires. In that case the Natexis Banques Populaires shares may not be sold to a third party at a price lower than that offered by Banque Fédérale des Banques Populaires.

Note 5 – Companies included in the scope of consolidation

Banque Populaire Group

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001		
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)
I) Consolidating Entities										
Banques Populaires										
Banque Populaire Occitane	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	///	///	N
Banque Populaire du Tarn et de l'Aveyron	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
Banque Populaire Anjou-Vendée	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
Banque Populaire Bourgogne Franche-Comté	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	///	///	N
Banque Populaire de Franche-Comté du Mâconnais et de l'Ain	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
Banque Populaire du Sud-Ouest	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire du Quercy et de l'Agenais	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
Banque Populaire du Massif Central	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire de Bourgogne	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
Banque Populaire des Alpes	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire du Nord	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire du Centre	- FR	Merged		N	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire Centre Atlantique	- FR	100.00%	100.00%	Full	///	///		///	///	N
Banque Populaire de Loire et Lyonnais	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire Provence et Corse	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire Lorraine Champagne	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	///	///	N
Banque Populaire de Lorraine	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
BICS - Banque Populaire	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire du Haut-Rhin	- FR	Merged		N	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire Bretagne Atlantique	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
Banque Populaire Atlantique	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	///	///	N
Banque Populaire de la Côte d'Azur	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire du Midi	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire Centre-Atlantique	- FR	Merged		N	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire des Pyrénées-Orientales, de l'Aude et de l'Ariège	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire de l'Ouest	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire Nord de Paris	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire de la Région Economique de Strasbourg	- FR	Merged		N	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire d'Alsace	- FR	100.00%	100.00%	Full	///	///	N	///	///	N
Banque Populaire Val de France	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	///	///	N
Banque Populaire Toulouse-Pyrénées	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Banque Populaire Val de France	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
Banque Populaire de Champagne	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
B.P. ROP - Banque Populaire	- FR	Merged		N	Merged		N	100.00%	100.00%	Full
BRED Banque Populaire	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
CASDEN Banque Populaire	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Crédit Coopératif	- FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
Mutual guarantee companies										
BICS HABITAT	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
BRED HABITAT	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
FOREST. LORRAINE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
FOREST. MASSIF CENTRAL	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
FOREST. PYRENEES-ORIENTALES	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
FOREST. SEINE-ET-MARNE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full

Financial information - Consolidated financial data

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001		
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)
PROCOMI COTE-D'AZUR	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCACEF BAS-RHIN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCACEF BRETAGNE-ATLANTIQUE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCACEF CENTRE-ATLANTIQUE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCACEF MASSIF CENTRAL	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCACEF NORD	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCACEF QUERCY-AGENAIS	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCACEF TARN ET AVEYRON	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA ALPES-MARITIMES	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA ANJOU-VENDEE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA ARIEGE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA AUDE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA AVEYRON	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA BAS-RHIN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA BICS	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA BOUCHES-DU-RHONE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA BOURGOGNE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA BRED-IDF	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA CHAMPAGNE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA CHARENTE-MARITIME	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA CORSE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA DAUPHINE-ALPES DU SUD	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA DEUX-SEVRES	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA DOUBS-HTE-SAONE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA HAUTE-GARONNE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA HAUTE-SAVOIE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA HAUT-RHIN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA JURA-AIN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA LOIRE-ATLANTIQUE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA LOIRE-Ht-VIVARAIS	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA LORRAINE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA LOT	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA LOT-ET-GARONNE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA LYON-ET-REGION	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA MASSIF CENTRAL	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA MIDI	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA MIDI-PYRENEES OUEST	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA MORBIHAN-FINISTERE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA NORD	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA Nord de Paris	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA OUEST	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA R.O.P.	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA REUNION	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA ROUSSILLON	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA Régionale L-C-D	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA SAVOIE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA SUD-OUEST	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA TARN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA VAL-DE-FRANCE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA VAR	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMA VAUCLUSE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMI TARN et AVEYRON	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMI ANJOU-VENDEE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SOCAMI AUDE-ARIEGE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001			
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	
SOCAMI BAS-RHIN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI BASSIN-ADOUR	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI BORDEAUX-ET-REGION	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI BOURGOGNE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI BRETAGNE-ATLANTIQUE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI CENTRE-OUEST	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI CHAMPAGNE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI COTE D'AZUR	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI DAUPHINE-ALPES DU SUD	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI FRANCHE-COMTE-M-A	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI HAUTE-SAVOIE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI HAUT-RHIN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI HTE-GARONNE-HABITAT	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI LIMOUSIN	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI LOIRE	- FR	Merged		N	Merged		N	100.00%	100.00%	Full	
SOCAMI LOIRE ET LYONNAIS (formerly Socami Lyon et région)	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	///	///	N	
SOCAMI LORRAINE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI LYON-ET-REGION	- FR	Merged		N	Merged		N	100.00%	100.00%	Full	
SOCAMI MASSIF CENTRAL	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI MIDI	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI NORD	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI Nord de Paris	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI OUEST	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI PROVENCE ET CORSE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI PYRENEES-ORIENTALES	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI QUERCY-AGENAIS	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI R.O.P.	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI SAVOIE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMI VAL-DE-FRANCE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMMES	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAMUPROLOR	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOCAUPROMI	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOFRONTA	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOPROLIB COTE D'AZUR	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOPROLIB FRANCHE-COMTE-M-A	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOPROLIB LORRAINE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOPROLIB NORD	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOPROLIB OUEST	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOPROLIB SAVOIE-HTE-SAVOIE	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SOPROLIB SUD-OUEST	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
Central Bodies											
BANQUE FEDERALE DES BANQUES POPULAIRES	- FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
II) Affiliates (c)											
CAISSE REGIONALE DE GUADELOUPE	- FR	1.95%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	
CAISSE REGIONALE DE MARTINIQUE	- FR	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	
CAISSE REGIONALE DE MEDITERRANEE	- FR	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	
CAISSE REGIONALE DE REUNION	- FR	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	
CAISSE REGIONALE DE VENDEE	- FR	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	
CAISSE REGIONALE DU FINISTERE	- FR	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	
CAISSE REGIONALE LITTORAL MANCHE	- FR	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	
CAISSE REGIONALE MORBIHAN / L.A	- FR	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N	

Financial information - Consolidated financial data

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001		
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)
CAISSE REGIONALE REGION NORD	- FR	0.00%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
CAISSE REGIONALE SUD OUEST	- FR	0.00%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
SOCIETE CENTRALE DU CREDIT MARITIME	- FR	7.67%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
UNION DES CAISSES REGIONALES	- FR	0.00%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		

III) Subsidiaries

Banking Activities

NATEXIS BANQUES POPULAIRES	- FR	75.34%	75.34%	Full	72.85%	72.85%	Full	75.86%	75.86%	Full
BANQUE MONETAIRE ET FINANCIERE	(3) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
BICEC	(2) CM	51.99%	52.48%	Full	51.95%	52.48%	Full	52.00%	52.49%	Full
BRED COFILEASE (formerly Ncm)	(9) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
FINANCIERE CLADEL	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS ALGERIE (formerly Al Amana Banque)	(1) DZ	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS COFICINE (formerly Coficiné)	(1) FR	69.68%	92.50%	Full	67.38%	92.50%	Full	70.17%	92.50%	Full
NATEXIS IMMO DEVELOPPEMENT (formerly Sofep)	(1) FR	75.33%	99.99%	Full	72.85%	99.99%	Full	75.83%	99.96%	Full
NATEXIS INVESTMENT CORP.	(1) US	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS LUXEMBOURG	(1) LU	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS METALS (formerly Sogemin Métaux Ltd)	(1) GB	75.34%	80.00%	Full	58.28%	80.00%	Full	60.69%	80.00%	Full
NATEXIS PRAMEX INTERNATIONAL	(1) FR	74.65%	99.08%	Full	72.19%	99.10%	Full	75.19%	99.10%	Full
SBE	(2) FR	99.77%	99.77%	Full	99.71%	99.71%	Full	99.71%	99.71%	Full
SBFI	(1) FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.86%	99.99%	Full
ZAO NATEXIS BANQUES POPULAIRES	(1) RU	75.34%	100.00%	Full	72.85%	100.00%	Full	Consolidated from 2002		N

Specialized Financing

BAIL EXPANSION	(1) FR	75.25%	99.88%	Full	72.76%	99.88%	Full	75.77%	99.88%	Full
BIC BRED	(9) FR	99.94%	99.94%	Full	99.94%	99.94%	Full	99.94%	99.94%	Full
C.2.C	(3) FR	48.99%	48.99%	Equity	48.99%	48.99%	Equity	48.99%	48.99%	Equity
CREDIFRANCE-FACTOR	(9) FR	Merged		N	95.48%	95.48%	Full	Consolidated from 2002		N
DOMIMUR	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
ENERGECO	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
FRUCTIBAIL	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
FRUCTICOMI	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
LUX EQUIP BAIL	(9) LU	90.00%	90.00%	Full	90.00%	100.00%	Full	Consolidated from 2002		N
NATEXIS BAIL	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS FACTOREM (formerly Factorem)	(1) FR	75.08%	99.66%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS LEASE (formerly Bail Banque Populaire)	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NOVACREDIT	(4) FR	66.00%	66.00%	Full	66.00%	66.00%	Full	65.99%	66.00%	Full
PROMEPAR	(9) FR	99.96%	99.91%	Full	99.91%	99.91%	Full	99.91%	99.91%	Full
SOFINCIL	(3) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	99.37%	99.37%	Full

Asset Management and Insurance

ABP PREVOYANCE (formerly Fructiprévoyance)	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
ABP VIE (formerly Fructivie)	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
ADIR	(1) LB	25.61%	33.99%	Equity	Consolidated from 2003	N	Consolidated from 2003	N		
ASSURANCES BP IARD (formerly Fructimaaf)	(1) FR	37.68%	49.99%	Equity	36.43%	49.99%	Equity	37.93%	49.94%	Equity
BANCASSURANCE POPOLARI	(1) IT	38.42%	51.00%	Full	37.15%	51.00%	Full	38.69%	51.00%	Full
BANQUE PRIVÉE ST DOMINIQUE	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
BERCY GESTION FINANCE	(9) FR	99.96%	99.96%	Full	99.96%	99.96%	Full	99.96%	99.96%	Full
BFBP ACTIONS EUROPE	(2) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	Consolidated from 2002		N

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001			
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BMF GESTION	(3)	FR	Divestment	N	Divestment	N	99.97%	99.97%	Full		
BPSD GESTION (formerly Bafsa)	(1)	FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.85%	99.99%	Full
BRED GESTION	(9)	FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
COFIBRED	(9)	FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
CREDIT MARITIME VIE	(12)	FR	3.07%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
INTEREPARGNE	(1)	FR	Demerger	N	Demerger	N	87.90%	100.00%	Full		
LA PROSPERITE	(1)	FR	Merged	N	77.70%	100.00%	Full	80.16%	100.00%	Full	
NATEXIS ASSET MANAGEMENT (formerly Bpam)	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	83.12%	100.00%	Full
NATEXIS ASSET SQUARE	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS ASSURANCES (formerly Assur. Bp)	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS EPARGNE ENTREPRISE	(1)	FR	75.33%	100.00%	Full	72.85%	100.00%	Full	Demerger	N	
NATEXIS IMMO PLACEMENT (formerly Fructiger)	(1)	FR	75.10%	99.68%	Full	72.62%	99.68%	Full	78.04%	99.68%	Full
NATEXIS INTEREPARGNE	(1)	FR	75.34%	99.99%	Full	72.85%	100.00%	Full	Demerger	N	
NATEXIS INTERTITRES	(1)	FR	75.28%	99.92%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
NATEXIS LIFE (formerly Fructilife)	(1)	LU	72.21%	100.00%	Full	69.83%	100.00%	Full	72.72%	95.85%	Full
NATEXIS PRIVATE BANKING Luxembourg (formerly Bp Lux)	(1)	LU	66.15%	87.80%	Full	63.96%	87.80%	Full	66.61%	87.80%	Full
NXBP1 (formerly Natexis Gestion)	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.79%	99.90%	Full
PREPAR COURTAGE (formerly Berpa)	(9)	FR	99.30%	99.30%	Full	99.20%	99.20%	Full	99.40%	99.40%	Full
PREPAR-IARD	(9)	FR	99.98%	99.98%	Full	99.98%	99.98%	Full	99.98%	99.98%	Full
PREPAR-VIE	(9)	FR	99.77%	99.77%	Full	99.77%	99.77%	Full	99.71%	99.71%	Full
SOCECA	(1)	FR	18.81%	24.97%	Equity	18.19%	24.97%	Equity	18.94%	24.97%	Equity
SOPRANE ASSURANCES	(1)	FR	75.16%	99.76%	Full	72.67%	99.76%	Full	75.68%	99.76%	Full
VITALIA VIE	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
Private Equity											
AGRO AUDACES	(4)	FR	80.02%	82.94%	Full	79.72%	71.54%	Full	76.44%	79.21%	Full
BP DEVELOPPEMENT Globale (formerly +X Dev.)	(4)	FR	90.84%	97.73%	Full	84.43%	93.43%	Full	85.43%	93.43%	Full
CITA	(1)	FR	Divestment	N	Divestment	N	18.96%	24.99%	I.P.		
CREDIT MARITIME INVESTISSEMENT	(12)	FR	2.61%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
FCP ALIZE	(4)	FR	100.00%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
FCPR NATEXIS INDUSTRIE Globale	(1)	FR	75.34%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
FIN. NATEXIS SINGAPOUR	(1)	SG	75.34%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
FINANCIERE VECTEUR	(8)	FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
FINATEM	(1)	DE	67.80%	90.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
IDF NORD CROISSANCE	(1)	FR	Merged	N	90.96%	100.00%	Full	91.97%	100.00%	Full	
INITIATIVE ET FINANCE INVESTISSEMENT	(1)	FR	57.68%	92.36%	Full	54.85%	92.33%	Full	57.24%	92.49%	Full
MERCOSUL	(1)	GB	75.34%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
NATEXIS INVESTISSEMENT (formerly Sfx Glob.+Ex N.Inv G)	(1)	FR	69.62%	99.27%	Full	67.88%	99.23%	Full	70.30%	99.23%	Full
NATEXIS INVESTISSEMENT ASIA	(1)	HK	75.34%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
NATEXIS ACTIONS AVENIR	(1)	FR	61.90%	81.25%	Full	62.24%	84.73%	Full	59.54%	80.15%	Full
NATEXIS BLEICHOEDER UK	(1)	GB	75.34%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
NATEXIS CAPE	(1)	LU	75.34%	98.71%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
NATEXIS CAPITAL STRUCTURANT	(1)	FR	61.12%	73.71%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
NATEXIS FINANCE	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS INDUSTRIE	(1)	FR	75.34%	99.85%	Full	65.61%	99.85%	Full	70.72%	99.85%	Full
NATEXIS INVERSIONES	(1)	SP	75.34%	100.00%	Full	Consolidated from 2003	N	Consolidated from 2003	N		
NATEXIS NOUVEAUX MARCHES	(1)	FR	68.90%	91.53%	Full	66.95%	91.61%	Full	58.28%	80.79%	Full
NATEXIS PRIVATE EQUITY (formerly FNBP)	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS PRIVATE EQUITY ASIA	(1)	FR	Deconsolidated	N	72.85%	100.00%	Full	75.86%	100.00%	Full	
NATEXIS PRIVATE EQUITY INTERNATIONAL	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS VENTURE SELECTION	(1)	FR	75.16%	99.76%	Full	Consolidated from 2003	N	Consolidated from 2003	N		

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Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001		
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)
NEM2	(1) FR	75.34%	88.07%	Full	64.00%	88.03%	Full	66.74%	87.98%	Full
OUEST CROISSANCE SCR	(4) FR	96.62%	99.23%	Full	96.35%	99.23%	Full	96.57%	99.16%	Full
SOFINNOVA	(1) FR	18.37%	24.38%	Equity	17.48%	24.38%	Equity	18.21%	24.38%	Equity
SOPROMECC	(1) FR	78.95%	97.13%	Full	76.58%	76.58%	Full	Consolidated from 2002		N
SPEF	(1) FR	Merged		N	Merged		N	75.86%	100.00%	Full
SPEF DEVELOPPEMENT	(1) FR	75.33%	99.98%	Full	72.84%	99.98%	Full	75.86%	100.00%	Full
SPEF LBO	(1) FR	75.33%	99.99%	Full	72.85%	99.99%	Full	Consolidated from 2002		N
SPEF VENTURE (formerly Sopagest)	(1) FR	75.32%	99.97%	Full	72.83%	99.97%	Full	75.82%	99.94%	Full
SUD EST CROISSANCE	(1) FR	Merged		N	93.34%	100.00%	Full	94.08%	100.00%	Full
VECTEUR CAPITAL	(8) FR	Merged		N	Merged		N	81.43%	100.00%	Full
VECTEUR Gestion	(8) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
Capital Markets										
AMEDIS	(9) GB	0.00%	96.00%	Full	0.00%	96.00%	Full	0.00%	100.00%	Full
ASSET BACKED MANAGEMENT CORP.	(1) US	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
AXELTIS Ltd (Asset Square Londres)	(1) GB	75.34%	100.00%	Full	72.85%	100.00%	Full	Consolidated from 2002		N
CAPI COURT TERME N°1	(3) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
DUPONT DENANT CONTREPARTIE	(1) FR	37.67%	50.00%	Full	36.42%	50.00%	Full	37.93%	50.00%	Full
NATEXIS ARBITRAGE (formerly Spafin)	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS BLEICHROEDER Inc	(1) US	75.34%	100.00%	Full	72.85%	100.00%	Full	Consolidated from 2002		N
NATEXIS BLEICHROEDER SA (formerly Natexis Capital)	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	99.99%	Full
OFIVM	(1) FR	25.62%	34.00%	Equity	24.77%	34.00%	Equity	25.79%	34.00%	Equity
SOFINGEST	(1) FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.86%	99.99%	Full
VAL A (SAS)	(1) FR	73.90%	98.09%	Full	71.46%	98.09%	Full	74.41%	98.09%	Full
Banking, Financial and Technology Services										
BANKEO	(2) FR	60.00%	60.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
B-PROCESS	(9) FR	26.56%	26.56%	Equity	25.39%	25.39%	Equity	Consolidated from 2002		N
CLICK AND TRUST	(9) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
CLIVEO SNC	(2) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
CYBERPLUS MARKET	(2) FR	100.00%	100.00%	Full	91.77%	99.68%	Full	92.64%	99.68%	Full
DE PORTZAMPARC	(6) FR	67.02%	67.02%	Full	65.97%	65.98%	Full	65.98%	65.98%	Full
E-MARKET	(1) FR	75.34%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
GUIDEO	(2) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
LINEBOURSE	(1) FR	84.46%	96.94%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
NATEXIS PAIEMENTS (formerly BPL)	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
PROXIGMA	(1) FR	75.34%	99.99%	Full	72.84%	99.99%	Full	75.86%	100.00%	Full
SAMIC	(1) MC	56.96%	75.60%	Full	50.70%	69.60%	Full	52.80%	69.60%	Full
SLIB	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	99.99%	Full
SNC M+X (formerly Séraill)	(4) FR	99.65%	100.00%	Full	99.62%	100.00%	Full	99.66%	100.00%	Full
TRUST AND PAY	(9) FR	55.69%	44.00%	Full	62.70%	50.00%	Full	50.00%	50.00%	Full
Credit Insurance and Credit Management Services (d)										
COFACE	(1) FR	73.84%	98.01%	Full	71.40%	98.01%	Full	14.15%	19.14%	Equity
ADG COFACE ALLGEMEINE DEBITOREN	(11) DE	55.38%	75.00%	Full	53.55%	100.00%	Full	Consolidated from 2002		N
AK COFACE FINANZ (formerly AKFS)	(11) DE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002		N
ALLGEMEINE KREDIT COFACE	(11) DE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002		N
ALLGEMEINE KREDIT COFACE INFORMATIONS	(11) DE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002		N
ASSURCREDIT	(11) FR	29.54%	40.00%	Prop.	Consolidated from 2003		N	Consolidated from 2003		N
CIMCO SYSTEMS LIMITED	(11) GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002		N
CODINF Services	(11) FR	22.15%	30.00%	Equity	21.42%	30.00%	Equity	Consolidated from 2002		N
COFACE AK HOLDING (formerly Coface Vermögensverwaltung)	(11) DE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002		N

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001		
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)
COFACE CREDIT MANAGEMENT SERVICES	(11) US	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE DEBT PURCHASE	(11) GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE EXPERT	(11) FR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE HOLDING NORTH AMERICA	(11) US	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT BULGARIA	(11) BU	55.37%	100.00%	Full	34.80%	65.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT CZECHIA	(11) CZ	53.71%	97.00%	Full	51.94%	97.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT HRATSKA	(11) HR	55.37%	100.00%	Full	53.54%	100.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT HUNGARY	(11) HU	55.37%	100.00%	Full	53.54%	100.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT POLAND	(11) PL	53.71%	97.00%	Full	51.94%	97.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT ROMANIA	(11) RO	33.22%	60.00%	Full	32.12%	60.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT SLOVAKIA	(11) SK	55.37%	100.00%	Full	53.54%	100.00%	Full	Consolidated from 2002 N		
COFACE INTERCREDIT SLOVENIA	(11) SI	33.22%	60.00%	Full	32.12%	60.00%	Full	Consolidated from 2002 N		
COFACE ITALIA	(11) IT	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE MOPE	(11) PT	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE NORTH AMERICA	(11) US	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE NORTH AMERICA INSURANCE	(11) US	73.84%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003 N		
COFACE RECEIVABLE MANAGEMENT (Ex Veritas Brazil)	(11) BR	Merged		N	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SCRL	(11) FR	Deconsolidated		N	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SCRL (formerly Coface SCRL Participations)	(11) FR	73.84%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003 N		
COFACE SERVICE	(11) IT	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SERVICE ECUADOR (formerly Veritas Colombia)	(11) EC	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SERVICES COLOMBIA (formerly Veritas Andina)	(11) CO	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SERVICES NORTH AMERICA GROUP (formerly Veritas South American Corporation)	(11) US	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SERVICES PERU (formerly Veritas Peru)	(11) PE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SERVICES VENEZUELA (formerly Veritas Venezuela)	(11) VE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SERVICIOS (formerly Veritas Chile)	(11) CL	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE SERVICIOS MEXICO SA DE CV (formerly Informes Veritas)	(11) MX	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE UK	(11) GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACE UK SERVICES LIMITED (formerly Cofacering UK)	(11) GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACERATING .AT	(11) AT	Deconsolidated		N	67.12%	100.00%	Full	Consolidated from 2002 N		
COFACERATING HOLDING	(11) DE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACERATING.COM	(11) FR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACERATING.DE	(11) DE	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACERATING.ESPAÑA, SL	(11) ES	73.84%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003 N		
COFACERATING.FR	(11) FR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACERATING.IT	(11) IT	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACERATING.US	(11) US	Deconsolidated		N	71.40%	100.00%	Full	Consolidated from 2002 N		
COFACREDIT	(11) FR	26.58%	36.00%	Equity	25.70%	36.00%	Equity	Consolidated from 2002 N		
COFINPAR	(11) FR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COGERI	(11) FR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
COGESTIMMO	(11) FR	Deconsolidated		N	71.40%	100.00%	Full	Consolidated from 2002 N		
CREDICO LIMITED (formerly Cimco Ltd)	(11) GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
CREDITORS GROUP HOLDINGS LTD	(11) GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
FIMIPAR	(11) FR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002 N		
GRAYDON HOLDING	(11) NL	20.31%	27.50%	Equity	19.64%	27.50%	Equity	Consolidated from 2002 N		
GROUPE COFACE INTERCREDIT HOLDING AG	(11) AT	55.37%	74.99%	Full	53.54%	74.99%	Full	Consolidated from 2002 N		

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Companies Company / business line	December 31, 2003					December 31, 2002			December 31, 2001			
	Country (a)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)		
JI INTERNATIONAL	(11)	US	Merged	N	71.40%	100.00%	Full	Consolidated from 2002			N	
KOMPASS BILGI	(11)	TK	51.62%	69.91%	Full	Consolidated from 2003		N	Consolidated from 2003			N
KOMPASS CZECH REPUBLIC	(11)	CZ	68.67%	93.00%	Full	Consolidated from 2003		N	Consolidated from 2003			N
KOMPASS HOLDING	(11)	FR	73.84%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003			N
KOMPASS International Neuenschwander (formerly Kompas International)	(11)	FR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002			N
KOMPASS JAPAN	(11)	JP	73.80%	99.95%	Full	Consolidated from 2003		N	Consolidated from 2003			N
KOMPASS POLAND	(11)	PL	73.84%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003			N
KOMPASS SOUTH EAST ASIA	(11)	SG	73.84%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003			N
KOMPASS UNITED STATES	(11)	US	73.84%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003			N
LBF LIMITED (formerly Creditors Information Co Ltd)	(11)	GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002			N
ÖSTERREICHISCHE KREDITVERSICHERUNGS COFACE	(11)	AT	69.41%	94.00%	Full	67.12%	94.00%	Full	Consolidated from 2002			N
ÖKV KREDITINFORMATIONEN	(11)	AT	69.41%	100.00%	Full	67.12%	100.00%	Full	Consolidated from 2002			N
REACOMEX	(11)	LU	Deconsolidated		N	71.40%	100.00%	Full	Consolidated from 2002			N
THE CREDITORS GROUP LIMITED	(11)	GB	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002			N
UNISTRAT ASSURANCES	(11)	IT	36.92%	50.00%	Full	35.70%	50.00%	Full	Consolidated from 2002			N
VERITAS ARGENTINA	(11)	AR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002			N
VERITAS BUSINESS INFORMATION	(11)	US	Merged		N	71.40%	100.00%	Full	Consolidated from 2002			N
VERITAS CARIBBEAN CORPORATION	(11)	US	Merged		N	71.40%	100.00%	Full	Consolidated from 2002			N
VERITAS CREDIT CORPORATION	(11)	US	Merged		N	71.40%	100.00%	Full	Consolidated from 2002			N
VERITAS DE CENTRO AMERICA	(11)	CR	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002			N
VERITAS PUERTO RICO CORP.	(11)	US	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002			N
VISCONTEA COFACE	(11)	IT	73.84%	100.00%	Full	71.40%	100.00%	Full	Consolidated from 2002			N
Other												
AUXILIAIRE ANTIN	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full	
CIE FONCIERE NATEXIS	(1)	FR	75.33%	100.00%	Full	72.84%	100.00%	Full	75.85%	99.99%	Full	
CO ASSUR	(1)	FR	75.17%	99.80%	Full	72.67%	99.76%	Full	75.68%	99.80%	Full	
CRISTAL NEGOCIATIONS	(1)	FR	75.31%	96.96%	Full	72.82%	96.96%	Full	75.83%	96.96%	Full	
ECRINVEST 6 (formerly Immobilière Natexis)	(1)	FR	75.29%	99.93%	Full	72.79%	99.93%	Full	75.85%	100.00%	Full	
EDVAL C INVESTMENTS Ltd	(1)	GB	75.34%	100.00%	Full	72.85%	100.00%	Full	Consolidated from 2003		N	
FONCIERE KUPKA	(1)	FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.85%	100.00%	Full	
FRUCTI GESTION	(1)	FR	Merged		N	Merged		N	75.86%	99.99%	Full	
IFCIC	(1)	FR	15.38%	20.42%	Equity	14.87%	20.42%	Equity	15.49%	20.42%	Equity	
INTERFINANCE NATEXIS NV	(1)	NL	75.33%	99.99%	Full	72.84%	99.99%	Full	75.86%	100.00%	Full	
MAINE SERVICES	(2)	FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
NATEXIS ALTAIR (formerly +X Altair)	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full	
NATEXIS AMBS	(1)	US	75.34%	100.00%	Full	72.85%	100.00%	Full	13.04%	50.00%	Full	
NATEXIS IMMO EXPLOITATION (formerly I Sigm)	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full	
NBP INVEST	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full	
NBP PREFERRED CAPITAL I, LLC	(1)	US	0.00%	100.00%	Full	0.00%	100.00%	Full	0.00%	100.00%	Full	
NBP PREFERRED CAPITAL II, LLC	(1)	US	100.00%	100.00%	Full	100.00%	72.85%	Full	Consolidated from 2002		N	
NBP PREFERRED CAPITAL III, LLC	(1)	US	0.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003			N
SAGP	(1)	FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full	
SAS MONTMARTRE 1	(1)	FR	Deconsolidated		N	72.85%	100.00%	Full	75.86%	100.00%	Full	
SAS SBE	(2)	FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full	
SAS VALMY	(2)	FR	Deconsolidated		N	100.00%	100.00%	Full	99.99%	100.00%	Full	
SCI ALTAIR 1	(1)	FR	75.34%	100.00%	Full	80.99%	100.00%	Full	83.11%	100.00%	Full	
SCI ALTAIR 2	(1)	FR	75.34%	100.00%	Full	80.99%	100.00%	Full	83.11%	100.00%	Full	
SCI BP	(2)	FR	99.00%	99.00%	Full	99.00%	99.00%	Full	99.00%	99.00%	Full	
SCI JAVEL	(2)	FR	99.00%	99.00%	Full	99.00%	99.00%	Full	99.00%	99.00%	Full	
SCI PONANT+	(2)	FR	99.90%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003			N

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001		
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)
SCI VALMY COUPOLE	(1) FR	75.21%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
SEGEX	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
SEPIA	(1) FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.85%	100.00%	Full
SIBP	(2) FR	99.05%	100.00%	Full	98.99%	100.00%	Full	99.06%	100.00%	Full
SOCIETE IMMOBILIERE ABC	(1) FR	Merged		N	Merged		N	75.84%	99.96%	Full
SODETO	(1) FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.86%	99.99%	Full
SOGAFI	(1) FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.86%	99.99%	Full
SPAFICA	(1) FR	75.33%	99.99%	Full	72.84%	99.99%	Full	75.85%	100.00%	Full
SPV IGLOO2	(2) IE	100.00%	99.99%	Full	Consolidated from 2003		N	Consolidated from 2003		N
STE FINANCIERE BFCE	(1) FR	75.34%	100.00%	Full	72.85%	100.00%	Full	75.86%	100.00%	Full
VILCOMM SCI	(1) FR	Deconsolidated		N	Deconsolidated		N	75.83%	100.00%	Full
WORLEDGE A INVESTMENTS Ltd EUR	(1) GB	75.34%	100.00%	Full	72.85%	100.00%	Full	Consolidated from 2002		N
Local Retail Banking										
ACHATPRO	(9) FR	39.58%	39.58%	Equity	37.44%	37.44%	Equity	Consolidated from 2002		N
ANTILLES GUYANE PARTICIPATIONS	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
ATLANTIQUE PLUS	(6) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
BDG SCI	(5) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
BGF+	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
BISE	(10) FR	28.55%	26.80%	Equity	Consolidated from 2003		N	Consolidated from 2003		N
BTP BANQUE	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
BTP CAPITAL INVESTISSEMENT	(10) FR	79.41%	79.41%	Full	Consolidated from 2003		N	Consolidated from 2003		N
CAISSE CENTRALE	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
CAISSE DE GARANTIE IMMOBILIERE DU BATIMENT	(10) FR	33.40%	33.40%	Equity	Consolidated from 2003		N	Consolidated from 2003		N
CERIUS INVESTISSEMENTS	(4) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
COFEG	(9) FR	99.67%	99.67%	Full	99.67%	99.67%	Full	99.72%	99.72%	Full
COFICOR	(9) FR	99.76%	99.76%	Full	99.80%	99.80%	Full	99.84%	99.84%	Full
COOPAMAT	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
CREDIT COOPERATIF TRESORERIE PLUS	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
ECOFI INVESTISSEMENT	(10) FR	99.98%	99.98%	Full	Consolidated from 2003		N	Consolidated from 2003		N
EDEL	(10) FR	33.94%	33.94%	Equity	Consolidated from 2003		N	Consolidated from 2003		N
EFITEL	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
ESFIN	(10) FR	37.58%	37.58%	Equity	Consolidated from 2003		N	Consolidated from 2003		N
FONCIERE VICTOR HUGO	(7) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
GC2I INVESTISSEMENT	(4) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
GIE CARSO MATERIEL	(4) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
GIE LIVE ACHATS	(4) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
GIE PARNASSE INVESTISSEMENT	(3) FR	Deconsolidated		N	100.00%	100.00%	Full	100.00%	100.00%	Full
GIE USC	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
GROUPEMENT DE FAIT	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
IMMOBICS SA	(5) FR	Merged		N	100.00%	100.00%	Full	100.00%	100.00%	Full
INFORMATIQUE BANQUES POPULAIRES	(4) FR	99.75%	99.75%	Full	99.75%	100.00%	Full	100.00%	100.00%	Full
INTER PROMO	(3) FR	Deconsolidated		N	100.00%	100.00%	Full	100.00%	100.00%	Full
INTERCOOP	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
L F I	(9) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
LF12	(4) FR	99.01%	99.01%	Full	99.01%	99.01%	Full	99.01%	99.01%	Full
LF14	(9) FR	98.04%	98.04%	Full	98.04%	98.04%	Full	98.04%	98.04%	Full
MONE+CC2	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
PARNASSE FINANCES	(3) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
PARNASSIENNE DE CREDIT	(3) FR	91.95%	92.44%	Full	91.90%	92.44%	Full	91.96%	92.44%	Full
SCI du CREDIT COOPERATIF	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N
SCI L'ARENAS	(7) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SCI SAINT-DENIS	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		N

Companies Company / business line	Country (a)	December 31, 2003			December 31, 2002			December 31, 2001		
		% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)	% interest	% voting rights	Consolidation method (b)
SDR Nord Pas de Calais	(10) FR	28.92%	28.92%	Equity	Consolidated from 2003			Consolidated from 2003		
SGTI	(6) FR	100.00%	100.00%	Full	Consolidated from 2003			Consolidated from 2003		
SICOMI COOP	(10) FR	49.96%	49.96%	Full	Consolidated from 2003			Consolidated from 2003		
SMI	(7) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SNC AZUR IMMO	(7) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
SNC IMMOCARSO (formerly Carso Production)	(4) FR	Deconsolidated		N	Deconsolidated		N	100.00%	100.00%	Full
SOCIEP	(8) FR	99.99%	100.00%	Full	99.99%	100.00%	Full	100.00%	100.00%	Full
SODEGA	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		
SODEMA	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		
SOFIDEG	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		
SOFIDER	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		
SPIG	(9) FR	100.00%	100.00%	Full	100.00%	100.00%	Full	100.00%	100.00%	Full
TRANSIMAT	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		
TRANSIMMO	(10) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		
VIALINK	(9) FR	100.00%	100.00%	Full	Consolidated from 2003		N	Consolidated from 2003		

Comments:

(a) Subsidiaries of:

- 1 Natexis Banques Populaires group
- 2 Banque Fédérale des Banques Populaires
- 3 CASDEN Banque Populaire
- 4 Joint subsidiaries of Banque Populaire banks
- 5 Banque Populaire BICS
- 6 Banque Populaire Bretagne Atlantique
- 7 Banque Populaire de la Côte d'Azur
- 8 Banque Populaire Val de France
- 9 BRED Banque Populaire
- 10 Crédit Coopératif
- 11 Coface group
- 12 Crédit Maritime Mutuel

(b) Consolidation method

- Full Fully consolidated
- Equity Accounted for by the equity method
- Prop. Consolidated by the proportional method
- N. Not consolidated

(c) In compliance with Art. 93 of the French Financial Security Act of August 1, 2003 (Law no. 2003-706), Banque Fédérale des Banques Populaires has become the central body of the Crédit Maritime Mutuel network.

(d) During the second half of 2002, the Banque Populaire Group acquired majority control of Coface through its Natexis Banques Populaires subsidiary, by means of share purchases on the market and a simplified public tender offer. At December 31, 2002, the Group held 98.01% of the Coface group. In the financial statements of the Banque Populaire Group, Coface SA has been accounted for by the equity method in the first half of 2002 and the Coface group has been fully-consolidated in the second half.

Note 1 – Interbank and money-market assets

in millions of euros	Note	2003	2002	2001
Cash, central banks and post office banks		1,767	2,034	1,572
Government securities and equivalent	2	9,396	11,231	11,038
Interbank assets		42,275	36,177	18,622
– demand deposits	3	3,123	3,851	4,889
– time deposits	3	38,577	31,603	13,276
– doubtful accounts, net of provisions		44	36	25
– provisions for country risks		-	-	-
– suspense accounts		234	134	284
– accrued interest		297	553	148
Total		53,438	49,442	31,232
Including (1) :				
– loans restructured at market rates		-	-	/
– loans restructured at below market rates		35	37	/
– net discount		(9)	(10)	/

(1) In application of standard CRC 2002-03, the Group has identified restructured interbank loans at below market rates. See Note 1 – Consolidation methods and principles, paragraph 1.3.

Note 2 – Government securities and equivalent

in millions of euros	2003				2002				2001
	Trading securities	Securities held for sale	Investment securities (Note 10)	Total	Trading securities	Securities held for sale	Investment securities	Total	Total
At cost	3,851	2,863	2,500	9,214	3,908	3,958	3,139	11,005	10,826
Provisions	-	(8)	(1)	(9)	-	(10)	-	(10)	(15)
Accrued interest	-	117	74	191	-	165	70	235	227
Total	3,851	2,971	2,574	9,396	3,908	4,114	3,209	11,231	11,038

Note 3 – Interbank assets

in millions of euros	2003			2002			2001
	Demand	Time	Total	Demand	Time	Total	Total
Deposits and advances	3,123	8,748	11,872	3,851	7,611	11,462	13,129
Loans	-	756	756	-	853	853	1,065
Assets purchased under resale agreements	-	212	212	-	155	155	120
Securities purchased under resale agreements	-	28,716	28,716	-	22,879	22,879	3,678
Subordinated loans with fixed maturities	-	139	139	-	39	39	102
Perpetual subordinated loans	-	5	5	-	67	67	71
Total	3,123	38,577	41,700	3,851	31,603	35,454	18,164

Note 4 – Customer loans

in millions of euros	Note	2003	2002	2001
Customer overdrafts		9,417	7,885	7,451
Commercial loans		3,424	3,118	3,490
Factoring receivables		1,936	1,858	1,804
Other customer loans	5	94,079	83,539	79,346
Accrued interest and suspense accounts		1,206	1,029	1,155
Non-performing loans, net of provisions		1,739	1,451	1,353
Provisions for country risks		(2)	(2)	-
Total		111,800 (1)	98,880	94,600
Including (2) :				
– loans restructured at market rates		349	332	/
– loans restructured at below market rates		17	14	/
– net discount		(1)	(1)	/

(1) Including €6,168 million relating to local retail banking activities consolidated for the first time in 2003: Crédit Coopératif group (€3,187 million); Crédit Maritime Mutuel group (€1,761 million); and the subsidiaries of l'Agence Française de Développement (AFD) acquired at the end of 2003 (€1,220 million). See Note 3 – Changes in scope of consolidation.

(2) In application of standard CRC 2002-03, the Group has identified restructured customer loans at below market rates. See Note 1 – Consolidation methods and principles, paragraph 1.3.

Note 5 – Analysis of other customer loans

in millions of euros	2003	2002	2001
Export loans	1,267	1,497	1,999
Short-term loans and consumer loans	18,247	18,559	18,655
Equipment loans	28,385	23,931	22,725
Home loans	33,519	28,223	25,123
Other customer loans	5,583	6,607	7,158
Assets purchased under resale agreements	21	30	16
Securities purchased under resale agreements	6,821	4,428	3,173
Subordinated loans	235	263	497
Total	94,079 (1)	83,539	79,346

(1) Including €5,098 million relating to local retail banking activities consolidated for the first time in 2003: Crédit Coopératif group (€2,514 million), Crédit Maritime Mutuel group (€1,502 million) and the subsidiaries of l'Agence Française de Développement (AFD) acquired at the end of 2003 (€1,082 million). See Note 3 – Changes in scope of consolidation.

Note 6 – Lease financing

in millions of euros	2003				2002				2001
	Real estate	Equipment	Leases with purchase option	Total	Real estate	Equipment	Leases with purchase option	Total	Total
Leasing receivables	3,797	2,956	1,080	7,833	3,459	2,653	1,062	7,174	6,777
Unleased assets	28	17	-	46	7	15	-	23	16
Provisions	(13)	(19)	(4)	(36)	(16)	(16)	(2)	(34)	(31)
Non-performing lease financing, net of provisions	92	55	9	156	106	13	2	121	72
Accrued interest	67	5	1	74	94	4	1	99	114
Total	3,971	3,014	1,087	8,072 (1)	3,651	2,669	1,063	7,384	6,948

(1) Including €651 million relating to the Crédit Coopératif group, which was consolidated for the first time in 2003. See Note 3 – Changes in scope of consolidation, paragraph 3.2.

Note 7 – Securities portfolio

in millions of euros	2003					2002					2001
	Trading securities	Securities held for sale	Investment securities (Note 10)	TAP (1)	Total	Trading securities	Securities held for sale	Investment securities	TAP (1)	Total	Total
Bonds and other fixed income securities											
At cost	4,399	5,974	8,572	-	18,945	4,710	7,242	9,647	-	21,599	21,910
Provisions	-	(57)	(82)	-	(139)	-	(95)	(60)	-	(155)	(106)
Net book value (Note 8)	4,399	5,917	8,489	-	18,805	4,710	7,147	9,587	-	21,444	21,804
Equities and other variable income securities											
At cost	632	2,026	-	1,321	3,979	500	2,152	-	1,161	3,813	3,385
Provisions	-	(148)	-	(239)	(387)	-	(189)	-	(234)	(423)	(266)
Net book value (Note 9)	632	1,877	-	1,082	3,592	500	1,962	-	927	3,390	3,119
Total	5,031	7,794	8,489	1,082	22,397	5,210	9,110	9,587	927	24,834	24,923

(1) "TAP" portfolio securities represent equity securities held for sale in the medium-term. They correspond primarily to the Group's private equity portfolios.

Note 8 – Bonds and other fixed income securities

in millions of euros	2003				2002				2001
	Trading securities	Securities held for sale	Investment securities (Note 10)	Total	Trading securities	Securities held for sale	Investment securities	Total	Total
At cost									
Listed securities									
– public sector issuers	260	177	83	520	293	126	182	600	381
– other issuers	2,480	2,202	4,679	9,361	171	6,321	6,156	12,647	14,536
Unlisted securities									
– public sector issuers	-	-	25	25	-	-	585	585	898
– other issuers	1,128	3,530	3,536	8,194	2,845	683	2,510	6,037	3,848
Loaned securities	89	-	-	89	281	-	-	281	724
Borrowed securities	443	-	-	443	1,121	-	-	1,121	1,165
Doubtful accounts	-	39	148	187	-	78	95	174	156
Accrued interest	-	27	100	128	-	35	119	154	203
Total, at cost including subordinated notes	4,399	5,974	8,572	18,945	4,710	7,242	9,647	21,599	21,910
	-	77	11	88	-	51	88	139	110
Total Provisions									
Provisions for doubtful accounts	-	(29)	(82)	(112)	-	(72)	(54)	(126)	(93)
Provisions for impairment in value	-	(28)	-	(28)	-	(23)	(6)	(29)	(13)
Provisions for country risks	-	-	-	-	-	-	-	-	-
Total provisions	-	(57)	(82)	(139)	-	(95)	(60)	(155)	(106)
Total net book value	4,399	5,917	8,489	18,805	4,710	7,147	9,587	21,444	21,804

Note 9 – Equities and other variable income securities

in millions of euros	2003				2002				2001
	Trading securities	Securities held for sale	TAP	Total	Trading securities	Securities held for sale	TAP	Total	Total
At cost									
Listed securities									
– Capital accumulation funds	17	437	-	453	9	328	-	337	417
– Other mutual funds	53	228	-	281	40	267	-	307	342
– Other variable income securities	245	281	40	566	104	755	38	897	822
Unlisted securities									
– Capital accumulation funds	10	(52)	-	(42)	13	189	-	202	136
– Other mutual funds	144	845	-	988	30	413	-	443	523
– Other variable income securities	164	279	1,281	1,725	303	195	1,123	1,620	1,140
Treasury stock	-	-	-	-	-	-	-	-	-
Accrued interest	-	7	-	7	-	6	-	6	5
Total, at cost	632	2,026	1,321	3,979	500	2,152	1,161	3,813	3,385
Provisions for impairment in value									
Listed securities	-	(83)	(9)	(92)	-	(136)	(15)	(151)	(82)
Unlisted securities	-	(66)	(229)	(295)	-	(53)	(219)	(272)	(184)
Treasury stock	-	-	-	-	-	-	-	-	-
Total provisions	-	(149)	(238)	(387)	-	(189)	(234)	(423)	(266)
Total	632	1,877	1,082	3,592	500	1,962	927	3,390	3,119
Unrealized gains and losses									
Unrealized losses		(149)	(238)			(189)	(234)		
– based on stock market prices		/	(9)			/	(15)		
– values determined by other methods		/	(229)			/	(219)		
Unrealized gains		133	507			137	355		
– based on stock market prices		/	24			/	22		
– values determined by other methods		/	483			/	333		

Note 10 – Investment securities

in millions of euros	2001	2002	Purchase	Sales	Redemption	Translation adjustments	Premium/discount	Transfers	Changes in scope of consolidation	Other movements (1)	2003
Government securities and equivalent											
At cost	2,307	3,139	514	(414)	(1,066)	(29)	(11)	-	369	-	2,500
Gains and losses on sales				2							
Bonds and other fixed income securities											
At cost	10,079	9,647	4,584	(464)	(4,644)	(852)	(8)	134	269	(94)	8,572
Gains and losses on sales				(16)							

(1) Changes in intercompany eliminations.

Note 11 – Transfers between portfolios

in millions of euros	2003			2002			2001		
	Trading securities	Securities held for sales	Investment securities	Trading securities	Securities held for sales	Investment securities	Trading securities	Securities held for sales	Investment securities
Government securities and equivalent									
At cost	-	-	-	-	-	-	-	(929)	929
Provisions for impairment in value	-	-	-	-	-	-	-	-	-
Bonds and other fixed income securities									
At cost	(8)	(125)	134	-	(215)	215	(3,346)	3,198	148
Provisions for impairment in value	-	-	-	-	-	-	-	-	-

Transfers between portfolios in 2003 were not material.

Note 12 – Insurance company investment portfolios

in millions of euros	2003	2002	2001
Insurance company assets			
Land and buildings	581	678	421
Other investments	18,850	16,801	14,496
Assets held to cover linked liabilities	4,020	3,448	3,947
Total	23,451	20,927	18,863 (1)

Insurance company investments corresponding to securities issued by other consolidated entities are qualified as intercompany receivables and are therefore eliminated in consolidation.

(1) In accordance with standard CRC 2000-4 of July 4, 2000, the portion of technical reserves attributable to reinsurers has been transferred from "Insurance company investment portfolios" to "Accrued income, prepaid expenses and other assets – insurance companies", while cash deposits paid to ceding insurers have been transferred from "Accrued income, prepaid expenses and other assets – insurance companies" to "Insurance company investment portfolios". The 2001 figures have been adjusted accordingly, in the amount of €2,292 million.

Note 13 – Investments in affiliates and other securities held for investment

in millions of euros	Note	2003	2002	2001
Investments in affiliates and other securities held for investment, at cost				
Investments in affiliates and other securities held for investment, at cost	14/15	965	965	844
Provisions for impairment in value	14/15	(162)	(150)	(123)
Investments in affiliates and other securities held for investment, net				
Investments accounted for by the equity method	67	101 (1)	44	114 (2)
Translation adjustments		6	(9)	(1)
Accrued revenues and other (3)		1,186	1,270	25
Total		2,096	2,120	860

(1) Including €58 million in investments related to the Crédit Coopératif group, which was consolidated for the first time in 2003. See Note 3 – Changes in scope of consolidation, paragraph 3.2.

(2) In 2001, Coface shares were accounted for by the equity method.

(3) Including a shareholders' loan of €1,165 million and €1,250 million in 2003 and 2002, respectively, to Ecrinvest4, made in connection with the acquisition of Vivendi Universal Publishing by Natexis Banques Populaires on behalf of the Lagardère Group.

Note 14 – Movements in investments in affiliates and other securities held for investment

in millions of euros	2001	2002	Increases	Decreases	Translation adjustments	Changes in scope of consolidation	Other movements	2003
At cost								
Investments in affiliates and other securities held for investment	639	773	88	(110)	(3)	65	(10)	802
Investments in related companies	179	126	73	(98)	-	21	7	128
Investments in non-trading real estate companies	26	66	-	-	-	(31)	(1)	34
Sub-total	844	965	161	(209)	(3)	55	(4)	965
Provisions for impairment in value								
Investments in affiliates and other securities held for investment	(107)	(135)	(17)	30	(4)	(8)	(7)	(142)
Investments in related companies	(13)	(11)	(4)	(8)	-	-	8	(16)
Investments in non-trading real estate companies	(3)	(4)	(1)	1	-	-	-	(4)
Sub-total	(123)	(150)	(23)	22	(4)	(8)	1	(162)
Investments in affiliates and other securities held for investment, net	721	815	138	(186)	(7)	47	(3)	804

Note 15 – Book and market values of investments in affiliates and other securities held for investment

in millions of euros	Listed companies		Unlisted companies		Total net book value	Estimated value	
	At cost	Provisions	At cost	Provisions		Stock market value	Other methods
2003							
Investments in affiliates and other securities held for investment							
Credit institutions	33	-	141	(4)	170	45	130
Other finance companies	3	(1)	87	(5)	85	3	115
Other companies	41	(1)	374	(71)	342	78	419
Other securities held for investment	60	(41)	63	(19)	63	11	65
Total	136	(43)	666	(98)			
Net book value	93		567		661	138	728
2002							
Investments in affiliates and other securities held for investment							
Credit institutions	38	(2)	135	(2)	169	30	149
Other finance companies	3	(1)	88	(5)	85	2	112
Other companies	30	(2)	366	(72)	322	41	348
Other securities held for investment	53	(40)	59	(10)	62	5	44
Total	124	(45)	649	(90)			
Net book value	79		559		638	78	653

Note 16 – Property and equipment and intangible assets

in millions of euros	Note	2003				2002				2001
		At cost	Depr./ Amort.	Pro- visions	Net book value	At cost	Depr./ Amort.	Pro- visions	Net book value	Net book value
Assets used in the business	17									
Intangible assets (1)		930	(320)	(53)	558	816	(250)	(41)	525	121
Property and equipment		3,144	(1,596)	(24)	1,524	2,760	(1,404)	(19)	1,337	1,204
Total		4,074	(1,916)	(76)	2,081	3,576	(1,653)	(61)	1,862	1,325
Investment properties	17	78	(24)	(1)	53	77	(21)	(1)	55	54
Assets leased to third parties under operating leases	18	230	(118)	(10)	102	230	(98)	(9)	122	134
Total		4,383	(2,059)	(87)	2,237	3,883	(1,772)	(71)	2,040	1,513

(1) In 2003, the Group measured its intangible assets, assisted by a firm of independent valuers. See Note 2. – Accounting policies and valuation methods, paragraph 2.5.

Note 17 – Movements in operating and non-operating assets

in millions of euros	2001	2002	Increases	Decreases	Translation adjustments	Changes in scope of consolidation	Other	2003
At cost								
Intangible assets used in the business								
Leasehold rights and purchased goodwill (2)	113	481	7	(5)	-	8	1	492
Software	212	299	46	(10)	(2)	16	13	363
Other	32	36	48	1	-	1	(11)	76
	357	816	101	(14)	(2)	25	4	930
Property and equipment used in the business								
Land	158	188	7	-	-	2	3	199
Buildings	890	919	71	(4)	-	60	(5)	1,041
Shares in non-trading real estate companies	47	46	6	(5)	-	21	(5)	62
Other	1,382	1,607	299	(123)	(4)	61	2	1,842
	2,477	2,760	383	(133)	(4)	143	(6)	3,144
Investment properties	75	77	2	(5)	-	1	3	78
Depreciation, amortization and provisions								
Intangible assets used in the business								
Leasehold rights and purchased goodwill	(39)	(46)	(7)	1	-	(7)	(1)	(59)
Software	(178)	(229)	(78)	22	2	(9)	(4)	(295)
Other	(20)	(17)	(7)	7	-	-	(1)	(18)
	(236)	(291)	(92)	31	2	(16)	(6)	(373)
Property and equipment used in the business								
Land	(10)	(10)	-	-	-	-	-	(10)
Buildings	(402)	(420)	(45)	2	-	(20)	2	(480)
Other	(860)	(993)	(175)	89	3	(47)	(6)	(1,130)
	(1,273)	(1,423)	(220)	91	3	(67)	(4)	(1,620)
Investment properties	(21)	(22)	(2)	2	-	-	(2)	(25)

(1) The changes in scope of consolidation primarily concern the first time consolidation of the Crédit Coopératif group, the Crédit Maritime Mutuel group and the subsidiaries of l'Agence Française de Développement (AFD) acquired at the end of 2003. See Note 3 – Changes in scope of consolidation.

(2) In 2003, the Group measured its intangible assets, assisted by a firm of independent valuers. See Note 2 – Accounting policies and valuation methods, paragraph 2.5.

Note 18 – Assets leased to third parties under operating leases

in millions of euros	2003	2002	2001
At cost	204	203	213
Depreciation	(118)	(98)	(105)
Provisions for impairment in value	(8)	(7)	(18)
Net book value	78	98	91
Doubtful accounts, net of provisions	24	24	41
Accrued interest	1	1	1
Total assets leased to third parties under operating leases	102	122	134

Note 19 – Goodwill

in millions of euros	2001	2002	Amortised goodwill	Movments for the year	Translation adjustments	2003
Gross	172	377	(4)	12	(18)	366
Natexis Bleichroeder Inc	-	107	-	1	(18)	90
Coface group	-	69	-	(2)	-	67
Natexis Assurances	60	60	-	-	-	60
Natexis Banques Populaires	30	51	-	-	-	51
Natexis Bail	18	18	-	-	-	18
Samic	16	16	-	1	-	17
Coficiné	15	15	-	-	-	15
Natexis Factorem	9	9	-	4	-	13
Banque du Dôme (CrédiFrance Factor)	-	4	-	(4)	-	-
Banque Privée Saint Dominique	6	6	-	-	-	6
Natexis Intertitres	-	-	-	6	-	6
Other	19	23	(4)	4	-	23
Amortization (1)	(29)	(48)	4	(63)	2	(105)
Goodwill, net	143	330	-	(53)	(16)	261

(1) In accordance with the recommendations of the *Autorité des Marchés Financiers* and the *Commission Bancaire*, the Group measured goodwill recorded in the balance sheet. See Note 1 – Consolidation methods and principles, paragraph 1.7.

Note 20 – Accrued income, prepaid expenses and other assets

in millions of euros	Note	2003	2002	2001
Other assets	21	4,911	7,204	4,245
Accrued income and prepaid expenses	22	5,506	4,566	7,875
Accrued income, prepaid expenses and other assets – insurance companies	23	2,994	3,017	2,407(1)
Total		13,411	14,787	14,526

(1) In accordance with standard CRC 2000-4 of July 4, 2000, the portion of technical reserves attributable to reinsurers has been transferred from “Insurance company investment portfolios” to “Accrued income, prepaid expenses and other assets – insurance companies”, while cash deposits paid to ceding insurers have been transferred from “Accrued income, prepaid expenses and other assets – insurance companies” to “Insurance company investment portfolios”. The 2001 figures have been adjusted accordingly, in the amount of €2,292 million.

Note 21 – Other assets

in millions of euros	2003	2002	2001
Purchased options	1,067	2,187	755
Securities settlement accounts	575	1,131	415
Deferred tax assets	471	437	381
Real estate development transactions	39	35	82
Other assets	540	27	10
Other receivables	2,206	3,372	2,591
Doubtful accounts, net of provisions	3	3	1
Accrued interest	9	11	11
Total	4,911	7,204	4,245

Note 22 – Accrued income and prepaid expenses

in millions of euros	2003	2002	2001
Collection accounts	1,055	1,125	2,713
Adjustment accounts	360	371	932
Suspense accounts	7	4	2
Unrealized losses on outstanding hedging positions	3	1	30
Unrealized losses on settled hedging positions	7	4	7
Prepaid expenses	130	155	153
Accrued income	1,184	936	890
Deferred issue premiums	42	54	70
Other deferred charges	3	4	5
Other accruals and adjustment accounts	2,715	1,913	3,074
Total	5,506	4,566	7,875

Note 23 – Accrued income, prepaid expenses and other assets – insurance companies

in millions of euros	2003	2002	2001
Reinsurers' share of technical reserves	2,584	2,643	2,293
Insurance receivables	233	231	100
Reinsurance receivables	52	39	5
Accrued premium income	105	90	7
Deferred acquisition costs	12	7	3
Other receivables	8	7	0
Total (1)	2,994	3,017	2,407 (1)

(1) In accordance with standard CRC 2000-4 of July 4, 2000, the portion of technical reserves attributable to reinsurers has been transferred from "Insurance company investment portfolios" to "Accrued income, prepaid expenses and other assets – insurance companies", while cash deposits paid to ceding insurers have been transferred from "Accrued income, prepaid expenses and other assets – insurance companies" to "Insurance company investment portfolios". The 2001 figures have been adjusted accordingly, in the amount of €2,292 million.

Note 24 – Interbank and money-market liabilities

in millions of euros	Note	2003	2002	2001
Central banks and post office banks		32	3	143
Interbank liabilities				
- demand deposits	25	6,104	12,091	11,097
- time deposits	25	32,712	36,064	24,515
Other		645	382	503
Accrued interest		189	395	172
Total		39,682	48,935	36,431

Note 25 – Analysis of interbank liabilities

in millions of euros	2003			2002			2001
	Demand	Time	Total	Demand	Time	Total	Total
Interbank deposits	3,268	-	3,268	7,034	-	7,034	4,538
Interbank borrowings	2,631	10,095	12,726	4,320	12,102	16,422	19,839
Assets sold under repurchase agreements	205	777	982	307	1,213	1,520	1,725
Securities sold under repurchase agreements	-	21,840	21,840	429	22,749	23,178	9,510
Total	6,104	32,712	38,816	12,091	36,064	48,155	35,613

Note 26 – Customer deposits

in millions of euros	Note	2003	2002	2001
Deposits				
- demand deposits	27	53,616	41,827	40,523
- time deposits	27	43,768	40,949	30,993
Security deposits		200	135	68
Other		380	364	566
Accrued interest		979	934	793
Total		98,945 (1)	84,209	72,943

(1) Including €4,512 million relating to local retail banking activities consolidated for the first time in 2003: Crédit Coopératif Group (€2,788 million), Crédit Maritime Mutuel group (€1,689 million) and the subsidiaries of l'Agence Française de Développement (AFD) acquired at the end of 2003 (€35 million). See Note 3 – Changes in scope of consolidation.

Note 27 – Analysis of customer deposits

in millions of euros	2003			2002			2001
	Demand	Time	Total	Demand	Time	Total	Total
Special savings accounts	15,591	17,897	33,488	13,164	15,509	28,673	26,481
Other customer deposits	34,578	6,118	40,696	28,270	6,392	34,662	35,356
Borrowings from financial sector customers	105	1,909	2,014	105	2,378	2,484	490
Assets sold under repurchase agreements	5	13	18	12	-	12	-
Securities sold under repurchase agreements	3,030	17,541	20,570	-	16,411	16,411	8,721
Factoring liabilities	306	292	598	275	259	534	468
Total	53,616	43,768	97,384 (1)	41,827	40,949	82,776	71,516

(1) Including €4,421 million relating to local retail banking activities consolidated for the first time in 2003: Crédit Coopératif group (€2,727 million), Crédit Maritime Mutuel group (€1,677 million) and the subsidiaries of l'Agence Française de Développement (AFD) acquired at the end of 2003 (€17 million). See Note 3 – Changes in scope of consolidation.

Note 28 – Debt securities

in millions of euros	2003	2002	2001
Retail certificates of deposit and savings bonds	187	192	295
Interbank market instruments	-	2	5
Money market instruments	29,424	24,300	22,166
- Instruments issued to credit institutions	18,403	9,051	8,926
- Instruments issued to financial sector customers	2,702	1,558	2,205
- Instruments issued to other customers	8,319	13,691	11,034
Bonds	6,797	5,813	8,292
Other debt securities	782	699	800
Accrued interest	337	399	525
Total	37,527 (1)	31,403	32,082

(1) Including €2,350 million relating to local retail banking activities consolidated for the first time in 2003: Crédit Coopératif group (€2,331 million) and Crédit Maritime Mutuel group (€19 million). See Note 3 – Changes in scope of consolidation.

Note 29 – Insurance company technical reserves

in millions of euros	2003	2002	2001
Mathematical reserves	22,493	20,150	19,169
- Life business	18,265	16,517	15,153
- Non-life business	162	131	9
- Unit-linked business	4,065	3,502	4,007
Loss reserves	830	861	115
Loss equalization reserves (1)	135	83	-
Other technical reserves	34	115	6
Policyholders' surplus reserves	168	103	145
Capitalization reserves	-	-	-
Total (2)	23,660	21,312	19,436

(1) The loss equalization reserves of the Coface group (which has been fully consolidated since the second half of 2002) are included in technical reserves because they cover a macro-economic risk of a change in claims experience over several years. See Note 1 – Consolidation methods and principles, paragraph 1.16.

(2) Including newly-consolidated companies:

- 2002: the Coface group, fully consolidated since the second half of 2002 (€994 million at December 31, 2003 and €971 million at December 31, 2002).

- 2003: Crédit Maritime Vie, a subsidiary of Crédit Maritime Mutuel (€428 million).

Note 30 – Deferred income, accrued charges and other liabilities

in millions of euros	<i>Note</i>	2003	2002	2001
Other liabilities	31	8,646	9,367	7,173
Deferred income and accrued charges	32	7,066	6,253	8,066
Deferred income, accrued charges and other liabilities – insurance companies	33	2,500	2,448	2,336
Total		18,212	18,068	17,575

Note 31 – Other liabilities

in millions of euros	2003	2002	2001
Sold options	1,045	2,450	575
Securities settlement accounts	462	573	415
Deferred tax liabilities	399	388	384
Amounts due on securities	3,140	2,859	3,324
Amounts outstanding on unpaid up securities	164	160	122
Sundry payables	3,101	2,644	2,080
Investment grants	98	73	60
Allocated public funds	129	105	95
Accrued interest	110	116	117
Total	8,646	9,367	7,173

Note 32 – Deferred income and accrued charges

in millions of euros	2003	2002	2001
Collection accounts	791	623	1,521
Adjustment accounts	697	569	1,405
Suspense accounts	6	8	16
Unrealized gains on outstanding hedging positions	1	-	-
Unrealized gains on settled hedging positions	5	2	4
Deferred income	2,004 (1)	2,043	784
Accrued charges	1,490	1,206	1,149
Other accruals and adjustment accounts	2,072	1,801	3,188
Total	7,066	6,253	8,066

(1) Including since 2002 deferred income in connection with the acquisition of Vivendi Universal Publishing by Natexis Banques Populaires on behalf of the Lagardère Group (€1,165 million in 2003 and €1,250 million in 2002).

Note 33 – Deferred income, accrued charges and other liabilities – insurance companies

in millions of euros	2003	2002	2001
Insurance payables	96	71	37
Reinsurance payables	97	57	10
Cash deposits received from reinsurers	2,304	2,319	2,289
Other liabilities	2	1	-
Total	2,500	2,448	2,336

Note 34 – Badwill

in millions of euros	2001	2002	Amortization	Movements of the year	2003
Gross	504	433	(30)	107	510
<i>Natexis Banques Populaires</i>	423	388	-	-	388
<i>Other</i>	82	46	(30)	107 (1)	123
Amortization	(206)	(204)	30	(46)	(220)
Badwill, net	298	229	-	61	290

(1) Badwill recorded when the Group acquired a controlling interest at the end of 2003 in subsidiaries of l'Agence Française de Développement (AFD): Sodema, Sodega, Sofideg, Sofider. See Note 3 – Changes in scope of consolidation, paragraph 3.5.

Note 35 – Provisions

in millions of euros	Note	2001	2002	Increases	Decreases	Translation adjustments	Changes in scope of consolidation	Other	2003
Provisions deducted from assets									
Provisions for non-performing loans and other doubtful accounts		3,190	3,388	1,199	(1,006)	(33)	458	(40)	3,967
Provisions for impairment in value		531	718	295	(362)	2	29	32	714
Provisions for country risks		-	2	-	-	-	-	-	2
Total provisions deducted from assets		3,721	4,108	1,494	(1,369)	(31)	488	(7)	4,683
Provisions recorded under liabilities									
Provisions for counterparty risks	36	844	770	278	(212)	(29)	40	11	859
Provisions for losses	36	57	72	37	(46)	-	1	(2)	62
Provisions for operating expenses	36	815	995	145	(172)	(1)	4	(26)	944
Exceptional provisions	36	1	16	6	(38)	-	-	25	9
Total provisions recorded under liabilities		1,716	1,853	466	(467)	(31)	45	7	1,873
Total provisions		5,437	5,961	1,960	(1,836)	(62)	533	-	6,557

Net charge for the year: (124)

<i>Impact on the income statement</i> (1)	Charges	Reversals	Net impact
Net banking income	(401)	515	114
General operating expenses	(105)	71	(34)
Gross operating income	(506)	586	80
Provisions for loan losses	(1,375)	1,133	(242)
Net gains (losses) on disposals of fixed assets	(31)	48	17
Income before exceptional items and tax	(1,912)	1,767	(146)
Exceptional items	(6)	38	32
Corporate income tax	(42)	31	(11)
Net income before minority interests	(1,960)	1,836	(124)

(1) Provision movements are included on several different lines of the income statement, based on their substance. The above note shows the impact of provision movements on the main income statement captions.

Note 36 – Provisions for contingencies and charges

in millions of euros	2001	2002	Increases	Decreases	Translation adjustments	Changes in scope of consolidation	Other	2003
Provisions for counterparty risks								
Provisions for off-balance sheet commitments	92	103	51	(38)	-	3	10	129
Provisions for country risks	374	290	18	(22)	(23)	1	-	263
Provisions for industry risks (1)	158	139	132	(2)	(5)	5	-	269
Provisions for customer claims	68	52	31	(20)	-	10	16	89
Other customer-related provisions	152	187	48	(132)	(1)	21	(15)	108
	844	770	279	(213)	(29)	40	11	859
Provisions for losses								
On portfolio securities and forward financial instruments	7	29	18	(30)	-	-	-	17
On long-term investments	27	16	7	(4)	-	1	(1)	19
On real estate development transactions	5	6	1	(2)	-	-	-	5
On other assets	17	21	12	(10)	-	-	(1)	22
	57	72	37	(46)	-	1	(2)	62
Provisions for future operating expenses								
Retirement benefit obligations – active employees	176	204	43	(25)	-	2	9	232
Retirement benefit obligations – retired employees	483	545	19	(8)	-	-	(3)	553
Provisions for taxes	90	177	61	(112)	(1)	1	(25)	100
Other	66	69	22	(28)	-	1	(7)	59
	815	995	145	(173)	(1)	4	(26)	944
Exceptional provisions								
Provisions for restructuring costs	-	12	5	(7)	-	-	-	9
Other exceptional provisions	1	5	1	(31)	-	-	25	-
	1	16	6	(38)	-	-	25	9
Total	1,716	1,853	467	(470)	(31)	45	7	1,873

(1) Provisions for country risks and industry risks mainly relate to the business of Natexis Banques Populaires. These risks and the level of the related provisions are affected by cyclical developments in each industry and country, and are expected to change over time.

Note 37 – Provisions for non-performing loans and other doubtful accounts

in millions of euros	2003				2002				2001	
	Gross	Provisions	Net book value	Provision rate	Gross	Provisions	Net book value	Provision rate	Net book value	Provision rate
Interbank loans	117	(74)	44	62.9%	104	(68)	36	65.2%	25	69.4%
– Non-performing	4	(1)	4		48	(25)	23			
– Irrecoverable	113	(73)	40		56	(43)	13			
Customer loans and lease financing	5,708	(3,805)	1,903	66.7%	4,779	(3,217)	1,562	67.3%	1,410	68.5%
– Non-performing	1,539	(805)	734		1,972	(1,123)	849			
– Irrecoverable	4,169	(3,000)	1,169		2,806	(2,094)	712			
Securities portfolio and other receivables	207	(129)	79	62.0%	212	(138)	74	65.0%	105	49.8%
– Doubtful	82	(42)	40		108	(68)	40			
– Irrecoverable	126	(87)	39		104	(70)	34			
Total non-performing loans and other doubtful accounts (1)	6,033	(4,008)	2,025	66.4%	5,095	(3,423)	1,672	67.2%	1,540	67.7%
– Non-performing/doubtful	1,626	(848)	778	52.2%	2,128	(1,216)	912	57.1%	/	/
– Irrecoverable (2)	4,407	(3,160)	1,247	71.7%	2,966	(2,207)	759	74.4%	/	/

(1) The above provision rates are based solely on provisions for identified risks (non-performing loans and doubtful accounts). They do not take into account general provisions for industry and country risks recorded under liabilities and presented in note 36.

(2) The identification of irrecoverable loans and other irrecoverable accounts, together with provisions for impairment of irrecoverable loans and other irrecoverable accounts was carried out at December 31, 2003 and December 31, 2002, in application of standard CRC 2002-03 dealing with credit risk. See Note 1 – Consolidation methods and principles, paragraph 1.3.

Note 38 – Long-term subordinated debt

in millions of euros	Note	2003	2002	2001
Subordinated debt with fixed maturities	39	4,049	3,705	3,207
Perpetual subordinated debt	39	266	136	135
Mutual guarantee deposits		23	8	22
Accrued interest		92	77	93
Total		4,431	3,927	3,457

Note 39 – Changes in subordinated debt

in millions of euros	2001	2002	Issues	Red- emptions	Translation adjustments	Changes in scope of consolidation	Reclas- sification	Other movements	2003
			(1)			(2)		(3)	
Subordinated debt with fixed maturities									
Subordinated notes	3,077	3,580	603	(230)	(54)	142	3	(2)	4,043
Other subordinated debt	130	125	-	-	-	-	(110)	(9)	6
	3,207	3,705	603	(230)	(54)	142	(107)	(11)	4,049
Perpetual subordinated debt									
Subordinated notes	87	82	-	(1)	-	23	107	1	211
Other subordinated debt	48	55	-	-	-	-	-	-	55
	135	136	-	(1)	-	23	107	1	266
Total	3,343	3,842	603	(230)	(54)	165	-	(9)	4,316

(1) In 2003, Banque Fédérale des Banques Populaires issued subordinated notes in June (€59 million, maturing in 2013); October (€81 million, maturing in 2013); and December (€63 million, maturing in 2014). Natexis Banques Populaires also issued subordinated notes, in June 2003, in the amount of €400 million and maturing in 2013.

(2) Impact of the first-time consolidation of Crédit Coopératif during the year.

(3) Other movements correspond primarily to changes in eliminations of subordinated debt issued to other Group entities, representing intercompany transactions.

Note 40 – Shareholders' equity

in millions of euros	Capital stock	Additional paid-in capital	Retained earnings (1)	Shareholders' equity excl. Fund for general banking risks	Fund for general banking risks	Shareholders' equity	Minority interests
Consolidated shareholders' equity at 12/31/01 before income appropriation	2,076	215	3,274	5,565	1,773	7,338	1,407
2001 net income			777	777		777	147
Dividends			(75)	(75)		(75)	(87)
Consolidated shareholders' equity at 12/31/01 after income appropriation	2,076	215	3,976	6,267	1,773	8,040	1,467
Issuance of shares	355	240	(189) (2)	406		406	
Translation adjustments			(40)	(40)		(40)	(64)
Changes of method (3)			7	7		7	
Changes in scope of consolidation			39 (4)	39		39 (5)	213
Net charge to fund for general banking risks					118	118	
Other movements							
Consolidated shareholders' equity at 12/31/02 before income appropriation	2,431	455	3,793	6,679	1,891	8,570	1,616
2002 net income			532	532		532	90
Dividends			(81)	(81)		(81)	(76)
Consolidated shareholders' equity at 12/31/02 after income appropriation	2,431	455	4,244	7,130	1,891	9,021	1,630
Issuance of shares	286	114	(148) (2)	253		253	
Translation adjustments			(74)	(74)		(74)	(93)
Changes of method (6)			(7)	(7)		(7)	(2)
First-time consolidation of Crédit Coopératif (7)	169	66	113	348	9	357	6
First-time consolidation of Crédit Maritime Mutuel (8)					8	8	204
Other changes in scope of consolidation (9)							87
Net charge to fund for general banking risks					169	169	
Other movements			1	1		1	0
Consolidated shareholders' equity at 12/31/03 before income appropriation	2,886	635	4,129	7,651	2,077	9,727	1,833
2003 net income			853	853		853	129
Consolidated shareholders' equity at 12/31/03 after income appropriation	2,886	635	4,983	8,504	2,077	10,581	1,962 (10)

(1) Reserves, consolidation adjustments, revaluation reserves, cumulative translation adjustment and consolidated net income attributable to the Group.

(2) In connection with the mergers of Banque Populaire regional banks, the retained earnings of the merged bank are transferred to additional paid-in capital in the accounts of the surviving Banque Populaire bank.

2002:

(3) Changes of accounting method:

Certain provisions for liabilities set up in prior years which did not comply with standard CRC 2000-6 adopted in 2002 were reversed by crediting opening shareholders' equity in the amount of €7 million. These reversals had no impact on minority interests.

(4) Fair value adjustments to the 19% interest in Coface held in 2000, following the acquisition of majority control of this group in 2002.

(5) This item includes:

– €30 million corresponding to the Natexis Banques Populaires shares issued to Arnhold & S. Bleichroeder Holdings in payment for Arnhold & S. Bleichroeder (renamed Natexis Bleichroeder) and the €82 million dilutive impact of this share issue (2.26% increase in minority interests in Natexis Banques Populaires).

– €59 million related to the 1.6% increase in minority interests in Natexis Banques Populaires following the sale of 710,000 Natexis Banques Populaires shares by Banque Fédérale des Banques Populaires to DZ Bank.

- €19 million gross negative impact arising from the reduction of minority interests in the capital of Natexis Banques Populaires following the conversion by Banque Fédérale des Banques Populaires of 1,503,341 convertible perpetual subordinated notes into shares, and €30 million positive impact of the related increase in capital attributable to minority interests.
- €31 million increase due to other changes in scope of consolidation.

2003:

(6) Changes of accounting method: See Note 1 – Consolidation methods and principles, paragraph 1.3.

– Standard CRC 2002-03 relating to the classification of non-performing loans and the accounting treatment of restructured loans at below market rates was adopted on January 1, 2003. For the restructured loans identified as concerned by this standard, the future interest differential between the rate charged and the market rate at the time of the restructuring gave rise to a discount. For loans restructured in prior years, the discount, totaling €7.4 million after tax, has been set off against shareholders' equity in the amount of €5.6 million, with the balance set off against minority interests.

– Standard CRC 2002-10 relating to depreciation, amortization and impairment of assets, is applicable from January 1, 2005. The Banque Populaire Group has not opted for early application of this standard. The standard contains transitional provisions applicable from January 1, 2003 relating to expense incurred under multi-year programs for major repairs or refits. At December 31, 2003 a provision of €1.5 million after tax was recorded due to the application of this new standard, with €1.4 million deducted from shareholders' equity and the balance deducted from minority interests.

– Following the change in French insurance regulations concerning liquidity risk reserves (decree no. 2003-1236 of December 22, 2003 amending Art. R331-5-1 of the Insurance Code), the Banque Populaire Group reviewed these risks and decided that they were not covered by other reserves. A liquidity risk reserve was therefore booked in the consolidated balance sheet at December 31, 2003 covering the total risk, whereas in 2002 – with the approval of the insurance regulator (*Commission de Contrôle des Assurances*) – only part of the risk was reserved for, reflecting the method applied in the accounts of the insurance subsidiaries. This accounting treatment was in accordance with recommendation no. 2004-B dated January 21, 2004 issued by the CNC Urgent Issues Task Force.

- The switch from partial reserving to full reserving constituted a change of accounting method, the effects of which were charged against opening shareholders' equity at January 1, 2003 in the amount of €148.5 million before tax and €95.9 million after tax (of which €72.3 million attributable to the Group).

- Following the improvement in stock market prices in 2003, no charge to the liquidity risk reserve was necessary at December 31, 2003 and the additional reserve booked in the opening balance sheet (difference between full and partial-reserving method) was released by crediting shareholders' equity.

- Consequently, the change of method had no impact on either consolidated net income or shareholders' equity.

(7) On January 30, 2003 Crédit Coopératif joined the Banque Populaire Group and took on the status of *société coopérative de banque populaire à capital variable*, by decision of its member-stakeholders at the Extraordinary Meeting held on January 30, 2003. Following this change of status, Crédit Coopératif became a Banque Populaire bank and joined the ranks of the parent companies. The subsidiaries that it held directly or indirectly were consolidated for the first time in 2003 in the Banque Populaire Group's financial statements. See Note 3 – Changes in scope of consolidation, paragraph 3.2.

(8) On August 1, 2003, in application of Art. 93 of the French Financial Security Act (Law no. 2003-706), Banque Fédérale des Banques Populaires became the central body of the Crédit Maritime Mutuel network. In view of its "affiliated" status, its reserves are recorded under "Minority interests". See Note 3 – Changes in scope of consolidation, paragraph 3.3.

(9) This item primarily includes:

- €178 million following the first-time consolidation of Natexis Banques Populaires Capital III, a subsidiary of Natexis Banques Populaires, set up for the issue of a fourth tranche of preference shares.

- a €90 million gross negative impact following the effect of consolidating the Alizé Levier corporate mutual fund, which holds 2.25% of Natexis Banques Populaires' capital. This fund was set up in connection with the Banque Populaire Group employee savings plan.

- Remaining changes in scope of consolidation had a €1 million negative impact.

(10) Minority interests relating to the issuance of preference shares total €614 million.

Note 41 – Fund for general banking risks

in millions of euros	2001	Increases	Decreases	Translation adjustments	Changes in scope of consolidation	Other	2002
Federal Guarantee Fund (1)	412	13	-	-	-	-	426
Regional Guarantee Funds (1)	205	69	-	-	-	(4)	269
Fund for general banking risks	1,157	56	(21)	-	-	4	1,196
Total	1,773	139	(21)	-	-	-	1,891

in millions of euros	2002	Increases	Decreases	Translation adjustments	Changes in scope of consolidation (2)	Other	2003
Federal Guarantee Fund (1)	426	5	-	-	-	-	431
Regional Guarantee Funds (1)	269	73	-	-	-	1	343
Fund for general banking risks	1,196	98	(8)	-	17	(1)	1,302
Total	1,891	177	(8)	-	17	-	2,077

(1) The Federal Guarantee Fund and Regional Guarantee Funds have been set up in connection with the mutual guarantee mechanism operating within the Banque Populaire banks network. See Note 1 – Consolidation methods and principles, paragraphs 1.1 and 1.13.

(2) Impact of the first-time consolidations of Crédit Coopératif and the Crédit Maritime Mutuel network.

Note 42 – Financing commitments

in millions of euros	2003	2002	2001
Financing commitments given			
To credit institutions	2,681	3,709	4,157
To customers	28,992	25,322	23,108
– Documentary credits	947	853	779
– Other confirmed lines of credit	25,726	21,055	19,013
– Other commitments	2,320	3,414	3,316
Total financing commitments given	31,673	29,031	27,265
Financing commitments received			
From credit institutions	3,955	853	1,864
Total financing commitments received	3,955	853	1,864

Note 43 – Guarantees

in millions of euros	2003	2002	2001
Guarantees given			
To credit institutions	2,080	2,028	2,049
– Confirmed documentary credits	656	908	613
– Other guarantees	1,424	1,120	1,436
To customers	15,875	16,976	19,412
– Real estate guarantees	1,057	1,067	1,022
– Tax and other bonds	1,912	1,714	1,567
– Other endorsements	2,528	1,912	4,275
– Other guarantees	10,378	12,282	12,547
Total guarantees given	17,955	19,004	21,461
Guarantees received from credit institutions	5,378	4,536	3,264

Note 44 – Commitments on off-balance sheet financial instruments

in millions of euros	2003			2002			2001
	Hedging instruments	Other	Total	Hedging instruments	Other	Total	Total
Futures and forward contracts							
Transactions on organized markets							
Interest rate instruments	46	75,664	75,710	406	45,540	45,946	29,849
Currency instruments	-	-	-	-	-	-	9
Financial assets	10	28,560	28,570		21,385	21,385	24,487
	56	104,225	104,280	406	66,925	67,331	54,345
Over-the-counter transactions							
FRAs	17,269	260,038	277,307	19,321	195,132	214,453	31,582
Interest rate swaps	198,577	122,042	320,619	187,289	146,253	333,542	613,855
Other	24	168	192	24	146	171	211
	215,870	382,248	598,118	206,634	341,532	548,166	645,647
Forward foreign exchange contracts							
Forward currency swaps							
– to be received	55,154	2,791	57,944	51,589	-	51,589	39,877
– to be delivered	54,562	7,916	62,479	43,643	-	43,643	44,426
Currency swaps							
– to be received	1,517	408	1,926	2,789	-	2,789	4,728
– to be delivered	1,507	474	1,980	2,822	-	2,822	4,764
Other forward foreign exchange contracts							
– to be received	1,763	859	2,622	1,308	1,930	3,238	1,746
– to be delivered	776	1,912	2,688	628	1,970	2,598	1,762
	115,278	14,360	129,639	102,779	3,900	106,679	97,302
Total futures and forward contracts	331,204	500,833	832,037	309,819	412,356	722,176	797,295
Options							
Transactions on organized markets							
Interest rate options							
– Purchased options	-	4,343	4,343	-	4,461	4,461	1,237
– Sold options	-	4,424	4,424	-	4,181	4,181	1,035
Currency options							
– Purchased options	-	1	1	-	-	-	9
– Sold options	-	1	1	-	-	-	9
Other options							
– Purchased options	1	9,329	9,329	638	5,918	6,556	1,433
– Sold options	1	9,091	9,093	345	6,524	6,870	1,347
	2	27,188	27,191	983	21,084	22,067	5,069
Over-the-counter transactions							
Interest rate options							
– Purchased options	3,080	15,950	19,030	2,956	16,049	19,005	18,532
– Sold options	1,819	25,871	27,689	1,051	21,826	22,877	20,529
Currency options							
– Purchased options	35,285	4	35,290	39,772	-	39,772	5,970
– Sold options	40,005	-	40,005	43,660	-	43,660	5,994
Other options							
– Purchased options	3,954	9,569	13,523	2,216	10,627	12,843	10,291
– Sold options	18	8,281	8,299	20	10,978	10,998	7,614
	84,161	59,674	143,836	89,675	59,480	149,156	68,930
Total options	84,164	86,863	171,026	90,659	80,564	171,223	73,998
Total commitments on off-balance sheet financial instruments	415,367	587,696	1,003,063	400,478	492,921	893,399	871,293

The notional amounts presented above represent only an indication of the volume of transactions in financial futures and options carried out by the Banque Populaire Group. Risk-weighted equivalent values are presented in Note 47.

Note 45 – Analysis by portfolio

in millions of euros	2003					2002					2001
	Micro-hedges	Macro-hedges	Speculative position taking	Trading portfolio management	Total	Micro-hedges	Macro-hedges	Speculative position taking	Trading portfolio management	Total	Total
Futures and forward contracts											
FRAs	17,031	238	177	259,860	277,307	19,173	148	161,245	33,887	214,453	31,582
Interest rate swaps	141,783	56,794	10,268	111,775	320,619	160,908	26,380	30,496	115,758	333,542	613,855
Cross-currency swaps	3,014	9	882	-	3,906	5,602	10	-	-	5,611	9,492
Other	156	18	17	-	192	104	54	12	-	171	211
	161,985	57,059	11,345	371,635	602,024	185,787	26,592	191,753	149,645	553,777	655,139
Options											
Purchased interest rate options	1,108	1,973	-	15,950	19,030	1,393	1,563	15,890	159	19,005	18,532
Written interest rate options	678	1,141	2	25,869	27,689	625	427	21,659	167	22,877	20,529
	1,785	3,114	2	41,819	46,720	2,018	1,990	37,549	326	41,883	39,061
Total	163,770	60,173	11,346	413,454	648,743	187,805	28,583	229,302	149,971	595,660	694,200

Transfers between portfolios in 2003 were not material.

Note 46 – Analysis of credit derivatives

in millions of euros	2003				
	Credit default swap		Other credit derivatives		
	Sales of hedging instruments	Purchases of hedging instruments	Sales of hedging instruments	Purchases of hedging instruments	
Hedging transactions		26	5,169	2	79
Other		22	135	18	133

Note 47 – Analysis of risk-weighted equivalents

in millions of euros	2003				2002				2001
	Government securities and equivalent	OECD credit institutions	Other counterparties	Total	Government securities and equivalent	OECD credit institutions	Other counterparties	Total	Total
Unweighted credit risks before netting	84	10,094	593	10,770	166	12,172	823	13,161	8,371
Effect of netting and collateralization	(17)	(7,238)	(5)	(7,259)	(34)	(4,859)	(374)	(5,267)	(2,807)
Unweighted credit risks after netting	67	2,856	588	3,511	133	7,313	449	7,894	5,564
Weighting	0%	20%	50%	/	0%	20%	50%	/	/
Risk-weighted equivalents	-	571	294	865	-	1,463	224	1,687	1,165

Risk-weighted equivalents express derivative instruments as credit equivalents, in accordance with the rules applied to calculate international capital adequacy ratios (Cooke ratio). Netting agreements and collateralization techniques are used to reduce counterparty risk.

Note 48 – Interest income and expense

in millions of euros	2003			2002			2001
	Expense	Income	Net	Expense	Income	Net	Net
Interbank assets and liabilities	(1,928)	1,897	(31)	(2,598)	2,365	(233)	(921)
Customer loans and deposits	(1,715)	5,190	3,475	(2,423)	5,738	3,316	3,657
Lease financing	(21)	463	442	(6)	444	438	427
Bonds and other fixed income securities	(2,189)	1,638	(551)	(2,602)	2,181	(421)	(761)
Macro-hedging transactions	(80)	113	33	(70)	112	42	(10)
Net charges to provisions for interest on non-performing loans	-	(18)	(18)	-	(35)	(35)	(23)
Total	(5,933)	9,283	3,350	(7,699)	10,806	3,107	2,369

Note 49 – Income from variable income securities

in millions of euros	2003	2002	2001
Dividends on securities held for sale	12	16	11
Dividends on equity securities held for investment	21	21	27
Dividends on investments in affiliates	32	31	34
Total	65	68	72

Note 50 – Fees and commissions

in millions of euros	2003			2002			2001
	Expense	Income	Net	Expense	Income (1)	Net	Net (1)
Treasury and interbank transactions	(45)	28	(17)	(43)	29	(14)	(5)
Payment media processing	(297)	634	337	(275)	568	293	271
Customer transactions	(100)	1,329	1,229	(152)	1,175	1,022	1,091
Securities transactions	(45)	269	224	(50)	489	438	505
Currency transactions	(1)	11	10	(1)	12	10	16
Off-balance sheet commitments	(14)	111	97	(17)	255	238	226
Financial services	(123)	399	276	(200)	62	(138)	(141)
Advisory services	-	16	16	-	17	17	15
Total	(625)	2,797	2,172	(740)	2,606	1,866	1,978

(1) Reclassifications have been carried out in connection with fees and commissions compared with published data for 2001 and 2002. These mainly concern:

- insurance fees received on customer loans, initially recorded under “Financial Services” and reclassified under “Customer transactions”. The related amounts for 2002 and 2001 were €101 million and €102 million, respectively.
- fees on electronic transfer services received from customers, initially recorded under “Financial Services” and reclassified in “Payment media processing”. The related amounts for 2002 and 2001 were €36 million and €28 million respectively.

Note 51 – Net gains on trading account securities

in millions of euros	2003	2002	2001
Net gains (losses) on trading securities	241	127	(65)
Net gains on currency instruments	15	59	18
Net gains (losses) on forward financial instruments	91	(8)	558
Movements in provisions for contingencies and charges	14	(20)	11
Total	361	159	522

Note 52 – Net gains on securities held for sale

in millions of euros	2003			2002			2001
	Securities held for sale	TAP	Total	Securities held for sale	TAP	Total	Total
Charges to provisions	(143)	(98)	(241)	(201)	(124)	(326)	(205)
Reversals of provisions	209	84	293	101	56	157	121
Realized losses	(64)	(25)	(89)	(33)	(75)	(108)	(178)
Realized gains	119	103	222	114	145	259	601
Other	(1)	(1)	(2)	(1)	(3)	(4)	(2)
Total	120	63	183	(19)	(1)	(21)	338

Note 53 – Other banking revenues and expenses

in millions of euros	2003			2002			2001
	Expenses	Income	Total	Expenses	Income	Total	Total
Lease financing transactions – finance leases							
Gains and losses on sales of leased assets	(25)	4	(21)	(13)	6	(7)	(13)
Provisions for impairment in value of leased assets	(31)	28	(3)	(35)	21	(14)	(5)
Other income and expenses	(224)	242	18	(113)	120	7	14
	(280)	274	(6)	(162)	147	(14)	(4)
Lease financing transactions – operating leases							
Gains and losses on sales of leased assets	(1)	1	0	(5)	6	1	(6)
Provisions for impairment in value of leased assets	(4)	5	1	(4)	13	9	11
Other income and expenses	(15)	21	6	(16)	20	3	4
	(20)	27	7	(25)	39	14	8
Other banking revenues and expenses							
Joint-venture income and losses	(15)	4	(11)	(10)	6	(4)	(5)
Recharged banking revenues and expenses	(28)	10	(18)	(14)	7	(7)	(9)
Other income and expenses	(79)	139	60	(66)	157	91	112
	(122)	153	31	(91)	170	79	99
Total	(422)	454	32	(278)	356	78	103

Note 54 – Gross margin on insurance operations

in millions of euros	2003	2002	2001
Life insurance premium income	2,641	2,396	2,342
Personal risk insurance premium income	90	75	55
Credit insurance premium income	621	267	-
Net investment income	1,102	145	387
Paid benefits and claims	(2,519)	(2,278)	(1,923)
Change in technical reserves	(1,298) ⁽²⁾	(267)	(653)
Other non-underwriting income	85	44	-
Total (1)	722	383	208

(1) The Coface group represented:

- €0 million in 2001 (accounted for by the equity method)
- €148 million in 2002 (accounted for by the equity method in the first half and fully consolidated in the second half)
- €396 million in 2003 (fully consolidated over the whole year)

(2) Including a €48 million net charge to the loss equalization reserves of the Coface group.

Note 55 – Other net income

in millions of euros	2003	2002	2001
Real estate management	14	6	33
Real estate development	2	6	-
Real estate dealing	1	6	6
Total income from real estate activities	17	18	39
IT development and other services	68	46	14
Credit management services (1)	85	41	-
Other activities	11	3	10
Total	181	108	63

(1) Corresponding to sales of credit information services, marketing information services and receivables collection services provided by Coface subsidiaries (the Coface group has been fully consolidated since the second half of 2002).

Note 56 – General operating expenses

in millions of euros	2003	2002	2001
Payroll costs			
Wages and salaries	(1,660)	(1,412)	(1,276)
Pension costs	(272)	(243)	(190)
Other payroll taxes	(524)	(437)	(399)
Incentive bonuses	(116)	(92)	(97)
Employee profit-sharing	(76)	(71)	(74)
Payroll-based taxes	(146)	(125)	(115)
Total payroll costs	(2,794)	(2,379)	(2,151)
Other general operating expenses			
Taxes other than on income	(165)	(164)	(165)
Other general operating expenses	(1,532)	(1,353)	(1,192)
Total other general operating expenses	(1,697)	(1,517)	(1,357)
Total	(4,491)	(3,896)	(3,508)

Note 57 – Number of employees

	2003 (2)	2002	2001
Number of (1)			
Employees	43,224	39,223	34,811
Domestic network	39,417	36,176	33,696
International network	3,807	3,047	1,115

(1) Number of full-time equivalent employees at year-end.

(2) The increase in 2003 is mainly related to local retail banking activities that were consolidated for the first time during the year:

- Crédit Coopératif group (1,486 employees)
- Crédit Maritime Mutuel group (959 employees)

Note 58 – Provisions for loan losses

in millions of euros	2003					2002					2001	
	Charges	Net reversals	Write-offs not covered by provisions	Recoveries of bad debts written off	Net	Charges	Net reversals	Write-offs not covered by provisions	Recoveries of bad debts written off	Net	Net	
Specific provisions												
Interbank loans	(11)	8	(1)	0	(4)	(35)	15	(1)	5	(16)	14	
Customer loans	(1,036)	588	(35)	28	(455)	(949)	523	(53)	23	(455)	(390)	
Securities and other receivables	(49)	5	(22)	26	(40)	(68)	1	(7)	3	(71)	(44)	
	(1,096)	601	(58)	54	(499)	(1,051)	539	(61)	31	(542)	(419)	
Provisions for contingencies and charges												
Off-balance sheet commitments	(51)	38			(13)	(53)	46			(7)	(4)	
General provisions	(211)	154			(57)	(135)	142			7	(16)	
Provisions for country risks	(18)	22			4	(20)	48			29	3	
	(279)	213			(66)	(208)	237			29	(18)	
Total provisions for loan losses and country risks	(1,375)	814	(58)	54	(565)	(1,260)	776	(61)	31	(513)	(437)	

including:

– reversals of surplus provisions	814	776
– utilization	320	299
<i>Total reversals</i>	<u>1,134</u>	<u>1,075</u>
– losses covered by provisions	(320)	(299)
<i>Net reversals</i>	<u>814</u>	<u>776</u>

Note 59 – Net gains on disposals of fixed assets

in millions of euros	2003				2002				2001
	Investments in affiliates and equivalent	Investments securities	Property and equipment and intangible assets	Total	Investments in affiliates and equivalent	Investments securities	Property and equipment and intangible assets	Total	Total
Charges to provisions	(30)	(1)		(31)	(40)	(3)	-	(44)	(42)
Reversals of provisions	36	12		48	33	-	-	34	27
Realized losses	(27)	(18)	(5)	(50)	(52)	(6)	(9)	(67)	(120)
Realized gains	39	4	9	52	94	1	23	119	194
Total	19	(4)	4	19	35	(8)	15	42	59

Note 60 – Exceptional items

in millions of euros	2003	2002	2001
Exceptional income and expenses (net of provisions)	(17)	(27)	(35)
Including:			
Merger costs (1)	(22)	(21)	-
Other restructuring costs	(5)	(20) (2)	(4)
Contribution to Deposit Guarantee Fund	-	(4)	(12)
Additional euro-related costs	-	-	(7)
Discount on special purpose entity	-	-	(13)
Other	10 (3)	18 (4)	1
Charges to provisions	(6)	(18)	(8)
Including:			
Provisions for merger costs (1)	(5)	(4)	-
Other restructuring provisions	-	(8)	(1)
Additional euro-related costs	-	-	(2)
Autres provisions	(1)	(6) (4)	(5)
Total	(23)	(45)	(43)

(1) Costs related to the mergers of Banque Populaire regional banks.

(2) Including €15 million corresponding to the balance of costs related to the Natexis Banques Populaires right-sizing plan in 2002.

(3) Including a negative €10 million impact relating to the consolidation of the E-market special purpose entities and the new Coface subsidiaries (Kompass and Cofacering), and a €24 million positive impact relating to the reductions in VAT and payroll taxes.

(4) Including €6 million in income recognized on consolidation of the Edval C Investment Ltd and Worledge Investment Ltd special purpose entities by Natexis Banques Populaires, offset by a €6 million provision for country risks on loans covered by the put option.

Note 61 – Tax proof

in millions of euros	2003	2002	2001
+ Net income for the year (before minority interests)	982	621	924
+ Corporate income tax	544	405	447
+ Allocation to fund for general banking risks	168	118	196
+/- Other permanent differences (1)	(284)	(107)	(317)
- Income from companies accounted for by the equity method	(12)	(3)	(10)
= Consolidated taxable income	1,397	1,034	1,240
x Standard tax rate	33.33%	33.33%	33.33%
= Tax at standard rate	466	(345)	(413)
+ Avoir fiscal tax credits	8	12	20
+ Group relief	11	13	7
+ Surtaxes	(29)	(28)	(40)
+ Items taxed at reduced rates	(33)	(37)	(43)
+ Tax reassessments	(42)	(3)	(16)
+ Differences in foreign tax rates	(5)	1	1
+ Change in recognized deferred tax assets	6	(24)	26
+ Other	6	5	11
= Corporate income tax for the year	(544)	(405)	(447)
- Current taxes	(567)	(457)	(456)
- Deferred taxes	23	52	9

(1) Including tax base for items taxed at reduced rates and income of subsidiaries that have issued preferred stock, for which dividends are qualified as interest for tax purposes.

Note 62 – Deferred taxes

in millions of euros	2003	2002	2001
Main sources of deferred taxes (1)			
Flow-through entities	(524)	(548)	(525)
Leasing reserve	(593)	(495)	(471)
Provisions for employee-related liabilities	615	638	542
Other non-deductible provisions	720	700	496
Unrealized gains on mutual fund units	52	30	55
Ordinary and evergreen tax loss carryforwards	329	365	277
Other temporary differences	(2)	(122)	-
Total sources of deferred taxes, gross	597	568	374
Unrecognized sources of deferred tax assets	(451)	(508)	(388)
Total sources of deferred taxes, net	146	60	(14)
Recognized deferred taxes			
Deferred taxes at standard rate	84	67	15
Deferred taxes – surtaxes	5	4	1
Deferred taxes at reduced rate	(17)	(21)	(12)
Total recognized deferred taxes	72	49	4
- deferred tax assets	471	437	381
- deferred tax liabilities	(399)	(388)	(384)
- deferred taxes of companies accounted for by the equity method	-	-	7

(1) Positive amounts correspond to sources of deferred tax assets and negative amounts to sources of deferred tax liabilities.

Note 63 – Analysis of assets and liabilities by maturity

in millions of euros

2003

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total
Assets						
Interbank loans (1)	7,717	24,223	10,001	5,796	54	47,791
Customer loans	18,657	11,643	35,530	30,214	18	96,062
Lease financing	482	1,371	4,240	1,628	112	7,833
Bonds and other fixed income securities	5,016	2,392	6,683	4,522	17	18,630
Total assets	31,872	39,629	56,454	42,160	201	170,316
Liabilities						
Interbank borrowings	5,870	20,445	4,716	1,681	-	32,712
Customer deposits	27,815	4,316	7,941	3,544	152	43,768
Debt securities	17,311	8,540	9,101	2,142	96	37,190
Other subordinated debt	128	272	1,197	2,456	263	4,316
Total liabilities	51,124	33,573	22,955	9,823	511	117,986

in millions of euros

2002

	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total
Assets						
Interbank loans (1)	6,871	20,844	7,572	7,214	109	42,608
Customer loans	20,634	11,464	30,958	25,327	23	88,406
Lease financing	403	1,234	3,970	1,476	89	7,174
Bonds and other fixed income securities	6,797	2,270	6,786	5,349	69	21,271
Total assets	34,705	35,813	49,285	39,367	290	159,459
Liabilities						
Interbank borrowings	16,835	15,885	1,271	1,997	75	36,064
Customer deposits	27,041	4,569	6,824	2,482	35	40,949
Debt securities	15,842	7,223	5,787	2,145	7	31,005
Other subordinated debt	34	130	1,212	2,332	134	3,842
Total liabilities	59,753	27,806	15,095	8,955	251	111,860

(1) Including government securities and equivalent.

Note 64 – Analysis of outstanding loans and receivables by geographic area

in millions of euros

2003

	France	Western Europe	Eastern Europe	North America	Latin and Central America	Africa and Middle East	Asia-Pacific	Not analyzed	Total
Interbank transactions	29,189	8,941	201	403	431	699	1,986	425	42,275
	69%	21%	0%	1%	1%	2%	5%	1%	100%
Customer and lease financing transactions	103,088	4,328	664	7,986	934	1,424	899	549	119,872
	86%	4%	1%	7%	1%	1%	1%	0%	100%
Securities transactions (1)	8,351	2,971	9	5,516	182	43	573	628	18,273
	46%	16%	0%	30%	1%	0%	3%	3%	100%

(1) Excluding lending and borrowing of securities.

Note 65 – Analysis of outstanding loans and receivables by client sector

in millions of euros

2003

	Credit institutions	Non-financial companies	Individual business owners	Individuals	Private administrations	Public administrations and social security organizations	Other	Total
Interbank transactions	42,275	/	/	/	/	/	/	42,275
Customer and lease financing transactions	/	67,252	9,230	36,204	1,502	2,661	3,023	119,872
- Sound receivables	/	65,933	8,988	35,894	1,479	2,661	3,016	117,971
- Irrecoverable receivables	/	3,011	528	576	36	1	16	4,168
- Doubtful receivables	/	1,051	210	259	9	1	8	1,538
- Provisions for irrecoverable receivables	/	(2,198)	(376)	(395)	(19)	(1)	(11)	(3,000)
- Provisions for doubtful receivables	/	(545)	(120)	(130)	(3)	(1)	(6)	(805)
Securities transactions (1)	4,823	3,733	17	-	-	3,312	6,388	18,273
- Receivables related to fixed-income securities	4,828	3,696	17	-	-	3,311	6,347	18,199
- Irrecoverable receivables related to securities	2	55	-	-	-	2	54	113
- Doubtful receivables related to securities	-	45	-	-	-	2	27	74
- Provisions for irrecoverable receivables related to securities	(2)	(40)	-	-	-	(2)	(34)	(78)
- Provisions for doubtful receivables related to securities	(5)	(23)	-	-	-	(1)	(6)	(35)

(1) Excluding lending and borrowing of securities.

Note 66 – Segment information

in millions of euros year ended December 31, 2003	Local retail banking (1)	Financing, investment and service bank						Banque Fédérale and other (2)	Group total
		Financing (3)	Investment banking (4)	Services (5)	Credit insurance and credit manage- ment (6)	Other (7)	Total		
Net banking income	4,625	968	304	602	488	46	2,408	33	7,066
<i>Change 2003 / 2002</i>	<i>8%</i>	<i>9%</i>	<i>9%</i>	<i>6%</i>	<i>23%</i>	<i>nm</i>	<i>19%</i>	<i>nm</i>	<i>13%</i>
General operating expenses	(3,084)	(406)	(305)	(446)	(410)	(125)	(1,692)	(20)	(4,796)
<i>Change 2003 / 2002</i>	<i>7%</i>	<i>-2%</i>	<i>-2%</i>	<i>-4%</i>	<i>10%</i>	<i>nm</i>	<i>2%</i>	<i>nm</i>	<i>5%</i>
Gross operating income/(loss)	1,541	562	(1)	156	78	(79)	716	13	2,270
<i>Change 2003 / 2002</i>	<i>11%</i>	<i>18%</i>	<i>-97%</i>	<i>47%</i>	<i>225%</i>	<i>nm</i>	<i>96%</i>	<i>nm</i>	<i>34%</i>
Income/(loss) before exceptional items and tax	1,189	382	(47)	148	81	(42)	522	24	1,735
<i>Change 2003 / 2002</i>	<i>13%</i>	<i>36%</i>	<i>-40%</i>	<i>150%</i>	<i>200%</i>	<i>nm</i>	<i>138%</i>	<i>nm</i>	<i>44%</i>

The above table analyzes the Banque Populaire Group's results based on a three-tier organization structure, reflecting the wide range of businesses conducted by the Group.

Changes are stated on a constant Group structure basis. Figures for 2002 have therefore been adjusted based on the Group structure as of December 31, 2003:

– in local retail banking, adjusted for the Crédit Coopératif group, consolidated since January 1, 2003, and the Crédit Maritime Mutuel group, which has been consolidated since July 1, 2003;

– in Natexis Banques Populaires, adjusted for Coface (consolidated since July 1, 2002), Natexis Bleichroeder Inc (consolidated since January 1, 2003), and CrédiFrance Factor (consolidated since January 1, 2003).

■ **The retail banking business (1)**, is conducted by the Banque Populaire regional banks, CASDEN Banque Populaire, Crédit Coopératif, Crédit Maritime Mutuel, the mutual guarantee companies and their direct subsidiaries, as well as the direct subsidiaries of Banque Fédérale des Banques Populaires (excluding Natexis Banques Populaires). To simplify the presentation, the Banque Populaire banks' capital markets business – conducted primarily by BRED Banque Populaire – has not been reallocated. This business generated net banking income of €25 million in 2003 and €14 million in 2002.

■ **Banque Fédérale des Banques Populaires (2)** is the Group's central body and the holding company for Natexis Banques Populaires. It is responsible for guaranteeing the liquidity and capital adequacy of the Banque Populaire banks.

■ **Natexis Banques Populaires** is the Group's financing, investment and service bank.

– **The financing business (3)** includes domestic and international lending, payment media processing, structured finance, correspondent banking and specialized financing. These businesses are conducted primarily by Natexis Banques Populaires and its foreign branches, Natexis Bail (lease financing) and Natexis Factorem (factoring).

– **The investment banking business (4)** encompasses the private equity business conducted by Natexis Private Equity International and Natexis Finance, as well as the capital markets business, spanning brokerage, primary markets transactions and syndications in the equity, fixed income, currency and commodities markets.

– **The service business (5)** comprises the asset management and insurance business line, including insurance (Natexis Assurances and ABP Vie), fund management (Natexis Asset Management), employee savings plans (Natexis Interépargne), private banking (Banque Privée Saint Dominique), as well as banking, financial and technology services. This business line develops and markets a wide range of banking and financial services for banks and other institutions, including outsourcing services.

– **The credit insurance and credit management business (6)** corresponds to Coface and its subsidiaries.

– **Other businesses (7)** correspond to activities conducted by Natexis Banques Populaires which are not businesses in the true sense of the term, including its activities as holding company of direct subsidiaries. Net banking income from this segment includes income from treasury transactions, real estate revenues and revenues from institutional activities conducted on behalf of the State. General operating expenses correspond to headquarters expenses not allocated to the various businesses. "Other businesses" also includes certain consolidation adjustments that cannot be allocated to the various businesses.

Note 67 – Companies accounted for by the equity method

in millions of euros	2003		2002		2001	
	Equity in net assets	Equity in net income	Equity in net assets	Equity in net income	Equity in net assets	Equity in net income
Financial sector companies (1)	58	3	13	1	15	3
Other companies (2)	43	8	31	2	99	7
Total	101	11	44	3	114	10

(1) The increase concerning financial sector companies is primarily due to four subsidiaries of Crédit Coopératif which have been accounted for by the equity method. These subsidiaries contribute a total of €46 million, breaking down as follows: ESFIN (€15 million), Banque Edel (€14 million), SDR Nord Pas-de-Calais (€10 million) and BISE (€7 million).

(2) The decrease concerning other companies compared with 2001 is mainly due to the fact that Coface has been fully consolidated since the second half of 2002.

Note 68 – Insurance results

in millions of euros

2003

	Insurance lformat	Banking format						Net income
		Net banking income	General operating expenses	Gross operating income	Excetional items	Corporate income tax	Sub-consolidation adjustments	
INDIVIDUAL COMPANY ACCOUNTS OR SUB-GROUP ACCOUNTS								
Premium income	3,352	3,352		3,352				3,352
Investment income	1,091	1,091		1,091				1,091
Mark-to-market gains on assets held to cover linked liabilities	335	335		335				335
Other underwriting income	9	9		9				9
Loss expenses	(1,730)	(1,723)	(7)	(1,730)				(1,730)
Change in technical reserves	(1,309)	(1,309)		(1,309)				(1,309)
Policyholder dividends	(789)	(789)		(789)				(789)
Acquisition and administration costs	(595)	(257)	(338)	(595)				(595)
Investment expenses	(259)	(255)	(4)	(259)				(259)
Mark-to-market losses on assets held to cover linked liabilities	(14)	(14)		(14)				(14)
Other underwriting expenses	58	75	(17)	58				58
Investment income transferred out of the technical account	(2)	(2)		(2)				(2)
Underwriting result	147	513	(366)	147				147
Investment income transferred from the technical account	(34)	(34)		(34)				(34)
Other non-underwriting income	325	325	(0)	325				325
Other non-underwriting expenses	(188)	(78)	(110)	(188)				(188)
Income from companies accounted for by the equity method	4						4	4
Exceptional items	(6)				(6)			(6)
Employee profit-sharing	(1)		(1)	(1)				(1)
Income tax	(81)					(81)		(81)
Amortization of goodwill	(8)						(8)	(8)
Minority interests	(2)						(2)	(2)
Net income	156	726	(477)	249	(6)	(81)	(6)	156
<i>Including:</i>								
- interest margin		(18)						
- fees and commissions		(165)						
- insurance margin		822						
- credit management		85						
- other net operating income		2						

This table reconciles the amounts recorded in the individual accounts of the insurance companies or the consolidated accounts of sub-groups and the amounts reported in the Banque Populaire Group consolidated financial statements presented in the banking format.

The main reclassifications concern general operating expenses which are analyzed by substance in the insurance format financial statements and by form in the banking format. At the level of net banking income, insurance income and expenses that are similar to banking income and expenses (mainly interest, fees and commissions) are reclassified under the related captions in the banking format, in the interests of consistency. Movements on technical reserves and loss expenses are deducted from net banking income and not recorded under provisions for loan losses. Reclassifications made in the balance sheet are not material. The main insurance-specific balance sheet captions are reported under "Insurance company investment portfolios" on the assets side and "Insurance company technical reserves" on the liabilities side. Accrued interest, which is reported on a separate line in the insurance format, is included on the same line as the item to which it relates in the banking format.

Note 69 – Management accounts on a constant Group structure basis

For the purposes of comparison, the following table sets out the main income statement captions, fully including the following for 2002 and 2003: Crédit Coopératif, Crédit Maritime Mutuel, Coface, Natexis Bleichroeder Inc. and Banque du Dôme (CrédiFrance Factor). Figures relating to Crédit Coopératif, Crédit Maritime Mutuel, Natexis Bleichroeder Inc. and Banque du Dôme (CrédiFrance Factor) have been prepared based on management accounting data that have not been audited by the Statutory Auditors.

Details of the reconciliation between the published and pro forma income statements for the year ended December 31, 2002 are provided in Note 70.

in millions of euros	12/31/03	12/31/02 (Pro forma)
Net banking income	7,066	6,272
General operating expenses	(4,796)	(4,583)
Gross operating income	2,270	1,689
Provisions for loan losses	(565)	(534)
Operating income	1,705	1,155
Income from companies accounted for by the equity method	11	6
Net gains on disposals of fixed assets	19	42
Income before exceptional items and tax	1,735	1,203
Exceptional items	(23)	(47)
Corporate income tax	(544)	(421)
Goodwill amortization and goodwill written back to income	(17)	44
Net charge to fund for general banking risks	(169)	(119)
Minority interests	(129)	(98)
Net income	853	562

Note 70 – Reconciliation between published and pro forma income statements for the year ended December 31, 2002

in millions of euros	12/31/02 published	Crédit Coopératif (1)	Crédit Maritime Mutuel (1) (2)	Coface	Other (1)	12/31/02 Pro forma
Net banking income	5,748	195	41	191	97	6,272
General operating expenses	(4,137)	(149)	(32)	(182)	(83)	(4,583)
Gross operating income	1,611	46	9	9	13	1,689
Provisions for loan losses	(513)	(14)	(3)	-	(3)	(534)
Operating income	1,098	32	6	9	11	1,155
Income from companies accounted for by the equity method	3	2	-	1	-	6
Net gains on disposals of fixed assets	42	(0)	(0)	-	-	42
Income before exceptional items and tax	1,143	33	6	10	11	1,203
Exceptional items	(45)	(0)	(2)	-	-	(47)
Corporate income tax	(405)	(6)	(1)	(5)	(5)	(421)
Goodwill amortization and goodwill written back to income	47	-	-	(3)	-	44
Net charge to fund for general banking risks	(118)	-	(1)	-	-	(119)
Minority interests	(90)	(1)	(2)	(4)	(2)	(98)
Net income	532	26	-	(1)	4	562

(1) Figures relating to the Crédit Coopératif sub-group, Crédit Maritime Mutuel sub-group, Natexis Bleichroeder Inc. and Banque du Dôme (CrédiFrance Factor) have been prepared based on management accounting data that have not been audited by the Statutory Auditors.

(2) As Crédit Maritime Mutuel was only affiliated in regulatory terms to Banque Fédérale des Banques Populaires from the second half of 2003, in accordance with the French Financial Security Act of August 1, 2003 (Law no. 2003-706), the financial statements of the Banque Populaire Group only include the results of Crédit Maritime Mutuel from the second half of 2003. In order to provide meaningful comparisons between 2003 and 2002, the management accounting data used in the 2002 pro forma income statement relating to the Crédit Maritime Mutuel sub-group only correspond to management accounting data for the second half of 2002.

Statutory Auditors' report on the Consolidated financial statements

Banque Populaire Group

Year ended December 31, 2003

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by the Conseil Syndical de la Chambre Syndicale des Banques Populaires on September 20, 2000, we have audited the accompanying consolidated statements of the Banque Populaire Group for the year ended December 31, 2003.

The consolidated financial statements have been approved by the Board of Directors of Banque Fédérale des Banques Populaires. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, assets and liabilities of the Banque Populaire Group at December 31, 2003 and of its results of operations for the year then ended in accordance with French accounting principles and regulations.

Note I.3 to the consolidated financial statements describes a change of accounting method arising from the first-time adoption of standard CRC 2002-03 dealing with the accounting treatment of credit risks in companies governed by the Comité de la réglementation bancaire et financière and of standard CRC 2002-10 relating to the depreciation, amortization and impairment of assets. This observation does not affect the opinion expressed above.

II - Justification of our assessments

In accordance with the requirements of Art. L. 225-235 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, introduced by the French Financial Security Act of August 1, 2003 and which came into effect for the first time this year, we draw your attention to the following matters:

- the Banque Populaire Group records provisions to cover the credit risks inherent to its business. As part of our assessment of the significant estimates used to prepare the consolidated financial statements, we examined the control procedures applicable for monitoring credit risks, assessing the risks of non-recovery and determining the related specific and general provisions as well as provisions set up on an industry and geographic basis;
- note I.3 to the consolidated financial statements describes a change of accounting method relating to non-

performing loans, following application of standard CRC 2002-03. For loans restructured in prior years at below market rates, the discount, totaling 7.4 million, has been set off against shareholders' equity. This change of accounting method is justified by the application of a new accounting standard. The related accounting treatment complies with applicable accounting principles;

- as described in note 19 to the consolidated financial statements, and in application of the recommendation of the Autorité des marchés financiers, the Banque Populaire Group measured its intangible assets and goodwill recorded in the consolidated balance sheet at December 31, 2003. For the most significant amounts, it was assisted by a firm of independent valuers.

As part of our assessment of the significant estimates used for preparing the consolidated financial statements, we obtained an understanding of the conclusions provided by the firm of independent valuers and verified that they had been taken into consideration in preparing the consolidated balance sheet at December 31, 2003.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III - Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris, April 1, 2004
The Statutory Auditors

BARBIER FRINAULT & AUTRES
ERNST & YOUNG

Richard Olivier – Olivier Durand

PRICEWATERHOUSECOOPERS AUDIT

Yves Nicolas – Guy Flury



Chairman's report on internal control procedures

Report of the Chairman on the conditions in which the work of the Board of Directors is prepared and organized and the internal control procedures in place within the Company.

This report has been prepared in accordance with Art. L. 225-37 of the French Commercial Code (*Code de Commerce*) amended by the French Financial Security Act of August 1, 2003. It was submitted to the Audit and Group Risks Committee on March 25, 2004.

Operation of the Board of Directors

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Operation of the Board of Directors

Membership as of December 31, 2003

	Function	First appointed	Term end ⁽¹⁾
Chairman and Chief Executive Officer			
Philippe DUPONT	Chairman of the Banque Populaire Group	July 8, 1999	May 2005
Vice Chairmen			
René CLAUDAUD	Chairman of Banque Populaire Centre-Atlantique	July 5, 2000	May 2006
Christian HEBRARD	Honorary Chairman of CASDEN Banque Populaire	September 27, 1995	May 2004
Richard NALPAS	Chief Executive Officer of Banque Populaire Toulouse-Pyrénées	July 5, 2000	May 2006
Board Secretary			
Francis THIBAUD	Chief Executive Officer of Banque Populaire du Sud-Ouest	July 5, 2000	May 2006
Directors			
Christian BREVARD	Deputy Vice Chairman of Banque Populaire d'Alsace	December 20, 2000	May 2006
Jean-François COMAS	Chief Executive Officer of Banque Populaire Côte d'Azur	May 31, 2001	May 2004
Claude CORDEL	Chairman of Banque Populaire du Midi	September 23, 1999	May 2005
Michel DEVIANNE	Chairman of Banque Populaire du Nord	September 27, 1995	May 2005
Daniel DUQUESNE	Chief Executive Officer of Banque Populaire Loire et Lyonnais	May 31, 2001	May 2004
Stève GENTILI	Chairman of BRED Banque Populaire	October 20, 1999	May 2005
Alain JACQUIER	Chairman of Banque Populaire Bourgogne Franche-Comté	May 31, 2001	May 2004
Marc JARDIN	Chairman of Banque Populaire BICS	May 22, 2002	May 2004
Yvan de LA PORTE DU THEIL	Chief Executive Officer of Banque Populaire Val de France	May 22, 2002	May 2005
François MOUTTE	Chief Executive Officer of Banque Populaire des Pyrénées-Orientales, de l'Aude et de l'Ariège	November 21, 2001	May 2005
Jean-Louis TOURRET	Chairman of Banque Populaire Provençale et Corse	July 8, 1999	May 2006
Non-voting directors			
François LADAM	Chief Executive Officer of Natexis Banques Populaires		
Jean-Claude DETILLEUX	Chairman and Chief Executive Officer of Crédit Coopératif ⁽²⁾		
Members in a consultative capacity			
Michel GOUDARD	Deputy Chief Executive Officer of Banque Fédérale des Banques Populaires,		
Jean-Paul DUBUS	Deputy Chief Executive Officer of Banque Fédérale des Banques Populaires		
Also present at meetings			
Olivier HAERTIG	General Secretary		
Philippe BESSARD	Works Council representative		
Michel MAZIERE	Works Council representative		

(1) Date of the Annual Shareholders' Meeting.

(2) Effective since the Crédit Coopératif Extraordinary General Meeting of January 30, 2003 when Crédit Coopératif took on the status of *société anonyme coopérative de banque populaire*.

Role of the Board of Directors

The Board of Directors of Banque Fédérale des Banques Populaires represents the Company in its role as the central body of the Banques Populaires network. The Board also determines the Banque Populaire Group's strategy and oversees its implementation. As such, the Board is responsible for strategic decisions concerning the development of the business, measures to improve operating profitability and protect assets, organizational issues, information systems and other matters.

Each Director is considered as representing all of the shareholders and is expected to act in all circumstances in the shareholders' best interests.

Membership of the Board of Directors

The Board of Directors has sixteen members, all elected by the shareholders in General Meeting. All the Directors are individuals.

The majority of the Directors must be either Chairmen, Directors or Chief Executive Officers of Banque Populaire banks. These Directors are selected from among the two lists of candidates put forward by the Chairmen and the Chief Executive Officers of the Banque Populaire banks, according to a selection process defined by the Board of Directors. Directors are elected for a three-year term and may stand for re-election. Their term expires at the close of the Annual Shareholders' Meeting. Each Director is required to hold one Banque Fédérale des Banques Populaires share.

Election of the Chairman of the Board

The Chairman is elected by the Board of Directors, for a period corresponding to his or her term as Director (Art. 11 of the bylaws of Banque Fédérale des Banques Populaires and the Company's internal rules). He or she may be re-elected (Art. 11 of the bylaws and the Company's internal rules). At least one half of the Directors must be present at the meeting and the Chairman is elected by a majority of the votes cast by the Directors present (Art. 12 of the bylaws).

The Chairman of the Board of Directors of Banque Fédérale des Banques Populaires has the title of Chairman of the Banque Populaire Group.

Chief Executive Officer

The Chairman of the Board of Directors of Banque Fédérale des Banques Populaires also acts as Chief Executive Officer (*Directeur Général*) of the Company. As

such, he has the fullest powers to act in the Company's name, subject to compliance with the corporate purpose and except as regards those matters which, by law, are required to be submitted to the shareholders in General Meetings or to the Board of Directors in plenary session, or which concern the Company's role as central body of the Banques Populaires network and as such, are required to be submitted to the Board of Directors in plenary session in accordance with Banque Populaire Group internal rules.

The Chief Executive Officer represents the Company in its dealings with third parties. If recommended by the Chairman, the Board of Directors may appoint up to five Deputy Chief Executive Officers to assist the Chairman in his role as Chief Executive Officer.

Organization of the Board of Directors

The Board of Directors meets at least five times a year, on the dates decided at the beginning of the year. The Chairman may call additional meetings, if the circumstances so require.

In 2003, the Board met 11 times with an average attendance rate of 99%. This high rate is in keeping with the internal rules which stipulate that Directors should make every effort to attend all meetings of the Board and of any Committees of the Board of which they are members.

The meetings are in-depth and last 4 hours on average.

In addition to the meetings for approving the financial statements in March and September, as well as the meeting following the Annual Shareholders' Meeting in May, whose agenda is exclusively devoted to renewing the Office of the Board, there are also meetings for reviewing the operations of Banque Fédérale des Banques Populaires and of the Group, as well as for discussing main topical issues concerning the Banque Populaire Group.

As well as approving the financial statements of Banque Fédérale des Banques Populaires and the Banque Populaire Group, the Board takes all decisions relating to the Group's strategy. Any major strategic investments undertaken by other Group entities, such as Natexis Banques Populaires, are first submitted to the Board for approval.

Four times a year, the Board hears a detailed report on the work conducted by the Audit and Group Risks Committee. Acting on the recommendations of this committee, the Board subsequently takes any decisions it deems appropriate.

During 2003, several major and/or strategic files were presented to the Board of Directors for information and decision-making purposes. An apt example is the formation of Banque Populaire Centre-Atlantique and Banque Populaire d'Alsace, which in each case resulted in the merger of two Banque Populaire regional banks.

A detailed framework has been established to set out in contractual terms the relationship between Natexis Banques Populaires, Banque Fédérale des Banques Populaires and all of the Banque Populaire banks. This framework is being extended to all of the services offered by Natexis Banques Populaires.

The Board has approved the procedures for launching the Group's local private equity funds and has authorized the creation of a new venture capital company – Banque Populaire Développement – in order to tap this market.

The Internal Audit Department of Banque Fédérale des Banques Populaires reports to the Board of Directors on its missions conducted within the Banque Populaire Group. Specific issues raised in these reports can, at times, be debated on in a Board meeting.

An in-depth status report on the Group's work concerning the Basle II and IAS projects have also been presented to the Board.

A full file is sent to the members of the Board approximately ten dates before the Board meetings are held, and the Board undertakes to clearly explain its decisions.

A report on the decisions taken is sent to all of the Group's executives within two days following the Board meeting.

A detailed report of the Board meetings is drawn up systematically, including a description of any debates that took place regarding the various points on the agenda. Once this report has been approved by the Board, it is also sent to all of the executives of the Banque Populaire Group.

The Board of Directors of Banque Fédérale des Banques Populaires and of Natexis Banques Populaires have twelve Directors common to the two Boards.

Decisions of the Board of Directors

The Company's internal rules stipulate that a formal ballot of Directors must be held for all decisions concerning the approval of the financial statements and the budgets, the resolutions to be tabled at Shareholders' Meetings and all key strategic and policy issues submitted to the Board by the Chairman.

Office of the Board

The Office of the Board comprises the Chairman, three Vice Chairmen – including two Chairmen of Banque Populaire banks and one Chief Executive Officer of a Banque Populaire bank –, and a Secretary, who must also be a Chief Executive Officer of a Banque Populaire bank. The Office of the Board does not have decision-making powers but the Chairman may call meetings of the members to inform or consult them on matters falling within his authority.

Independent Directors

The concept of independent Director, as defined in the Bouton Report on corporate governance, is difficult to apply at Banque Fédérale des Banques Populaires. As the central body of the Banques Populaires network, it is natural that the Board of Directors should be composed of representatives of the Banque Populaire banks. These banks hold over 99% of the Company's capital (as of December 31, 2003), as well as being affiliated with Banque Fédérale des Banques Populaires pursuant to the law.

The seats on the Board are held not by the Banque Populaire banks but by individuals who are either Chairmen or Chief Executive Officers of these banks. As such, the Directors do not represent their respective banks but sit on the Board as part of the corporate governance structure of the Banque Populaire Group and the Banque Fédérale des Banques Populaires.

Code of ethics

The internal rules (art. 11) include a reminder of the provisions of the law banning the use of insider information about the Group's listed subsidiaries that the Directors may have access to in their capacity as members of the Board.

Independent internal audit function

The Board of Directors is responsible for guaranteeing the independence of the internal audit function. The internal auditors have full authority to require the audited entities to provide them with all necessary documents and information to enable them to carry out their audit. They also have unrestricted access to all of the computer applications used by the Group.

Assessment of the Board's performance

The performance of the Board of Directors of Banque Fédérale des Banques Populaires is measured primarily by the frequency of its meetings, the wealth of information made available to Directors – who also sit on the Boards of the Banque Populaire banks – and the openness of discussions on the various matters submitted to the Board. The representative nature of the Board and the ground rules for the conduct of meetings ensure that the Board fulfils its stewardship role at the head of the central entity of the Banque Populaire Group, assuming full responsibility for determining Group strategy and policies.

Directors' fees

The fees awarded to the Board of Directors by the shareholders in General Meetings are shared equally among the Directors, except that members of the Office of the Board and the Committees of the Board receive double the standard fee. Directors who are members of both the Office of the Board and a Committee of the Board, or of more than one Committee of the Board receive a separate fee for each such function.

Committees of the Board

Following a review of corporate governance structures based on the recommendations of the 1999 Viénot Report, Banque Fédérale des Banques Populaires decided to set up two committees of the Board, the Accounts Committee and the Remunerations Committee, alongside the Audit and Group Risks Committee.

Like the Audit and Group Risks Committee, these committees make recommendations designed to assist the Board of Directors of Banque Fédérale des Banques Populaires in making decisions about issues submitted for its consideration. Each committee has four members – two Chairmen and two Chief Executive Officers of Banque Populaire banks – selected by the Board from among the Directors, based on the recommendation of the Group Chairman. Minutes of the meetings of these committees are drawn up and the Chairman of each committee reports to the Board of Directors on the committee's conclusions.

Audit and Group Risks Committee

The Audit and Group Risks Committee took over from the former Central Lending Committee set up in application of the law of 1929. At its meeting on June 20, 2001, the Board of Directors of Banque Fédérale des Banques Populaires decided that the composition of the new committee and its terms of reference would be unchanged compared with its predecessor, in accordance with the powers vested in the Company as central body of the Group under Art. L.511-31 of the Monetary and Financial Code.

In November 2002, the Board of Directors of Banque Fédérale des Banques Populaires changed the terms of reference of the Audit and Group Risks Committee by setting up a separate Committee for Banque Fédérale des Banques Populaires.

The Audit and Group Risks Committee meets four times a year to review reports dealing with the Group's risk assessment and monitoring systems and its system of internal control, as required by French banking regulations. It independently monitors overall risks, on an ex ante and

ex-post basis. Monitoring is based on standard counterparty risk reports providing analyses of industry and country risks and a breakdown between interbank, sovereign and client risks, as well as on interest-rate and liquidity risk reports. The Committee's remit also includes examining overall risk strategies, exposure limits and internal control systems. Risk management decisions applicable to all Group banks are submitted to the Board of Directors for approval.

During two of the meetings, the Committee reviews reports dealing with the risk assessment and monitoring systems and system of internal control of Banque Fédérale des Banques Populaires.

The plenary sessions of this Committee are chaired by the Group Chairman. The Committee is made up of six Directors, four of whom are members of the Office of the Board. The two Deputy Chief Executive Officers of Banque Fédérale des Banques Populaires, the Chief Executive Officer of Natexis Banques Populaires and the head of Internal Audit also participate in the Committee's meetings. No Executive Directors are present at meetings to review reports concerning Banque Fédérale des Banques Populaires. Experts or line managers from any of the Group's banks may also be invited to attend, to provide additional insight concerning the matters under review.

Decisions in the plenary sessions are taken by a two-thirds majority vote. Reports of these sessions are presented to the Board of Directors of Banque Fédérale des Banques Populaires.

Three members of the Committee meet once a month to review the exposure of Banque Fédérale des Banques Populaires and of the Group to certain counterparty risks, as well as any loans made to Directors of the Banque Populaire banks. This forms part of the Committee's role in preventing any conflict of interests.

The three standing members and three substitutes are appointed for one year by the Board of Directors of Banque Fédérale des Banques Populaires, based on the recommendation of the Chairman, after the Annual Shareholders' Meeting.

The Chairman of the Committee, who is one of the three members attending monthly meetings, is selected from among the Chairmen of Banque Populaire banks who are members of the Office of the Board. His or her substitute is selected from among all the Directors. The two Chief Executive Officers sitting on the Committee are selected from among the Directors who are not members of the Office of the Board and their substitutes are selected from among all the Directors. Decisions are adopted by at least two votes to one.

Accounts Committee

The Accounts Committee independently reviews the financial statements of Banque Fédérale des Banques Populaires and the consolidated financial statements of the Banque Populaire Group prior to their submission to the Board of Directors. The Committee is responsible for ensuring that accounting policies are appropriate and are applied consistently from one year to the next, as well as for assessing the reasonableness of the main assumptions used to prepare the financial statements. It also makes recommendations to the Board concerning the choice of Statutory Auditors, their audit program and the fee budget.

The Committee meets at least twice a year. The meetings are attended by the Statutory Auditors, and the Committee can also make enquiries of members of the Finance and Internal Audit Departments.

Remunerations Committee

The Remunerations Committee makes recommendations to the Board concerning the compensation, pension benefits and other benefits awarded to Executive Directors. The Directors concerned are not present at the meeting at which their compensation and benefits are discussed.

The Chairman of the Board may also ask the Committee to examine any issues related to the Group's overall compensation and benefits policy applicable to Executive Directors of all Group entities.

During 2003, the Remunerations Committee of the Banque Populaire Group – headed by the Chairman, Philippe Dupont – met in order to review the compensation of Group Executives, in accordance with its remit. All the Committee members were present.

After examining the effective compensation payable in respect of 2002 to Executive Directors of the Banque Populaire regional banks and of Banque Fédérale des Banques Populaires, the Committee put forward recommendations for 2003. These were relayed to the executives of the Banque Populaire regional banks in order to be approved by the regional Remunerations Committees.

Two work sessions took place before these meetings, in which the Committee examined the criteria enabling it to determine the fixed and variable components of the compensation.

The criteria for the fixed portion concern the level of net banking income, career mobility and seniority in the position.

For 2003, the variable component was determined based on performance related to:

- net banking income,
- cost/income ratio,
- return on equity.

Committee	Chairman	Members	Attendance rate	Number of meetings in 2003
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Audit and Group Risks Committee

Plenary sessions

1 st half 2003 ⁽¹⁾	Philippe Dupont	⁽²⁾ R. Clavaud, D. Duquesne, C. Hébrard, F. Moutte, R. Nalpas, F. Thibaud	98%	4 meetings dealing with Group risks 2 meeting dealing specifically with risks at Banque Fédérale des Banques Populaires
2 nd half 2003 ⁽¹⁾	Philippe Dupont ^(1a)	⁽³⁾ R. Clavaud, Y. de La Porte du Theil, C. Hébrard, F. Moutte, R. Nalpas, F. Thibaud		

Monthly meetings

1 st half 2003	René Clavaud ⁽²⁾	Standing members ⁽²⁾ D. Duquesne, F. Moutte Substitutes ⁽²⁾ J-F. Comas, Y. de La Porte du Theil, J-L. Tourret	85%	9
2 nd half 2003	René Clavaud ⁽³⁾	Standing members ⁽³⁾ Y. de La Porte du Theil, F. Moutte Substitutes ⁽³⁾ J-F. Comas, R. Nalpas, J-L. Tourret		

Accounts Committee

1 st half 2003	Richard Nalpas ⁽⁴⁾	⁽⁴⁾ C. Cordel, M. Devianne, F. Thibaud	100%	2
2 nd half 2003	Richard Nalpas ⁽⁴⁾	⁽⁴⁾ C. Cordel, M. Devianne, F. Thibaud		

Remunerations Committee

1 st half 2003	Philippe Dupont ^(5a)	⁽⁵⁾ R. Clavaud, R. Nalpas, F. Thibaud, C. Hébrard	100%	2
2 nd half 2003	Philippe Dupont ^(5a)	⁽⁵⁾ R. Clavaud, R. Nalpas, F. Thibaud, C. Hébrard		

- (1) First half 2003: members appointed by the Board of Directors of Banque Fédérale des Banques Populaires on June 19, 2002.
Second half 2003: members appointed by the Board of Directors of Banque Fédérale des Banques Populaires on June 18, 2003.
- (1a) When the Audit and Group Risks Committee examines risks at Banque Fédérale des Banques Populaires, it is chaired by René Clavaud.
- (2) Appointed for a period expiring at the 2003 Annual Shareholders' Meeting.
- (3) Appointed for a period expiring at the 2004 Annual Shareholders' Meeting.
- (4) Appointed for their term as Director of Banque Fédérale des Banques Populaires.
- (5) Appointed for their term as member of the Office of the Board of Banque Fédérale des Banques Populaires.
- (5a) When the Remunerations Committee examines issues relating to Banque Fédérale des Banques Populaires, it is chaired by Christian Hébrard.

Internal control procedures

General organization

The Banque Populaire Group internal control system complies with French banking regulations and the Group's corporate governance principles.

The principles were defined by the Board of Directors of Banque Fédérale des Banques Populaires, the Group's central body, and are set out in a corporate governance charter and internal control charter.

They are rolled down into procedures designed to ensure that risks are managed on an appropriate and consistent basis, by family (financial risks and operational risks), across the entire Group. The project to implement the new "Basel II" international capital adequacy framework, which is being coordinated at Group level, will lead to an enhancement of existing procedures as from 2004.

Risk monitoring and management systems and the organization of internal control information systems reflect the Group's decentralized organization structure. Controls are performed at the level of each bank – on a consolidated basis where applicable – and also at that of Banque Fédérale des Banques Populaires.

Organization of internal control at the level of the consolidated entities

On November 20, 2002, the Board of Directors of Banque Fédérale des Banques Populaires approved the corporate governance charter and the framework internal rules applicable to the Boards of Directors of the individual Banque Populaire banks.

The charter describes the corporate governance rules and the rules of conduct to be followed by all the Banque Populaire banks. It sets out the responsibilities of each bank's Board of Directors, Chairman, Chief Executive Officer and Committees of the Board. All Group banks are required to set up an Audit Committee (with the option of also setting up an Accounts Committee) and a Remunerations Committee. They may also set up other committees, such as a Member-Stakeholder Committee.

Well before the May 15, 2001 Corporate Governance Act entered the statute books, the Banque Populaire banks had already decided to separate the positions of Chairman and Chief Executive Officer, in order to segregate responsibility for strategic decisions and control from that of implementing these decisions and managing the business.

On January 21, 2004, Banque Fédérale des Banques Populaires approved the Banque Populaire Group internal control charter, which clearly establishes the principle that internal control is the responsibility of each and every member of the organization.

In each material Group entity, internal controls are organized from the lowest to the highest level and cover both staff and line functions. The organizational structure is decided by the Chief Executive Officer with the approval of the Chairman. Responsibilities and resources are allocated as efficiently as possible, to identify, assess and manage risks in line with the guidelines issued by the Board of Directors.

A three-tier system

Internal control is exercised at three levels:

- first tier: each member of staff is responsible for performing preliminary or simultaneous checks of each operation that they carry out, and supervisors are responsible for checking the transactions carried out by the people reporting to them. These first-tier controls represent the cornerstone of the entire internal control system. They are described in written procedures and must be formally evidenced;
- second tier: continuous controls are performed to check compliance with internal and external rules and regulations, as well as to verify the existence, implementation and effectiveness of first-tier controls. Second-tier functional controls cover areas such as accounting, commitments and risks. Second-tier regulatory controls are performed by the Compliance Officer, the Investment Department Control Officer, the Information Systems Security Officer, the TRACFIN correspondent and any other officers

responsible for specific controls required by the applicable regulations;

- third tier: these consist of the periodic audits and investigations carried out by the Internal Audit department. The internal auditors have free access to any and all information they require to conduct their audit, including confidential and privileged information.

The Internal Control Officer is responsible for the overall efficiency and effectiveness of the three-tier system, reporting to senior management – who have ultimate responsibility for internal control – the Audit Committee and the Board of Directors.

Board of Directors

The Board of Directors oversees control of the main risks incurred by the bank, as well as the quality and reliability of the internal control system, in accordance with banking regulations.

The Audit and Risk Committee – one of the Committees of the Board – is responsible for organizing reporting systems covering company-level and consolidated risk data, the results of internal control procedures and the main findings of the internal auditors, in accordance with banking regulations. The Committee assesses the quality of internal control, including risk measurement, monitoring and management systems. It is also responsible for recommending additional measures where appropriate.

Organization of internal control at the level of Banque Fédérale des Banques Populaires

In its role as the Banque Populaire Group's central body, as defined in the Monetary and Financial Code, Banque Fédérale des Banques Populaires oversees the cohesiveness of the Banque Populaire network and takes all necessary measures to guarantee the liquidity and solvency of each Banque Populaire bank, as well as of the network as a whole, through the Audit and Group Risks Committee.

Internal control structures

The Audit and Group Risks Committee exercises its oversight role by drawing on the resources of the Banque Fédérale des Banques Populaires Risk Control and Audit Department.

The Risk Control and Audit Department is organized around three sub-departments:

- the Risk Control Department – which has no involvement in commercial decisions – is responsible for ensuring that the same rules are applied throughout the Group, deploying appropriate risk control methods and continuously monitoring the risks governed by standard CRBF 97-02 (credit/counterparty risk, market risk, interest rate risk, liquidity risk and operational risk) across the entire Group;
- the Internal Control Procedures Department, responsible for providing methodological and technical support to the Group entities and promoting the adoption by all entities of best practices identified within the Group. In 2003, the Department focused on strengthening anti-money laundering procedures, through training and other measures, as well as on drawing up the Group internal control charter. Annual internal control assessments are performed and the results presented to the Audit and Group Risks Committee, for the purpose of preparing the Group's "CRBF 97-02" risk report;
- the Internal Audit Department and its information systems audit unit, perform periodic audits of Group entities in accordance with the internal audit charter approved by the Board of Directors of Banque Fédérale des Banques Populaires. Annual internal audit plans comprise audits of critical risk areas identified by the Risk Control and Internal Control Departments and recurring audits of all Group departments and entities performed according to a rolling program spanning several years. Each audit includes quantitative and qualitative risk analyses and assessments of the quality of information systems and internal control systems. The internal auditors also assess the overall efficiency of the audited entities. The head of Internal Audit reports to the Group Chairman and Chief Executive Officer and an overview of the internal auditors' findings is submitted to the Board of Directors. In addition, reports are submitted to the Audit and Group Risks Committee describing the action taken to implement the internal auditors' recommendations.

Role of the Board of Directors of Banque Fédérale des Banques Populaires

The Board of Directors of Banque Fédérale des Banques Populaires ensures that the Group's main risk exposures are properly managed and obtains assurance concerning the quality and reliability of the system of internal control.

In 2003, the Board of Directors of Banque Fédérale des Banques Populaires, assisted by the Audit and Group Risks Committee, continued to keep a close watch over the system of internal control put in place at the level of Banque Fédérale des Banques Populaires and of the Group as a whole to manage all of the risks arising in the course of the Group's business, whatever their origin.

A) Decisions of the Board concerning internal control

During 2003, the Board of Directors of Banque Fédérale des Banques Populaires made a number of decisions concerning internal control, in addition to those made by the Audit and Group Risks Committee. The matters addressed by the Board were as follows:

- January:
 - definition of organizational principles and asset/liability management principles at the level of Banque Fédérale des Banques Populaires;
 - choice of software to be used by the Group to manage embargo lists.
- April:
 - review of Group balance sheet risks;
 - adoption of Group procedures for managing aggregate balance sheet risks;
 - strengthening of the system of credit risk exposure limits.
- June:
 - appointment of members of the Audit and Group Risks Committee;
 - review of the annual internal control reports for Banque Fédérale des Banques Populaires and the Group;
 - adoption of an action plan to enhance operational risk management systems.
- November:
 - review of capital markets activities;
 - status review of the Basel II project.
- December:
 - review of Group counterparty risks;
 - approval of the 2004 Group counterparty risks action plan;
 - review of risk management work carried out by Banque Fédérale des Banques Populaires.

B) Issues dealt with in meetings of the Audit and Group Risks Committee

Six full meetings of the Audit and Group Risks Committee were held in 2003, including:

- four meetings to deal with issues concerning the Banque Populaire Group:
 - in March, to review the concentration of major risks and Group balance sheet risks, and also to approve procedures covering aggregate balance sheet risks;
 - in June, to review the Group's annual internal control report and approve the action plan to be submitted to the Board of Directors, covering:
 - stronger supervision of financial risks;
 - extension to all Group banks of the operational risk management system, in connection with the "Basel II" project;
 - drafting of the Group internal control charter;
 - strengthening of information systems security (definition of the role of the Information Systems Security Officers, drafting of a charter governing the use of IT resources).
 - in October, to review the internal audit report on the Basel II project and the organization of capital markets activities at the two main entities active in this area;
 - in December, to review the annual report on Group counterparty risks.

- two meetings to deal with issues concerning Banque Fédérale des Banques Populaires:
 - in June, to review the bank's annual internal control report;
 - in December, to review the assessment of the bank's risk exposures.

Risk monitoring and control procedures

Risk management organization

In the course of its business, the Group is exposed to four main categories of risks:

- credit risks arising from customer transactions;
- market risks arising from capital markets transactions;
- interest rate, currency and liquidity risks, arising from retail banking transactions;
- operational risks.

In accordance with standard CRBF 97-02, each bank has set up risk management and monitoring structures that are independent from operating units. All Group banks have also set up their own systems of exposure limits and decision-making procedures, complying with the rules established at Group level, as set out in the credit risk manual approved in September 2002 and the interest rate and liquidity risk manual approved in April 2003.

Credit risks

A) Credit risk management in the banks, based on Group credit risk standards

Each bank's risk policy is decided by senior management with the approval of the bank's Board of Directors. Senior management is responsible for continuously monitoring risk exposures in compliance with the rules set by the Board of Directors of Banque Fédérale des Banques Populaires – which relate in particular to the role of the Audit and Group Risks Committee – and by the regulator.

The risk policy defines:

- business development strategies and objectives, from the standpoint of the nature, quality and monetary amount of risk exposures;
- the organization of lending activities and the control framework;
- internal exposure limits, which are lower than regulatory limits.

Decisions and delegations

Lending decisions are based on formal procedures and approval circuits and are made by reference to an assessment of the related cost and the potential benefits for the bank. Clear limits are set on discretionary lending authority at each level in the organization, based on credit ratings and monetary amounts. In accordance with standard CRBF 97-02 (Art. 21), lending decisions are either counter-signed or made in execution of formal delegations of authority. Where appropriate, decision-makers obtain advice from the Group's specialized entities or other experts on legal, financial, international or other matters.

Credit risk measurement and monitoring – Commitments surveillance

All business portfolios are monitored according to risk criteria and by client category. A risk prevention system, tailored to the characteristics of each client category, helps to ensure that problems are addressed before an incident occurs. In addition, several independent structures perform non-overlapping supervisory controls.

Risk monitoring systems are designed to provide each bank's senior management and Board of Directors with quantitative and qualitative risk data, covering both outstanding commitments and transaction flows. These systems include regular reviews of at-risk commitments, covering both exposures and the related provisions.

Information systems include applications to generate management information schedules analyzing the level of

activity and qualitative and quantitative changes in risk, for both individual and aggregate exposures.

Managing non-performing and irrecoverable loans

Non-performing and irrecoverable loans are monitored separately, notably to ensure that the Group's conservative provisioning policy is followed in all cases. Each bank has a committee which meets regularly to review troubled loans and commitments and determine the level of the related provisions. Where appropriate, general provisions or reserves are also recorded, to protect the banks against a probable escalation of risks in a given industry or country.

Concentration of risks with a single counterparty or group

Data on exposures with banking counterparties are automatically aggregated. The banks have access to the Banque Fédérale des Banques Populaires risk database, containing information about the largest exposures, as well as to the analyses produced by Natexis Banques Populaires and the Audit and Group Risks Committee, which are regularly updated.

Client credit ratings

Interbank transactions are conducted exclusively with counterparties on the Banque Fédérale des Banques Populaires' "approved" list, which are selected based on the credit ratings awarded by external ratings agencies. Since the end of 2003, all the banks have used the Basel II-compliant internal credit rating system developed by the Group for the main client categories.

Risk diversification

Risk diversification represents a fundamental risk management rule and is governed by external and internal guidelines. Each bank has internal risk concentration limits which are lower than the limits authorized under banking regulations.

B) Credit risk reporting and control structures

The Group's central body is responsible for assessing risk policies and management procedures according to standard principles and criteria. Risks are monitored at Group level, as follows:

- Banque Populaire banks, on a consolidated basis;
- Banque Fédérale des Banques Populaires subsidiaries on a consolidated basis;
- Crédit Maritime Mutuel on a consolidated basis (once the bank has been fully integrated in the risk management system).

In addition to this consolidated risk monitoring system, the Audit and Group Risks Committee performs monthly

assessments of material individual exposures at Group level or at the level of individual banks. Responsibility for file reviews and the credit rating process may be delegated to the Banque Fédérale des Banques Populaires Risk Control Department.

All Group entities are informed of the decisions made by the Audit and Group Risks Committee.

Banque Fédérale des Banques Populaires' risk database includes details of each bank's exposure limits and outstanding commitments by counterparty. Its Risk Control Department monitors aggregate exposures by counterparty, based on limits that take into account the counterparty's financial characteristics and the weighting of the Group's commitments in relation to the counterparty's total financing facilities. Any differences in assessment of the level of the Group's exposure or that of a Group bank are examined during monthly meetings of the Audit and Group Risks Committee.

As part of the Basel II project, the Risk Control Department is developing an information system covering the Group's exposures in their entirety.

Market risks

The Group's exposure to market risks primarily concerns Natexis Banques Populaires, a subsidiary of Banque Fédérale des Banques Populaires. Natexis Banques Populaires' market risk monitoring system is described below.

A) Counterparty risks

Exposure limits have been set for commitments to capital markets counterparties, most of which are banking institutions. The limits are set by a Market Risks Committee and are monitored as part of the Bank's overall risk monitoring system. Any limit overruns are reviewed at monthly meetings of the Committee.

B) Market risk policy

Natexis Banques Populaires operates on the capital markets through its Capital Markets business line and its specialized subsidiaries. Activities include intermediation, brokerage and third party asset management transactions for clients and proprietary transactions.

Proprietary transactions fall into several categories:

- transactions to facilitate client transactions;
- trading transactions;
- arbitrage transactions;
- treasury transactions to manage overall interest rate and mismatch risks.

They are carried out by the Capital Markets business line, Natexis Arbitrage, Natexis Bleichroeder Inc., Natexis Bleichroeder SA, Natexis Metals and ABM Corp.

C) Market risk management system

Natexis Banques Populaires' system to manage and control market risks comprises three pillars:

- a three-tier control architecture, organized around each entity's middle office, the Internal Control Department and the Risks Department which independently monitor risks;
- a market risk measurement methodology;
- a system of exposure limits based on the risk indicators defined using the internal risk measurement methodology and applied to both Natexis Banques Populaires and its subsidiaries.

Control over market risks is based on a risk measurement methodology applied by all Group entities engaged in capital markets activities. The current methodology comprises standard indicators and Natexis Banques Populaires has also developed an internal Value-at-Risk (VaR) model.

The main standard indicators used by the Group include sensitivity to the various market risks, including interest rate, currency, equity, commodity, volatility and issuer risk.

As well as monitoring these standard indicators, historical VaR calculations are performed to quantify the risk of losses from capital markets activities using capital adequacy assumptions.

The heads of all capital markets businesses are assigned exposure limits defined by reference to risk measurement indicators. Delegations of authority are decided at monthly meetings of the Market Risks Committees.

Market risk exposures are measured on a daily basis by the middle offices using data from front office systems or specific Excel or Access applications. Compliance with exposure limits is also checked daily by the middle offices, which report any overruns to the Internal Control Department and the Risks Department.

Aggregate interest rate and liquidity risks

Interest rate risk corresponds to the risk of losses or an erosion of interest margins due to an unfavorable change in interest rates, and is analyzed as a margin risk.

Liquidity risk corresponds to the immediate risk of being unable to honor the bank's debts or to finance assets.

A) A specific policy for each bank

Each bank is responsible for managing its own interest rate and liquidity risks, in compliance with the methods and rules set out in the Group procedure manual approved in April 2003. The senior management of each bank determines the bank's financial risk policy, subject to approval by the Board of Directors, with the aim of defining the best strategy to increase interest margins while also reducing the related risks, striking an appropriate balance between business growth and interest rate and liquidity risk, reducing exposure to interest rate risk through appropriate hedging programs, validating the rules governing the organization and control of on-balance sheet capital markets activities, and defining and monitoring internal exposure limits.

Banque Fédérale des Banques Populaires and Group finance executives have produced an interest rate and liquidity risk procedure manual comprising management rules, measurement standards (methodologies and scenarios) and procedures dealing with exposure limits.

Interest rate risks: exposure limits are expressed as a percentage of the interest margin, taking into account forecast increases in commitments, and of earnings capacity, based on the balance sheet at the previous year-end, over a four-year time frame and according to pre-defined scenarios.

Liquidity risks: mismatch limits are expressed as a percentage of assets, taking into account forecast increases in commitments, based on normal and crisis scenarios over timeframes of four years and one year respectively.

B) Group interest rate and liquidity risk reporting and control structures

Banque Fédérale des Banques Populaires decides on the assumptions to be used for the various scenarios and ensures that the sensitivity of results to changes in interest rates is compatible with each bank's earnings capacity.

Banque Fédérale des Banques Populaires' Risk Control Department has set up an information system to report details of interest rate and liquidity risk exposures of all Banque Populaire banks on a standard basis. This reporting data provides the Audit and Group Risks Committee with a comprehensive overview of risks on which to base recommendations to the Board of Directors concerning capital adequacy decisions.

Operational risks

A) Managing operational risks

The management of operational risks is based primarily on internal control systems organized at the level of each

individual bank in accordance with the requirements of CRBF 97-02 and spanning all of their activities. The Group has drawn up an operational risk procedure manual and is now preparing a detailed inventory of the activities covered by the procedures. An operational risk reporting system is also under development.

Operational risk is defined by the regulator as the risk of financial loss arising from the transaction, settlement and resource management processes associated with reserves and debt management. This broad definition includes risks such as fraud risk, settlement risk, IT risks, legal risk, accounting risk, personnel risk and reputational risk. This definition has been used as the basis for a risk mapping exercise that organizes risks in four broad categories: Systems and Processes, Fraud and External Risks, Legal and Compliance Risks, and Strategic Risks.

The work undertaken in connection with the risk mapping exercise and the Basel II project should ultimately provide the Audit and Group Risks Committee with a comprehensive overview of the magnitude of operational risks.

B) Insurance and risk coverage

In common with other banking groups, the Group insures its major risks with leading insurance and reinsurance companies. The policies taken out by the Group and Natexis Banques Populaires include cover for management and corporate liability, fraud and embezzlement risks. Since January 1, 2004, the bulk of the Group's information systems infrastructure is insured under a single, national policy which also includes business interruption and consequential loss cover.

The entire program has been renewed for 2004 on generally better terms than in 2003, reflecting the benefits of centralized negotiation. All cover has been taken out with leading international insurers that are recognized for their claims-paying ability.

Future developments

The Basel II project launched in 2000 ranks high on the list of strategic projects undertaken by the Group. Overseen by Group senior management, it concerns all business lines, all of the banks and all of the data centers, and is mobilizing teams across the entire organization. All Group entities have taken part in defining internal credit rating methodologies and selecting the technical architecture.

By the end of 2003, the project, which is based on standard methodologies and shared systems selected by the Board of Directors of Banque Fédérale des Banques Populaires, had been successfully implemented for the main classes of assets.

Since the beginning of 2004, efforts have focused on ensuring that the banks' teams fully master the new systems, extending the project to the other asset classes and to operational risks, and building infrastructures to enhance risk management.

Combating money laundering and promoting the highest ethical standards

Combating money laundering

Programs to prevent the laundering of the proceeds of crime have been in place since the beginning of the 1990s and, following the events of September 11, 2001, they were extended to include measures to combat the financing of terrorism.

In these two complementary areas, Banque Fédérale des Banques Populaires has defined preventive procedures and designed training tools for the employees of the Group banks.

A) Increased detection resources

Banque Fédérale des Banques Populaires has issued a set of anti-money-laundering guidelines and procedures applicable to all Group entities, which are being rolled down to the individual banks. They include a catalog of system interrogation procedures designed to comply with legal and regulatory requirements in terms of vigilance.

To enhance the level of automation, on January 22, 2003 the Board of Directors of Banque Fédérale des Banques Populaires decided on the choice of software to manage the terrorist lists published by the authorities. The application has been installed on the systems used by all Group banks.

B) A Groupwide training program

During 2003, a total of 8,500 Group employees received training in anti-money-laundering procedures. The program will be extended in 2004 and will be pursued in future years.

Ethics

The Group considers that applying the highest ethical standards is critical to sustainable development, and in 2003 the ethics monitoring process was stepped up.

A) A regulatory framework applicable across the entire Group

The Code of Ethics drawn up by Chambre Syndicale des Banques Populaires (now named Banque Fédérale des Banques Populaires) served as the blueprint for the internal ethical rules drawn up for each Group entity.

The main purpose of these rules is to ensure that clients' interests are protected at all times. Reflecting the applicable laws, regulations and conventions, they require all employees to adhere to the highest standards of diligence, loyalty, neutrality and discretion.

B) An Ethics Officer at each bank

An Ethics Officer has been appointed at each Banque Populaire bank. At Natexis Banques Populaires, the ethics function was segregated from the internal audit and control function in 2002, to comply with the guidelines issued by the French securities regulator (Conseil des Marchés Financiers, now named AMF). During 2003, the resources of the ethics function were gradually increased, in order to extend controls over the situation of people in "sensitive" positions.

Banque Fédérale des Banques Populaires does not provide investment services and has therefore not appointed an Ethics Officer. However, it plays an active role in promoting ethical practices throughout the Group, in particular by distributing and commenting published texts on ethical issues.

Internal control procedures covering financial and accounting information

Preparation of the consolidated financial statements

The consolidated financial statements of Banque Fédérale des Banques Populaires and the Banque Populaire Group are prepared by Banque Fédérale des Banques Populaires in its capacity as central body of the Banque Populaire banks and holding company of the Natexis Banques Populaires sub-group. The Banque Fédérale des Banques Populaires Finance Department has drawn up and deployed consolidated reporting procedures designed to guarantee the reliability of the process. The procedures are based on the following core principles:

- definition and communication of Group accounting principles and policies, including analyses and interpretations of new accounting standards;
- use of the direct consolidation method (currently also being rolled out to the Coface sub-group) to permit detailed examination of the consolidation packages of consolidated entities according to a formal review procedure;

- use of a single consolidation system for all consolidations and sub-consolidations (currently also being rolled out to the Coface sub-group) to guarantee the internal consistency of consolidation scopes, definitions, standards, charts of accounts, processing sequences and analyses;
- controls of data reported by consolidated entities through the use of application interfaces and over 5,800 programmed accuracy and consistency tests which must be successfully completed for the data to be transmitted;
- analysis of all entries that impact consolidated shareholders' equity and production of a tax proof for each consolidated entity, to fully evidence consolidated shareholders' equity and deferred taxes;
- use of an audit trail system to trace the accounting data published in the financial statements and the notes back to the accounts of each consolidated entity and the consolidation adjustments;
- archiving and security procedures, including the production of back-up copies of the consolidation database every two days and regular data recovery testing;
- regular training of the consolidated entities' accounting teams and action to promote the adoption of best practices.

Control process

Internal control processes at the level of the consolidated entities

Reflecting the Group structure, internal control processes are decentralized and tailored to the organization of each individual entity. In all cases, the process includes several layers of controls:

- basic programmed controls performed at operations level;
- second-tier independent controls of processing operations performed by Finance and Accounting staff, to verify the accuracy and completeness of accounting data;
- third-tier controls by the internal auditors, corresponding to controls of controls;
- fourth-tier controls by the Accounts or Audit Committees set up by the main consolidated entities, corresponding to analyses of the individual or consolidated accounts of the entities concerned, reviews of the appropriateness and consistent application of accounting methods and reviews of the main assumptions used to prepare the financial statements.

These continuous and periodic controls, performed in different accounting system environments, include reviews of account analyses produced by the various departments, checks to ensure that suspense items are cleared and errors are corrected on a timely basis and monitoring of indicators for "sensitive" accounts.

Top level controls

In addition to the programmed and manual controls performed at the level of the local entities responsible for preparing individual or consolidated financial statements, the quality of accounting controls is verified by:

- Banque Fédérale des Banques Populaires, which reviews the regulatory reporting schedules prepared by the Banque Populaire banks (BAFI 4000 schedules and supplementary schedules) in its capacity as the network's central body. To enhance the efficiency of these controls, the Banque Fédérale des Banques Populaires Finance Department reviews these schedules on a monthly basis, rather than at quarterly intervals as recommended by the French banking regulator (Commission Bancaire);
- the Group's two external auditors, whose opinion on the consolidated financial statements is based on the opinions of the auditors of the consolidated entities, as well as on their assessment of the consolidated financial statements' conformity with Group accounting principles and policies as decided by Banque Fédérale des Banques Populaires and of the effectiveness of local internal control procedures;
- periodic internal audits performed by the Banque Fédérale des Banques Populaires Internal Audit Department at the various Group entities and at Banque Fédérale des Banques Populaires. For example, in late 2003, an internal audit was performed of consolidation processes at Banque Fédérale des Banques Populaires.

Role of the Accounts Committee and the Audit and Group Risks Committee

The Banque Fédérale des Banques Populaires Accounts Committee, whose role is described on page 171, met with the external auditors on September 5, 2003 and again on February 27, 2004 to review the interim and annual consolidated financial statements of Banque Fédérale des Banques Populaires and the Banque Populaire Group, prior to their presentation to the Board of Directors.

In connection with the regulatory process established by the Commission Bancaire (under standard CRBF 97-02) for the supervision of credit institutions, the Banque Fédérale des Banques Populaires Internal Audit Department submits an annual internal control report to the Audit and Group Risks Committee. The report is based on a detailed questionnaire covering internal control procedures, mainly related to accounting and financial information produced by the consolidated entities, including consolidated information where applicable.

Future developments

In 2004, the Banque Populaire Group will pursue its strategies to optimize data processing and control systems, and to adapt these systems to keep pace with business developments and regulatory changes, including Basel II, the adoption of IFRS and new banking regulations.

The efforts undertaken to rationalize the resources and working methods of the teams responsible for producing, checking and monitoring accounting and financial reporting schedules will also be pursued.

Concerning financial and accounting internal control systems, the Group has launched a number of short and medium-term projects. These concern, in particular, the ongoing migration of the Banque Populaire banks to the i-BP accounting system, the integration of the Coface sub-group in the Group's direct consolidation system, finalization of the convergence process to migrate Natexis Banques Populaires accounting systems to a single application, implementation of fast-close procedures and the production of quarterly consolidated financial statements for internal use.

Statutory Auditors' report,

prepared in accordance with the final paragraph of Art. L.225-235 of the French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of the Banque Populaire Group on the internal control procedures relating to the preparation and processing of financial and accounting information.

Year ended December 31, 2003

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of the Banque Populaire Group and in accordance with the final paragraph of Art. L.225-235 of the French Commercial Code (*Code de commerce*), we report to you on the report prepared by the Chairman of the Board of Directors of the Banque Populaire Group in accordance with Art. L. 225-37 of the French Commercial Code for the year ended December 31, 2003.

Under the responsibility of the Board of Directors, management must define and implement appropriate and effective internal control procedures. In his report, the Chairman of the Board of Directors is required to give an account of the conditions in which the work of the Board of Directors is prepared and organized and the internal control procedures in place within the Group.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board's report, prepared in accordance with the final paragraph of Art. L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris, March 29, 2004

The Statutory Auditors

BARBIER FRINAULT & AUTRES

ERNST & YOUNG

Richard Olivier – Olivier Durand

PRICEWATERHOUSECOOPERS AUDIT

Yves Nicolas – Guy Flury



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Person responsible for the AMF document de référence

Philippe Dupont, Chairman of the Banque Populaire Group and Chairman and Chief Executive Officer of Banque Fédérale des Banques Populaires.

Statement by the person responsible for the AMF document de référence

“To the best of my knowledge, the information in this *document de référence* is correct and includes all the information required by investors to form an opinion about the assets and liabilities, business, financial position, results and outlook of the Group. No information has been omitted that would be likely to alter an investor’s opinion.”



The Chairman, Philippe Dupont

Statement by the Statutory Auditors on the AMF document de référence

This is a free translation into English of the Statutory Auditors’ statement issued in the French language and is provided solely for the convenience of English speaking readers.

This statement should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as Statutory Auditors of the Banque Populaire Group and as required by Commission des Opérations de Bourse regulation COB 98-01, we have examined, in accordance with French professional standards, the information about the financial position and the historical accounts included in the *document de référence*.

The *document de référence* is the responsibility of Philippe Dupont, Chairman of the Banque Populaire Group and Chairman and Chief Executive Officer of Banque Fédérale

des Banques Populaires. Our responsibility is to express an opinion on the fairness of the information about the financial position and accounts contained in the *document de référence*.

Our procedures, which were performed in accordance with French professional standards, consisted of assessing the fairness of the information about the financial position and the accounts and verifying that this information agrees with the audited financial statements, reading the other information contained in the *document de référence* in order to identify any material inconsistencies with the information about the financial position and the accounts, and reporting any manifestly incorrect information that came to our attention, based on our knowledge of the Group as acquired during our audit. The *document de référence* does not contain any forward-looking information determined according to a structured process.

We audited the consolidated financial statements for the year ended December 31, 2001, as approved by the Board of Directors of Banque Fédérale des Banques Populaires. Our audit was performed in accordance with French generally accepted auditing standards and our report on these financial statements did not include any qualification or observation.

We also audited the consolidated financial statements for the year ended December 31, 2002, as approved by the Board of Directors of Banque Fédérale des Banques Populaires. Our audit was performed in accordance with French generally accepted auditing standards. We expressed an unqualified opinion on these financial statements. Our report included the following observation: “Note 40 to the consolidated financial statements describes a change of method arising from the adoption, effective from January 1, 2002, of standard CRC 2000-06 dealing with liabilities.”

We also audited the consolidated financial statements for the year ended December 31, 2003, as approved by the Board of Directors of Banque Fédérale des Banques Populaires. Our audit was performed in accordance with French generally accepted auditing standards. We expressed an unqualified opinion on these financial statements. Our report included the following observation: “Note 1.3 to the consolidated financial statements describes a change of accounting method arising from the first-time adoption of standard CRC 2002-03 dealing with the accounting treatment of credit risks in companies governed by the Comité de la réglementation bancaire et financière and of standard CRC 2002-10 relating to the depreciation, amortization and impairment of assets.”

In accordance with the requirements of Art. L. 225-235 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, introduced by the French Financial Security Act of August 1, 2003 and which came into effect for the first time this year, in our report on the consolidated financial statements we draw your attention to the following matters:

■ The Banque Populaire Group records provisions to cover the credit risks inherent to its business. As part of our assessment of the significant estimates used to prepare the consolidated financial statements, we examined the control procedures applicable for monitoring credit risks, assessing the risks of non-recovery and determining the related specific and general provisions as well as provisions set up on an industry and geographic basis.

■ Note 1.3 to the consolidated financial statements describes a change of accounting method relating to non-performing loans, following application of standard CRC 2002-03. For loans restructured in prior years at below market rates, the discount, totaling €7.4 million, has been set off against shareholders' equity in the amount of €5.6 million, with the balance set off against minority interests. This change of accounting method is justified by the application of a new accounting standard. The related accounting treatment complies with applicable accounting principles.

■ As described in note 19 to the consolidated financial statements, and in application of the recommendation of the Autorité des marchés financiers, the Banque Populaire Group measured its intangible assets and goodwill recorded in the consolidated balance sheet at December 31, 2003. For the most significant amounts, it was assisted by a firm of independent valuers.

As part of our assessment of the significant estimates used for preparing the consolidated financial statements, we obtained an understanding of the conclusions provided by the firm of independent valuers and verified that they had been taken into consideration in preparing the consolidated balance sheet at December 31, 2003.

These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of our report on the consolidated financial statements.

Based on the procedures described above, we have nothing to report with respect to the fairness of the information about the financial position and the historical accounts contained in this document de référence.

May 4, 2004

The Statutory Auditors

BARBIER FRINAULT & AUTRES

Member of the ERNST & YOUNG network

Richard Olivier – Olivier Durand

PRICEWATERHOUSECOOPERS AUDIT

Yves Nicolas – Guy Flury

Financial Communications

Financial calendar

■ March 4, 2004

Publication of 2003 results of the Banque Populaire Group and Natexis Banques Populaires

■ May 27, 2004

Annual Shareholders' Meeting of Banque Fédérale des Banques Populaires (morning) and Natexis Banques Populaires (afternoon)

■ September 9, 2004

Publication of 2004 first-half results of the Banque Populaire Group and Natexis Banques Populaires

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Dependence

The Banque Populaire Group is not dependent on any patents, licenses or industrial, sales or financial contracts for the conduct of its business.

Exceptional events, claims and litigation

No exceptional events have occurred or are in progress and no claims or litigation are pending or in progress that would be likely to have a material impact on the business, results and financial position of the Banque Populaire Group.

Autorité des marchés financiers checklist

The Annual report plus the sections listed below represent the document de référence registered with the Autorité des marchés financiers.

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General information about the issuer applicable Not applicable

Capital and voting rights Not applicable

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Performance indicators applicable Not applicable

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Risk factors

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Financial statements of the bank and notes Not applicable

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Options granted to and exercised by the ten employees Not applicable

Regulated agreements Not applicable

Recent developments and outlook p. 96

Report of the Chairman on the conditions in which the work of the Board of Directors is prepared and organized, and the internal control procedures in place within the Company, in accordance with Art. L.225-37 of the French Commercial Code (Code de Commerce) p. 166

Statutory Auditors' report, prepared in accordance with the final paragraph of Art. L.225-235 of the French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of the Banque Populaire Group on the internal control procedures relating to the preparation and processing of financial and accounting information p. 182



The original version of the *document de référence* in French was registered with the Autorité des marchés financiers on May 04, 2004 under number R.04-074, in compliance with COB regulation 98-01. It may be used in connection with a financial transaction only if completed by an Information Notice also duly registered with the Autorité des marchés financiers.

The *document de référence* was drawn up by the issuer and is the responsibility of its signatories. Registration with the Autorité des marchés financiers followed an examination of the relevance and the consistency of the information given on the bank's situation, and does not imply the authentication of the financial and accounting data contained either in the *document de référence* or herein.

The English language version of this report is a free translation from the original, which was prepared in French.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation, views or opinion expressed therein the original language version of the document in French takes precedence over the translation.

Copies of the AMF *document de référence* are available on request, free of charge, from Banque Fédérale des Banques Populaires des Banques Populaires, Le Ponant de Paris, 5 rue Leblanc, 75511 Paris Cedex 15

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