**Offering Document**

# CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

## Issue of Euro 800,000,000 Deeply Subordinated Fixed changing to Floating Rate Notes the proceeds of which constitute Tier 1 Capital

under the

Euro 20,000,000,000
Euro Medium Term Note Programme
for the issue of Notes
due from one month from the date of original issue

SERIES NO: 159
TRANCHE NO: 1

Issue Price: 99.47 per cent.

The Euro 800,000,000 Deeply Subordinated Fixed changing to Floating Rate Notes (the "**Notes**") are being issued by Caisse Nationale des Caisses d'Epargne et de Prévoyance (the "**Issuer**" or "**CNCEP**") and will bear interest at 5.25 per cent. payable annually in arrear on 30 July in each year until 30 July 2014 (included) and thereafter at Euribor 3 months + 1.84 per cent. payable quarterly in arrear on 30 October, 30 January, 30 April and 30 July, in each year.

For so long as the compulsory interest provisions do not apply, the Issuer may decide not to pay interest on the Notes, in particular with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure.

Accrued Interest and the Principal Amount of the Notes may be reduced following a Supervisory Event (see Condition 17).

The Notes may be redeemed (in whole but not in part) on 30 July 2014 and on any Interest Payment Date (as defined in Condition 5) thereafter, at the option of the Issuer. The Issuer will also have the right to redeem the Notes (in whole but not in part) for certain tax and regulatory reasons.

Application has been made for the Notes to be listed on the Luxembourg Stock Exchange.

The Notes are expected to be assigned a rating of AA- by Fitch Ratings, A1 by Moody's Investors Services, Inc. and A+ by Standard & Poor's Ratings Services. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

**See "*Certain Investment Considerations*" beginning on page 8 for certain information relevant to an investment in the Notes.**

The Notes will, upon issue on 26 November 2003, be entered in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined in Condition 1) including the depositary bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**").

The Notes will be issued in denominations of Euro 1,000 and will at all times be represented in book entry form (*dématérialisés*) in compliance with article L.211-4 of the French Code *monétaire et financier* in the books of the Account Holders.

**Joint Bookrunners**

**MERRILL LYNCH INTERNATIONAL** | **CDC IXIS CAPITAL MARKETS**

*Structuring Adviser*

**Senior Co-Lead Manager**
**LEHMAN BROTHERS**

The date of this Offering Document is 24 November 2003

This document (the "**Offering Document**"), under which the Notes described herein (the "**Notes**") are issued, contains the final terms of the Notes, and is supplemental to, and should be read in conjunction with, the Offering Circular (the "**Offering Circular**") dated 23 September 2003 issued in relation to the Euro 20,000,000,000 Euro Medium Term Note Programme of the Issuer. Terms defined in the Offering Circular have the same meaning in this Offering Document. The Notes will be issued on the terms of this Offering Document read together with the Offering Circular. The Issuer accepts responsibility for the information contained in this Offering Document which, when read together with the Offering Circular, contains all information that is material in the context of the issue of the Notes.

This Offering Document does not constitute, and may not be used for the purposes of, an offer of, or an invitation by or on behalf of anyone to subscribe for or purchase any of the Notes.

Except as disclosed in this document, there has been no significant change in the financial or trading position of the Issuer since 30 June 2003 and no material adverse change in the financial position or prospects of the Issuer and its consolidated subsidiaries and affiliates (*filiales consolidées et participations consolidées*) taken as a whole since 31 December 2002.

The Offering Circular, together with this Offering Document, contains all information relating to the assets and liabilities, financial position, profits and losses of the Issuer which is material in the context of the issue and offering of the Notes and nothing has happened which would require the Offering Circular to be supplemented or to be updated in the context of the issue and offering of the Notes.

Signed:

Nicolas Mérindol
Membre du Directoire

**In connection with this issue, Merrill Lynch International (the "Stabilising Agent") or any person acting for the Stabilising Agent may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Agent or any agent of the Stabilising Agent to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Any such transactions will be carried out in accordance with applicable laws and regulations.**

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## SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

*The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Offering Document and in the Offering Circular. Investors should read the entire Offering Document and the entire Offering Circular carefully before deciding to purchase the Notes.*

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| Issuer: | Caisse Nationale des Caisses d'Epargne et de Prévoyance (the "**Issuer**" or "**CNCEP**") |
| Description: | Euro 800,000,000 Deeply Subordinated Fixed changing to Floating Rate Notes, the proceeds of which constitute Tier 1 Capital, issued under the Issuer's Euro 20,000,000,000 Euro Medium Term Note Programme |
| Structuring Adviser: | Merrill Lynch International |
| Joint Bookrunners: | Merrill Lynch International and CDC IXIS Capital Markets |
| Senior Co-Lead Manager: | Lehman Brothers International (Europe) |
| Amount: | Euro 800,000,000 |
| Fiscal Agent: | Deutsche Bank AG London |
| Paying Agent: | Deutsche Bank AG Paris branch as Paris Paying Agent and Deutsche Bank Luxembourg S.A. as Luxembourg Paying Agent |
| Method of Issue: | The Notes will be issued on a syndicated basis. |
| Maturity: | The Notes are undated Notes in respect of which there is no fixed redemption date. |
| Currency: | Euro |
| Denomination: | The Notes will be issued in Denominations of Euro 1,000. |
| Status of the Notes: | The principal and interest on the Notes (which constitute *obligations*) constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and with all other present and future Deeply Subordinated Notes (as defined in Condition 3(b)) but shall be subordinated to the *prêts participatifs* granted to the Issuer and *titres participatifs*, Ordinarily Subordinated Notes and Unsubordinated Notes (both as defined in Condition 3(b)) issued by the Issuer. In the event of liquidation, the Notes shall rank in priority to any payments to holders of any classes of share capital and of any other equity securities issued by the Issuer.<br><br>The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* within the meaning of Article 2 of *Règlement* no. 90-02 dated 23 February 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* ("**CRBF**"), and the Press Release of the Bank for International Settlements dated 27 October 1998 on instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**") ("**Tier 1 Capital**").<br><br>The Notes are issued pursuant to the provisions of Article L.228-97 of the French *Code de commerce*, as amended by law no. 2003-706 on financial security dated 1 August 2003. |
| Negative Pledge: | There will be no negative pledge in respect of the Notes. |
| Event of Default: | The events of default in respect of the Notes are limited to liquidation, as set out in Condition 9(b). |
| Redemption Amount: | The principal amount of the Notes may be reduced following a Supervisory Event (as defined in Condition 17, which is set out in Annex 1 to the Pricing Supplement). |

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| | The principal amount of the Notes may be reinstated following a Return to Financial Health (as defined in Condition 17, which is set out in Annex 1 to the Pricing Supplement) of the Issuer.<br><br>In the event of early redemption for taxation reasons or regulatory reasons, the Notes will be redeemed at the Early Redemption Amount (as defined in paragraph 24(i) of the Pricing Supplement).<br><br>In the event of exercise by the Issuer of its call option (Condition 6(c)), the Notes will be redeemed at the Original Principal Amount (as defined in paragraph 21(ii) of the Pricing Supplement). |
| Supervisory Event: | Supervisory Event means the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations (as defined in Annex 1 to the Pricing Supplement), falls below the minimum percentage required in accordance with Applicable Banking Regulations or below any other future minimum regulatory threshold applicable to the Issuer, or (ii) the notification by the *Secrétariat général of the Commission bancaire* ("**SGCB**"), in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the foregoing clause (i) would apply in the near term. |
| End of Supervisory Event: | End of Supervisory Event means, following a Supervisory Event, the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations, complies with the minimum percentage required in accordance with Applicable Banking Regulations and with any other future minimum regulatory threshold applicable to the Issuer, or, if the Supervisory Event occurred pursuant to clause (ii) of the definition of Supervisory Event above, (ii) the notification by the SGCB, in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the circumstances which resulted in the Supervisory Event have ended. |
| Return to Financial Health: | Return to Financial Health means a positive Consolidated Net Income (as defined in Condition 17, which is set out in Annex 1 to the Pricing Supplement) recorded for at least two consecutive financial years following the End of Supervisory Event. |
| Optional Redemption/ Early Redemption: | The Notes may be redeemed (in whole but not in part) on 30 July 2014 and on any Interest Payment Date thereafter, at the option of the Issuer.<br><br>The Issuer will also have the right to redeem the Notes (in whole but not in part) for certain tax and regulatory reasons.<br><br>Any early redemption is subject to the prior approval of the SGCB. |
| Taxation: | See paragraph Taxation hereafter |
| Interest: | The Notes bear interest at the fixed rate of 5.25 per cent. per annum until 30 July 2014 (included) and at the floating rate of Euribor 3 months + 1.84 per cent. thereafter. Payment of interest on any Interest Payment Date (as defined in Condition 5(a)) will only be compulsory if the Issuer has declared or paid a dividend, or otherwise made a distribution on its shares, or redeemed, |

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| | repurchased or otherwise acquired own shares during the one year period prior to such Interest Payment Date, as more fully described in Condition 5(h) and Condition 17, as respectively amended and set out in Annex 1 to the Pricing Supplement.<br>Interest with respect to Compulsory Interest Payment Dates will always be calculated on the basis of the Original Principal Amount (as defined in paragraph 21(ii) of the Pricing Supplement).<br>For so long as the compulsory interest provisions do not apply, the Issuer may pay interest on any Optional Interest Payment Date in accordance with Condition 5 and Condition 17, as respectively amended and set out in Annex 1 to the Pricing Supplement.<br>The Issuer may decide not to pay interest on any Optional Interest Payment Date in particular with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure.<br>Save as otherwise provided, any interest not paid on an Optional Interest Payment Date will be lost and will therefore no longer be due and payable by the Issuer.<br>Payment of interest will automatically be suspended upon the occurrence of a Supervisory Event, unless such interest is compulsorily due (as described in the first paragraph of this section).<br>The amount of accrued interest may be reduced following a Supervisory Event.<br>The modalities and basis of calculation and accrual of interest payable on any Optional Interest Payment Date are specified in Condition 5 and Condition 17(d), as respectively amended and set out in Annex 1 to the Pricing Supplement. |
| Fixed Rate: | Fixed interest will be payable annually in arrear on 30 July in each year from and including 30 July 2004 to and including 30 July 2014. |
| Floating Rate: | Interest shall be payable in arrear on 30 October, 30 January, 30 April and 30 July in each year from and including 30 October 2014. |
| Form of Notes: | The Notes will, upon issue on 26 November 2003, be entered in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined in Condition 1) including the depositary bank for Clearstream Banking, *société anonyme* (''**Clearstream, Luxembourg**'') and Euroclear Bank S.A./N.V., as operator of the Euroclear System (''**Euroclear**'').<br>The Notes will at all times be represented in book entry form in compliance with Article L.211-4 of the Code (as defined in Condition 1). |
| Governing Law: | French law |
| Clearing Systems: | Euroclear France as central depositary |
| Initial Delivery of the Notes: | One Paris business day before the issue date of the Notes, a *Lettre Comptable* relating to the Notes shall be deposited with Euroclear France as central depositary. |
| Issue Price: | 99.47 per cent. |
| Listing: | Luxembourg Stock Exchange |
| Selling Restrictions: | There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. |

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| Ratings: | The Notes are expected to be assigned a rating of AA- by Fitch Ratings, A1 by Moody's Investors Services, Inc. and A+ by Standard & Poor's Ratings Services.<br>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, change or withdrawal at any time by the relevant rating agency. |

## CERTAIN INVESTMENT CONSIDERATIONS

*The following is a summary of certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Offering Document and the Offering Circular, including in particular the following investment considerations detailed below. This summary is not intended to be exhaustive and prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Offering Document and in the Offering Circular.*

**Risk associated with the financial condition of the Issuer**

The Issuer's obligations under the Notes are deeply subordinated obligations of the Issuer, subordinated to the claims of all unsubordinated creditors of the Issuer, holders of Ordinarily Subordinated Notes, lenders in relation to *prêts participatifs* granted to the Issuer, holders of *titres participatifs* issued by the Issuer and senior to the claims of holders of all classes of shares or of any other equity securities issued by the Issuer.

In the event of judicial liquidation (*liquidation judiciaire*) of the Issuer, the holders of the Notes may recover proportionately less than the holders of more senior indebtedness of the Issuer. In the event that the Issuer has insufficient assets to satisfy all of its claims in liquidation of the Issuer, the holders of the Notes may receive less than the nominal amount of the Notes and may incur a loss of their entire investment.

**Restrictions on Payment**

*Interest*

For so long as the compulsory interest provisions do not apply, the Issuer may decide not to pay interest on the Notes, in particular with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure.

Any interest not paid on an Optional Interest Payment Date shall be lost and shall therefore no longer be due and payable by the Issuer, save as otherwise provided.

Payment of interest will automatically be suspended upon the occurrence of a Supervisory Event, unless such interest is compulsorily due (as set out in the last paragraph of Condition 5(h), as amended in Annex 1 to the Pricing Supplement).

In accordance with Condition 17, which is set out in Annex 1 to the Pricing Supplement, Accrued Interest (as defined in Condition 17, which is set out in Annex 1 to the Pricing Supplement) may be reduced, as required, on one or more occasions, following a Supervisory Event.

*Principal Amount*

In accordance with Condition 17 Loss Absorption, which is set out in Annex 1 to the Pricing Supplement, the principal amount of the Notes may be reduced, as required, on one or more occasions, following a Supervisory Event.

**No Limitation on Issuing Debt**

There is no restriction on the amount of debt which the Issuer may issue. The Issuer and its affiliates may incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Notes. If the Issuer's financial condition were to deteriorate, the holders of the Notes could suffer direct and materially adverse consequences, including suspension of interest and, if the Issuer were liquidated (whether voluntarily or involuntarily), loss by holders of the Notes of their entire investment.

**Undated Securities**

The Notes are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem the Notes at any time (except as provided in Condition 6(f)(ii) **Redemption for taxation reasons**).

The holders of the Notes have no right to require redemption, except if a judgment is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason.

**Redemption Risk**

The Notes may be redeemed in whole (but not in part), at the option of the Issuer, (i) on 30 July 2014 or on any Interest Payment Date thereafter, (ii) at any time for certain tax reasons and (iii) at any time upon the occurrence of certain regulatory events.

In each case early redemption of the Notes is subject to the prior approval of the SGCB.

There can be no assurance that, at the relevant time, holders of the Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

**Risks to the Issuer's credit standing relating to the acquisition of Eulia**

While the Issuer believes that the acquisition (as more fully described in the section Recent Developments of this Offering Document) is likely to produce substantial benefits and to strengthen its position in the market, the acquisition would also potentially carry important risks. These risks include the risk that synergies might be lower than anticipated, that costs associated with the acquisition and the integration of Eulia could be higher than anticipated, that the acquisition financing could increase the Issuer's overall financing costs, that customers might decide to change banks after the acquisition or that the integration of Eulia might prove more difficult than anticipated. If any of these risks were to materialise, the Issuer's financial condition and credit rating could be negatively impacted. A ratings downgrade could lead to a decrease in the ratings and the trading price of the Notes.

**No prior market for the Notes**

There is currently no existing market for the Notes, and there can be no assurance that any market will develop for the Notes or that holders of the Notes will be able to sell their Notes in the secondary market. There is no obligation to make a market in the Notes. Application has been made to list the Notes on the Luxembourg Stock Exchange.

## TAXATION

The following is a summary of the principal French tax considerations to Noteholders (other than individuals), whether or not resident in France for tax purposes, for the purchase, ownership and disposal of the Notes. This summary is based upon the French *Code Général des Impôts*, French tax administration official guidelines and French case law, all of which are subject to change (possibly with retroactive effect).

**THIS SUMMARY IS NOT EXHAUSTIVE, AND PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FRENCH TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES, AS WELL AS TO THE EFFECT OF ANY FOREIGN TAX LAWS.**

### RESIDENTS OF FRANCE FOR TAX PURPOSES

The following is a summary of the principal French tax consequences that may be applicable to Noteholders (other than individuals) that are corporations or any other legal entities which are subject to French corporate income tax on a net income basis by reason of their registered office, place of management or any other criterion of similar nature.

(a) Interest on the Notes

Interest accrued on the Notes over a given fiscal year is included in the corporate income tax basis at the rate of $33^1/_3$%. In addition, a surcharge equal to 3% of the corporate income tax is levied (Article 235 *ter* ZA of the French *Code Général des Impôts*).

A social contribution of 3.3% (Article 235 *ter* ZC of the French *Code Général des Impôts*) is also applicable. This contribution is calculated on the amount of corporate income tax, with an allowance of € 763,000 for each 12-month period. However, entities that have a turnover of less than € 7,630,000 and whose share capital is fully paid-up and of which at least 75% is held continuously by individuals (or by an entity meeting all of these requirements) are exempt from this contribution. For an entity that meets these requirements, the corporate income tax is fixed, for taxable income up to € 38,120 within a twelve-month period, at 15%.

(b) Gains upon disposal of the Notes

A disposal or redemption of the Notes may give rise to a taxable gain or loss.

The amount of the gain or loss is in principle equal to the difference between the disposal or redemption price and the acquisition price of the Notes and is included in the corporate income tax basis at the rate of $33^1/_3$% (or, where applicable, 15% up to an amount of € 38,120 per period of twelve months for entities that meet the conditions described in (a) above). In addition, a surcharge of 3% is levied and, where applicable, the social contribution of 3.3% mentioned above.

### NON RESIDENTS OF FRANCE FOR TAX PURPOSES

The following is a summary of the principal French tax consequences that may be applicable to Noteholders that are corporations or any other legal entities which have their registered office outside France and are not subject to French corporate income tax on a net income basis (and in particular which do not subscribe for, own or dispose of the Notes from an establishment, business or office situated in France).

(a) Interest on the Notes

Since the Notes constitute *obligations* under French law and are denominated in euros, interest on the Notes benefit from the exemption provided for in Article 131 *quater* of the French *Code Général des Impôts* from deduction of tax at source (*Bulletin Officiel des Impôts* 5 I-11-98, Instruction dated 30 September 1998). Accordingly interest on the Notes do not give the right to any tax credit from any French source.

(b) Gains upon disposal of the Notes

Noteholders which have their registered office outside France and are not subject to French corporate income tax will not be subject to French capital gains tax upon disposal of the Notes (article 244 *bis* C of the French *Code Général des Impôts*).

**PRICING SUPPLEMENT**

# CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

## Issue of Euro 800,000,000 Deeply Subordinated Fixed changing to Floating Rate Notes the proceeds of which constitute Tier 1 Capital

under the

Euro 20,000,000,000
Euro Medium Term Note Programme
for the issue of Notes
due from one month from the date of original issue

SERIES NO: 159
TRANCHE NO: 1

Issue Price: 99.47 per cent.

The Notes are expected to be assigned a rating of AA- by Fitch Ratings, A1 by Moody's Investors Services, Inc. and A+ by Standard & Poor's Ratings Services. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

**Joint Bookrunners**

**MERRILL LYNCH INTERNATIONAL** — **CDC IXIS CAPITAL MARKETS**

*Structuring Adviser*

**Senior Co-Lead Manager**

**LEHMAN BROTHERS**

The date of this Pricing Supplement is 24 November 2003

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|---|---|---|---|
| 1. | Issuer | | Caisse Nationale des Caisses d'Epargne et de Prévoyance |
| 2. | (i) | Series Number: | 159 |
| | (ii) | Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | | Euro |
| 4. | Aggregate Nominal Amount: | | |
| | (i) | Series: | Euro 800,000,000 |
| | (ii) | Tranche: | Euro 800,000,000 |
| 5. | (i) | Issue Price: | 99.47 per cent. of the Aggregate Nominal Amount |
| | (ii) | Net proceeds: | Euro 787,760,000 |
| 6. | Specified Denominations: | | The Notes will be issued in Denominations of Euro 1,000. |
| 7. | (i) | Issue Date: | 26 November 2003 |
| | (ii) | Interest Commencement Date: | 26 November 2003 |
| 8. | Maturity Date: | | Undated, subject to the Issuer's Call Option described below<br><br>The Notes are undated Deeply Subordinated Notes in respect of which there is no fixed redemption date.<br><br>The Issuer will have the right (subject to the prior approval of the SGCB) to redeem the Notes, in whole but not in part, in accordance with:<br><br>(i) Condition 6(c), as further specified in paragraphs 12 and 21 below,<br><br>(ii) Condition 6(f), as amended in Annex 1 hereto and further specified in paragraph 24 below; and<br>(iii) Condition 6(k), as defined in Annex 1 hereto and further specified in paragraph 24 below.<br><br>For the avoidance of doubt, the Issuer only has the right to redeem the Notes in accordance with the conditions specified in this paragraph (Conditions 6(c), 6(f) and 6(k)). Condition 6(j) does not apply to the Notes. |
| 9. | Interest Basis: | | Fixed Rate changing to Floating Rate<br>(further particulars specified below in paragraphs 11, 16 and 17) |
| 10. | Redemption/Payment Basis: | | Redemption at par, subject to Condition 17, which is set out in Annex 1 hereto, and to the Early Redemption Amount specified in paragraph 24 (i) |

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| 11. | Change of Interest or Redemption/Payment Basis: | Fixed Rate until 30 July 2014 changing to Floating Rate thereafter<br>(further particulars specified below in paragraphs 16 and 17) |
| 12. | Options: | Issuer Call<br>(further particulars specified below in paragraph 21) |
| 13. | Status: | Deeply Subordinated Notes (constituting *obligations*) issued pursuant to the provisions of Article L.228-97 of the French *Code de commerce* (as amended), in accordance with Condition 3(b), as amended in Annex 1 hereto, the proceeds of which constitute Tier 1 Capital for regulatory purposes |
| 14. | Listing: | Luxembourg |
| 15. | Method of distribution: | Syndicated |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | |
|---|---|---|
| 16. | Fixed Rate Note Provisions | Applicable |
| | (i) Rate of Interest: | 5.25 per cent. per annum payable annually in arrear subject to the particulars described below<br><br>In accordance with Condition 17, which is set out in Annex 1 hereto, interest may be reduced, as required, on one or more occasions. |
| | (ii) Interest Payment Date(s): | 30 July in each year from and including 30 July 2004 to and including 30 July 2014 not adjusted (subject to Condition 5 and Condition 17, as respectively amended and set out in Annex 1 hereto)<br><br>**1/ Optional Interest Payment Dates (as defined in Condition 5(h), as amended in Annex 1 hereto)**<br><br>The Issuer may pay interest on any Optional Interest Payment Date in accordance with Condition 5 and Condition 17, as respectively amended and set out in Annex 1 hereto.<br><br>The Issuer may decide not to pay interest on any Optional Interest Payment Date in particular with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure.<br><br>Save as otherwise provided, any interest not paid on an Optional Interest Payment Date shall be lost and shall therefore no longer be due and payable by the Issuer.<br><br>Payment of interest will automatically be suspended upon the occurrence of a Supervisory Event, in accordance with Condition 17 (which is |

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| | | | set out in Annex 1 hereto), unless such interest is due on a Compulsory Interest Payment Date.<br>The modalities and basis of calculation and accrual of interest payable on any Optional Interest Payment Date are specified in Condition 5 and Condition 17(d), as respectively amended and set out in Annex 1 hereto.<br>**2/ Compulsory Interest Payment Dates (as defined in Condition 5(h), as amended in Annex 1 hereto)**<br>The Issuer will pay interest on any Compulsory Interest Payment Date.<br>Interest payable on any Compulsory Interest Payment Date until 30 July 2014 (included) will be calculated on a 12 month basis.<br>Interest payable on any Compulsory Interest Payment Date will always be calculated on the basis of the Original Principal Amount (as defined in paragraph 21(ii)). |
| | (iii) | Fixed Coupon Amount [(s)]: | Euro 52.50 per Euro 1,000 in nominal amount (subject to Condition 5 and Condition 17, as respectively amended and set out in Annex 1 hereto) |
| | (iv) | Broken Amount(s): | The first payment of Euro 35.43 per Euro 1,000 in nominal amount will be made on 30 July 2004 in respect of the period from and including the Interest Commencement Date to but excluding 30 July 2004 (subject to Condition 5 and Condition 17, as repectively amended and set out in Annex 1 hereto). |
| | (v) | Day Count Fraction (Condition 5(a)): | Actual/Actual – ISMA |
| | (vi) | Determination Date(s) (Condition 5(a)): | 30 July in each year |
| | (vii) | Other terms relating to the method of calculating interest for Fixed Rate Notes: | See paragraph 16(ii) above, Condition 5(h) and Condition 17, as respectively amended and set out in Annex 1 hereto |
| 17. | Floating Rate Provisions | | Applicable as from 30 July 2014 |
| | (i) | Interest Period(s): | 3 months |
| | (ii) | Specified Interest Payment Dates: | Interest shall be payable in arrear on Interest Payment Dates occurring on 30 October, 30 January, 30 April and 30 July, in each year from and including 30 October 2014, subject in each case to adjustment in accordance with the Following Business Day Convention and to Conditions 5(h) and 17, as respectively amended and set out in Annex 1 hereto. |

**1/ Optional Interest Payment Dates (as defined in Condition 5(h), as amended in Annex 1 hereto)**

The Issuer may pay interest on any Optional Interest Payment Date in accordance with Condition 5 and Condition 17, as respectively amended and set out in Annex 1 hereto.

The Issuer may decide not to pay interest on any Optional Interest Payment Date in particular with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure.

Save as otherwise provided, any interest not paid on an Optional Interest Payment Date shall be lost and shall therefore no longer be due and payable by the Issuer.

Payment of interest will automatically be suspended upon the occurrence of a Supervisory Event, in accordance with Condition 17 (which is set out in Annex 1 hereto), unless such interest is due on a Compulsory Interest Payment Date.

The modalities and basis of calculation and accrual of interest payable on any Optional Interest Payment Date are specified in Condition 5 and Condition 17(d), as respectively amended and set out in Annex 1 hereto.

**2/ Compulsory Interest Payment Dates (as defined in Condition 5(h), as amended in Annex 1 hereto)**

The Issuer will pay interest on any Compulsory Interest Payment Date.

Interest payable on any Compulsory Interest Payment Date after 30 July 2014 will be calculated on a 3 month basis.

Interest payable on any Compulsory Interest Payment Date will always be calculated on the basis of the Original Principal Amount (as defined in paragraph 21(ii)).

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| (iii) | Business Day Convention: | Following Business Day Convention |
| (iv) | Business Centre(s) (Condition 5(a)): | Not Applicable |
| (v) | Manner in which the Rate(s) of interest is/are to be determined: | Screen Rate Determination |
| (vi) | Interest Period Date(s): | Same as Specified Interest Payment Dates |
| (vii) | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): | Calculation Agent |
| (viii) | Screen Rate Determination (Condition 5(c)(iii)(B)): | |
| | – Relevant Time: | 11.00 a.m. (Brussels time) |

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| | – | Interest Determination Date: | 2 TARGET Business Days prior to the first day in each Interest Accrual Period |
| | – | Primary Source for Floating Rate: | Moneyline Telerate Page 248 |
| | – | Reference Banks (if Primary Source is "Reference Banks"): | Not Applicable |
| | – | Relevant Financial Centre: | Euro-zone |
| | – | Benchmark: | 3-month EURIBOR |
| | – | Representative Amount: | Not Applicable |
| | – | Effective Date: | Not Applicable |
| | – | Specified Duration: | Three (3) months |
| (ix) | | ISDA Determination (Condition 5(c)(iii)(A)): | |
| | – | Floating Rate Option: | Not Applicable |
| | – | Designated Maturity: | Not Applicable |
| | – | Reset Date: | Not Applicable |
| | – | ISDA Definitions: (if different from those set out in the Conditions) | Not Applicable |
| (x) | | Margin(s): | +1.84 per cent. per annum in respect of the Interest Period ending on 30 October 2014 and each Interest Period thereafter<br>In accordance with Condition 17, which is set out in Annex 1 hereto, interest may be reduced, as required, on one or more occasions. |
| (xi) | | Minimum Rate of Interest: | Not applicable |
| (xii) | | Maximum Rate of Interest: | Not applicable |
| (xiii) | | Day Count Fraction (Condition 5(a)): | Actual/360 |
| (xiv) | | Rate Multiplier: | Not Applicable |
| (xv) | | Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | Not Applicable |

18. Zero Coupon Note Provisions — Not Applicable

19. Index Linked Interest Note Provisions — Not Applicable

20. Dual Currency Note Provisions — Not Applicable

**PROVISIONS RELATING TO REDEMPTION**

21. Call Option — Applicable as from 30 July 2014

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| (i) | Optional Redemption Date(s): | 30 July 2014 (the "**First Call Date**") and any Interest Payment Date thereafter, subject to the prior approval of the SGCB |

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| (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | Original Principal Amount<br><br>"**Original Principal Amount**" means the nominal amount of each Note on the Issue Date, not taking into account any Loss Absorption or Reinstatement pursuant to Condition 17, which is set out in Annex 1 hereto. |
| (iii) | If redeemable in part: | Not Applicable |
|  | (a) Minimum nominal amount to be redeemed: | Not Applicable |
|  | (b) Maximum nominal amount to be redeemed: | Not Applicable |
| (iv) | Option Exercise Date(s): | Not Applicable |
| (v) | Description of any other Issuer's option: | See Conditions 6(f) and 6(k), as respectively amended and set out in Annex 1 hereto |
| (vi) | Notice period: | See Condition 6(c) |

22. Put Option — Not Applicable.

23. Final Redemption Amount of each Note — Original Principal Amount of each Note, subject to Condition 17, which is set out in Annex 1 hereto

24. Early Redemption Amount

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| (i) | Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(f)) or regulatory reasons (Condition 6(k)) and/or the method of calculating the same (if required or if different from that set out in the Conditions): | At the higher of (a) the Original Principal Amount (as defined in paragraph 21(ii) above) together with any amounts outstanding thereon and (b) the Make Whole Amount<br><br>"**Make Whole Amount**" means an amount, as determined by the Calculation Agent, equal to the sum of (x) the then present value of the Original Principal Amount, (y) the then present values of the scheduled Interest Amounts, calculated on the basis of the Original Principal Amount, from the Early Redemption Date to the First Call Date (as defined in paragraph 21(i) above) and (z) any declared but unpaid Interest Amount. The present value of (x) and (y) shall be discounted to the Early Redemption Date at the Bund yield plus 0.35 per cent. on an Actual/Actual – ISMA annual basis.<br><br>This definition of Early Redemption Amount applies in case of redemption for taxation reasons (Condition 6(f)) and for regulatory reasons (Condition 6(k)). For the avoidance of doubt, it does not apply in case of exercise by the |

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| | | Issuer of its Call Option (see paragraph 21(ii)). |
| | | For the avoidance of doubt, Condition 6(j) relating to redemption for illegality does not apply to the Notes. |
| (ii) | Redemption for taxation reasons permitted on days others than Interest Payment Dates (Condition 6(f)): | Yes. Redemption for Regulatory Reasons (Condition 6(k), as set out in Annex 1 hereto) is also permitted on days others than Interest Payment Dates. |
| (iii) | Unmatured Coupons to become void upon early redemption (Materialised Bearer Notes only) (Condition 7(f)): | Not Applicable |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

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| 25. | Form of Notes: | | Dematerialised Notes |
| | (i) | Form of Dematerialised Notes: | Bearer dematerialised form (*au porteur*) |
| | (ii) | Registration Agent: | Not Applicable |
| | (iii) | Temporary Global Certificate: | Not Applicable |
| | (iv) | Applicable TEFRA exemption: | Not Applicable |
| 26. | Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: | | Not Applicable |
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | | Not Applicable |
| 28. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | | Not Applicable |
| 29. | Details relating to Instalment Notes: | | Not Applicable |
| 30. | Redenomination, renominalisation and reconventioning provisions: | | Not Applicable |
| 31. | Consolidation provisions: | | Not Applicable |
| 32. | *Masse* (Condition 11): | | Applicable<br>The following person is designated as Representative of the *Masse*:<br>Mr. Bruno de Pampelonne<br>3 boulevard de la Tour Maubourg<br>75007 Paris<br>France<br>The Representative of the *Masse* shall be paid Euro 300 a year for its functions. |

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| | | The following person is designated as substitute Representative of the *Masse*:<br><br>Mr. Marc Tempelman<br>Flat 2, 47 Cathcart Road<br>London SW10 9JE<br>United Kingdom<br><br>The substitute Representative of the *Masse* shall not be paid for its functions. |
| 33. | Other terms or special conditions: | See Annex 1 |

**DISTRIBUTION**

| | | | |
|---|---|---|---|
| 34. | (i) | If syndicated, names of Managers: | Merrill Lynch International and CDC IXIS Capital Markets as Joint Bookrunners, Lehman Brothers International (Europe) as Senior Co-Lead Manager |
| | (ii) | Stabilising Manager (if any): | Merrill Lynch International |
| | (iii) | Dealer's Commission: | 1 per cent. of the Aggregate Nominal Amount of the Notes |
| 35. | | If non-syndicated, name of Dealer: | Not Applicable |
| 36. | | Additional selling restrictions: | **Belgium**<br><br>This prospectus has not been submitted for approval to the Belgian Banking and Finance Commission and, accordingly, the Notes may not be distributed by way of public offering in Belgium.<br><br>**Germany**<br><br>Each Dealer has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the "**Act**") of the Federal Republic of Germany has been or will be published with respect to the Notes and that it will comply with the Act and all other applicable legal and regulatory requirements. In particular, each of the Dealers has represented that it has not engaged and has agreed that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Act with respect to any Notes otherwise than in accordance with the Act.<br><br>**France**<br><br>Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes by way of public offering in France (an *appel public à l'épargne*, as defined in Article L.411-1 of the Code). |

### Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. In any case, the Notes cannot be offered or sold to any individuals in the Republic of Italy either in the primary market or the secondary market.

Each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy except:

(i) to "**Professional Investors**", as defined in Article 31.2 of CONSOB Regulation No. 11522 of 2 July 1998 as amended ("**Regulation No. 11522**"), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998 as amended ("**Decree No. 58**"), or in any other circumstances where an expressed exemption to comply with the solicitation restrictions provided by Decree No. 58 or Regulation No. 11971 of 14 May 1999 as amended applies, provided, however, that any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be:

  (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended ("**Decree No. 385**"), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;

  (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to a prior notification to the Bank of Italy, unless and exemption, depending, *inter alia*, on the aggregate amount and the characteristics of the Notes issued or offered in the Republic of Italy, applies; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or

(ii) if Italian residents submit unsolicited offers to any of the Dealers to purchase the Notes.

**Luxembourg**

The Notes shall not be offered or sold to the public in or from Luxembourg or sold by way of public offering to residents in Luxembourg, but shall be held by institutional investors only. No advertisement or document or other material may be distributed to the public or published in Luxembourg, except for listing purposes.

**The Netherlands**

The Offering Circular including this Offering Document may not be distributed and the Notes may not be offered, sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands ("**Dutch Residents**") other than to the following entities (hereinafter referred to as "**Professional Market Parties**" or "**PMPs**") provided they acquire the Notes for their own account and also trade or invest in securities in the conduct of a business or profession:

(i) banks, insurance companies, securities firms, collective investment institutions or pension funds that are supervised or licensed under Dutch law;

(ii) collective investment institutions which offer their shares or participations exclusively to professional investors and are not required to be supervised or licensed under Dutch law;

(iii) the Dutch government (*de Staat der Nederlanden*), the Dutch Central Bank (*De Nederlandsche Bank N.V.*), or Dutch regional, local or other decentralised governmental institutions;

(iv) enterprises or entities with total assets of at least €500,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes;

(v) enterprises, entities or individuals with net assets (*eigen vermogen*) of at least €10,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;

(vi) subsidiaries of the entities referred to under (a) above provided such subsidiaries are subject to prudential supervision;

(vii) enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and

(viii) such other entities designated by the competent Netherlands authorities after the date hereof by any amendment of the applicable regulations.

**United Kingdom**

Each Dealer has represented, warranted and agreed that:

(i) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21 (1) of the FSMA does not apply to the Issuer and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

**United States**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed that, except as permitted by the Amended and Restated Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether of not participating in the offering) may violate the registration requirements of the Securities Act.

**General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular and/or the Offering Document or any other offering material in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular and/or the Offering Document, any other offering material and neither the Issuer nor any other Dealer shall have responsibility therefore.

**OPERATIONAL INFORMATION**

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|---|---|---|
| 37. | ISIN Code: | FR0010031138 |
| 38. | Common Code: | 018112515 |
| 39. | Depositary(ies) | |
| | (i) Euroclear France to act as Central Depositary: | Yes |
| | (ii) Common Depositary for Euroclear and Clearstream, Luxembourg: | No |
| 40. | Any clearing system(s) other than Euroclear France, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not Applicable |
| 41. | Delivery: | Delivery against payment |
| 42. | The Agents appointed in respect of the Notes are: | Deutsche Bank AG London as Fiscal Agent and Calculation Agent, Deutsche Bank AG Paris branch as Paris Paying Agent and Deutsche Bank Luxembourg S.A. as Luxembourg Paying Agent and Listing Agent |

**GENERAL**

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| 43. | The aggregate principal amount of Notes issued has been translated into Euro at the rate of [●], producing a sum of: | Not Applicable |
| 44. | Ratings | The Notes are expected to be assigned a rating of AA- by Fitch Ratings, A1 by Moody's Investors Services, Inc. and A+ by Standard & Poor's Ratings Services. |
| | A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency | |

## ANNEX 1 TO PRICING SUPPLEMENT

## OTHER TERMS OR SPECIAL CONDITIONS

The following "Other terms or specified conditions" (paragraph 33 of the Pricing Supplement) supplement or amend the Conditions, as specified below.

### 1. AMENDMENTS TO THE CONDITIONS

### 1.1 Condition 3(b) Status

- Condition 3(b)(iii) **Deeply Subordinated Notes** is hereby deleted and replaced by the following Condition 3(b)(iii):

  "The Notes are Deeply Subordinated Notes (constituting *obligations*) issued pursuant to the provisions of article L.228-97 of the French *Code de commerce*.

  The principal and interest on the Notes constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Deeply Subordinated Notes but shall be subordinated to the *prêts participatifs* granted to the Issuer and *titres participatifs*, Ordinarily Subordinated Notes and Unsubordinated Notes issued by the Issuer. In the event of liquidation, the Notes shall rank in priority to any payments to holders of any classes of share capital and of any other equity security issued by the Issuer."

- The following paragraph is added to Condition 3(b)(vi) **Payment of Subordinated Notes in the event of the liquidation of the Issuer:**

  "The rights of the Noteholders in the event of the judicial liquidation (*liquidation judiciaire*) of the Issuer will be calculated on the basis of the Principal Amount (as defined in Condition 17(a), which is set out in this Annex 1) of the Notes together with Accrued Interest subject to Condition 17 and any other outstanding payments under the Notes.

  If the Original Principal Amount has been reduced in the context of one or more Loss Absorption(s) pursuant to Condition 17, which is set out in this Annex 1, the rights of the Noteholders are calculated on the basis of the Original Principal Amount, to the extent that all other creditors of the Issuer (including unsubordinated creditors of the Issuer, holders of Ordinarily Subordinated Notes, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer) have been or will be fully reimbursed, as ascertained by the liquidator.

  The rights of the Noteholders in the event of the liquidation of the Issuer for any other reason than judicial liquidation (*liquidation judiciaire*) will be calculated on the basis of the Original Principal Amount (as defined in paragraph 21(ii)) of the Notes together with Accrued Interest and any other outstanding payments under the Notes."

- The definition of Tier 1 Capital contained in Condition 3(b)(vii) **Capital Adequacy** is hereby deleted and replaced by the following definition:

  "**Tier 1 Capital**" means any security the proceeds of which are treated, for regulatory purposes, as *fonds propres de base* within the meaning of Article 2 of *Règlement* no. 90-02 dated 23 February 1990, as amended, of the CRBF, or recognised as such by the SGCB, or any Replacement Supervisory Authority (as defined below)."

- The following provisions are added in Condition 3(b)(vii) **Capital Adequacy**:

  "**Replacement Supervisory Authority**" means any other authority having supervisory authority with respect to the Issuer."

  "Any reference to the SGCB shall be construed as including any Replacement Supervisory Authority."

### 1.2 Condition 5 Interest and other Calculations

- The definitions of "**Interest Accrual Period**" and of "**Interest Amount**" in Condition 5(a) are hereby deleted and replaced by the following definitions:

  "**Interest Accrual Period**" means, subject to the provisions of Condition 17(b) and Condition 17(d), the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date."

  "**Interest Amount**" means the amount of interest payable, if any."

- The following definition of "**Accrued Interest**" is hereby added in Condition 5(a):

  "**Accrued Interest**" means interest accrued on the Notes since the most recent Interest Payment Date in respect of the Principal Amount."

- Condition 5(b) is hereby deleted and replaced by the following Condition 5(b):

  (b) **Interest on Fixed Rate Notes:** Subject to the provisions of Condition 17(b) and Condition 17(d), each Fixed Rate Note bears interest on its Principal Amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear in accordance with the provisions of Condition 5(h) and the provisions of Condition 17(b) and Condition 17(d).

  The amount of interest payable on each Interest Payment Date will be calculated in accordance with the provisions of Condition 17(d) and shall be payable on the Interest Payment Date(s) specified in the Pricing Supplement in accordance with the provisions of Condition 5(h) and the provisions of Condition 17(b) and Condition 17(d).

- Condition 5 (c)(i) is hereby deleted and replaced by the following Condition 5(c)(i):

  (c) **Interest on Floating Rate Notes:**

  (i) *Interest Payment Dates:* Subject to the provisions of Condition 17 (b) and Condition 17(d), each Floating Rate Note bears interest on its Principal Amount, from 30 July 2014 at the rate per annum (expressed as a percentage) equal to the Rate of Interest applicable as from 30 July 2014, such interest being payable in arrear as from 30 October 2014, in accordance with the provisions of Condition 5(h) and the provisions of Condition 17(b) and Condition 17(d).

- The definition of Compulsory Interest Payment Date of Condition 5(h) **Deferral of Interest** is hereby deleted and replaced by the following:

  "**Compulsory Interest Payment Date**" means each Interest Payment Date prior to which the Issuer has, at any time during a period of one-year prior to such Interest Payment Date:

  (i) declared or paid a dividend (whether in cash, shares or any other form), or more generally made a payment of any nature, on any class of share capital, on other equity security issued by the Issuer or on other Deeply Subordinated Notes or any other security which rank *pari passu* with the Notes, unless such payment on other Deeply Subordinated Notes or other security which rank *pari passu* with the Notes was required to be made as a result of a dividend or other payment having been made on any class of share capital or on other equity security issued by the Issuer; or

  (ii) redeemed, either by cancellation or by means of *amortissement* (as defined in Article L.225-198 of the French *Code de commerce*), repurchased or otherwise acquired any shares, whatever class of share capital, if any, they belong to, or any other equity securities issued by the Issuer, by any means."

- The last paragraph of Condition 5(h) **Deferral of interest** is hereby deleted and replaced by the following:

  "*Save as otherwise provided in Condition 17(d), interest not paid on an Optional Interest Payment Date shall be lost.*"

- Condition 5(k) is hereby deleted and replaced by the following Condition 5(k):

  (k) Calculations: Subject to the provisions of Condition 17(b) and Condition 17(d), the amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the Principal Amount of such Note by the Day Count Fraction.

- Condition 5(l) is hereby deleted and replaced by the following Condition 5(l):

  (l) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Optional Redemption Amounts, Early Redemption Amounts and Instalment Amounts: As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Make Whole Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Make Whole Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**1.3 Condition 6 Redemption, Purchase and Options**

- The following shall be added to Condition 6(f) **Redemption for Taxation Reasons**, as Condition 6(f)(iii):

  "If, by reason of any change in French law, any change in the official application or interpretation of such law, or any other change in the tax treatment of the Notes, becoming effective after the Issue Date, interest payment under the Notes is no longer tax-deductible by the Issuer for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15, and subject to the prior approval of the SGCB, redeem all, but not some only, of the Notes at their Early Redemption Amount (as defined in paragraph 24(i) above) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes.''

- Condition 6(j) **Illegality** does not apply to the Notes.
- The following Condition 6(k) **Redemption for Regulatory Reasons** is added to Condition 6:

  ''If, by reason of any change in French law, any change in the official application or interpretation of such law, becoming effective after the Issue Date, the proceeds of the Notes cease to qualify as Tier 1 Capital, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15, and subject to the prior approval of the SGCB, redeem all, but not some only, of the Notes at their Early Redemption Amount (as defined in paragraph 24(i) above) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest date on which the proceeds of the Notes could qualify as Tier 1 Capital.''

## 2. ADDITIONAL CONDITIONS

The following Condition shall be added as Condition 17 **Supervisory Event, Loss Absorption, Return to Financial Health and Interest**:

*(a) Additional Definitions*

''**Applicable Banking Regulations**'' means, at any time, the capital adequacy regulations then in effect of the regulatory authority in France (or if the Issuer becomes domiciled in a jurisdiction other than France, such other jurisdiction) having authority to adopt capital adequacy regulations with respect to the Issuer.

''**Consolidated Net Income**'' means the consolidated net income (excluding minority interests) of the Issuer, as calculated in the consolidated accounts adopted by the Issuer's shareholders' general meeting.

''**End of Supervisory Event**'' means, following a Supervisory Event (as defined below), the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations, complies with the minimum percentage required in accordance with Applicable Banking Regulations and with any other future minimum regulatory threshold applicable to the Issuer, or, if the Supervisory Event occurred pursuant to clause (ii) of the definition of Supervisory Event below, (ii) the notification by the SGCB, in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the circumstances which resulted in the Supervisory Event have ended.

''**Principal Amount**'' means at any time the principal amount of the Notes, calculated on the basis of the Original Principal Amount of the Notes as the same may have been reduced under Condition 17 (b) (''*Loss Absorption*'') and/or reinstated under Condition 17(c) (''*Return to Financial Health*'').

''**Supervisory Event**'' means the first date of either of the following events: (i) the risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations, falls below the minimum percentage required in accordance with Applicable Banking Regulations or below any other future minimum regulatory threshold applicable to the Issuer, or (ii) the notification by the SGCB, in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the foregoing clause (i) would apply in the near term.

*(b) Loss Absorption*

In the event that the occurrence of the Supervisory Event requires, in the opinion of the SGCB, a strengthening of the regulatory capital of the Issuer, the management board of the Issuer will convene an extraordinary shareholders' meeting during the 3 months following the occurrence of the Supervisory Event in order to propose a share capital increase or any other measure to remedy the Supervisory Event. If the share capital increase or any other proposed measures are not accepted by the extraordinary shareholders' meeting of the Issuer, or if the share capital increase adopted by such extraordinary shareholders' meeting is insufficiently subscribed to remedy the Supervisory Event, or if the Supervisory Event remains on the last day of the financial year during which the Supervisory Event has occurred, the management board of the Issuer will implement, within 10 days following the last day of the financial year, a reduction of the amount of Accrued Interest, and if necessary of the Principal Amount of the Notes ("**Loss Absorption**") so as to enable the Issuer to continue its activities in accordance with the then current banking regulations applicable to the Issuer, including the Applicable Banking Regulations. A Loss Absorption will firstly be implemented by a partial or full reduction in the amount of Accrued Interest. If the total reduction of Accrued Interest is not sufficient for the purposes of the Loss Absorption, a further Loss Absorption will be implemented by partially or fully reducing the Principal Amount. Such reductions will be recorded as a profit in the Issuer's consolidated accounts.

Notwithstanding any other provision of the Terms and Conditions, the nominal value of each Note shall never be reduced to an amount lower than one cent.

Such reductions will be made without prejudice to the rights of the Noteholders under Condition 17(c) ("*Return to Financial Health*") below and to the rights of the Noteholders to obtain the payment of amounts due under the Notes in accordance with the provisions of the Terms and Conditions. For the avoidance of doubt, no provision of the Terms and Conditions shall affect the rights of the Noteholders to obtain the payment of amounts due under the Notes in accordance with the provisions of the Terms and Conditions.

Accrued Interest payable on any Compulsory Interest Payment Date is not subject to reduction in accordance with this Condition 17(b).

The amount by which Accrued Interest and, as the case may be, the Principal Amount are reduced, will be equal to the amount of losses which, following a Supervisory Event, has not been set off against the shareholders funds (*capitaux propres*) of the Issuer (as set out in the consolidated accounts of the Issuer), following the implementation of the measures adopted by the extraordinary shareholders' meeting (as described above).

In the event the Issuer has other Deeply Subordinated Notes or other security which rank *pari passu* with the Notes outstanding, such reduction will be applied on a pro-rata basis among them.

Accrued Interest and the Principal Amount of the Notes pursuant to the above provision may be reduced on one or more occasions, as required.

No payments will be made to holders of shares of any class whatsoever of the share capital of the Issuer or of any other equity securities issued by the Issuer, before all amounts due, but unpaid, to all Noteholders under the Notes have been paid by the Issuer.

Notice of any Supervisory Event and of any End of Supervisory Event shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 15 and to the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable, following the occurrence of a Supervisory Event and of any End of Supervisory Event. Notice of any reduction of Accrued Interest or of the Principal Amount shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 15 and to the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant reduction of Accrued Interest or of the Principal Amount.

*(c) Return to Financial Health*

If a positive Consolidated Net Income (as defined above) is recorded for at least two consecutive financial years following the End of Supervisory Event (a "**Return to Financial Health**"), the Issuer may increase the Principal Amount of the Notes up to the Original Principal Amount (a "**Reinstatement**").

Any Reinstatement shall be recorded by the Issuer in its consolidated accounts as a loss of an amount corresponding to the increase of the Reinstatement.

A Reinstatement shall not exceed the amount of the latest Consolidated Net Income of the Issuer (as defined above).

In the event the Issuer has other Deeply Subordinated Notes or other security which rank *pari passu* with the Notes outstanding and which may also benefit from a reinstatement in accordance with their terms, a Reinstatement will be applied on a pro-rata basis with other reinstatements made on such other Deeply Subordinated Notes or other securities which rank *pari passu* with the Notes.

However, in any event, whether or not a Return to Financial Health has occurred, the Issuer shall increase the Principal Amount of the Notes up to the Original Principal Amount prior to:

(i) any declaration or payment of a dividend (whether in cash, shares or any other form), or more generally any payment of any nature, by the Issuer, on any class of share capital, on other equity security issued by the Issuer or on other Deeply Subordinated Notes or any other security which rank *pari passu* with the Notes, unless such payment on other Deeply Subordinated Notes or other security which rank *pari passu* with the Notes was required to be made as a result of a dividend or other payment having been made on any class of share capital or on other equity security issued by the Issuer; or

(ii) any redemption, either by cancellation or by means of *amortissement* (as defined in Article L.225-198 of the French *Code de commerce*), repurchase or acquisition of any shares, whatever class of share capital, if any, they belong to, or of any other equity securities issued by the Issuer, by any means; or

(iii) any optional redemption by the Issuer of (1) the Notes, in accordance with Condition 6(c), or (2) of any other Deeply Subordinated Notes or other security which rank *pari passu* with the Notes, in accordance with their terms.

No payments will be made to holders of shares of any class whatsoever of the share capital of the Issuer or of any other equity securities issued by the Issuer before all amounts due, but unpaid, to all Noteholders under the Notes have been paid by the Issuer.

Notice of any Return to Financial Health shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 15 and to the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable, following the occurrence of a Return to Financial Health. Notice of any Reinstatement shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 15 and to the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant Reinstatement.

*(d) Interest Payable*

- On Optional Interest Payment Dates

  The modalities and basis of calculation and accrual of interest payable on any Optional Interest Payment Date will be calculated in accordance with this Condition 17 and with Condition 5 (as amended herein).

  (i) Payment of Interest on Optional Interest Payment Dates

The Issuer may pay interest on any Optional Interest Payment Date. The Issuer may decide not to pay interest on any Optional Interest Payment Date in particular with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure. Interest with respect to any Interest Period shall accrue on the Principal Amount, on the basis of the number of days elapsed during the relevant Interest Period.

Save as otherwise provided, any interest not paid on an Optional Interest Payment Date shall be lost and shall therefore no longer be due and payable by the Issuer.

(ii) Occurrence of a Supervisory Event

Subject to the relevant Interest Payment Date being an Optional Interest Payment Date, in the event that a Supervisory Event has occurred during the Interest Period preceding such Optional Interest Payment Date:

- Interest with respect to the period between the preceding Interest Payment Date and the Supervisory Event shall accrue on the Principal Amount of the Notes, on the basis of the number of days elapsed between such preceding Interest Payment Date and such Supervisory Event (the "**A Interest**"). However, the payment of such A Interest shall automatically be suspended. In addition, the amount of A Interest may be reduced to absorb losses pursuant to paragraph (b) of this Condition 17. A Interest may be payable in accordance with the provisions of paragraph (iii) below.
- No Interest shall accrue nor be payable by the Issuer with respect to any Interest Accrual Period during the period starting on the date of the Supervisory Event and ending on the date of the End of Supervisory Event.

(iii) After End of Supervisory Event

Subject to the relevant Interest Payment Date being an Optional Interest Payment Date, in respect of any Interest Payment Date which occurs as from the End of Supervisory Event, interest will accrue and be calculated as follows:

- As from the date of the End of Supervisory Event until the next succeeding Interest Payment Date, interest shall accrue on the Principal Amount, on the basis of the number of days elapsed between the date of End of Supervisory Event and the next succeeding Interest Payment Date.
- Interest with respect to any succeeding Interest Period shall accrue on the Principal Amount, on the basis of the number of days elapsed during the relevant Interest Period.

Interest calculated in accordance with the above provisions may be paid on any relevant Interest Payment Date(s) occurring as from the date of the End of Supervisory Event (included).

Any interest accrued during such period not paid by the Issuer on the relevant Interest Payment Date(s) will be lost, in accordance with Condition 5(h), as amended above.

At the option of the Issuer, any A Interest, to the extent not reduced to absorb losses pursuant to paragraph (b) of this Condition 17, may be paid on the first Interest Payment Date following the End of Supervisory Event. Any A Interest not paid by the Issuer on the first Interest Payment Date following the End of Supervisory Event will be lost, in accordance with Condition 5(h), as amended above.

- On Compulsory Interest Payment Dates

The modalities and basis of calculation and accrual of interest payable on any Compulsory Interest Payment Date will be calculated in accordance with this Condition 17 and with Condition 5 (as amended herein).

The Issuer will pay interest on any Compulsory Interest Payment Date, notwithstanding any other provision of the Terms and Conditions.

Interest payable on any Compulsory Interest Payment Date until 30 July 2014 (included) will be calculated on a 12 month basis and on a 3 month basis thereafter.

Interest payable on any Compulsory Interest Payment Date will always be calculated on the basis of the Original Principal Amount (as defined in paragraph 21(ii)).

## INFORMATION RELATING TO SOLVENCY RATIOS AND ISSUES OF SECURITIES QUALIFYING AS TIER 1 AND TIER 2 CAPITAL

**European Solvency Ratio Equivalent (“ESR Equivalent”)**

The Issuer’s ESR Equivalent (equal to 8% of the CAD Coverage Ratio as defined below) as of 31 December 2002 was 11.56%, including a Tier 1 Ratio Equivalent (equal to 8% of the Tier 1 Coverage Ratio as defined below) of 11.76%. As of 30 June 2003, the Issuer’s ESR Equivalent was 12.25%, including a Tier 1 Ratio Equivalent of 11.55%.

**Impact of acquisition of 50.1% of Eulia and 43.55% of CDC IXIS:**

After giving effect to the acquisition of 50.1% of Eulia and 43.55% of CDC IXIS, as if it would occur on 30 June 2004, it is expected that the Issuer’s ESR Equivalent would have decreased by 1.85 percentage point to 10.4% as of 30 June 2004 and that the Issuer’s Tier 1 Ratio Equivalent would have decreased by 3.55 percentage points to 8% as of 30 June 2004.

**Capital adequacy**

In 1988, the Basle Committee on Banking Regulations and Supervisory Practices (the “**Basle Committee**”), consisting of representatives of the central banks and supervisory authorities from the “Group of ten countries” (comprised today of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the UK and the US) and from Luxembourg and Switzerland, recommended the adoption of a set of standards for risk-weighting and minimum desired levels of regulatory capital. Under these recommendations, international credit institutions must maintain capital equal to a minimum of 8% of their total credit risks (also known as the Cooke ratio), 4% of which must be Tier 1 capital. In 1989, the Council of the European Community adopted two regulatory directives that set the framework of capital adequacy with respect to credit risks (also known as the European solvency ratio or ESR) within the European Community.

Two significant amendments have since been made to the standards previously introduced: first, at European level, by the “**European Capital Adequacy Directive**”, and second, at the international level, by the Basle Committee’s adoption of revised BIS (Bank for International Settlements) standards.

***The European Capital Adequacy Directive***

**General features**

In 1993, the Capital Adequacy Directive applying to investment firms and credit institutions extended the scope of application of the European capital adequacy regulations to include market risks.

In France, these directives have been implemented through a series of regulations successively adopted by the *Comité de la Réglementation Bancaire et Financière* (collectively referred to as the “**CAD Regulations**”).

Since 1 January 1996, under CAD Regulations, French banks have been subject to capital adequacy requirements with respect to their trading activities that are supplemental to those in force in respect of their commercial banking activities.

In addition to credit risk, the CAD Regulations specify standards for investment entities’ trading activities designed to reflect interest rate risk, market risk and settlement risk. The CAD Regulations also require banks to maintain additional capital measured by reference to the foreign exchange risk of all their activities, including commercial banking and trading. Under the CAD Regulations, a French bank’s capital adequacy ratio (“**CAD Coverage Ratio**”) is calculated by dividing the total available capital (including capital classified as Tier 1 and Tier 2 and certain other items) by the amount of capital required in respect of the different types of risk to which it is exposed, each type of risk being evaluated on the basis of specific weightings whose rates are fixed according to a predetermined scale. In compliance with CAD Regulations, the CAD Coverage Ratio must be at least equal to 100%.

At 31 December 2002, the Issuer's CAD Coverage Ratio and ESR Equivalent stood at 145% and 11.56% respectively (compared with 177% and 14.19% respectively at 31 December 2001).

**CNCE Group / CAD Coverage Ratio**

| | *30/06/2003* | *31/12/2002* | *31/12/2001* | *31/12/2000* |
|---|---|---|---|---|
| | | *(in millions of euros)* | | |
| **RISKS** | | | | |
| **Credit risk** | | | | |
| Total weighted risks | 29,201 | 27,753 | 20,993 | 16,448 |
| Capital requirement for credit risk | 2,336 | 2,220 | 1,679 | 1,316 |
| **Market risks** | | | | |
| **Capital requirements calculated using the standard method** | | | | |
| Capital requirement for interest rate risk | 248 | 206 | 228 | 212 |
| ● Specific risk | 209 | 178 | 176 | 51 |
| ● General market risk | 39 | 28 | 52 | 161 |
| Capital requirement for equity position risk | 14 | 62 | 29 | 32 |
| ● Specific risk | 3 | 12 | 6 | 7 |
| ● General market risk | 7 | 50 | 23 | 23 |
| ● Residual risk on option positions (gamma and vega risks) | 2 | — | — | 2 |
| ● Residual risk on arbitrage strategies (spot / forward) | 2 | — | — | — |
| Capital requirement for counterparty settlement risk | 5 | 4 | 2 | — |
| Capital requirement for foreign exchange risk | 1 | 7 | 10 | 15 |
| Capital requirement for commodities risk | — | — | — | — |
| **Total capital requirements / standard method** | 268 | 279 | 269 | 259 |
| **Capital requirements calculated using an internal model[1]** | 68 | 59 | 51 | — |
| **Total capital requirements for market risks** | 336 | 338 | 320 | 259 |
| **Total capital requirements (credit risk + market risks)** | 2,672 | 2,558 | 1,999 | 1,575 |
| **AVAILABLE CAPITAL** | | | | |
| Tier 1 | 3,857 | 3,759 | 3,595 | 2,335 |
| Tier 2 | 815 | 482 | 497 | 701 |
| Tier 3 | — | — | — | — |
| Deductions | (580) | (544) | (547) | (318) |
| **Total available capital** | 4,092 | 3,697 | 3,545 | 2,718 |
| **RATIOS** | | | | |
| CAD Coverage Ratio (Total available capital / Total capital requirements) | 153% | 145% | 177% | 173% |
| **ESR Equivalent (8% x CAD Coverage Ratio)** | 12.25% | 11.56% | 14.19% | 13.81% |
| Tier 1 Coverage Ratio (Tier 1 / Total capital requirements) | 144% | 147% | 180% | 148% |
| **Tier 1 Ratio Equivalent (8% x Tier 1 Coverage Ratio)** | 11.55% | 11.76% | 14.39% | 11.86% |

1 Figures of CDC IXIS Capital Markets consolidated on a proportional basis, CDC IXIS Capital Markets being the only consolidated entity using an internal model approved by SGCB to calculate its capital requirements for market risks.

***The International Solvency Ratio***

**General features**

In 1996, the Basle Committee significantly amended the BIS standards to provide a specific capital cushion for market risks in addition to banks' credit risks. This amendment defines market risks as (i) the risks pertaining to interest rate-related instruments and equity positions in a bank's trading book; and (ii) foreign exchange risks and commodities risks held on the bank's books. As amended in 1996 and refined in September 1997 by the Basle Committee, the revised BIS standards continue to require a capital ratio with respect to credit risks. In addition, they require a credit institution to quantify its market risks in figures equivalent to credit risks and to maintain a capital ratio of 8% with respect to the sum of its credit and market risks. The French Banking Commission regularly issues opinions regarding the application and calculation of the International Solvency Ratio (*Notices Méthodologiques*). Nevertheless, the International Solvency Ratio has no regulatory force.

The Issuer has never calculated its International Solvency Ratio since it is not required by the French Banking Commission for banks with limited international operations such as CNCE.

It is generally believed however that the CAD Coverage Ratio or its ESR equivalent enable a correct and full appreciation of a French bank's credit risks as well as market risks. It is also generally believed that the ESR equivalent of the CAD Coverage Ratio is very close to what would be the International Solvency Ratio.

**Planned reform of BIS standards**

Since 1998, the Basle Committee has been studying a reform of its recommendations with regard to the international bank solvency ratios. This reform would replace the current agreement by a new one based on a more qualitative approach to the measurement of risk exposure. In the latest version of its proposal, the Basle Committee proposes to assess credit risk on the basis of one of the following two methods: a "standard" method relying on a weighting matrix depending on external ratings of counterparties, distinguished between governments, banks, public bodies and business enterprises; and the second, "alternative", method relying on banks' internal scoring methods, which are required to take into account the probability of default, risk exposure and loan recovery rates. In addition, the new ratio would cover banks' operational risks, i.e. risks of malfunction and legal risks. The reform also stresses the role of internal capital adequacy control procedures and the disclosure obligations regarding the structure and allocation of capital and on risk exposure.

Following consultation initiated in January 2001, the Basle Committee received more than 250 comments and therefore decided to launch a study, between October and December 2002, of the impact of the envisaged new mechanism on data at 31 March 2002. Further consultations with the banking industry will have taken place in the second quarter of 2003, based on a consultative document circulated in May 2003.

Introduction is planned for 31 December 2006, following a year (2006) in which both ratios (the existing Cooke ratio and the McDonough reform) will be calculated.

In order to identify and to implement the necessary steps to comply with the New Basle Accord, the Caisse d'Epargne Group has put in place in November 2002 a dedicated Project Management Team.

The main objectives of the Group's Project are:

- To make sure that the Group qualifies for the Foundation Internal Ratings Based Approach (known as IRB Foundation) to calculate its capital requirements for credit risk, from the very day when the New Accord is in effect (December 31st, 2006);
- To prepare a future transition to the Advanced Internal Ratings Based Approach (known as IRB Advanced);
- To implement the method selected to calculate the Group's capital requirements for operational risk, which is the Basic Indicator Approach, while starting to collect the historical data necessary to opt for a more advanced method later on.

This Project has far reaching consequences and many entities within the Group are deeply involved in the Project: CNCE as well as the Caisses d'Epargne themselves obviously, but also subsidiaries and the Group IT platforms. At CNCE level, not only the Finance and IT Department are involved but also the Marketing Department. They all participate in the monthly Steering Committee of the Project.

The Project management team is headed by Mr. Jean-Michel Conte, who reports to Mr. Nicolas Mérindol, Member of the Management Board of CNCE. Its main purpose is to coordinate all sub-Projects at various levels: CNCE, Group IT platforms, Caisses d'Epargne and subsidiaries; it also makes sure that everything will be in place when the regulators are ready to start auditing the Approach selected.

Being in the cooperative banking sector, the Group has heterogeneous and decentralized IT systems. Taking into account the huge impact on its IT systems of the new Internal Ratings Based Approach, but also all the new data which needs to be collected, the Project Management Team has decided to release 3 consecutive and more and more sophisticated versions of the end product:

– Version 1 (known as V1) is based on an internal rating being assigned to a counterparty or an obligation when a new loan or a new commitment is in the process of being granted; it will cover new internal rating assignment, adaptation of the current organization, new decision making process and pricing based on internal ratings and collection of risk related historical data at Group level. V1 should be operational on April 1st, 2004.
– Version 2 (known as V2): V1 will be upgraded with the addition of a monthly review of all counterparties and commitments of the Group; collection of historical data will be continued and completed. V2 should be operational on July 1st, 2004.
– Version 3 (known as V3): V3 will enable to improve the internal rating assignment process to the counterparties, the commitments as well as the guarantees received and collateral, to implement an automated process to take into account the ratings in the risk management, to have available all the necessary monitoring and reporting tools, to complete the risk related historical data and upgrade the way these data are securely stored and processed. V3 should be available on January 1st, 2005.

The total available capital of CNCE Group can be detailed as follows:

| | *30/06/2003* |
|---|---|
| | *(M€)* |
| Capital and consolidated retained earnings | 3,992 |
| Minority interests | 163 |
| Reserve for general banking risks | 218 |
| Deductions of intangible assets and goodwill | (516) |
| **Tier 1** | 3,857 |
| Subordinated debt | 815 |
| **Tier 2** | 815 |
| Deductions of holdings in credit institutions | (580) |
| **Total deductions** | (580) |
| **Total available capital** | 4,092 |

CNCE has never issued hybrid tier 1 capital.

The tier 2 component of the total available capital of CNCE Group as at 30/06/2003 can be detailed as follows:

| *Issuer* | *Issue date* | *Maturity date* | *Interest rate* | *Amount outstanding (M€)* | *Amount declared as potential tier 2 (M€)* | *Amount not eligible as tier 2 (M€)* | *Tier 2 amount (M€)* |
|---|---|---|---|---|---|---|---|
| **Dated subordinated debt** | | | | | | | |
| CFF .. .. .. | 07/1994 | 07/2004 | 8.125% | 36 | 36 | | |
| CFF .. .. .. | 10/1994 | 10/2004 | 8.375% | 54 | 54 | | |
| CFF .. .. .. | 12/1994 | 12/2004 | 8.500% | 18 | 18 | | |
| CNCE .. .. .. | 12/1998 | 12/2010 | 4.500% | 91 | 91 | | |
| SOCFIM .. .. | 06/1999 | 06/2009 | 5.220% | 5 | 5 | | |
| SOCFIM .. .. | 06/1999 | 06/2009 | 5.630% | 5 | 5 | | |
| CNCE .. .. .. | 11/1999 | 11/2011 | 5.600% | 746 | 63 | | |
| CDC ICM .. .. | 08/2000 | 08/2010 | 6.000% | 66 | 66 | | |
| CNCE .. .. .. | 07/2002 | 07/2014 | 5.200% | 455 | | | |
| CNCE .. .. .. | 09/2002 | 07/2014 | 5.200% | 395 | | | |
| CDC IXIS .. .. | 09/2002 | 09/2022 | EURIBOR 6M + 0.37% | 5 | 5 | | |
| CDC IXIS .. .. | 11/2002 | 11/2027 | 5.375% | 12 | 12 | | |
| CDC IXIS .. .. | 01/2003 | 01/2033 | 5.400% | 16 | 16 | | |
| CNCE .. .. .. | 02/2003 | 02/2015 | 4.500% | 418 | 305 | | |
| CDC IXIS .. .. | 04/2003 | 04/2015 | 4.500% | 20 | 20 | | |
| CDC IXIS .. .. | 04/2003 | 04/2023 | 5.250% | 6 | 6 | | |
| CDC IXIS .. .. | 06/2003 | 03/2018 | EURIBOR 6M + 0.28% | 3 | 3 | | |
| | Sub-total | | | 2,351 | 705 | | |
| **Undated subordinated debt** | | | | | | | |
| BDAF .. .. .. | | | | 8 | 8 | | |
| FIDEV.. .. .. | | | | 179 | 179 | | |
| | Sub-total | | | 187 | 187 | | |
| TOTAL .. .. | | | | 2,538 | 892 | (77) | 815 |

## CAPITALISATION OF CNCEP

The following table sets forth the capitalisation of the Issuer, on a non-consolidated basis, as at September 30, 2003 and as adjusted to give effect to the Notes, before the application of the proceeds thereof as set forth under "*Use of Proceeds*". There has been no material change in the consolidated capitalisation of the Issuer since September 30, 2003, other than as set forth below.

| | *as at and for the period ended September 30, 2003* |
|---|---|
| | *(in millions of euro)* |
| **Short term borrowings (more than 1 month and less than 1 year)** | |
| Money market, interbank and customer items* | 1,712 |
| Interbank and other negotiable debt instruments, bonds | 17,293 |
| **1/ Total Short term borrowings** | 19,005 |
| **Medium and long term borrowings (more than 1 year)** | |
| Unsubordinated Issues | 20,304 |
| Subordinated Issues | |
| Tier 2 Subordinated Issue | 1,142 |
| Other Subordinated Issue | 1,413 |
| **2/Total medium and long term borrowings** | 22,859 |
| **Own Funds** | |
| Issued Share Capital | 2,905 |
| Subscription Premium | 527 |
| Legal reserves | 20 |
| Other reserves | 57 |
| **3/Total Own Funds** | 3,509 |
| (1) + (2) + (3) Total Capitalisation | 45,373 |

* (excluding transactions with Caisse d'Epargne Group's entities)

The share capital is equal to Euro 2,905,079,234.75 divided into 190,496,999 fully paid-up ordinary shares of Euro 15.25 each.

## CONSOLIDATED BALANCE SHEET OF CAISSE D'EPARGNE GROUP AT 30 JUNE 2003

| *Assets* | *Notes* | *June 30, 2003* | *December 31, 2002* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| CASH, MONEY MARKET AND INTERBANK ITEMS .. | | 167,776 | 155,917 |
| CUSTOMER ITEMS .. .. .. .. .. .. .. .. .. | 5 | 119,047 | 116,572 |
| LEASE FINANCING .. .. .. .. .. .. .. .. | | 2,065 | 2,085 |
| BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES .. .. .. .. .. .. .. .. | | 59,908 | 54,891 |
| INVESTMENTS BY INSURANCE COMPANIES .. .. | | 556 | 482 |
| INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD, OTHER LONG-TERM INVESTMENTS .. .. .. .. .. .. .. .. .. | 6 | 2,985 | 2,994 |
| TANGIBLE AND INTANGIBLE ASSETS .. .. .. .. | | 2,666 | 2,716 |
| GOODWILL .. .. .. .. .. .. .. .. .. | | 152 | 173 |
| ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS .. .. .. .. .. .. .. .. | | 22,839 | 21,303 |
| **TOTAL ASSETS** .. .. .. .. .. .. .. .. | | 377,994 | 357,133 |

| *Off-balance sheet commitments* | *Notes* | *June 30, 2003* | *December 31, 2002* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| Commitments given: .. .. .. .. .. .. .. .. | 9 | | |
| FINANCING COMMITMENTS .. .. .. .. .. | | 30,630 | 27,639 |
| GUARANTEE COMMITMENTS .. .. .. .. .. | | 16,736 | 15,924 |
| COMMITMENTS MADE ON SECURITIES .. .. .. | | 992 | 256 |
| COMMITMENTS GIVEN BY THE INSURANCE BUSINESS .. .. .. .. .. .. .. .. .. | | 1,302 | 1,184 |

The attached Notes form an integral part of the consolidated financial statements.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

| *Liabilities, capital funds and reserves* | *Notes* | *30 June 2003* | *31 December 2002* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| MONEY MARKET AND INTERBANK ITEMS | | 83,207 | 76,763 |
| CUSTOMER ITEMS | 5 | 174,695 | 170,089 |
| DEBTS REPRESENTED BY A SECURITY | 7 | 73,174 | 67,571 |
| TECHNICAL RESERVES OF INSURANCE COMPANIES | | 420 | 366 |
| ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES | | 26,848 | 23,880 |
| NEGATIVE GOODWILL | | 54 | 60 |
| PROVISIONS FOR LIABILITIES AND CHARGES | | 3,183 | 3,128 |
| SUBORDINATED DEBT | 8 | 2,668 | 2,179 |
| RESERVE FOR GENERAL BANKING RISKS | 8 | 2,241 | 2,107 |
| MINORITY INTERESTS | | 1,740 | 1,692 |
| CONSOLIDATED CAPITAL FUNDS AND RESERVES (EXCLUDING RESERVE FOR GENERAL BANKING RISKS) | 8 | 9,764 | 9,298 |
| Capital | | 2,873 | 2,873 |
| Share premiums | | 204 | 0 |
| Consolidated Reserves and retained earnings | | 6,117 | 5,473 |
| Net income for the period | | 570 | 952 |
| TOTAL LIABILITIES, CAPITAL FUNDS AND RESERVES | | 377,994 | 357,133 |

| *Off-balance sheet commitments* | *Notes* | *30 June 2003* | *31 December 2002* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| Commitments received: | 9 | | |
| FINANCING COMMITMENTS | | 6,461 | 4,703 |
| GUARANTEE COMMITMENTS | | 7,114 | 7,812 |
| COMMITMENTS RECEIVED ON SECURITIES | | 1,385 | 482 |
| COMMITMENTS RECEIVED BY THE INSURANCE BUSINESS | | 40 | 23 |

The attached Notes form an integral part of the consolidated financial statements.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT OF CAISSE D'EPARGNE GROUP, SIX MONTHS ENDED 30 JUNE 2003

| | Notes | *First-half* 2003 | *First-half* 2002 | 2002 |
|---|---|---|---|---|
| | | *(in millions of euros)* | | |
| Interest and similar income .. .. .. .. | | 8,557 | 8,360 | 16,913 |
| Interest and similar expense .. .. .. .. | | (6,654) | (6,476) | (13,507) |
| Income from shares and other variable-income securities .. .. .. .. .. .. .. | | 100 | 138 | 179 |
| Net commission and fee income .. .. .. | | 1,042 | 977 | 1,975 |
| Gains (or losses) on trading transactions .. .. | | 227 | 210 | 583 |
| Gains (or losses) on held-for-sale portfolio transactions and similar items .. .. .. | | 177 | (12) | 260 |
| Other net operating income (expense) .. .. | | 130 | 50 | 135 |
| Gross margin on insurance business .. .. .. | | 33 | 22 | 45 |
| **NET BANKING INCOME** .. .. .. .. | | 3,612 | 3,269 | 6,583 |
| General operating expenses .. .. .. .. | | (2,391) | (2,230) | (4,462) |
| Depreciation and amortization of tangible and intangible assets .. .. .. .. .. .. | | (147) | (151) | (312) |
| **GROSS OPERATING INCOME** .. .. .. | | 1,074 | 888 | 1,809 |
| Provisions for loan losses .. .. .. .. .. | 10 | (151) | (147) | (357) |
| **OPERATING INCOME** .. .. .. .. .. | | 923 | 741 | 1,452 |
| Share in net income of companies accounted for by the equity method .. .. .. .. .. | | 67 | 63 | 151 |
| Net gains (losses) on disposals of fixed assets .. | | 103 | (6) | 45 |
| **NET ORDINARY INCOME BEFORE TAX** .. | | 1,093 | 798 | 1,648 |
| Exceptional items .. .. .. .. .. .. | 11 | 1 | (4) | (9) |
| Income tax .. .. .. .. .. .. .. | | (291) | (220) | (435) |
| Amortization of goodwill .. .. .. .. .. | | (6) | 4 | (38) |
| (Allocations to)/releases from the reserve for general banking risks .. .. .. .. .. | | (134) | (31) | (156) |
| Minority interests .. .. .. .. .. .. | | (93) | (57) | (58) |
| **NET INCOME** .. .. .. .. .. .. | | 570 | 490 | 952 |

The attached Notes form an integral part of the consolidated financial statements.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF CAISSE D'EPARGNE GROUP

The interim financial statements for the six months ended 2003 provide an overview of the accounting effects of operations and events for the period since December 31, 2002. They do not include all the disclosures made in the annual financial statements.

### Note 1 – Legal and financial framework – Significant events of the period

The individual Caisses d'Epargne et de Prévoyance together form a financial network around a central body, Caisse Nationale des Caisses d'Epargne (CNCE). The Caisse d'Epargne Group comprises a variety of subsidiaries that all contribute to the efficient operation and business development of the network of mutual savings banks.

During the period, €2,451 million worth of shares were sold to members of the local mutual savings banks.

Crédit Foncier de France (CFF) sold its headquarters building, together with various investment properties.

The total gain on these transactions amounted to €221.8 million. In the CFF financial statements, the gain on the sale of investment properties (€80.5 million) is included in net banking income and that on the sale of the headquarters building (€141.3 million) is recorded under "Net gains (losses) on disposal of fixed assets".

The Crédit Foncier de France Group is proportionally consolidated and the impact on the Caisse d'Epargne Group financial statements was therefore €160.6 million, including €58.3 million included in net banking income and €102.3 million recorded under "Net gains (losses) on disposal of fixed assets".

No significant events have occurred since June 30, 2003.

### Note 2 – Principles and Methods of Consolidation

*(a) Principles*

The consolidated financial statements include the accounts of the Caisses d'Epargne and all subsidiaries and associated companies over which the Group exercises a controlling or significant influence.

They have been drawn up in accordance with the principles laid down by Standards 99-07 and 2000-04 of the Comité de la Réglementation Comptable (CRC), using the same policies and methods as for the financial statements for the year ended December 31, 2002.

*(b) Changes in scope of consolidation*

During the first half of 2003, Caisse d'Epargne du Limousin was merged with Caisse d'Epargne d'Auvergne to form Caisse d'Epargne d'Auvergne et du Limousin, and Caisse d'Epargne des Pays Lorrains was merged with Caisse d'Epargne de Lorrain Nord to form Caisse d'Epargne de Lorraine. These mergers had no impact on the consolidated financial statements.

The impact of the other changes in the scope of consolidation during the first half of 2003 was not material. These changes included the merger of GT3I into Girce Ingéniérie and the inclusion, by the equity method, of the Nexgen Financial Holdings Group which was acquired by CDC IXIS on December 11, 2002.

*(c) Consolidation adjustments*

The consolidation adjustments recorded in the financial statements for the six months ended 2003 are the same as those made at December 31, 2002.

**Note 3 – Accounting Policies**

*(a) Valuation Methods and Rules of Presentation*

The interim consolidated financial statements of the Caisse d'Epargne Group for the six months ended June 30, 2003 have been prepared and presented in accordance with the policies defined by Caisse Nationale des Caisses d'Epargne (CNCE), which comply with French generally accepted accounting principles and the valuation methods recommended by the Conseil National de la Comptabilité (CNC Recommendation 2001-R-02).

The accounting policies and methods applied are the same as those used to draw up the annual financial statements. Revenues and expenses have been recorded by the accruals method, in accordance with the principle of segregation of accounting periods.

*(b) Changes of Accounting Methods*

Standard CRC 2002-03 concerning the accounting treatment of credit risks is applicable by the Caisses d'Epargne effective from January 1, 2003.

This standard requires non-performing loans to be analysed in more detail, between non-performing and doubtful loans, as well as the recording of a provision for the discount corresponding to the interest differential on restructured loans at below market rates. Concerning the accounting treatment of restructured loans at below market rates (excluding "**Neiertz Act**" restructured loans to private individuals who are heavily in debt), based on the analyses performed to date by the Caisses d'Epargne, application of CRC 2000-03 should not have any material impact on opening shareholders' equity at January 1, 2003 or on the comparability of the consolidated financial statements. Further analyses will be performed during the second half, based on the outcome of discussions currently under way with the French accounting authorities concerning the definition of restructured loans at below market rates.

The rules governing the first-time application of CRC 2002-10 dealing with asset write-downs were published by the French accounting authorities after June 30, 2003. Consequently, the previous accounting method continued to be applied at June 30, 2003. The Group will examine the method of applying this new standard during the second half of the year.

No other changes of method occurred during the first half of 2003.

**Note 4 – Scope of Consolidation**

**Consolidating Entity**

Caisse d'Epargne des Alpes
Caisse d'Epargne d'Alsace
Caisse d'Epargne Aquitaine-Nord
Caisse d'Epargne d'Auvergne et du Limousin
Caisse d'Epargne de Basse-Normandie
Caisse d'Epargne de Bourgogne
Caisse d'Epargne de Bretagne
Caisse d'Epargne Centre-Val de Loire
Caisse d'Epargne Champagne-Ardenne
Caisse d'Epargne Côte d'Azur
Caisse d'Epargne de Flandre
Caisse d'Epargne de Franche-Comté
Caisse d'Epargne de Guadeloupe
Caisse d'Epargne de Haute-Normandie
Caisse d'Epargne Ile-de-France Nord
Caisse d'Epargne Ile-de-France Ouest
Caisse d'Epargne Ile-de-France Paris
Caisse d'Epargne Languedoc-Roussillon
Caisse d'Epargne Loire-Drôme-Ardèche
Caisse d'Epargne de Lorraine
Caisse d'Epargne de Martinique
Caisse d'Epargne de Midi-Pyrénées
Caisse d'Epargne du Pas de Calais
Caisse d'Epargne des Pays de l'Adour
Caisse d'Epargne des Pays de la Loire
Caisse d'Epargne des Pays du Hainaut
Caisse d'Epargne de Picardie
Caisse d'Epargne Poitou-Charentes
Caisse d'Epargne Provence-Alpes-Corse
Caisse d'Epargne Rhône-Alpes Lyon
Caisse d'Epargne du Val de France Orléanais

| Consolidated entities | | June 30, 2003 | | December 31, 2002 | |
|---|---|---|---|---|---|
| | *Method*[1] | *Percent voting rights* | *Percent interest* | *Percent voting rights* | *Percent interest* |
| **Direct Subsidiaries** | | | | | |
| **Banking and financial institutions** | | | | | |
| Banque Inchauspe | Full | 100.00% | 99.34% | 100.00% | 99.34% |
| Batimap | Full | 100.00% | 91.81% | 100.00% | 91.81% |
| Batimur | Full | 100.00% | 96.19% | 100.00% | 96.19% |
| Batiroc Pays de Loire | Full | 100.00% | 93.14% | 100.00% | 93.14% |
| Caisse d'Epargne Financement | Full | 100.00% | 65.25% | 100.00% | 65.25% |
| Caisse Nationale des Caisses d'Epargne et de Prévoyance | Full | 100.00% | 65.00% | 100.00% | 65.00% |
| Capitole Finance | Full | 100.00% | 99.99% | 100.00% | 99.99% |
| Expanso | Full | 100.00% | 89.77% | 100.00% | 89.77% |
| Picardie Bail | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| SDR Champex | Full | 100.00% | 99.19% | 100.00% | 99.19% |
| SDR Sodler | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Sodero | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Sud Ouest Bail | Full | 100.00% | 89.76% | 100.00% | 89.76% |
| Tofinso | Full | 100.00% | 98.82% | 100.00% | 98.82% |
| Tofinso Investissements | Full | 100.00% | 98.88% | 100.00% | 98.88% |
| **Holassure Group** | | | | | |
| Holassure | Full | 100.00% | 65.00% | 100.00% | 65.00% |
| Sopassure | Prop. | 49.98% | 32.49% | 49.98% | 32.49% |
| Caisse Nationale de Prévoyance | Equity | 17 .85% | 11.61% | 17.85% | 11.61% |
| **Océor Group** | | | | | |
| Financière Océor | Full | 100.00% | 78.40% | 100.00% | 78.40% |
| Banque de la Réunion | Full | 100.00% | 64.04% | 100.00% | 62.73% |
| Banque de Nouvelle Calédonie | Full | 100.00% | 75.11% | 100.00% | 75.08% |
| Banque de Tahiti | Full | 100.00% | 74.84% | 100.00% | 74.78% |
| Banque des Antilles Françaises | Full | 100.00% | 76.44% | 100.00% | 76.29% |
| Banque des Iles Saint-Pierre et Miquelon | Full | 100.00% | 75.90% | 100.00% | 75.88% |
| Banque Internationale des Mascareignes | Full | 100.00% | 32.34% | 100.00% | 31.68% |
| Caisse d'Epargne de Nouvelle-Calédonie | Full | 100.00% | 78.40% | 100.00% | 78.40% |
| Credipac Polynésie | Full | 100.00% | 74.82% | 100.00% | 74.76% |
| Crédit Commercial de Nouméa | Full | 100.00% | 70.11% | 100.00% | 70.09% |
| Crédit Saint Pierrais | Equity | 47.12% | 36.94% | 47.12% | 36.94% |
| Slibail Réunion | Full | 100.00% | 64.01% | 100.00% | 62.71% |
| Société Havraise Calédonienne | Full | 100.00% | 67.86% | 100.00% | 67.84% |
| **Other entities** | | | | | |
| Auto Location Pau | Full | 100.00% | 99.90% | 100.00% | 99.90% |
| Capitole Négoce | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Cofismed | Full | 100.00% | 66.69% | 100.00% | 66.69% |
| Ecureuil Proximité | Full | 100.00% | 99.83% | 100.00% | 99.83% |
| Expanso Investissements | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Muracef | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Primaveris | Full | 100.00% | 40.19% | 100.00% | 40.19% |
| Proencia | Full | 100.00% | 47.33% | 100.00% | 47.33% |
| Proxipaca | Full | 100.00% | 40.19% | 100.00% | 40.19% |

[1] Consolidation method: Full = Full consolidation; Prop = Consolidated on a proportional basis; Equity = Accounted for by the equity method

| Consolidated entities | Method[1] | June 30, 2003 Percent voting rights | June 30, 2003 Percent interest | December 31, 2002 Percent voting rights | December 31, 2002 Percent interest |
|---|---|---|---|---|---|
| Samenar | Full | 100.00% | 32.66% | 100.00% | 32.66% |
| SARL Méditerranée | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| SAS Foncière Ecureuil | Full | 100.00% | 89.13% | 100.00% | 89.13% |
| SCI du Conservatoire | Full | 100.00% | 99.00% | 100.00% | 99.00% |
| SCI Ecureuil Exploitation | Full | 100.00% | 99.99% | 100.00% | 99.99% |
| SCI Ecureuil Réunion | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| SCI Foncière 1 | Full | 100.00% | 89.13% | 100.00% | 89.13% |
| SCI Foncière 2 | Full | 100.00% | 89.13% | 100.00% | 89.13% |
| SCI GPE | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| SCI GPE2 | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| SCI Midaix | Full | 100.00% | 99.00% | 100.00% | 99.00% |
| SCI Midi Patrimoine | Full | 100.00% | 99.00% | 100.00% | 99.00% |
| SCI Midoccitane | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| SCI Tournon | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Sodero Participations | Full | 100.00% | 46.36% | 100.00% | 46.36% |
| Sorepar | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Walter Spanghero | Full | 100.00% | 99.90% | 100.00% | 99.90% |
| **IT technical centers and software houses** | | | | | |
| Cnéti | Full | 100.00% | 67.78% | 100.00% | 59.00% |
| CTCENO | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| CTICEP | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| CTIRCEAL | Full | 100.00% | 98.31% | 100.00% | 98.30% |
| CTR Est | Full | 100.00% | 100.00% | 100.00% | 99.98% |
| CTR Midi 1 | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| CTR Midi 2 | Full | 100.00% | 100.00% | 100.00% | 99.97% |
| CTRCEAPC | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| CTRCEB | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| GIE Arpège | Full | 100.00% | 100.00% | 100.00% | 99.79% |
| Girce Ingénierie | Full | 100.00% | 87.08% | 100.00% | 87.08% |
| Girce Stratégie | Full | 100.00% | 87.38% | 100.00% | 87.38% |
| Giretice | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| GT3I | — | — | — | 100.00% | 100.00% |
| IRICE | Full | 100.00% | 99.87% | 100.00% | 99.87% |
| SED Arpège 2000 | Full | 100.00% | 88.10% | 100.00% | 88.06% |
| SED RSI | Full | 100.00% | 88.10% | 100.00% | 88.10% |
| SNC Sersim | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Vivalis | Full | 100.00% | 99.99% | 100.00% | 99.99% |
| Vivalis Investissements | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| **Compagnie Financière Eulia Group** | | | | | |
| Compagnie Financière Eulia | Prop. | 49.90% | 32.43% | 49.90% | 32.43% |
| **Direct subsidiaries** | | | | | |
| Bail Ecureuil | Prop. | 49.90% | 32.43% | 49.90% | 32.43% |
| CDC IXIS Italia Holding | Prop. | 33.40% | 21.71% | 33.40% | 21.71% |
| Ecureuil Assurance IARD | Prop. | 49.90% | 21.08% | 49.90% | 21.08% |
| Ecureuil Gestion | Prop. | 49.90% | 29.39% | 49.90% | 29.39% |
| Ecureuil Participations | Prop. | 49.90% | 32.43% | 49.90% | 32.43% |

[1] Consolidation method: Full = Full consolidation; Prop = Consolidated on a proportional basis; Equity = Accounted for by the equity method

| Consolidated entities | Method[1] | June 30, 2003 Percent voting rights | June 30, 2003 Percent interest | December 31, 2002 Percent voting rights | December 31, 2002 Percent interest |
|---|---|---|---|---|---|
| Ecureuil Vie | Equity | 25.06% | 16.36% | 25.06% | 16.36% |
| Gestitres | Prop. | 49.90% | 18.39% | 49.90% | 18.39% |
| Holgest | Prop. | 49.90% | 27.86% | 49.90% | 27.86% |
| **CDC IXIS Group** | | | | | |
| CDC IXIS | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| Anatol Invest (and subsidiaries) | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| CDC Entreprises | Prop. | 26.45% | 16.47% | 26.45% | 16.47% |
| CDC Entreprises 2 | Prop. | 26.45% | 6.51% | 26.45% | 6.51% |
| CDC Innovation 96 | Prop. | 26.45% | 16.62% | 26.45% | 16.62% |
| CDC IXIS Asset Management (and subsidiaries) | Prop. | 26.45% | 13.75% | 26.45% | 13.75% |
| CDC IXIS Capital Market (and subsidiaries) | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| IXIS AEW Europe (ex-CDC IXIS immo) | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| CDC IXIS North America (and subsidiaries) | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| CDC IXIS Financial Guaranty (and subsidiaries) | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| CDC IXIS Private Equity (and subsidiaries) | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| CDC Urquijo | Prop. | 26.45% | 8.77% | 26.45% | 8.77% |
| Electropar France | Prop. | 26.45% | 8.60% | 26.45% | 8.60% |
| Euromontaigne | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| Foncière des Pimonts (and subsidiaries) | Prop. | 26.45% | 12.64% | 26.45% | 12.64% |
| Fondinvest | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| CDC IXIS Administration de Fonds (ex-GSF) | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| Logistis (and subsidiaries) | Equity | 8.81% | 5.73% | 8.81% | 5.73% |
| Magnant | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| Martignac Finance | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| Nexgen (and subsidiaries) | Equity | 10.84% | 6.65% | — | — |
| PART'COM | Prop. | 26.45% | 17.19% | 26.45% | 17.19% |
| Sogeposte | Equity | 12.96% | 8.42% | 12.96% | 8.42% |
| Vega Finance (and subsidiaries) | Prop. | 26.45% | 14.61% | 26.45% | 14.61% |
| **Crédit Foncier Group** | | | | | |
| Crédit Foncier de France | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Auxiliaire du Crédit Foncier de France | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Cofimab | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Compagnie de Financement Foncier | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Compagnie Foncière de Crédit | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Crédit de l'Arche | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Crédit Foncier Assurance Courtage | Prop. | 72.39% | 47.00% | 72.39% | 47.00% |
| Crédit Foncier Banque | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Dom2 | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| FCC Teddy | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| Financière Desvieux | Prop. | 72.39% | 47.05% | 72.39% | 47.05% |
| Foncier Assurance | Prop. | 72.39% | 47.05% | 72.39% | 47.05% |

[1] Consolidation method: Full = Full consolidation; Prop = Consolidated on a proportional basis; Equity = Accounted for by the equity method

**Consolidated entities**

| | Method[1] | June 30, 2003 Percent voting rights | June 30, 2003 Percent interest | December 31, 2002 Percent voting rights | December 31, 2002 Percent interest |
|---|---|---|---|---|---|
| Foncier Bail .. .. .. .. .. .. | Prop. | 72.39% | 47.05% | 72.39% | 47.05% |
| Foncier Participations .. .. .. .. | Equity | 72.39% | 47.06% | 72.39% | 47.06% |
| SICP (and subsidiaries) .. .. .. .. | Equity | 68.77% | 47.06% | 68.77% | 44.70% |
| Soclim .. .. .. .. .. .. .. | Prop. | 72.39% | 47.06% | 72.39% | 47.06% |
| **Cicobail Group** | | | | | |
| Cicobail .. .. .. .. .. .. | Prop. | 49.90% | 32.36% | 49.90% | 32.36% |
| Cinergie .. .. .. .. .. .. | Prop. | 49.90% | 32.39% | 49.90% | 32.39% |
| Mur Ecureuil .. .. .. .. .. | Prop. | 49.90% | 32.39% | 49.90% | 32.39% |
| **Socfim Group** | | | | | |
| Socfim .. .. .. .. .. .. .. | Prop. | 49.90% | 32.40% | 49.90% | 32.40% |
| SNC SEI Logement .. .. .. .. | Prop. | 49.90% | 32.40% | 49.90% | 32.40% |
| SNC SEI Tertiaire .. .. .. .. .. | Prop. | 49.90% | 32.40% | 49.90% | 32.40% |
| Socfim Participations .. .. .. .. | Prop. | 49.90% | 32.40% | 49.90% | 32.40% |
| Socfim Transaction .. .. .. .. | Prop. | 49.90% | 32.40% | 49.90% | 32.40% |
| Société Européenne d'Investissement .. | Prop. | 49.90% | 32.40% | 49.90% | 32.40% |
| **Eulia Caution Group** | | | | | |
| Eulia Caution .. .. .. .. .. | Prop. | 49.90% | 32.44% | 49.90% | 32.44% |
| Cegi .. .. .. .. .. .. .. | Prop. | 49.90% | 22.71% | 49.90% | 22.71% |
| Financière CEGI .. .. .. .. .. | Prop. | 49.90% | 22.71% | 49.90% | 22.71% |
| Saccef .. .. .. .. .. .. .. | Prop. | 49.90% | 32.44% | 49.90% | 32.44% |
| Socamab .. .. .. .. .. .. | Prop. | 49.90% | 12.97% | 49.90% | 12.97% |

**Note 5 – Customer Items**

| ASSETS | June 30, 2003 | December 31, 2002 | LIABILITIES | June 30, 2003 | December 31, 2002 |
|---|---|---|---|---|---|
| | *(in million of euros)* | | | *(in million of euros)* | |
| Customer loans .. .. | 117,332 | 114,919 | Special savings accounts .. | 144,295 | 141,760 |
| – Individuals and self-employed professionals | 75,532 | 73,581 | Other customer deposits .. | 27,652 | 27,731 |
| – Local and regional authorities | 21,638 | 21,846 | Accrued interest .. .. | 2,748 | 598 |
| – Other customer loans | 20,162 | 19,492 | | | |
| Non-performing loans | 3,370 | 3,273 | | | |
| Provisions | (1,655) | (1,620) | | | |
| **TOTAL**.. .. .. .. | 119,047 | 116,572 | **TOTAL** .. .. .. | 174,695 | 170,089 |

**Note 6 – Investments In Unconsolidated Subsidiaries and Affiliates Accounted for By The Equity Method, Other Long-Term Investments**

During the first half of 2003, no material purchases or sales of subsidiaries, associated companies or other long-term investments were carried out.

[1] Consolidation method: Full = Full consolidation; Prop = Consolidated on a proportional basis; Equity = Accounted for by the equity method

### Note 7 – Debt Securities

| *Debt securities* | *June 30, 2003* | *December 31, 2002* |
|---|---|---|
| | *(In million of euros)* | |
| Retail certificates of deposit and savings certificates | 1,251 | 1,452 |
| Interbank and money market securities | 24,166 | 22,442 |
| Bonds | 47,736 | 43,646 |
| Other debt securities | 21 | 31 |
| TOTAL | 73,174 | 67,571 |

### Note 8 – Capital Funds and Reserves, Reserve for General Banking Risks and Subordinated Debt

*(a) Capital funds and reserves, excluding reserve for general banking risks*

(In million of euros)

| | *Capital* | *Share premiums* | *Reserves and retained earnings* | *Net income for the period* | *Total* |
|---|---|---|---|---|---|
| | | | *(In million of euros)* | | |
| **At December 31, 2002** | 2,873 | 0 | 5,473 | 952 | 9,298 |
| Appropriation of 2002 net income | | | 952 | (952) | 0 |
| Dividends | | | (86) | | (86) |
| Mergers of individual Caisses d'Epargne | | 204 | (204) | | 0 |
| Translation adjustment | | | (19) | | (19) |
| Other movements | | | 1 | | 1 |
| Net income for the period | | | | 570 | 570 |
| **At June 30, 2003** | 2,873 | 204 | 6,117 | 570 | 9,764 |

*(b) Changes in reserve for general banking risks*

| | *January 1, 2003* | *Allocations* | *Reversals* | *June 30, 2003* |
|---|---|---|---|---|
| | | *(In million of euros)* | | |
| Reserve for general banking risks | 2,107 | 155 | (21) | 2,241 |

*(c) Subordinated debt*

During the first half of 2003, CNCE issued €417 million worth of 4.5% subordinated debt securities, due February 2015.

CDC Ixis carried out a €169 million subordinated debt issue during the period, of which €45 million are reflected in the Caisse d'Epargne Group balance sheet.

**Note 9 – Commitments on Financial Instruments**

Commitments on financial instruments primarily concern interest-rate instruments traded over-the-counter.

| | *Nominal contract amounts* | | | | |
|---|---|---|---|---|---|
| | *Interest-rate instruments* | *Currency instruments* | *Other instruments* | *TOTAL June 30, 2003* | *TOTAL December 31, 2002* |
| | *(In million of euros)* | | | | |
| TRANSACTIONS ON ORGANIZED MARKETS | | | | | |
| Futures | 46,237 | 3 | 66,060 | 112,300 | 61,612 |
| Options | 83,649 | 7 | 28,656 | 112,312 | 31,898 |
| OVER-THE-COUNTER TRANSACTIONS | | | | | |
| Forward contracts | 426,255 | 3,981 | 0 | 430,236 | 392,851 |
| Options | 64,762 | 1,079 | 8,344 | 74,185 | 76,519 |
| **TOTAL** | 620,903 | 5,070 | 103,060 | 729,033 | 562,880 |

**Note 10 – Provisions for Loan Losses**

| | *Customer loans* | *Other* | *TOTAL* |
|---|---|---|---|
| | *(In million of euros)* | | |
| Charges to provisions | (281) | (38) | (319) |
| Reversals of provisions | 211 | 30 | 241 |
| Other | (68) | (5) | (73) |
| Total, six months ended June 30, 2003 | (138) | (13) | (151) |
| Total, six months ended June 30, 2002 | (117) | (30) | (147) |
| Total, twelve months ended December 31, 2002. | (306) | (51) | (357) |

To reflect counterparty risks more accurately, a provision is recorded under liabilities covering sound loans and off-balance sheet commitments for which statistical data are available to assess the probability of default. The provision is calculated by applying different rates to loans analyzed by credit rating and remaining term. The rates are weighted based on assumptions concerning the probability of the amounts involved being recovered in the event of default.

**Note 11 – Exceptional Items**

Exceptional income and expenses are income and expenses which are unusual in terms of their frequency and which fall outside the scope of the Group's ordinary activities.

## AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF CAISSE D'EPARGNE GROUP

**Free translation of the original report in French**

To the shareholders

In accordance with the terms of our engagement, we have performed a limited review of the accompanying interim consolidated financial statements for the period from January 1 to June 30, 2003.

These interim consolidated financial statements have been approved by the Management Board of Caisse Nationale des Caisses d'Epargne et de Prévoyance. Our responsibility, based on our limited review, is to report our conclusions concerning these financial statements.

We conducted our limited review in accordance with the standards generally accepted in France. Those standards require that we perform limited procedures to obtain reasonable assurance, below the level resulting from a full audit, that the interim financial statements do not contain any material errors. A limited review of interim financial statements is substantially less in scope than an audit and consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements, prepared in accordance with French regulations and generally accepted accounting principles, in order to present fairly the consolidated results of operations for the six months ended June 30, 2003 and the consolidated financial position and assets of the Caisse d'Epargne Group at that date.

A note to the interim financial statements describes the effects of applying standard CRC 2002-03, dealing with the accounting treatment of credit risks by banking institutions, and standard CRC 2002-10, dealing with asset write-downs. This observation does not affect our conclusions concerning the interim consolidated financial statements as set out above.

We also reviewed, in accordance with the standards generally accepted in France, the information given in the interim report on the interim consolidated financial statements that were the subject of our limited review.

Except for the impact of the changes of method referred to above, we have no matters to report concerning the fairness of the interim report or its consistency with the interim consolidated financial statements.

Paris and Paris La Défense, September 30, 2003

| **PRICEWATERHOUSECOOPERS AUDIT** | | **MAZARS & GUERARD** | |
|---|---|---|---|
| Yves Nicolas | Anik Chaumartin | Michel Barbet-Massin | Franck Boyer |

## CONSOLIDATED BALANCE SHEET OF CAISSE D'EPARGNE GROUP AT 31 DECEMBER 2002, 2001 AND 2000

| | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| **Assets** | | | | |
| CASH, MONEY MARKET AND INTERBANK ITEMS | 155,917 | 156,369 | 102,722 | 92,721 |
| CUSTOMER ITEMS | 116,572 | 108,737 | 118,210 | 109,841 |
| LEASE FINANCING | 2,085 | 1,944 | 2,665 | 2,602 |
| BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES | 54,891 | 53,125 | 40,021 | 39,326 |
| INVESTMENTS BY INSURANCE COMPANIES | 482 | 451 | 573 | 511 |
| INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD, OTHER LONG-TERM INVESTMENTS | 2,994 | 3,106 | 3,924 | 3,196 |
| TANGIBLE AND INTANGIBLE ASSETS | 2,716 | 2,974 | 2,336 | 2,475 |
| GOODWILL | 173 | 271 | 70 | 76 |
| ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS | 21,303 | 18,080 | 15,375 | 13,139 |
| **TOTAL ASSETS** | 357,133 | 345,057 | 285,896 | 263,887 |

| | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| **Off-balance sheet commitments** | | | | |
| Commitments given: | | | | |
| FINANCING COMMITMENTS | 27,639 | 23,129 | 17,640 | 18,388 |
| GUARANTEE COMMITMENTS | 15,924 | 10,626 | 4,805 | 6,212 |
| COMMITMENTS MADE ON SECURITIES | 256 | 228 | 7 | 17 |
| COMMITMENTS GIVEN BY THE INSURANCE BUSINESS | 1,184 | 1,080 | 2,164 | 366 |

(1) The balance sheet and off-balance sheet commitments at 31 December 2001 restated to reflect the Group's consolidated position excluding the impact of the structural changes induced by the Alliance operation as carried at 31 December 2001, in order to ensure comparability with the accounts published on 31 December 2000.

| | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| **Liabilities, capital funds and reserves** | | | | |
| MONEY MARKET AND INTERBANK ITEMS | 76,763 | 75,170 | 30,859 | 25,092 |
| CUSTOMER ITEMS .. .. .. .. .. .. | 170,089 | 166,289 | 162,277 | 156,271 |
| DEBTS REPRESENTED BY A SECURITY | 67,571 | 63,779 | 61,811 | 54,350 |
| TECHNICAL RESERVES OF INSURANCE COMPANIES .. .. .. .. .. .. | 366 | 317 | 492 | 416 |
| ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES .. .. .. | 23,880 | 22,492 | 13,650 | 11,773 |
| NEGATIVE GOODWILL .. .. .. .. | 60 | 87 | 91 | 169 |
| PROVISIONS FOR LIABILITIES AND CHARGES .. .. .. .. .. .. | 3,128 | 3,135 | 3,177 | 3,260 |
| SUBORDINATED DEBT .. .. .. .. | 2,179 | 1,636 | 1,822 | 1,809 |
| RESERVE FOR GENERAL BANKING RISKS (RGBR) .. .. .. .. .. .. .. | 2,107 | 1,952 | 1,966 | 1,781 |
| MINORITY INTERESTS .. .. .. .. | 1,692 | 1,734 | 1,124 | 1,076 |
| CONSOLIDATED CAPITAL FUNDS AND RESERVES (EXCLUDING RGBR) .. .. | 9,298 | 8,466 | 8,627 | 7,890 |
| Capital .. .. .. .. .. .. .. .. | 2,873 | 2,878 | 2,878 | 2,878 |
| Share premium .. .. .. .. .. .. | 0 | 2 | 2 | 2 |
| Consolidated Reserves and retained earnings .. | 5,473 | 4,796 | 4,957 | 4,323 |
| Net income for the year .. .. .. .. .. | 952 | 790 | 790 | 687 |
| **TOTAL LIABILITIES, CAPITAL FUNDS AND RESERVES** .. .. .. .. .. .. | 357,133 | 345,057 | 285,896 | 263,887 |

| **Off-balance sheet commitments** | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| Commitments received: | | | | |
| FINANCING COMMITMENTS .. .. .. | 4,703 | 3,677 | 3,208 | 4,346 |
| GUARANTEE COMMITMENTS .. .. .. | 7,812 | 6,540 | 4,331 | 2,870 |
| COMMITMENTS RECEIVED ON SECURITIES .. .. .. .. .. .. | 482 | 531 | 57 | 89 |
| COMMITMENTS RECEIVED FROM THE INSURANCE BUSINESS .. .. .. .. | 23 | 12 | 19 | 10 |

(1) The balance sheet and off-balance sheet commitments at 31 December 2001 restated to reflect the Group's consolidated position excluding the impact of the structural changes induced by the Alliance operation as carried at 31 December 2001, in order to ensure comparability with the accounts published on 31 December 2000.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT OF CAISSE D'EPARGNE GROUP FOR 2002 AND 2001

| | *2002* | *2001 (restated)* | *2001* |
|---|---|---|---|
| | *(in millions of euros)* | | |
| Interest and similar income | 16,913 | 17,776 | 16,407 |
| Interest and similar expense | (13,507) | (14,719) | (12,597) |
| Income from shares and other variable-income securities | 179 | 170 | 153 |
| Net commission and fee income | 1,975 | 1,716 | 1,524 |
| Gains (or losses) on trading transactions | 583 | 558 | 55 |
| Gains (or losses) on held-for-sale portfolio transactions and similar items | 260 | 276 | (6) |
| Other net operating income | 135 | 184 | 171 |
| Gross margin on insurance business | 45 | 31 | 53 |
| **NET BANKING INCOME** | 6,583 | 5,992 | 5,760 |
| General operating expenses | (4,462) | (4,209) | (4,041) |
| Depreciation and amortization of tangible and intangible assets | (312) | (352) | (343) |
| **GROSS OPERATING INCOME** | 1,809 | 1,431 | 1,376 |
| Risk-related costs | (357) | (421) | (391) |
| **OPERATING INCOME** | 1,452 | 1,010 | 985 |
| Share in net income of companies accounted for by the equity method | 151 | 159 | 200 |
| Gains (or losses) on fixed assets | 45 | 39 | 41 |
| **NET ORDINARY INCOME BEFORE TAX** | 1,648 | 1,208 | 1,226 |
| Extraordinary items | (9) | 25 | 37 |
| Tax on profits | (435) | (284) | (236) |
| Amortization of goodwill | (38) | 25 | 34 |
| Allocations to/releases from the Reserve for General Banking Risks | (156) | (182) | (185) |
| Minority interests | (58) | (106) | (86) |
| **CONSOLIDATED NET INCOME** | 952 | 686 | 790 |

## AUDITORS' REPORT ON THE CAISSE D'EPARGNE GROUP CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

**Free translation from the original report in French**

To the shareholders,

In accordance with the terms of our appointment, we have audited the accompanying consolidated financial statements of the Caisse d'Epargne Group, for the year ended December 31, 2002.

The consolidated financial statements are the responsibility of the Management Board of the Caisse Nationale des Caisses d'Epargne et de Prévoyance. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the professional standards applied in France. These standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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, and evaluating the overall financial statement presentation. In this respect, we have obtained the audit reports of the statutory auditors of the Caisses d'Epargne and their subsidiaries and associated companies together with certain supplementary information. We believe that our audit and the conclusions of the statutory auditors of the Caisses d'Epargne and their subsidiaries and associated companies provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, prepared in accordance with accounting principles generally accepted in France, give a true and fair view of the assets and liabilities, of the consolidated financial position and consolidated income of the economic entity comprised of the companies that together form the Caisse d'Epargne Group.

Without calling into question the above opinion, we draw your attention to Note 4 to the consolidated financial statements that describes the impact of the merger operations with the Caisse des dépôts Group on the comparability of the results of the Caisse d'Epargne Group.

We have also verified the information contained in the Group Management Report. We have no comments to make as to the fairness and conformity with the consolidated financial statements of the information included in this Report.

Paris and La Défense, May 2, 2003

| | |
|---|---|
| Coopers & Lybrand Audit<br>Member of PricewaterhouseCoopers | Mazars & Guérard |
| Yves NICOLAS    Anik CHAUMARTIN | Michel BARBET-MASSIN    Franck BOYER |

# MANAGEMENT REPORT OF CAISSE D'EPARGNE GROUP FOR THE 2002 FINANCIAL YEAR

## 1. HIGHLIGHTS OF THE 2002 FINANCIAL YEAR

● ***More than half a million new cooperative shareholders***

In 2002, the Caisses d'Epargne continued to promote the sale of shares in their capital. In just one year, the number of cooperative shareholders in the French savings banks rose from 2.1 million to 2.7 million. The total value of subscriptions, since shares became available for sale, stood at €2.23 billion at the end of 2002. Dividends paid to cooperative shareholders by the local savings companies for the 2002 financial year were fixed by virtually all the individual Caisses at 5.25%, tax credit included. Total payments amounted to €64 million.

● ***Development and rationalization of business lines***

At the end of December 2001, the Caisse d'Epargne and Caisse des dépôts Groups set up a financial holding company Eulia, to combine their core business activities in the area of retail banking, investment banking, real estate and insurance. Eulia holds 53% of the capital of CDC IXIS, a majority interest in the capital of the Caisses d'Epargne's subsidiaries specializing in insurance, real estate, savings and credit, as well as 40.63% of Crédit Foncier. In 2002:

- more than 30 synergy and growth projects were launched,
- the Finance Division transferred by the CNCE to CDC IXIS was successfully integrated into the reporting entity and contributed a total of €52.3 million to the net ordinary income before tax of the CDC IXIS Group,
- in addition, the Caisses d'Epargne network used the expertise of the sales teams from CDC IXIS Capital Markets to sell innovative products designed for local government and private asset management customers. The Caisses d'Epargne network is CDC IXIS' principal customer accounting for approximately 15% of its Europe-based net banking income.

Already present in New Caledonia, the French West Indies, Reunion Island and Saint-Pierre-et-Miquelon, the Caisse d'Epargne Group completed its presence in French overseas territories with the acquisition-at the end of December 2001-of 95% of Banque de Tahiti and 95% of Banque de Nouvelle-Calédonie. These companies were consolidated for the first time in 2002. All the Group's overseas holdings were brought together during the year under the aegis of Financière Océor, a decision that created the largest banking network in French overseas territories with 71 branches covering 5 different territories, 1,380 employees, and generating net banking income in excess of €210 million.

Finally, the Group created a specialized joint venture-Caisse d'Epargne Financement (CEFI)-with Cetelem, the n̊1 consumer finance company in Europe and already a partner of the Caisses d'Epargne with the *Satellis Aurore* credit card. The new subsidiary (67%-owned by the Caisses d'Epargne) launched Teoz, a new consumer credit card, during the 2002 financial year. The Group aims to capture 5% of the French market for revolving credit by 2006. CEFI was consolidated in the accounts of the Caisse d'Epargne Group for the first time in 2002.

● ***A wealth of new products during the year***

2002 saw the market launch of several new products specifically designed for individual customers, professionals or specialized markets. We would like to emphasize in particular the launch on the local customer market of *Nuance Grenadine*, a savings product offering the combined advantages of life insurance and donation inter vivos, the success of guaranteed return investments or non-guaranteed, index-linked funds despite the depressed stock market environment with *Quadreto* and the *Doubl'ô Monde* and *Cordillière* fund families, and a single package offering car loans along with motor insurance with *Iziauto*.

● ***Ongoing rationalization of the means of production***

The upgrade of the Group's IT resources is in progress. The migration of resources from 8 to 3 data-processing platforms is going ahead according to plan: at the end of March 2003, 25 Caisses d'Epargne had moved to their target platform. Total funds of €230 million had been committed to this upgrade by the end of 2002, and provisions for a further €89 million remained on the balance sheet at the end of the financial year. Savings on IT operating expenses at the end of 2002 had reached one half of the target figure – €150 million – fixed for the 2003 financial year.

Cost sharing initiatives have been launched within the Caisses d'Epargne network: 15 savings banks have grouped their customer-relations services around 6 call centres, 10 of them have combined their back-offices for the production of fire, accident and miscellaneous risks insurance; projects related to the Group's banking activities are currently in progress.

- ***Broader refinancing***

The intrinsic ratings assigned to the Caisse d'Epargne Group were raised successively during the year by Moody's in July 2002 to B- and by Fitch Ratings in November 2002 to BC.

Compagnie de Financement Foncier purchased eligible loans granted by Crédit Foncier for a total of more than €3 billion in 2002. At the same time, the Compagnie issued covered bonds (*obligations foncières*) for a total of €7.7 billion, with an average maturity profile of 5 years. Since its creation in 1999, Compagnie de Financement Foncier has become the largest French issuer of covered bonds, and the 2nd largest issuer overall, after the French State, with debt issues worth a total of €23 billion.

With the new loans obtained in 2002 by the Caisse Nationale des Caisses d'Epargne (CNCE), the Group boasts a medium- and long-term line of credit with the European Investment Bank worth a total of €400 million, allowing it to optimize the conditions of certain loans.

- ***Social solidarity***

The Caisses d'Epargne examined several thousand local and social economy projects (known as "**PELS**") in 2002, and decided to support a total of 1,316 against 952 in 2001, for a total of €23 million (against €20 million in 2001).

Lastly, the Caisses d'Epargne de Languedoc-Roussillon, Provence-Alpes-Corse and Aquitaine Nord all rallied considerable support to help the flood victims in southeast France, and the coastal areas suffering from oil pollution from the Prestige. The assistance granted by these savings banks to local authorities, businesses, professionals, private individuals and associations took the form, in particular, of deferred loan repayments, loans and cash advances bearing no interest for 3 months.

- ***Changes in accounting methods***

Financial accounting standard n̊ 2000-06 of the French Accounting Regulatory Committee governing the recording of provisions on the liabilities side of the balance sheet has been applied since January 2002. The adoption of this standard has had no significant impact on the consolidated capital funds at the start of the financial year. It has no impact on the comparison of results presented in this report.

## 2. STRONG GROWTH IN 2002 RESULTS

| | *2000* | *2001* | *2001 restated* | *2002* | *Published % change* | *2002/2001 restated* |
|---|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | | |
| Net banking income .. .. | 5,514 | 5,760 | 5,992 | 6,583 | 14% | 10% |
| General operating expenses .. | (4,422) | (4,384) | (4,561) | (4,774) | 9% | 5% |
| **Gross operating income** .. | 1,092 | 1,376 | 1,431 | 1,809 | 31% | 26% |
| Operating efficiency ratio .. | 80.2% | 76.1% | 76.1% | 72.5% | – 3.6 points | – 3.6 points |
| Risk-related costs .. .. | (166) | (391) | (421) | (357) | (9)% | (15)% |
| Share in net income of companies accounted for by the equity method .. | 114 | 200 | 159 | 151 | (25)% | (5)% |
| Gains (or losses) on fixed assets .. .. .. .. | 48 | 41 | 39 | 45 | 11% | 15% |
| **Net ordinary income before tax** .. .. .. .. | 1,088 | 1,226 | 1,208 | 1,648 | 34% | 36% |
| Extraordinary items .. .. | (59) | 37 | 25 | (9) | (123)% | (135)% |
| Tax on profits .. .. .. | (312) | (236) | (284) | (435) | 84% | 53% |
| Amortization of goodwill .. | 172 | 34 | 25 | (38) | (212)% | (251)% |
| Allocations to the Reserve for General Banking Risks .. | (138) | (185) | (182) | (156) | (16)% | (14)% |
| Minority interests .. .. | (64) | (86) | (106) | (58) | (33)% | (45)% |
| **Net profit** .. .. .. .. | 687 | 790 | 686 | 952 | 21% | 39% |
| **Earning capacity (excluding minority interests)*** .. .. | 825 | 975 | 860 | 1,102 | 13% | 28% |
| **Return on equity** .. .. .. | 9.5% | 10.1% | — | 10.1%** | — | — |

* Earning capacity (excluding minority interests) = net profit (excluding minority interests) – Reserve for General Banking Risks (excluding minorities).

** Calculated on the basis of average capital funds in 2002 and capital funds, before official levies, in 2000 and 2001.

**N.B.:** Owing to the creation of Eulia at the end of 2001, the analysis of changes between the 2002 and 2001 financial years required the creation of a restated profit & loss account for 2001 making it possible to compare the different items comprising the Group's annual results from one year to the next on a like-for-like basis. The assumption adopted when preparing the pro forma accounts is that Eulia was created on December 31, 2000 (for further details, see note 4.2 to the notes to the consolidated financial statements).

The results achieved by the Caisse d'Epargne Group in 2002 show significant improvement despite the depressed macroeconomic environment, marked by a strong downturn in economic growth, an accelerated decline in stock market values, and higher credit risks. In this context:

- The Group's **earning capacity** (excluding minority interests) for the first time exceeded the one billion euro mark to reach a total of €1,102 million in 2002, representing growth of 13% compared with the previous year. On a like-for-like basis, growth in earning capacity stands at 28%. This level of result is consonant with the Group's target to double its 1999 earning capacity within four years to reach a total of €1.3 billion by the end of 2003.

- **Gross operating income rose 31%**, and 26% if Eulia's contribution to the consolidated results is excluded. This performance, comparable to that achieved in 2001, reflects 14% growth in income related to interest margins, commissions & fees, allowing the Group to offset the 9% increase in general operating expenses.

- **The operating efficiency ratio was improved by a further 3.6 points**, reduced to 72.5% at the end of December 2002. After a 4.1-point decline in 2001, this new gain confirms the internal dynamic of improvement pursued since 1999 enabling the Group to boost one of the best ratios in French industry.

- **Net ordinary income before tax rose 34%** (36% on the like-for-like basis) to reach a total of €1,648 million. This result was obtained notwithstanding the Group's decision to pursue its conservative provisioning policy. Thus, in addition to provisions allocated to individual risks (marginally down to €232 million), the Group continued to widen the assessment basis of its "dynamic" provisions retained to cover the probable risk of default on the part of counterparties not included in the "non-performing" category. As of 2002, this basis also includes consumer credit and loans to real-estate professionals, with total "dynamic" provisions standing at €389 million after a net allocation during the year of €125 million.

- Finally, **return on equity stood at 10.1% in 2002**. This level is affected by a change in accounting method; in 2002, the Group decided to calculate this ratio on the basis of average equity instead of using the opening equity figure. In the absence of this change in method, return on equity would have risen to 10.6%.

### *2.1 Net banking income up 14%*

| | *2000* | *2001* | *2001 restated* | *2002* | *Published % change* | *2002/2001 restated* |
|---|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | | |
| Net interest margin | 3,120 | 3,187 | 3,230 | 3,551 | 11% | 10% |
| Commission and fee income | 2,266 | 2,389 | 2,548 | 2,853 | 19% | 12% |
| Other income | 128 | 184 | 214 | 179 | (3)% | (16)% |
| Net banking income | 5,514 | 5,760 | 5,992 | 6,583 | 14% | 10% |

The breakdown of net banking income adopted for the Management Report differs from the presentation in the consolidated accounts in order to provide a more accurate view of the Group's overall business activities; one notable difference is that the income generated from the distribution of *Livret A* passbook accounts is restated under commission and fee income.

The Group's consolidated net banking income for the year rose 14% to reach €6.58 billion. This increase is reduced to 10% if changes in Group structure related to Eulia and CDC IXIS are excluded. Despite enjoying strong growth during the year, the part related to interest margins continued to decline in favour of commissions and other operating income, thereby testifying to the Group's wider revenue base. As a result, commissions and fee income accounted for 43.3% of the Group's net banking income in 2002 against 41.5% in 2001. This 1.8-point increase is linked, firstly, to the arrival of activities contributed by CDC IXIS (1 point) and, secondly, to growth in the commercial activities of the individual Caisses d'Epargne (0.8 point).

- ***Net interest margin***

Net interest margin stood at €3.55 billion in 2002, equal to an 11% increase over the 2001 figure. After cancelling out effects related to the creation of Eulia (transfer of CNCE's Finance division to CDC IXIS and the proportional consolidation of the CDC IXIS Group (at 26.45%) in the accounts of the Caisse d'Epargne Group), interest margins rose 10% or €321 million.

This strong growth is linked to:

- An increase in customer margins driven, in particular, by the rise in average outstandings related to lending and intermediation activities. By the end of the financial year, these outstandings listed on the balance sheet had risen by 4% between December 31, 2001 and December 31, 2002.

- The improvement in financial margins despite the impact of the equity market. Capital gains on fixed-income securities and the sharp decline in debt-servicing costs enabled the Group to improve its overall intermediation rate.
- The expansion of the Group's reporting entity to include the Banque de Tahiti and Banque de Nouvelle-Calédonie, whose accounts were included in the consolidated Group for the first time in 2002 and whose contribution to interest margin amounted to €46 million.

- ***Commission and fee income***

| | *2000* | *2001* | *2001 restated* | *2002* | *Published % change* | *2002/2001 restated* |
|---|---|---|---|---|---|---|
| | | | | | *(in millions of euros)* | |
| Commissions on regulated savings funds .. .. .. | 814 | 824 | 832 | 878 | 6% | 6% |
| Mutual fund and life insurance commissions .. | 499 | 525 | 722 | 770 | 47% | 7% |
| Fees from banking services .. | 953 | 1,040 | 994 | 1,205 | 16% | 21% |
| **Total commission and fee income** .. .. .. .. | 2,266 | 2,389 | 2,548 | 2,853 | 19% | 12% |

**Total commission and fee income** amounted to €2.85 billion in 2002, representing growth of 19% compared with 2001. Excluding operations related to the creation of Eulia, commission and fee income still increased by a substantial 12%.

**Commissions received on regulated savings funds** (*Livret A* passbook accounts and, in part, LEP popular passbook and Codevi tax-efficient savings accounts) enjoyed growth of 6% in 2002, after a moderate 1.3% increase in 2001. This growth is chiefly due to a volume effect on *Livret A* passbook accounts whose average aggregate deposits rose 4% during the financial year. Despite this growth in deposits, commissions related to *Livret A* passbook accounts only accounted for 11.5% of net banking income in 2002 against 12.6% the previous year. Every year, the Group continues to reduce its dependence on this historical product.

**Commissions on the sale of mutual funds and life insurance products** enjoyed 7% growth in 2002 (excluding the effect of contributions from CDC IXIS AM) after a 5.3% increase in 2001, with the mutual fund and life insurance segments performing at different rates.

- Commissions earned on the sale of mutual funds increased more slowly in 2002, rising just 3.2% to reach a total of €409 million, compared with 10.1% in 2001 and 36.5% in 2000. This still represents fine performance, however, achieved in spite of a depressed stock market environment in 2002 when the CAC 40 share index lost almost 34% of its value. In this context, the Caisse d'Epargne Group reasserted its position as the market leader for the placement of guaranteed-return funds, enabling it to ride out the decline in new subscriptions and the drop in the cash-in value of its mutual funds.
- By contrast, new life insurance business generated by the Group performed extremely well following a lacklustre year in 2001. Commissions from life insurance products rose 11% to reach an aggregate total of €362 million thanks, in particular, to the distribution of the new *Nuances* + and *Nuances 3D* products.

**Fees from banking services** rose 21.2% to reach a total of €1.2 billion in 2002. The additional €211 million was chiefly generated from a greater use of banking services (the average balance on deposit accounts rose by more than 11% during the year), the distribution of more products to our customers with the successful sale of service packages (the number of packages has risen by more than 16% within the Caisses d'Epargne network), and a pricing system more suited to the management of customers' accounts. What is more, concurrently with the increase in new loan production, the Group also recorded strong growth in commissions on borrowers' insurance (up 14%).

### *2.2 General operating expenses up 8.9%*

| | *2000* | *2001* | *2001 restated* | *2002* | *Published % change* | *2002/2001 restated* |
|---|---|---|---|---|---|---|
| | | | | | *(in millions of euros)* | |
| Personnel costs .. .. .. | (2,574) | (2,637) | (2,768) | (2,932) | 11% | 6% |
| Taxes .. .. .. .. .. | (176) | (171) | (153) | (175) | 2% | 14% |
| External services .. .. .. | (1,361) | (1,233) | 1,288) | (1,355) | 10% | 5% |
| Net depreciation charges .. | (311) | (343) | (352) | (312) | (9)% | (11)% |
| **Total operating expenses** .. | (4,422) | (4,384) | (4,561) | (4,774) | 9% | 5% |

**General operating expenses** rose 8.9% compared with 2001 to reach a total of €4.77 billion. After eliminating changes in the reporting structure related to the creation of Eulia, the increase in this item is reduced to €213 million, or 4.7%. New arrivals in the reporting entity not accounted for in the restated figures (Banque de Tahiti and Banque de Nouvelle-Calédonie), the creation of the new consumer credit subsidiary CEFI, and new expenses related to the Eulia financial holding company add a total of €60 million to this increase. Thus, on a strictly like-for-like basis, the rise in operating expenses is only 3.3%.

**Personnel costs** – the major element in operating expenses-reached a total of €2.93 billion, representing an increase of 6% (on a restated basis) owing to growth in the average number of employees of 2.9% (+ 1.7% if newly consolidated entities are excluded), the rise in expenses related to covering the pension liabilities of the Caisse d'Epargne network for a total of €16.1 million (+ 31%), and the increase in the variable portion of remuneration owing to the enhanced results of the entities belonging to the Caisse d'Epargne Group.

**Expenses related to taxes** reached a total of €175 million, rising 14% (on a restated basis) owing in particular to the provisions for liabilities retained during the year.

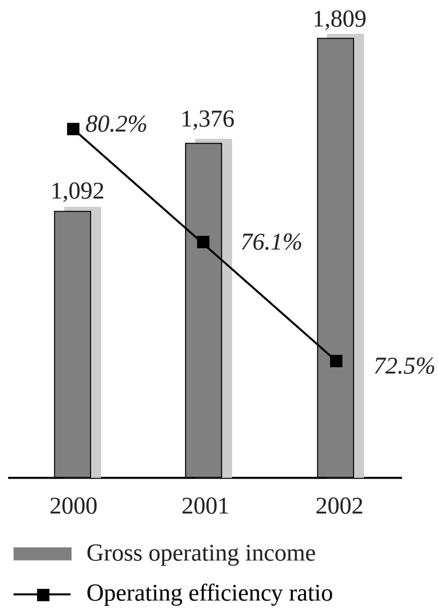
**Expenses related to external services** rose 5% (on a restated basis) to reach a total of €1.36 billion. In 2002, these expenses cover the impact of changes in Group structure (€24 million) and additional IT-related expenses for a total of €32 million. If these items are excluded, the rise in expenses related to external services is marginal, and amounts to less than 1%. It should be noted that the Caisses d'Epargne have launched a series of cost-cutting initiatives combining internal savings operations spread over several financial years, the creation of a central purchasing structure at Group level, and initiatives designed to pool production resources.

**Net depreciation charges** amounted to €312 million, representing a decline of €40 million (on a restated basis). This decline is chiefly linked to the exceptional write-down of intangible assets for a total of €31 million in 2001. If this non-recurring item is excluded, the level of depreciation charges is comparable to that observed for the 2000 financial year.

### 2.3 *Gross operating income and operating efficiency ratio*

**Gross operating income** reached a total of €1.81 billion in 2002, equal to 31% growth over 2001, and 26% if structural effects related to the creation of Eulia are excluded. The **operating efficiency ratio** improved by 3.6 percentage points to reach 72.5% at December 31, 2002.

Changes in the operating efficiency ratio
and gross operating income




### 2.4 *Risks-related costs*

This item decreased during the year, falling to €357 million in 2002 from €391 million in 2001, representing a decline of 9% and 15% excluding structural changes.

| | *2000* | *2001* | *2001 restated* | *2002* | *% change* | *restated* |
|---|---|---|---|---|---|---|
| | | | | | *(in millions of euros)* | |
| "Dynamic" and sector-based provisions .. .. .. | (77) | (151) | (166) | (125) | (17)% | (25)% |
| Risk on portfolio positions and major financing operations .. .. .. | (3) | (123) | (132) | (70) | (43)% | (47)% |
| Risk on commercial activities | (86) | (117) | (123) | (162) | 38% | 32% |
| **Risk-related costs** .. .. | (166) | (391) | (421) | (357) | (9)% | (15)% |

This decline is the net result of several opposing trends:

- Firstly, the dramatic increase in "**corporate**" **risks** during the final quarter of 2001 and throughout the 2002 financial year required the Group to retain substantial provisions to cover its securities portfolio and exposure related to its major accounts financing operations. However, the satisfactory diversification of counterparty risks enabled the Group to limit provisions retained in 2002 to an amount less than the total recorded in 2001. As a result, charges allocated to this category of risks amounted to a total of €70 million in 2002 against €123 million in 2001, and are relative to individual credit risks or paper downgraded to "non-performing loans" status (€14 million) or exposure to outstandings deemed to present a high risk of default;

- Secondly, the Caisse d'Epargne Group has pursued its conservative provisioning policy and widened the basis of assessment for its "**dynamic**" **provisions** retained to hedge against the probable risk of default on its performing loans and off-balance sheet commitments. This policy, first launched in 2000, was pursued in 2002 with the extension of these measures to all Group entities and with the retention of provisions for outstanding consumer credit and loans to real-estate professionals. All in all, net allocations to "dynamic" provisions stand at €125 million compared with €151 million in 2001;

- Finally, charges allocated to risks on commercial loans rose to €162 million from €117 million in 2001. This change is chiefly due to the rise in provisions for consumer loans and short-term facilities. Nevertheless, the level of risk-related costs still remains low compared with the total amount of customer loans outstanding, representing 0.20% of total customer outstandings in 2002 (excluding "dynamic" provisions) against 0.23% in 2001;

- The proportion of non-performing loans in total customer loans outstanding remains relatively stable, representing only 3% in 2002 against 2.9% in 2001 and 3.3% in 2000. These loans are covered by provisions for 47.3% of their value, against 46.7% in 2001. What is more, "dynamic" provisions allocated to loans outstanding provided additional cover for a total of €350 million at December 31, 2002 (€389 million in all, if provisions for impairment in the value of marketable securities are included).

### *2.5 Net ordinary income before tax*

In 2002, net ordinary income before tax rose 34% to reach a total of €1.65 billion. This increase is the result of the strong rise in gross operating income, the reduction in risk-related costs, increased gains on fixed assets and, conversely, the decline in the share in net income of companies accounted for by the equity method.

These companies contributed income of €151 million in 2002 against €200 million in 2001. This decrease is chiefly due to changes in Group structure (for €40 million) and the €12 million decline in net income posted by CNP and Ecureuil Vie. Both these insurance companies suffered from the fall in value of their stock market assets at the end of the 2002 financial year.

The item "Gains on fixed assets" consists of the capital gains realized on the sale of SIMCO shares and capital gains yielded on the sale of the Volney building, carried in the books of the Crédit Foncier Group for a total of €52 million, an amount partially offset by capital losses incurred on the sale of investment securities.

### *2.6 Other items in the consolidated profit and loss account*

**Extraordinary items** show a charge of €9 million in 2002 compared with a positive balance of €37 million in 2001. In 2002, this item includes, in particular, the balance of costs incurred by the switchover to the euro (€5 million).

**Tax on profits** stands at €435 million in 2002, up 53% compared with the tax paid in 2001 on a like-for-like basis owing to the strong growth in income and the smaller impact of tax-exemption operations.

The Group recorded net amortization of goodwill for a total of €38 million related, in particular, to the exceptional amortization of goodwill related to the American Nvest company for a total of €69 million and the reversal of negative goodwill to income for a total of €28 million related to the Crédit Foncier Group and CNCE.

The different entities belonging to the Caisse d'Epargne Group increased their Reserves for General Banking Risks in 2002 for a total of €156 million. The aggregate reserves in this respect stood at €2.1 billion at December 31, 2002.

### *2.7 Consolidated net profit and return on equity*

The Group's **consolidated net profit** stood at €952 million in 2002 compared with €790 million in 2001, equal to an increase of 21%.

The Group's **earning capacity** (net profit, excluding minority interests before allocations to the Reserve for General Banking Risks) increased at a slower pace, rising to €1,102 million in 2002 against €975 million in 2001, representing an increase of 13% owing to a smaller allocation to the Reserve for General Banking Risks.

The Caisse d'Epargne Group has seen its profitability increase regularly for a number of financial years. Thus, the Group's return on equity (calculated as a ratio between the Group's earning capacity and its opening capital funds) rose from 6.2% in 1999 to 10.1% in 2001, and 10.6% in 2002. The Group, however, has decided to modify slightly the way it calculates its return on equity in line with generally accepted banking industry practices by using **average capital funds**.

On this new basis, the Group's return on equity stands at 10.1%.

### *2.8 Profitability of the retail banking activities of the Caisse d'Epargne Group*

| | *Group* | | *Retail banking activities* | |
|---|---|---|---|---|
| | *2001* | *2002* | *2001* | *2002* |
| | *(in millions of euros)* | | | |
| Net banking income | 5,760 | 6,583 | 5,319 | 5,822 |
| General operating expenses | (4,384) | (4,774) | (4,174) | (4,331) |
| **Gross operating income** | 1,376 | 1,809 | 1,145 | 1,491 |
| Risk-related costs | (391) | (357) | (316) | (317) |
| Share in net income of companies accounted for by the equity method | 200 | 151 | 200 | 147 |
| Gains (or losses) on fixed assets | 41 | 45 | 37 | 40 |
| **Net ordinary income before tax** | 1,226 | 1,648 | 1,066 | 1,361 |
| Extraordinary items | 37 | (9) | 38 | (8) |
| Tax on profits(1) | (236) | (435) | (280) | (427) |
| Amortization of goodwill | 34 | (38) | 35 | 31 |
| Minority interests(2) | (86) | (64) | (55) | (64) |
| **Earning capacity (excluding minority interests)** | 975 | 1,102 | 804 | 893 |
| Allocated equity(3) | 9,672 | 10,867 | 5,049 | 5,589 |
| **Return on allocated equity** | 10.1% | 10.1% | 15.9% | 16.0% |

(1) Retail Banking: Corporation tax calculated on the basis of the legal rate less the impact of tax-exemption operations.

(2) Minority interests calculated before allocations to the Reserve for General Banking Risks.

(3) Requirements of Retail Banking enjoy 75% coverage by Tier-1 capital.

Retail banking represents the core business activity of the Caisse d'Epargne Group.

For the individual Caisses d'Epargne and the Group's credit subsidiaries, this activity includes all business related to savings deposits and customer loans (excluding loans to major accounts), matching and hedging operations assigned to this commercial activity, and operating assets. Insurance subsidiaries, along with the majority of non-banking subsidiaries, form part of this core business activity because they represent an extension of the Group's retail banking activity.

In retail banking, equity is allocated on the basis of risk-weighted assets as provided for by the regulations. Return on equity is calculated on the basis of the coverage of risk-weighted assets by 6% of Tier-1 capital and after a normalized tax rate including the impact of tax-exemption operations.

Net banking income generated by the retail banking business stood at €5.82 billion in 2002, representing growth of 9.5% compared with 2001. Gross operating income increased by 30% to reach a total of €1.49 billion. Earning capacity, which enjoyed growth of 11%, amounted to €893 million while the return on the equity allocated to the retail banking business rose marginally compared with 2001, reaching 16.0% in 2002 from 15.9% in 2001.

## 3. ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

| | 2000 | 2001 | 2002 | Change In value | As a % |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| Cash and due from banks | 15,037 | 77,937 | 74,764 | (3,174) | (4.1)% |
| Deposits with the CDC | 75,525 | 78,431 | 81,154 | 2,722 | 3.5% |
| Customer loans | 112,443 | 110,681 | 118,658 | 7,977 | 7.2% |
| Securities portfolio | 39,326 | 53,125 | 54,891 | 1,766 | 3.3% |
| Other assets | 15,884 | 18,803 | 21,957 | 3,155 | 16.8% |
| Fixed assets | 5,672 | 6,080 | 5,710 | (370) | (6.1)% |
| **Total Assets** | 263,887 | 345,057 | 357,133 | 12,076 | 3.5% |
| Cash and due to banks | 25,092 | 75,170 | 76,762 | 1,592 | 2.1% |
| Deposits with the CDC | 75,525 | 78,431 | 81,154 | 2,722 | 3.5% |
| ***of which Livret A passbook accounts*** | 60,384 | 62,656 | 64,958 | 2,303 | 3.7% |
| Other customer deposits | 80,746 | 87,857 | 88,935 | 1,078 | 1.2% |
| Debts represented by a security | 54,350 | 63,779 | 67,571 | 3,792 | 5.9% |
| Other debts | 15,617 | 26,032 | 27,435 | 1,403 | 5.4% |
| Subordinated debt | 1,809 | 1,636 | 2,179 | 544 | 33.2% |
| Consolidated capital funds and reserves | 10,748 | 12,152 | 13,097 | 945 | 7.8% |
| ***Excluding minority interests*** | 9,671 | 10,418 | 11,405 | 987 | 9.5% |
| **Total Liabilities** | 263,887 | 345,057 | 357,133 | 12,076 | 3.5% |

At December 31, 2002, the total consolidated assets of the Caisse d'Epargne Group amounted to €357.1 billion against €345.1 billion at December 31, 2001, equal to growth of 3.5%. This increase is linked to the development of commercial activities-lending activities, in particular-which exacerbates the imbalance between outstandings and customer deposits, thereby leading to an increase in external refinancing operations in the form of interbank loans or the issue of debenture debt.

Thus, outstanding loans carried on the assets side of the balance sheet grew by almost €8 billion, representing growth of 7.2%, while savings deposits (excluding funds deposited with the CDC) only grew by 1.2% between the end of 2001 and 2002. Outstanding loans currently represent one third of total assets.

Funds deposited with the CDC rose 3.5% to reach a total of €81.2 billion at December 31, 2002, compared with €78.4 billion one year previously. The rise in this item is chiefly linked to deposits on Livret A passbook accounts, which rose by a total of €2.3 billion (+ 3.7%) in 2002. The amount of funds deposited with the CDC is stable from one year to the next.

Consolidated capital funds and reserves (excluding minority interests but including the Reserve for General Banking Risks) rose by €987 million between the end of the two financial years, representing an increase of 9.5%.

### *3.1 Loans to customers up by more than 7%*

At the end of December 2002, total customer loans outstanding (including lease financing) granted by the Caisse d'Epargne Group amounted to E118.7 billion, net of provisions. If all Crédit Foncier Group loans are included in full in this total-owing to the bank's tightly integrated membership of the Caisse d'Epargne Group-aggregate outstandings stand at E126.7 billion, and can be broken down as follows:

| | | | | Change | |
|---|---|---|---|---|---|
| | *2000* | *2001* | *2002* | *In value* | *As a %* |
| | | | *(in billions of euros)* | | |
| Individual customers and self-employed professionals .. .. | 66.9 | 69.2 | 73.3 | 4.1 | 5.9% |
| Local and regional authorities .. | 24.2 | 24.8 | 25.8 | 1.0 | 4.0% |
| SME and miscellaneous segments .. | 18.3 | 15.9 | 18.1 | 2.2 | 13.8% |
| Major accounts .. .. .. .. | 3.0 | 8.2 | 9.5 | 1.3 | 15.8% |
| **Customer loans outstanding (Crédit Foncier Group at 100%)** .. | 112.4 | 118.1 | 126.7 | 8.6 | 7.3% |
| **Customer loans outstanding** .. .. | 112.4 | 110.7 | 118.7 | 8.0 | 7.2% |

New loan production for the Group (excluding CDC IXIS) reached a total of €26.6 billion, up 8.6% on a like-for-like basis. Despite the adverse business environment, the Crédit Foncier Group achieved a remarkable performance in 2002 with overall growth in new loan production of almost 13% to a total of €5.4 billion.

An analysis of outstanding loans per customer segment reveals growth in lending in all significant retail banking markets and the Group's continued diversification towards specialized markets: local and regional authorities, small- to medium-sized enterprises and miscellaneous segments, and major accounts. As a result, specialized markets account for 42.2% of outstandings in 2002 against 41.3% in 2001.

Loans outstanding in **the individual customers and self-employed professionals segment** rose 5.9% in 2002 to reach a total of €73.3 billion at December 31, 2002, including €7.4 billion derived from subsidized loans where the granting of new facilities has been discontinued. When adjusted to eliminate the effect of this item, loans outstanding in the non-regulated sector rose by 9.5%. Growth in outstandings was achieved thanks to the commercial dynamism of the Group's two banking networks: the Crédit Foncier Group, whose new loan production with individual customers stood at €3.7 billion, representing growth of almost 18% compared with 2001, and the Caisses d'Epargne, whose new lending to individual customers and self-employed professionals increased, respectively, by 5.7% (with new loan production of €13 billion in 2002) and 21.6% (with new loans worth a total of €1.3 billion). In the highly competitive self-employed professional market, the Group boasts 7% market share after gaining almost 2 percentage points over the past two financial years.

The **local and regional authorities segment** includes local communities, social housing organizations and semi-public bodies. Loans outstanding in the **local and regional authorities segment** rose by 4% (up by almost €1 billion) to more than €25.8 billion, enabling the Group to reinforce its positions as a leading player in regional development.

Local government investments showed a marked recovery after a fall-off in demand in 2001. The Group took advantage of this opportunity by developing its technical resources and arranging customized financing operations combined with sophisticated options and structured products. New loans granted to local and regional authorities represent a total of more than €5 billion in 2002. New lending to major accounts in the local and regional authorities segment rose to €1.6 billion from €1.3 billion in 2001. New facilities granted to small- and medium-sized towns represent a total of €3.6 billion.

Total loans outstanding granted to **SME and miscellaneous segments** enjoyed 13.8% growth compared with 2001 to reach a total of €18.1 billion at the end of 2002.

- Demand from **small- to medium-sized enterprises** was rather sluggish, and new loan production in this sector declined overall in 2002. Despite this unfavourable environment, the Group nevertheless continued to expand its market penetration (at the rate of almost 1 percentage point per year) and 2,000 new companies chose the Caisse d'Epargne Group as their bank. As far as equipment leasing activities are concerned, the Group generated new loan production for a total of €184 million. New business generated in the real-estate leasing segment reached a total of €430 million.
- Loans outstanding with respect to **miscellaneous segments** represented a total of €8.4 billion at December 31, 2002, equal to growth of 28% compared with the previous year. Loans to associations, financed by the Caisses d'Epargne, enjoyed sustained growth and the loan book stood at €1.1 billion at the end of the year. The volume of loans granted to private real-estate professionals, financed by the Caisses d'Epargne, almost doubled in 2002 to reach outstandings worth €1.4 billion at the end of the year.

Loans outstanding granted to **major accounts** stood at €9.5 billion at the end of 2002 (up €1.4 billion from one year to the next). This item includes loans granted by CDC IXIS for a total of €4.2 billion, loans financed by the Caisses d'Epargne granted to major accounts for a total of €4.1 billion, and major account facilities arranged by the Crédit Foncier Group for €1.1 billion.

***3.2 Total managed customer funds up 2.5%***

| | | | | *Change* | |
|---|---|---|---|---|---|
| | *2000* | *2001* | *2002* | *In value* | *As a %* |
| | | *(in billions of euros)* | | | |
| Intermediation activity .. .. .. | 93.4 | 100.2 | 100.6 | 0.4 | 0.4% |
| Commission-earning activity .. .. | 147.6 | 156.5 | 162.7 | 6.2 | 4.0% |
| **Total customer deposits** .. .. .. | 241.2 | 256.7 | 263.3 | 6.6 | 2.6% |
| Shares in local savings companies .. | 1.3 | 1.6 | 2.2 | 0.6 | 37.5% |

Aggregate managed customer funds stood at €263.3 billion at December 31, 2002, representing an increase of €6.5 billion compared with December 31, 2001 or growth of 2.5%. It should be borne in mind that the end of 2001 was an exceptional period, marked by a significant rise in savings deposits related to the switchover to the euro in January 2002. If this effect is excluded, the year-to-year growth is much larger with average managed customer funds rising by a total of 5% during the fiscal period.

The Group also continued to sell shares in the Caisses d'Epargne to its local customers. In the space of one year, the number of cooperative shareholders has risen from 2.1 million to 2.7 million. At the end of 2002, cooperative shareholders had purchased shares for a total value of €2.23 billion since subscriptions began in 2000.

### *3.2.1 Constant growth in average demand deposit balances and in intermediation activities*

After an exceptional year in 2001, when intermediated savings increased by more than 7%, savings deposits recorded on the balance sheet remained in excess of €100 billion at the end of 2002. This relative stability, however, masks a rise in average deposits during the year in the region of 5% for savings deposits.

| | | | | *Change* | |
|---|---|---|---|---|---|
| | *2000* | *2001* | *2002* | *In value* | *As a %* |
| | | *(in billions of euros)* | | | |
| Demand deposits .. .. .. .. | 15.5 | 19.7 | 19.6 | (0.1) | (0.5)% |
| Passbook accounts .. .. .. | 11.2 | 11.7 | 12.7 | 1.0 | 8.5% |
| Home purchase savings plans and accounts .. .. .. .. .. .. | 39.4 | 40.1 | 41.7 | 1.6 | 4.0% |
| Popular savings plan (PEP) .. .. | 8.3 | 6.9 | 5.9 | (1.0) | (14.5)% |
| Time deposits .. .. .. .. | 5.1 | 6.5 | 6.0 | (0.5) | (7.7)% |
| Retail bonds issued by the CNCE, savings certificates and other .. | 13.9 | 15.3 | 14.7 | (0.6) | (3.9)% |
| **Total intermediation** .. .. .. | 93.4 | 100.2 | 100.6 | 0.4 | 0.4% |

At December 31, 2002, **demand deposits** declined marginally compared with their level at the end of 2001, chiefly owing to the distorting effect of the sudden surge in deposits at the end of 2001. An analysis of average balances reveals, on the contrary, that deposits enjoyed strong growth of more than 11% during 2002, thereby demonstrating the ability of the Caisse d'Epargne Group to retain the liquid savings entrusted to it during the switchover to the euro, thanks to the extension of banking services to its customers.

Deposits on **passbook accounts** increased 8.7% to reach a total of €12.7 billion thanks, in particular, to growth in deposits on *Livret B* and LEP popular passbook savings accounts, which rose 15% and 3%, respectively.

Deposits in **home purchase savings plans and accounts** increased by almost €1.6 billion, or 4.1%, to €41.7 billion.

Net withdrawals from **PEP popular savings plans** continued in 2002 but at a slower pace. After falling 33% in 2000 and 17% in 2001, deposits in popular savings plans stood at €5.9 billion at the end of 2002, equal to a decline of 14.7% for the year as a whole.

Savings invested in **time deposits** experienced a significant decline (year-on-year). Time deposits declined 7.9% in 2002, to reach a total of €6 billion after progressing by 28.5% in 2001.

Lastly, outstandings on **retail certificates of deposit issued by the CNCE, savings certificates** and **other products** declined by €0.8 billion to €14.6 billion (equal to a decrease of 4.9%). Savings certificates and retail certificates of deposit, which are savings instruments designed to meet extremely specific needs, continued their regular decline on the balance sheet and only accounted for €1.5 billion in 2002 against €2.1 billion in 2001.

### *3.2.2 Commission-earning activity up 4.0%*

| | *2000* | *2001* | *2002* | *Change* *In value* | *Change* *As a %* |
|---|---|---|---|---|---|
| | | | *(in billions of euros)* | | |
| Regulated savings funds deposited with CDC (Livret A, LEP passbook accounts and Codevi) .. | 75.5 | 78.4 | 81.2 | 2.8 | 3.6% |
| Mutual funds .. .. .. .. .. | 22.6 | 24.4 | 24.5 | 0.1 | 0.4% |
| Life insurance .. .. .. .. .. | 45.0 | 49.9 | 54.5 | 4.6 | 9.2% |
| Other securities under management | 4.5 | 3.8 | 2.5 | (1.3) | (34.2)% |
| Total commission-earning activity .. | 147.7 | 156.6 | 162.7 | 6.2 | 4.0% |

Managed funds related to commission-earning activities continued to grow at a regular pace, rising 4% in 2002 thanks, in particular, to life insurance and, to a lesser extent, *Livret A* passbook accounts.

**Regulated savings funds** deposited with the Caisse des dépôts et consignations rose by 3.6% to a total of €81.2 billion at December 31, 2002 compared with €78.4 billion one year earlier. This increase is principally due to growth in deposits on *Livret A* passbook accounts, which grew by €2.3 billion in 2002 thanks to net deposit-taking of €481 million and €1.8 billion derived from the capitalization of interest.

Savings invested in **mutual funds** only rose by 0.3% to reach a total of €24.5 billion at December 31, 2002 in an extremely dismal stock market environment where market fluctuations have depressed the value of the funds under management by approximately €3.3 billion. Despite this unfavourable context, the Group achieved a good commercial performance by recording net new money in excess of €3.4 billion owing, in particular, to the success encountered by the distribution of *Doubl'Ô* and *Cordillière* guaranteed return funds.

**Life insurance**, however, remains the Group's best-performing product with growth in life funds of more than 9% during the 2002 financial year driven, in particular, by the success of new products: *Nuances* + and *Nuances* 3D. The aggregate value of life funds rose to €54.5 billion at December 31, 2002 from €49.9 billion in 2001.

### *3.3 Securities portfolio and debts represented by a security*

The Group's securities portfolio increased marginally during the year to reach €54.9 billion at December 31, 2002 compared with €53.1 billion at the end of 2001 (up 3.3%). **Trading account securities** declined 3.4%, to reach a total of €14.1 billion in 2002, from €14.6 billion in 2001. **Securities held for sale** and portfolio equity investments declined by 5% to reach €19.8 billion at December 31, 2002 compared with €20.8 billion at the end of 2001. Unrealized capital gains on these two categories (securities held for sale and portfolio equity investments) stand at €848 million, representing a drop of €520 million during the year. **Investment securities** again enjoyed significant growth rising from €17.7 billion in 2001 to almost €21 billion in 2002 (+ 18.6%).

| | *2000* | *2001* | *2002* | *Change* *In value* | *Change* *As a %* |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| Trading account securities .. .. | 1,961 | 14,615 | 14,117 | (498) | (3.4)% |
| Securities held for sale .. .. .. | 22,006 | 20,838 | 19,806 | (1,032) | (5.0)% |
| Investment securities .. .. .. | 15,360 | 17,672 | 20,967 | 3,295 | 18.6% |
| Total securities portfolio .. .. | 39,327 | 53,125 | 54,890 | 1,765 | 3.3% |

Debt securities issued by the Group (excluding retail certificates of deposit and savings certificates) amounted to €66.1 billion at December 31, 2002 against €61.6 billion in 2001, equal to growth of 7.3%. Negotiable debt securities and interbank instruments stood at €22.4 billion, representing growth of €3.4 billion (+ 18%) compared with 2001. Debenture loans rose to €43.6 billion, representing growth of €1.1 billion (+ 3%) over 2001. The bank's personal customers hold debentures issued by the Caisse d'Epargne for a total of €10.2 billion.

| | | | | *Change* | |
|---|---|---|---|---|---|
| | *2000* | *2001* | *2002* | *In value* | *As a %* |
| | | | *(in millions of euros)* | | |
| Savings certificates and retail certificates of deposit .. .. | 2,919 | 2,139 | 1,452 | (687) | (32)% |
| Money market securities .. .. | 10,408 | 19,028 | 22,442 | 3,414 | 18% |
| Debentures .. .. .. .. .. .. | 40,730 | 42,483 | 43,646 | 1,163 | 3% |
| Other debt represented by a security | 292 | 130 | 31 | (99) | (76)% |
| Total debt securities issued .. .. | 54,350 | 63,779 | 67,571 | 3,792 | 5.9% |

### *3.4 Consolidated capital funds and reserves up 9.5%*

| | *2000* | *2001* | *Appropriation of 2001 profit* | *Earning capacity 2002* | *Translation adjustment* | *Other variations* | *2002* |
|---|---|---|---|---|---|---|---|
| | | | | *(in millions of euros)* | | | |
| Consolidated capital funds and reserves (excluding Reserve for General Banking Risks) .. .. | 7,890 | 8,466 | (63) | 952 | (55) | (2) | 9,298 |
| Reserve for General Banking Risks | 1,781 | 1,952 | 156 | (1) | 2,107 | | |
| Consolidated capital funds and reserves .. .. .. .. .. | 9,671 | 10,418 | (63) | 1,108 | (55) | (3) | 11,405 |

Consolidated capital funds and reserves (including the Reserve for General Banking Risks) rose to €11.4 billion at December 31, 2002 from €10.4 billion at December 31, 2001, representing growth of 9.5%. This increase translates the combined impact of four factors:

- the distribution of the Group's earnings for 2001 to the local savings companies for a total of €63 million,
- the consolidated profit generated in 2002, equal to €952 million,
- the allocation of a net sum of €156 million to the Reserve for General Banking Risks, thereby increasing this reserve to a total of €2.1 billion at the end of 2002,
- negative translation adjustment on the CDC IXIS Group and the CNP Group for a total of €55 million.

## 4. RISK MANAGEMENT WITHIN THE CAISSE D'EPARGNE GROUP

### *4.1 Internal control organization*

The organization of internal control procedures within the Caisse d'Epargne Group has been planned in line with the requirements of French Banking Regulations Committee (CRBF) Rule 97-02, as amended by CRBF Rule 2001-01, throughout the Group structure: the CNCE, the Caisses d'Epargne, their local subsidiaries and the national French subsidiaries. The creation of the financial holding company, Eulia, in December 2001 required a readjustment of this organization that continued throughout the 2002 fiscal period.

The scope of the internal control system includes all the credit institutions and the other companies pursuing regulated activities along with subsidiaries under Group control. Risk monitoring is organized on a consolidated basis at the level of each subsidiary or sub-group parent company.

The Group's internal control system is consistent with its operational organization within which, firstly, activities conducted at a national level are pursued by the CNCE and the different national subsidiaries where the Group is generally the majority shareholder or exercises joint control with a partner and, secondly, activities of a regional nature conducted at the very heart of the local economy.

- ***The CNCE***

The CNCE (Caisse Nationale des Caisses d'Epargne) is the central body of the Caisse d'Epargne Group. In this capacity, it is responsible, in particular, for representing the Caisses d'Epargne in dealings with third parties, defining the range of products and services marketed by the Caisses d'Epargne, organizing the depositors' guarantee, approving the appointment of senior Group managers, and ensuring the smooth functioning of the Group's different entities. In pursuit of its role as supervisor of the internal control system of the Caisse d'Epargne Group, the CNCE is responsible for the following:

- the standardization of accounting, financial and management rules and procedures within the Group,
- the centralization and consolidation of credit risks,
- the centralization and consolidation of interest-rate risks on the Group's liquid assets portfolio,
- the centralization and consolidation of global interest-rate and liquidity risks,
- the periodic verification of the smooth functioning of the internal control procedures by the Internal Audit department.

CRBF Rule 97-02, as amended by CRBF Rule 2001-01, and the professional practices derived from this rule require that all decisions related to risks should be taken on the basis of a chain of command that, ultimately, stretches back to the executive body along a line of communications independent of the "risk producers" themselves. Accordingly, the **Group Risk Department** reports directly to the Chairman of the CNCE. The Group's communications system provides a pyramid-shaped structure for authorizing risks throughout the entire Group.

Responsible for the network's solidarity mechanism, pursuant to Article L.512-96 of the French Monetary and Financial Code, the CNCE is required to take the organizational measures required to manage risks liable to have an impact on the Group as a whole.

Furthermore, the Group Risk Department assumes responsibility on behalf of the CNCE for all the Group's different entities with respect to its obligations related to the prevention of money laundering, as defined in Section VI of the French Monetary and Financial Code, and to compliance with professional regulations, notably those governing the offer of investment services or the distribution of insurance products.

The resources of the Group Risk Department were reinforced in 2002 and its organization divided into 5 units assigned the following responsibilities:

(1) The monitoring of risks whose management requires the use of market instruments: liquidity, mismatch currency or interest-rate risks, or risks related to equities or any other market instruments. The responsibilities of this unit also include analyses leading to the validation of the financial instruments used by the Group's different entities, the definition of risk appraisal methods along with the creation of global risk integration models.

(2) The monitoring of credit and counterparty risks when the Group's standards require an analysis and prior authorization from the CNCE. The unit responsible for carrying out research with a view to rating the customers, counterparties and countries involved in the operation monitors the analysis on an ongoing basis and transmits warning messages to the Group if necessary. It also carries out analyses of complex transactions.

(3) The monitoring of credit risks only involving commitments made by Group entities. The unit responsible for this assignment defines and approves the procedures, standards, systems and tools used in carrying out analyses or providing decision-making assistance related to the credit risks of the portfolios of Group entities, and ensures their deployment and constant updating. The unit is also responsible for overseeing credit portfolios for different categories of customers with, in particular, sector-based research and the monitoring of deterioration.

(4) The monitoring of risks related to investments in unlisted companies either directly or through investment funds, and research with a view to assigning a rating to the projected transactions. The *ad hoc* structure monitors the analysis on an ongoing basis and transmits warning messages to the Group if necessary.

(5) The monitoring of intermediation and settlement risks, risk linked to data processing, risks resulting from inappropriate procedures or systems as well as human or technical malfunctioning. The monitoring of adherence to the rules of good conduct related to investment services and the distribution of insurance products also forms an integral part of this assignment.

What is more, the unit responsible for the "money laundering vigilance" assignment reports directly to the Manager of the Group Risk Department. This unit is responsible, in particular, for monitoring the implementation throughout the Group of the regulatory and professional obligation to remain alert to the danger of money laundering and the channelling of funds to terrorist organizations. The "money laundering vigilance" unit is also responsible for supervising and coordinating the work of the "*Tracfin* correspondent" function set up to monitor potentially illicit financial transactions in each Group entity.

- ***The Caisses d'Epargne and Group subsidiaries***

The internal control objectives and principles are defined within each Group entity. As a result, each establishment has implemented risk control procedures entrusted to staff members who are independent from personnel carrying out transactions or recording them. The Risk Control Department is responsible for:

- identifying, calculating and aggregating all the individual risks at entity level. This responsibility includes the determination of calculation and measurement methods,
- the periodic review of the Group's different assets and liabilities. This review then leads to the production of management reports circulated to the appropriate personnel at General Management and other levels. The Risk Control Department keeps historic records to analyse trends in income generation and diversification.

Within the overall limits fixed at Board level, each entity's General Management sets exposure limits for each business unit under its responsibility and for each type of risk exposure. Exposure limits comply with applicable legislation, especially concerning capital adequacy ratios.

The solidarity and guarantee system within the Group makes it possible to organize the liquidity and solvency of each entity. This system is based on all the capital funds of Group affiliates and is designed to prevent default, complementary to the principally curative objective of the market guarantee systems to which the Group contributes. These resources are made available through the Group's mutual guarantee and solidarity fund (*Fonds de Garantie et de Solidarité du Groupe*) carried in the books of the CNCE. This fund, amounting to €262 million at December 31, 2002, is in addition to the local guarantee funds already set up within each individual Caisse d'Epargne. In the event that this amount is not sufficient, the CNCE can use a rapid decision-making process to draw on the additional necessary resources.

### *4.2 General financial risks related to retail banking activities*

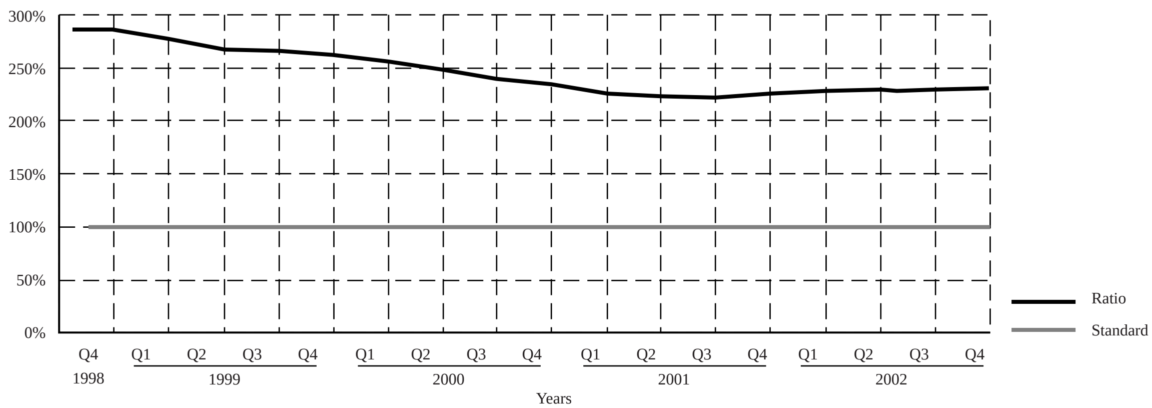
#### *4.2.1 Liquidity risk*

- ***Extent of liquidity risk for the Group***

The Caisse d'Epargne Group is not exposed to any major liquidity risk owing to its ability to collect savings deposits from private individuals, the quality and liquidity of the securities held in the portfolios of its different entities and the quality of its rating allowing it to raise the additional financial resources it needs to develop its activities on the financial markets. In November 2002, the

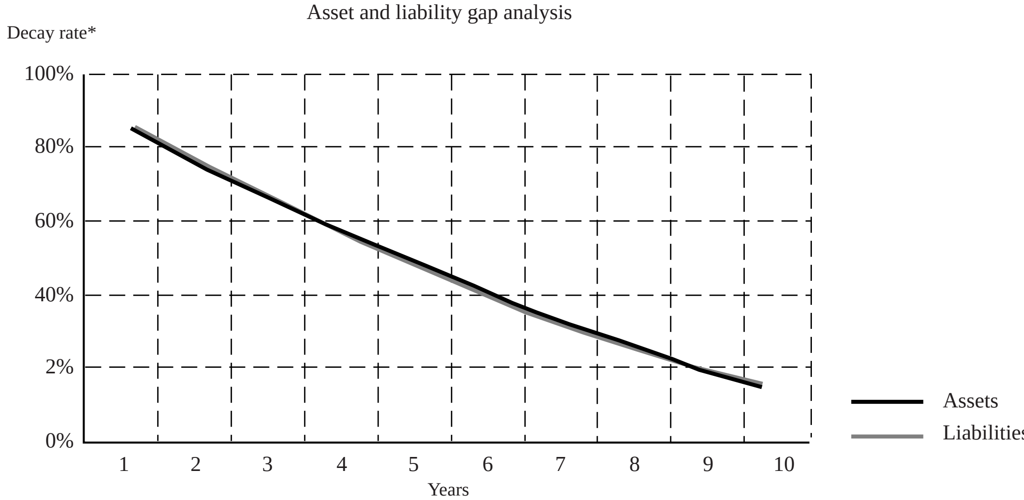
Fitch rating agency upgraded the intrinsic rating of the Caisse d'Epargne Group from C to B/C. This move followed Moody's decision in June that year to increase the Group's financial solvency rating from C+ to B-, while Standard & Poor's confirmed the high level of its ratings: AA for long-term notes and A1+ for short-term issues.

Aggregate 4005 liquidity ratio
of the Caisses d'Epargne
(as a quarterly sliding average)




As in previous years, the impact of the economic environment in 2002 on the Caisse d'Epargne Group-a trend shared by all the other major retail banks-resulted once again in a reallocation of customer funds flows and savings towards securities and life insurance contracts. At the same time, however, new loan production remained buoyant, particularly in the area of property loans, which led the Group to make liquidity management a more integrated part of its future development objectives.

Asset and liability gap analysis




*Remaining life of assets and liabilities

- ***Organization of the Group related to the management of liquidity risks***

The new financial organization of the Group set up to coincide with the creation of the financial holding company Eulia is designed to optimize Eulia's signatures present in the market as well as the resources used to implement these signatures.

Thus, although the Group's refinancing operations continue to be governed by the CNCE using its signature dedicated to Eulia's retail banking activity, its operational implementation is now pursued at several levels:

– firstly, the CNCE's capital market issuing activity is subcontracted to the structures of the CDC IXIS Group to ensure an optimal pooling of resources,

– secondly, an *ad hoc* structure within CDC IXIS is responsible for the capital markets intermediation function on behalf of Group entities.

The CNCE is responsible, for the individual Caisses d'Epargne, for implementing transactions making it possible to obtain a greater diversification in the sources of refinancing and to optimize the overall cost of the Group's financial resources. The following operations, in particular, were completed:

– the negotiation of resource envelops intended to refinance local government projects among supra-national bodies. In this respect, the CNCE obtained a E400 million refinancing facility from the EIB for the Caisses d'Epargne and lease-financing subsidiaries,

– the circulation within the Group of capital making it possible to recycle a part of savings funds deposited with the Ecureuil Vie and Ecureuil Gestion companies.

At the same time, the continued development of internal management tools is making it possible simultaneously to rationalize the autonomous management by each entity of its own liquidity risk and to guarantee the CNCE's effective monitoring of the Group's overall position.

Work carried out in 2002 made it possible to define a shared approach to the measurement of liquidity risks.

***4.2.2 Global interest-rate risk***

- Choice of method for the global management of interest-rate risk

2002 made it possible to harmonize still further the choice of methods used to manage global interest-rate risks within the Caisse d'Epargne Group. The measurement of interest-rate risk is based on different approaches chosen in line with the analysis horizon:

– for a medium-term horizon, a so-called ''dynamic'' approach to the quantification of the sensitivity of results to fluctuations in interest rates and activity, based in particular on simulation methods,

– for a long-term horizon, where the use of forecasts is no longer appropriate, a so-called ''static'' approach based on an analysis of maturity gaps using ''decay rate'' assumptions for outstandings.

The scope of Assets & Liabilities management includes the consequences-in terms of volumes as well as in terms of net banking income-of the shift in savings funds between deposits and investments in life insurance instruments and securities, and adopts the modelling of the different implicit options whose methodological principles depend upon the socio-economic characteristics specific to the customer catchment area in which each Group entity operates.

- ***Organization of Asset/Liability management within the Group***

The management of overall interest-rate risk takes advantage of the Group's decentralized structure with entities responsible for the individual management of their risk, and a coordination of Assets & Liabilities Management in the Group as a whole at the level of the CNCE.

The coherent organization of these two management levels was further reinforced in 2002. It helps to optimize the financial management of the Caisse d'Epargne Group in interaction with the approach adopted by the Eulia financial holding company throughout the entire Group structure.

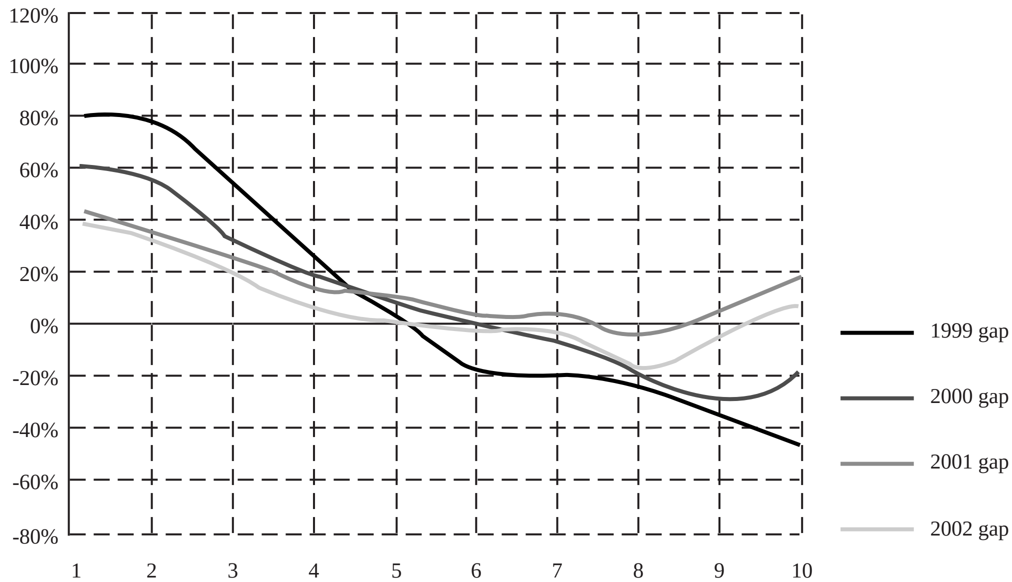
It also makes it possible to obtain the best possible integration of knowledge about foreseeable customer behaviour specific to each Caisse d'Epargne. The Group adopts a methodological approach, developed by the CNCE and shared by all the entities, based on a common financial planning software package used by all the individual Caisses d'Epargne since 2001. This single software tool provides information at the same time for a regular reporting system, enabling the CNCE to obtain a consolidated view of the global interest-rate risk and to enjoy the possibility of simulating outcomes at Group level.

This information is used, in particular, by the Group Balance Sheet Management Committee. This multi-disciplinary body that brings together, once every quarter, all the Group entities (CNCE, regional savings banks and national subsidiaries), analyses the Group's overall sensitivity to interest-rate risk, changes in liquidity positions, and recommends hedging actions to be taken both regarding the fine-tuning of commercial policies and the complementary operations required on the financial markets.

- ***The Group's exposure to global interest-rate risks***

Particular attention is paid to mismatch risks and sensitivity of profits to changes in interest rates. Thus, for the Caisses d'Epargne, in the event of a uniform fall in interest rates of 1 point at 31 December 2002, the reduction of net banking income, before corrective action, at a three-year horizon is €93 million equal to 1.6% of current levels of net banking income, which would only increase the operating efficiency ratio by 1 point.

Changes in static mismatch
(on- and off-balance sheet) Base 100 in 1999




To cover these interest-rate risks, each Group entity has set up a **Reserve for General Banking Risks for interest-rate risks** whose basis of assessment is calculated in terms of its static, fixed and regulated rate "gap" at a one-year horizon.

### *4.3 Control of credit risks*

#### *4.3.1 Organization of credit risk management*

Within the framework of the decentralized organization of the Caisse d'Epargne Group, the control of credit risks within the Group is carried out at two different levels: firstly, by the CNCE and, secondly, by the individual Caisses d'Epargne and subsidiaries.

- ***Definition of categories of risk***

Credit risk can be defined as the economic loss suffered by the Group should one of its counterparties fail to respect its obligations. This may occur during the delivery of an asset in exchange for cash, the swap of financial flows, the payment of interest or reimbursement of capital.

Certain operations-such as the delivery of securities or foreign exchange transactions-also involve a payment/delivery risk which may occur when a Group entity has satisfied an obligation of its own without being able to ensure whether the counterparty has satisfied its obligation to the Group entity. This risk is subject to specific monitoring procedures based on an analysis of the maturities on transactions with each counterparty.

The fact of holding negotiable securities-chiefly debentures and negotiable debt instruments-also entails a risk relating to the issuer's signature: the market price of these securities may be affected by risks specific to the issuers, modifying the market's view of the issuer's creditworthiness. These risks may be major changes in regulations, or economic or geopolitical upheavals affecting a particular economic or geographical sector, changes in the issuer's shareholder base or a major operation modifying the structure of its assets and liabilities.

Equities involve a specific risk: the risk of fluctuations in the value of shares due to the structurally volatile nature of the equities market.

- ***Role of the CNCE***

The aim of the CNCE is to standardize the internal control procedures, to centralize and consolidate all credit risks, to monitor the respect of exposure limits and management rules and periodically to verify the smooth functioning of the internal control procedures through the assignments carried out by the Internal Audit department.

The risk control mechanism governing the Group's financial activities was revised following the creation of Eulia, and in order to comply with the new regulations concerning the management of a Group's consolidated risks, at central body level, introduced by the modification, in June 2001, of the French Banking Regulations Committee Rule 97-02, as amended by Rule CRBF 2001-01.

The scope of capital market activities includes all the securities portfolios, loans and counter-guarantees granted to so-called "national" counterparties, and off-balance sheet financial transactions. The "national" counterparties (whether French or non-French) include, in particular, all credit institutions, major corporations, sovereign, public and supranational borrowers, and large regional public authorities.

A Group Rating Committee comprised of representatives from the CNCE and the individual Caisses d'Epargne, presided over by the Chairman or Chief Executive Officer of the CNCE, is responsible for setting maximum exposure limits for major counterparty risks. This Committee also sets overall limits per geographical region, industrial sector and type of asset. It may add specific restrictions to these exposure limits, particularly in terms of the commitment profile.

The internal rating scale is based on the one used by the major international rating agencies. The attribution of ratings is based, for the national counterparties, on the work of the Group Risk Control Department of the CNCE and, for other counterparties, on analyses provided by the Group's different establishments. Counterparties are examined on a consolidated basis, and the limits applicable to each member of a third-party group are set on the basis of criteria governing membership of the group and its relationship to the parent company.

The CNCE may freeze all new commitments to, or impose a zero exposure limit on, a counterparty that defaults or presents a risk profile deemed to have deteriorated too far. A plan to scale back existing positions with respect to types of operations, counterparties, business sectors or countries may also be implemented. The CNCE also initiates procedures in a uniform manner throughout the Caisses d'Epargne network whereby doubtful operations or counterparties are downgraded and provisions are retained.

Overall Group exposure to counterparty risk is permanently monitored by the Group Risk Department. Each Group entity is required to stay within its ascribed limits. Use of the limits for each counterparty is measured by reference to all transactions outstanding, including off-balance sheet items. Each position is then corrected by a weighting coefficient based on the counterparty's economic status and internal rating, the maturity profile and type of transaction.

The adoption of a new financial organization within the framework of the creation of Eulia went hand-in-hand in 2002 with the introduction of standardized syndication procedures in the market for corporate and major financing operations, concerning the role of arrangers within the framework of Eulia, the risk scrutiny procedure and transaction monitoring mechanism.

A Group Credit Committee examines operations that, by their nature, involve a certain complexity. Its remit includes syndication operations within the Group and so-called complex transactions above an authorized amount.

This committee only acts within the bounds of certain limits-notably counterparty limits and limits per type of asset-related to the Group's control mechanism overseen by the Group Rating Committee. The Group Risk Department ensures that these exposure limits are respected, while the examination of credit files is entrusted to a CNCE unit dedicated to credit risk.

Lastly, the monitoring of credit risks related to the commercial loan distribution activity is provided in the form of a Commitment Risk Management Report which makes it possible to monitor risk exposure, in appropriate detail, in the various markets by type of commitment for each Group entity.

- ***Role of each Caisse d'Epargne or subsidiary***

The Caisses d'Epargne and subsidiaries (including the CNCE for its proprietary transactions) manage their credit risk in accordance with the guidelines defined by the CNCE. The internal organization of each entity respects a body of management principles and rules consistent with the requirements of French Banking Regulations Committee Rule 97-02, as amended by Rule 2001-01. Thus, the credit risk monitoring system complies with the following rules:

- each entity must possess a formal normative framework consistent with Group standards,
- a Commitments/Risks Department, independent of the operational departments, is responsible for measuring and monitoring credit risks,
- the risk appraisal procedures make it possible to reach an appropriate assessment of risks when credit operations are first initiated,
- the reliability of the decision-making process is reinforced by a system of exposure limits and formal delegation of authority,
- the credit risk monitoring system is based on a periodic review of the quality of the risks and a specific monitoring of sensitive operations,
- permanent control is exercised through an administrative control of operations, from initiation to translation in the accounts,
- periodic reports keep senior management informed about the risk exposure of the credit portfolio for the entity's different categories of customer.

In compliance with professional regulations, the exposure limits per counterparty are computed at the level of Group entities on the basis of the following two limits: one related to solvency, the other related to profitability. What is more, the choice of credit operations must also take account of their earning capacity. This appraisal must be carried out in the light of the return-on-equity objectives fixed by the Group. Lastly, the Group entities set limits on outstandings in terms of the diversification of issuers, the breakdown between industrial sectors, and the distribution of ratings.

#### *4.3.2 Analysis of the Group's credit portfolio at December 31, 2002*

The Group's credit activity is tracked through accounting systems completed by different management databases to satisfy the need for additional information.

The analysis of total outstandings derived from the Group's operations with all its different categories of customer (individual customers, self-employed professionals, companies, local authorities, etc.) is carried out on the basis of gross outstandings, i.e. before the inclusion of guarantees and provisions.

- ***Analysis of outstanding loans by type of counterparty***

| | *Dec. 31, 2001* | *Performing loans* | *Dec. 31, 2001 Non-performing loans* | *Provisions* | *Net loans outstanding* | *Provisioning rate* |
|---|---|---|---|---|---|---|
| | | | *(in billions of euros*)* | | | |
| Local retail banking | 69.2 | 72.2 | 1.8 | (0.8) | 73.2 | 44.5% |
| Specialized markets and major accounts | 48.9 | 52.4 | 2.0 | (1.0) | 53.4 | 49.9% |
| – Local and regional authorities | 24.8 | 25.7 | 0.1 | — | 25.8 | 37.6% |
| – SMEs and other | 15.9 | 17.3 | 1.7 | (0.9) | 18.1 | 51.4% |
| – Major accounts | 8.1 | 9.4 | 0.3 | (0.1) | 9.5 | 44.3% |
| Customer loans | 118.1 | 124.6 | 3.9 | (1.8) | 126.7 | 47.3% |

* Outstandings carried on the balance sheet. Crédit Foncier outstandings carried at 100%.

Non-performing loans are covered by specific provisions determined a posteriori. At the end of the 2002 financial year, non-performing loans represented 3% of outstanding customer loans against 2.9% in 2001. These outstandings were covered by specific provisions retained for 47.3% of their value in 2002, against 46.7% in 2001.

The Group has also retained dynamic provisions to hedge against the probable risk of default on its performing loans and off-balance sheet commitments. Aggregate loans and commitments (excluding corporate outstandings) covered by these provisions stood at €350 million at December 31, 2002. The principles used to calculate these dynamic provisions, as well as their scope of application, are explained in Note 15 of the notes to the consolidated financial statements. Changes in these provisions are linked, firstly, to variations in the basis of calculation and, secondly, to the review of probable default risks.

Lastly, thanks to a reserve for credit risk (included in the Reserve for General Banking Risks), in 2002 the Caisses d'Epargne had additional provisions for a total of €161 million. In all, outstandings were covered by allocated and non-allocated provisions for a total of 1.8% in 2002 compared with 1.7% in 2001.

- ***Analysis of outstanding loans by economic sector***

The analysis of outstanding loans includes facilities granted – drawn or not – and off-balance sheet commitments (excluding the private customer market, the public government sector and outstandings deposited with CDC IXIS).

| *Economic sector* | *Dec. 31, 2001* | *Dec. 31, 2002* |
|---|---|---|
| Real estate, rentals and business-to-business services | 54.1% | 52.0% |
| Health and welfare | 10.9% | 11.6% |
| Manufacturing industry | 7.3% | 5.2% |
| Retailing, car repairs and domestic goods | 6.1% | 5.4% |
| Public, social and individual services | 5.0% | 5.0% |
| Transport and communications | 4.0% | 3.3% |
| Hotels and restaurants | 3.8% | 3.8% |
| Energy production and distribution | 2.1% | 1.9% |
| Financial services | 2.1% | 7.3% |
| Education | 1.7% | 1.8% |
| Construction | 1.7% | 1.5% |
| Primary sector and activities outside France | 1.2% | 1.2% |
| **Total** | 100.0% | 100.0% |

- ***Analysis of outstandings (market transactions) by geographical region***

At December 31, 2002, the analysis of the liquid assets portfolio (securities portfolio and interbank and corporate loans/borrowings, local and regional public authorities, public corporations, fiscal partnerships and securitizations) of the Caisse d'Epargne Group (excluding CDC IXIS and Océor) by geographical region is as follows*:

| *Geographical region* | *Dec. 31, 2002* |
|---|---|
| France | 74.0% |
| Other countries in the European Economic Area | 19.0% |
| North America (USA and Canada) | 5.0% |
| Other countries | 2.0% |
| **Total** | 100.0% |

* Including off-balance sheet operations.

- ***Analysis of outstandings (market transactions) by quality of rating***

At December 31, 2002, and for the liquid assets portfolio (securities portfolio and interbank and corporate loans/borrowings, securitizations, sovereign borrowers, public corporations, fiscal partnerships) of the network of the Caisse d'Epargne Group (excluding CDC IXIS and Océor), the analysis of operations appearing on the balance sheet with non-Group counterparties is presented in the following table on the basis of the internal rating system:

| *Internal rating* | *Dec. 31, 2002* |
|---|---|
| AAA, AA+ | 17% |
| AA, AA- | 39% |
| A+, A, A- | 15% |
| BBB+, BBB, BBB- | 9% |
| BB+, BB, BB- | 1% |
| Not rated by the Rating Committee | 19% |
| **Total** | 100% |

It should be noted that, for risk monitoring purposes, the guarantees given are treated as on-balance sheet operations.

Outstandings not rated on the internal system chiefly concern senior units in Fonds Communs de Créances (or securitization funds) attributed an AAA rating by the agencies, and credit transactions of minor unit value, most frequently associated with specific guarantees.

The distribution of the nominal amount of off-balance sheet items with non-Group counterparties ranked on the basis of the internal rating system is presented in the following table:

| *Internal rating* | *Dec. 31, 2002* |
|---|---|
| AAA, AA+ | 6% |
| AA, AA- | 61% |
| A+, A, A- | 30% |
| Not rated by the Rating Committee | 3% |
| **Total** | 100% |

### *4.4 Capital market risks*

#### *4.4.1 Objectives and strategy*

The retail banking activities of the Caisse d'Epargne Group, historically focused on savings deposits, generate a structural excess of deposits over loans granted to customers leading, therefore, to the creation of substantial portfolios of liquid assets. In addition, certain Caisses d'Epargne diversify their sources of income by carrying out independent financial transactions, not based on customer deposits.

The portfolios are usually comprised of securities but also include interbank loans made with a view to keeping them until maturity. To these portfolios, carried as assets by the Group entities, should be added off-balance sheet operations which, for the most part, are held as a hedge against the positions taken by the entity.

These off-balance sheet operations are chiefly comprised of interest rate swaps, future rate agreements and caps and floors.

The purpose of these measures is to manage market risks with the help of qualitative and quantitative indicators capable of satisfying current regulations and allowing better consolidation:

- qualitative indicators define the scope, the markets and financial instruments authorized, the currencies, etc.
- formats of quantitative limits in terms of sensitivity or position impose constraints on the level of intervention allowed; each exposure-limit mechanism is attributed critical thresholds to alert the Group to any excess. Certain risks-notably non-linear risks on derivatives-are subject to stress tests designed to allow a more accurate appraisal of potential risks.

***4.4.2 Organization***

Following the transfer of the CNCE's Finance Division on December 31, 2001, the source of the Group's market risks consists in the financial activities of the Caisses d'Epargne and in the operations carried out by CDC IXIS.

The organization of the Group with respect to the control of risks arising from its capital market activities is characterized by the principle that the different Group entities remain entirely responsible for their financial management and, in particular, their policies related to activities on the financial markets. It is also characterized by an assignment entrusted to the Group Risks Department, namely the administration and harmonization of procedures and exposure limits.

The financial organization within the new framework of Eulia specifies the approval of financial instruments authorized for the use of the different entities in the Caisse d'Epargne Group, based on the appraisal of risks related to these instruments and the means available to the Group's entities to ensure their ongoing exploitation.

The Group Financial Instruments Committee is responsible for approving the financial instruments *per se* -whether held directly or via collective management structures- as well as the intermediaries authorized to use them within the framework of the financial activities of Caisse d'Epargne Group entities. Products are authorized by the Group Financial Instruments Committee according to their type, the nature of the activity and the purpose of their use with respect to management procedures. This committee coordinates its action with that of the Operating Committee representing CDC IXIS and the Caisse d'Epargne Group. The aim of the Operating Committee is to define, and subsequently to monitor, the services offered by CDC IXIS with a view to optimizing the intermediation activity of the Caisses d'Epargne.

***4.4.3 Management of capital market risks***

Identification of types of market risks

- The principal forms of interest-rate risks correspond to directional risks induced by a parallel change in the entire interest-rate curve and in its slope or, possibly, by a change in just one part of the curve.
- The foreign exchange risk can be defined as the risk of loss incurred by an adverse change in the rate of exchange (spot or future) of one or several currencies. The risk is gauged per currency and, subsequently, *vis-à-vis* the bank's currency portfolio. The foreign exchange risk concerns all financial instruments denominated in a currency other than the euro.
- The equities risk is the risk of incurring losses following an adverse change in share prices. The risk is proportional to the volatility of the share. The risk for a portfolio of securities also depends on the degree of diversification of, and correlation between, the different securities it contains.

- ***Limits and management per entity***

Each Group entity manages its capital market risks within the strict framework of the rules and national limits laid down by the CNCE. The limits specific to a given entity are fixed by its directors; compliance with these limits is monitored by the entity's executive body.

The principal national limits governing the management of liquid assets, which must not be exceeded by the limits specific to each Group entity, concern the following:

- Investments in equities and property dependent on excess funds from commercial activities and capital funds not invested in fixed assets. Investment in equities is restricted to the most actively traded securities in the euro zone.

- Investments in assets denominated in foreign currencies, not covered by a hedge, are restricted to a percentage of the liquid asset portfolios. Only the currencies of the major industrialized countries, whose volatility in relation to the euro remain within what are considered acceptable limits, are authorized.

- The operational foreign exchange position of each Group entity is kept within strict limits. The overall amount is not significant in relation to profits and capital funds. All foreign currency transactions with customers are systematically hedged.

- The financial organization within the new framework of Eulia was accompanied by the adoption in 2002 of rules governing collective management according to the size of the mutual funds, the ratio of Group control, the existence of adequate historic records of performance, and performance and risk parameters. This organization also includes a Group approval procedure for management companies, and exposure limits per individual company of this type.

In addition to monitoring the limits reached by each Group entity, the CNCE draws up quarterly management reports on all the transactions concerning the liquid asset portfolios of the Caisses d'Epargne network, making it possible to aggregate all capital market risks at a national level and to compare them with the exposure limits.

- ***Appraisal and monitoring of risks***

  The appraisal of the principal capital market risks is based on:

  - The measurement of the sensitivity of the portfolios to various scenarios of variations in interest rates, exchange rates and stock market prices. The aggregation of the principal risks related to the liquid asset portfolios of the Caisses d'Epargne network at December 31, 2002 shows the following impacts:

| *Type of risk* | *Area* | *Assumption* | *Negative impact* |
|---|---|---|---|
| | | | *(in millions of euros)* |
| Interest-rate risk | Trading portfolio | Uniform rise in interest rates of 1 point | <56> |
| Equities risk | Trading portfolio | 10% fall in market prices | <61> |
| Foreign exchange risk | All balance sheet | Simultaneous 5% decline in all currencies exchange rates | Not significant |

  - The use of a measurement tool based on the Value-at-Risk concept (VaR). This measurement is based on an approach similar to the Riskmetrics method. It has been circulated to all Group entities and applies to all the trading portfolios (trading account securities, related off-balance sheet items and held-for-sale portfolios). The aim is to draw up an aggregation of capital market risks at the level of each entity, but also to have a global view of these risks at a Group level, and to compare them with the capital funds allocated to these operations. This dynamic risk management procedure makes it possible to measure the gains to be expected from the portfolio diversification policy.

The current value at risk (VaR) is an estimate of the maximum potential loss liable to be incurred by the entity for a given holding period and a certain level of confidence. At December 31, 2002, the VaR for a holding period of 10 days and a level of confidence of 99% stood as follows for the Caisses d'Epargne network:

| | 2001 | 2002 |
|---|---|---|
| | *(in millions of euros)* | |
| VaR interest-rate risk | (85) | (68) |
| VaR equities risk | (129) | (108) |
| VaR foreign exchange risk | (9) | (20) |
| Diversification gain | 89 | 97 |
| Total VaR | (134) | (99) |

The maximum potential loss for the trading portfolios of the Caisses d'Epargne network is equal to, or less than, €99 million in 99% of cases and represented 0.76% of the market value of the portfolios at December 31, 2002.

- The regular completion of loss simulations in the light of several "**worst case**" scenarios triggered by exceptional and brutal shocks on the financial markets. The assumptions related to extreme fluctuations circulated by the CNCE to the entire network are differentiated on the basis of each underlying type of asset.

***4.5 Modernization of the information system: the OPRG project***

The *Outil de Pilotage Risque Groupe* (OPRG, or the Group Risk Steering Tool) will allow, as required by the French Banking Regulations Committee (CRBF) Rule 97-02, as amended by CRBF Rule 2001-01, a monitoring of risks at a consolidated level, and a monitoring of risk by each individual credit institution within the Group. OPRG uses a generic design covering a body of functions assumed at different organizational levels and based on complementary systems.

The *Base Tiers Groupe* (BTG, or the Group Third-Party Database) will be responsible for managing the identification of third parties at Group level and related tree structures (groups of third parties).

A Basel Program Department was created in 2002, with a view to pursuing cross-functional activities with other Group departments. Its organization will adapt to headway achieved by the Program. Committees have been set up to monitor work in progress. The Program Committee approves the major objectives pursued by the Program.

***4.6 Vigilance against money laundering***

The prevention of money laundering is organized under the direct responsibility of each Group entity. An anti-money laundering representative is appointed in each entity, responsible for analysing operations with customers liable to be suspected of money laundering and for denouncing them to the appropriate services of the French Ministry of Finance and Industry responsible for monitoring potentially illicit financial transactions (known under the abbreviation *Tracfin*).

The money-laundering prevention unit within the CNCE has launched several initiatives with the Group's various entities with a view both to optimizing the system allowing the automatic detection of suspicious behaviour and to harmonizing the Group's internal standards in this area. The training plan designed for Group employees will also be entirely revised with the adaptation of the training modules that the French Banking Federation will be making available to its members.

The cheque monitoring system, to be applied throughout the retail network in accordance with CRBF Rule 2001-01 dated June 2002, was introduced. This mechanism satisfies the Authorities' concern to adopt a clear framework providing oversight following the scandals affecting the banking profession. The adaptation of this system in the Group is based, in particular, on the CNCE's decision to provide a tool designed to select scanned cheques for verification purposes. As a result, the correspondent banking agreements with foreign banks will be reviewed.

***4.7 Operational risks***

Operational risks can be defined as the risk of suffering damage or loss owing to an inadequacy or malfunction attributable to procedures, individuals, internal systems or events external to the Group. They include, in particular:

– risks related to the security of property and individuals,

– risks related to information and communication systems,

– risks related to internal management including, in particular, errors in administrative and accounting matters, and risks of a legal nature.

The Group's individual entities manage their operational risks in cooperation with the various CNCE departments specializing in certain specific risks (Information System Security, Security of Property and Individuals, Banking Production, Legal Affairs, Accounts Department, etc.) and in liaison with the Operational Risks Department and Group Risks Department, responsible for consolidating and monitoring all operational risks, as well as organizing their administration.

In anticipation of the Basel II reform, the Group has taken steps to prepare compliance with the demands of the project concerning "Sound Practices for the Management and Supervision of Operational Risk." As a result, an operational risk identification and appraisal method is currently being tested within this framework within one of the Group's entities, with a view to:

– drawing up for the Group relevant tools for monitoring and measuring operational risk,

– providing the managers of Group entities with a decision-making tool regarding actions to be taken to improve their management of operational risk and safeguard their net banking income.

An Internal Liaison Committee for Operational Risk has also been set up under the aegis of the Internal Control Committee of the CNCE to coordinate the actions of the CNCE's different departments in this area, to take charge of organizing the prevention of inter-departmental risk and to recommend, whenever necessary, decisions to be taken by the Internal Control Committee of the CNCE.

Work has also started on weighing up the potential impact of the Basel Reform on questions of organization.

## 5. CAPITAL FUNDS AND CAPITAL ADEQUACY RATIO

| | *2002* |
|---|---|
| | *(in millions of euros)* |
| **Total capital** | 13,340 |
| *of which Tier 1 capital* | 12,477 |
| Capital funds requirements | 9,342 |
| *Loan loss risks* | 8,539 |
| *Market risks* | 803 |
| **International capital adequacy ratio** | 143% |

In compliance with the provisions of French Banking Regulations Committee (CRBF) Rule 2000-03, as amended, networks of entities possessing a central body define within their organization, following the approval of the French Banking Commission, a consolidating entity as provided for by Rule 99-07 of the French Accounting Regulatory Committee. This consolidating entity is the parent company that is obliged respect management ratios on a consolidated basis as of July 1, 2002.

The first calculation of the Group's European capital adequacy ratio was made at the end of the financial year on December 31, 2002.

Following the agreement of the French Banking Commission, the consolidating entity and scope of the Group's prudential supervision are identical to those adopted for the consolidated accounts of the Caisse d'Epargne Group.

For the application of this prudential supervision, the Group's insurance companies are consolidated under the equity method.

As a result, the Group's capital funds requirements stood at €9.34 billion at December 31, 2002.

Total capital is the sum of Tier-1 capital, Tier-2 capital and regulatory deductions (holdings in non-consolidated credit institutions or those accounted for by the equity method).

The consolidated capital adequacy ratio of the Caisse d'Epargne Group was 143% at December 31, 2002 (of which 133% for Tier-1 capital alone), well in excess of the statutory ratio of 100%.

## 6. RECENT DEVELOPMENTS AND OUTLOOK FOR THE YEAR 2003

The commercial outlook for the 1st quarter of 2003 is extremely positive.

New savings deposits rose 37% compared with the first quarter of 2002 to reach a total of €2.8 billion. This good performance is chiefly linked to new deposit taking on passbook accounts and to the sale of life insurance contracts. The Caisse d'Epargne Group has made faster progress than initially anticipated as far as savings are concerned.

New loan production stands at €4.6 billion, of which €3.4 billion was generated in the private customer market. In this segment, loan commitments have risen by a total of 12% compared with the same period in 2002. Overall, the Group is reaching its predetermined targets in all lending markets.

As far as the extension of banking and other financial services is concerned, the opening of current accounts, the sale of service packages and distribution of bankers' cards are all in line with the performance achieved in 2002.

With 96,000 contracts sold during the 1st quarter of 2003, the Group achieved a fine performance in property and casualty insurance.

In its commercial activities, the Group also intends to focus on the rapid development of new activities and, in particular, debt management services for local authorities and an offering in private asset management. The initial trends for 2003 already highlight the Group's ability to provide its customers with high-quality service.

The 2003 financial year marks the end of the 1st strategic plan adopted in the wake of the 1999 reform of the Caisses d'Epargne. The Group is currently focusing all its strengths on achieving the goals defined in this plan, namely:

– to achieve an operating efficiency ratio of 65% in 2005,
– to double its 1999 earning capacity by reaching €1.3 billion in 2003,
– to maintain an ROE of at least 10%.

As a result, work is continuing on a number of major specific initiatives: the modernization of the Group's IT resources, the drive to pool our means of production, and the renovation of our information system within the framework of the Basel II reform.

**The annual report is made available at the offices of the Issuer, at the offices of the Fiscal Agent and each of the Paying Agents. It is also available on the website www.groupe.caisse-epargne.fr.**

## CNCEP CONSOLIDATED BALANCE SHEET AT 30 JUNE 2003

| ASSETS | *Notes* | *June 30, 2003* | *December 31, 2002* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| CASH, MONEY MARKET AND INTERBANK ITEMS .. | | 78,532 | 69,544 |
| CUSTOMER ITEMS .. .. .. .. .. .. .. .. | 3 | 29,991 | 29,569 |
| LEASE FINANCING .. .. .. .. .. .. .. .. | | 1,042 | 1,027 |
| BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES .. .. .. .. | | 34,235 | 28,314 |
| INVESTMENTS BY INSURANCE COMPANIES .. .. | | 497 | 425 |
| INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD, OTHER LONG-TERM INVESTMENTS .. .. .. .. .. .. .. | 4 | 2,247 | 2,269 |
| TANGIBLE AND INTANGIBLE ASSETS .. .. .. | | 742 | 775 |
| GOODWILL .. .. .. .. .. .. .. .. .. | | 206 | 227 |
| ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS .. .. .. .. .. .. .. | | 13,694 | 12,648 |
| **TOTAL ASSETS** .. .. .. .. .. .. .. .. | | 161,186 | 144,798 |

| OFF-BALANCE SHEET COMMITMENTS | *Notes* | *June 30, 2003* | *December 31, 2002* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| Commitments given: .. .. .. .. .. .. .. | 7 | | |
| FINANCING COMMITMENTS .. .. .. .. .. .. | | 17,876 | 15,104 |
| GUARANTEE COMMITMENTS .. .. .. .. .. .. | | 21,701 | 18,894 |
| COMMITMENTS GIVEN ON SECURITIES .. .. .. | | 989 | 248 |

The attached Notes form an integral part of the consolidated financial statements.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

| LIABILITIES, CAPITAL FUNDS AND RESERVES | Notes | June 30, 2003 | December 31, 2002 |
|---|---|---|---|
| | | (in millions of euros) | |
| MONEY MARKET AND INTERBANK ITEMS | | 51,385 | 44,350 |
| CUSTOMER ITEMS | 3 | 7,536 | 6,907 |
| DEBTS REPRESENTED BY A SECURITY | 5 | 72,289 | 66,466 |
| TECHNICAL RESERVES OF INSURANCE COMPANIES | | 358 | 329 |
| ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES | | 21,797 | 19,639 |
| NEGATIVE GOODWILL | | — | 6 |
| PROVISIONS FOR LIABILITIES AND CHARGES | | 455 | 434 |
| SUBORDINATED DEBT | 6 | 2,636 | 2,173 |
| RESERVE FOR GENERAL BANKING RISKS | 6 | 218 | 131 |
| MINORITY INTERESTS | | 250 | 249 |
| CONSOLIDATED CAPITAL FUNDS AND RESERVES (EXCLUDING RESERVE FOR GENERAL BANKING RISKS) | 6 | 4,262 | 4,114 |
| Capital | | 2,905 | 2,905 |
| Share premiums | | 527 | 527 |
| Consolidated Reserves and retained earnings | | 575 | 486 |
| Net income for the period | | 255 | 196 |
| **TOTAL LIABILITIES, CAPITAL FUNDS AND RESERVES** | | 161,186 | 144,798 |

| OFF-BALANCE SHEET COMMITMENTS | Notes | June 30, 2003 | December 31, 2002 |
|---|---|---|---|
| | | (in millions of euros) | |
| Commitments received: | 7 | | |
| FINANCING COMMITMENTS | | 4,619 | 3,145 |
| GUARANTEE COMMITMENTS | | 5,936 | 5,455 |
| COMMITMENTS RECEIVED ON SECURITIES | | 1,339 | 443 |
| COMMITMENTS RECEIVED BY THE INSURANCE BUSINESS | | 12 | 11 |

The attached Notes form an integral part of the consolidated financial statements.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

## CNCEP CONSOLIDATED PROFIT AND LOSS ACCOUNT, SIX MONTHS ENDED 30 JUNE 2003

| | Notes | First half 2003 | First half 2002 | 2002 |
|---|---|---|---|---|
| | | *(in millions of euros)* | | |
| Interest and similar income | | 3,435 | 3,190 | 6,423 |
| Interest and similar expense | | (3,371) | (3,119) | (6,748) |
| Income from shares and other variable-income securities | | 38 | 56 | 68 |
| Net commission and fee income | | 230 | 192 | 437 |
| Gains (or losses) on trading transactions | | 208 | 210 | 590 |
| Gains (or losses) on held-for-sale portfolio transactions and similar items | | 127 | 10 | 224 |
| Other net operating income (expense) | | 130 | 52 | 92 |
| Gross margin on insurance business | | 30 | 20 | 40 |
| **NET BANKING INCOME** | | 827 | 611 | 1,126 |
| General operating expenses | | (521) | (455) | (914) |
| Depreciation and amortization of tangible and intangible assets | | (27) | (24) | (49) |
| **GROSS OPERATING INCOME** | | 279 | 132 | 163 |
| Provisions for loan losses | 8 | (39) | (1) | (52) |
| **OPERATING INCOME** | | 240 | 131 | 111 |
| Share in net income of companies accounted for by the equity method | | 60 | 58 | 138 |
| Net gains (or losses) on disposals of fixed assets | | 103 | 2 | 69 |
| **NET ORDINARY INCOME BEFORE TAX** | | 403 | 191 | 318 |
| Exceptional items | 9 | 0 | 32 | 28 |
| Income tax | | (49) | (32) | (88) |
| Amortization of goodwill | | (4) | (9) | (57) |
| (Allocations to)/releases from the reserve for general banking risks | | (87) | (15) | (18) |
| Minority interests | | (8) | (2) | (13) |
| **CONSOLIDATED NET INCOME** | | 255 | 165 | 196 |

The attached Notes form an integral part of the consolidated financial statements.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

# NOTES TO THE CNCEP INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2003

The interim financial statements for the six months ended 2003 provide an overview of the accounting effects of operations and events for the period since December 31, 2002. They do not include all the disclosures made in the annual financial statements.

## 1. LEGAL AND FINANCIAL FRAMEWORK – SIGNIFICANT EVENTS OF THE PERIOD

The individual Caisses d'Epargne et de Prévoyance together form a financial network around a central body, Caisse Nationale des Caisses d'Epargne (CNCE). The Caisse d'Epargne Group comprises a variety of subsidiaries that all contribute to the efficient operation and business development of the network of mutual savings banks.

Crédit Foncier de France (CFF) sold its headquarters building, together with various investment properties.

The total gain on these transactions amounted to €221.8 million. In the CFF financial statements, the gain on the sale of investment properties (€80.5 million) is included in net banking income and that on the sale of the headquarters building (€141.3 million) is recorded under "Net gains (losses) on disposal of fixed assets".

The Crédit Foncier de France Group is proportionally consolidated and the impact on the Caisse Nationale des Caisses d'Epargne Group financial statements was therefore €160.6 million, including €58.3 million included in net banking income and €102.3 million recorded under "Net gains (losses) on disposal of fixed assets".

## 2. PRINCIPLES AND METHODS OF CONSOLIDATION

*(a) Principles*

The consolidated financial statements of the Caisse Nationale des Caisses d'Epargne Group include the financial statements of Caisse Nationale des Caisses d'Epargne et de Prévoyance and all of its material subsidiaries and associated companies.

They have been drawn up in accordance with the principles laid down by Standards 99-07 and 2000-04 of the Comité de la Réglementation Comptable (CRC), using the same policies and methods as for the financial statements for the year ended December 31, 2002.

*(b) Changes in scope of consolidation*

The impact of the changes in the scope of consolidation during the first half of 2003 was not material. These changes include the buyout of minority interests in Océor Group companies and the inclusion, by the equity method as from January 1, 2003, of the Nexgen Financial Holdings Group which was acquired by CDC IXIS on December 11, 2002

*(c) Consolidation adjustments*

The consolidation adjustments recorded in the financial statements for the six months ended 2003 are the same as those made at December 31, 2002.

## 3. ACCOUNTING POLICIES

### Note 1 – Valuation methods and rules of presentation

The interim consolidated financial statements of the Caisse Nationale des Caisses d'Epargne Group for the six months ended June 30, 2003 have been prepared and presented in accordance with the policies defined by Caisse Nationale des Caisses d'Epargne (CNCE), which comply with French generally accepted accounting principles and the valuation methods recommended by the Conseil National de la Comptabilité (CNC Recommendation 2001-R-02).

The accounting policies and methods applied are the same as those used to draw up the annual financial statements. Revenues and expenses have been recorded by the accruals method, in accordance with the principle of segregation of accounting periods.

**Note 2 – Changes of accounting methods**

Standard CRC 2002-03 concerning the accounting treatment of credit risks is applicable by the Caisses d'Epargne effective from January 1, 2003.

This standard requires non-performing loans to be analysed in more detail, between non-performing and doubtful loans, as well as the recording of a provision for the discount corresponding to the interest differential on restructured loans at below market rates. Concerning the accounting treatment of restructured loans at below market rates (excluding "Neiertz Act" restructured loans to private individuals who are heavily in debt), based on the analyses performed to date by the Caisse Nationale des Caisses d'Epargne and its subsidiaries, application of CRC 2000-03 should not have any material impact on opening shareholders' equity at January 1, 2003 or on the comparability of the consolidated financial statements. Further analyses will be performed during the second half, based on the outcome of discussions currently under way with the French accounting authorities concerning the definition of restructured loans at below market rates.

The rules governing the first-time application of CRC 2002-10 dealing with asset write-downs were published by the French accounting authorities after June 30, 2003. Consequently, the previous accounting method continued to be applied at June 30, 2003. The Group will examine the method of applying this new standard during the second half of the year.

No other changes of method occurred during the first half of 2003.

## 4. NOTES TO THE BALANCE SHEET, OFF-BALANCE SHEET ITEMS AND THE PROFIT AND LOSS ACCOUNT

### BALANCE SHEET

Unless otherwise specified, the amounts shown in the notes to balance sheet items are stated net of accumulated depreciation or amortization and provisions.

**Note 3 – Customer items**

| **ASSETS** | *June 30, 2003* | *December 31, 2002* | **LIABILITIES** | *June 30, 2003* | *December 31, 2002* |
|---|---|---|---|---|---|
| | *(in million of euros)* | | | *(in million of euros)* | |
| Customer loans .. .. .. | 29,220 | 28,727 | Special savings accounts | 1,132 | 1,037 |
| Individuals and self-employed professionals .. .. .. | 19,968 | 19,680 | Other customer deposits | 6,368 | 5,826 |
| Local and regional authorities .. .. .. | 2 ,372 | 2,295 | Accrued interest .. .. | 36 | 44 |
| Other customer loans .. .. | 6,880 | 6,752 | | | |
| Non-performing loans.. .. | 1,225 | 1,331 | | | |
| Provisions | (454) | (489) | | | |
| TOTAL .. .. .. .. | 29,991 | 29,569 | TOTAL .. .. .. | 7,536 | 6,907 |

**Note 4 – Scope of consolidation**

During the first half of 2003, no material purchases or sales of subsidiaries, associated companies or other long-term investments were carried out.

| **Consolidated entities** | | *30/06/03* | | *31/12/02* | |
|---|---|---|---|---|---|
| | *Method*[1] | *Percent voting rights*[2] | *Percent interest* | *Percent voting rights*[2] | *Percent interest* |
| Caisse Nationale des Caisses d'Epargne et dePrévoyance | | | | | |
| Direct subsidiaries | Parent | Parent | Parent | Parent | Parent |
| **Holassure Group** | | | | | |
| Holassure | Full | 100.00% | 100.00% | 100.00% | 100.00% |
| Sopassure | Prop. | 49.98% | 49.98% | 49.98% | 49.98% |
| Caisse Nationale de Prévoyance | Equity | NA | 17.84% | NA | 17.85% |
| **Financière Océor Group** | | | | | |
| Financière Océor | Full | 100.00% | 61.72% | 100.00% | 61.72% |
| Banque de la Réunion | Full | 100.00% | 50.42% | 100.00% | 49.39% |
| Banque de Nouvelle Calédonie | Full | 100.00% | 59.13% | 100.00% | 59.11% |
| Banque de Tahiti | Full | 100.00% | 58.92% | 100.00% | 58.87% |
| Banque des Antilles Françaises | Full | 100.00% | 60.16% | 100.00% | 60.06% |
| Banque des Iles Saint-Pierre et Miquelon | Full | 100.00% | 59.76% | 100.00% | 59.65% |
| Banque Internationale des Mascareignes | Full | 100.00% | 25.46% | 100.00% | 24.94% |
| Caisse d'Epargne de Nouvelle-Calédonie | Full | 100.00% | 61.72% | 100.00% | 61.72% |
| Credipac Polynésie | Full | 100.00% | 58.90% | 100.00% | 58.86% |
| Crédit Commercial de Nouméa | Full | 100.00% | 55.20% | 100.00% | 55.18% |
| Crédit Saint Pierrais | Equity | NA | 29.06% | NA | 29.06% |
| Slibail Réunion | Full | 100.00% | 50.40% | 100.00% | 49.37% |
| Société Havraise Calédonienne | Full | 100.00% | 53.42% | 100.00% | 53.41 |
| **IT technical centers and software houses** | | | | | |
| Cnéti | Full | 100.00% | 72.31% | 100.00% | 72.31% |
| **Compagnie Financière Eulia Group** | | | | | |
| Compagnie Financière Eulia | Prop. | 49.90% | 49.90% | 49.90% | 49.90% |
| **Direct subsidiaries** | | | | | |
| Bail Ecureuil | Prop. | 49.90% | 49.90% | 49.90% | 49.90% |
| CDC IXIS Italia Holding | Prop. | 33.40% | 33.40% | 33.40% | 33.40% |
| Ecureuil Assurance IARD | Prop. | 49.90% | 32.43% | 49.90% | 32.43% |
| Ecureuil Gestion | Prop. | 49.90% | 45.21% | 49.90% | 45.21% |
| Ecureuil Participations | Prop. | 49.90% | 49.90% | 49.90% | 49.90% |
| Ecureuil Vie | Equity | NA | 24.84% | NA | 24.84% |
| Gestitres | Prop. | 49.90% | 28.29% | 49.90% | 28.29% |
| Holgest | Prop. | 49.90% | 42.86% | 49.90% | 42.86% |
| **CDC IXIS Group** | | | | | |
| CDC IXIS | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| Anatol Invest (and subsidiaries) | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| CDC Entreprises | Prop. | 26.45% | 25.34% | 26.45% | 25.34% |
| CDC Entreprises 2 | Prop. | 26.45% | 10.02% | 26.45% | 10.02% |
| CDC Innovation 96 | Prop. | 26.45% | 25.58% | 26.45% | 25.58% |
| CDC IXIS Asset Management (and subsidiaries) | Prop. | 26.45% | 21.16% | 26.45% | 21.16% |
| CDC IXIS Capital Market (and subsidiaries) | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |

| **Consolidated entities** | | *30/06/03* | | *31/12/02* | |
|---|---|---|---|---|---|
| | *Method*(1) | *Percent voting rights*(2) | *Percent interest* | *Percent voting rights*(2) | *Percent interest* |
| IXIS AEW Europe (ex-CDC IXIS immo) .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| CDC IXIS North America (and subsidiaries) .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| CDC IXIS Financial Guaranty (and subsidiaries) .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| CDC IXIS Private Equity (and subsidiaries) | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| CDC Urquijo .. .. .. .. .. .. | Prop. | 26.45% | 13.49% | 26.45% | 13.49% |
| Electropar France .. .. .. .. .. .. | Prop. | 26.45% | 13.22% | 26.45% | 13.22% |
| Euromontaigne .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| Foncière des Pimonts (and subsidiaries) .. | Prop. | 26.45% | 19.44% | 26.45% | 19.44% |
| Fondinvest .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| CDC IXIS Administration de Fonds (ex-GSF) .. .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| Logistis (and subsidiaries) .. .. .. | Equity | NA | 8,81% | NA | 8,81% |
| Magnant .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| Martignac Finance .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| Nexgen (and subsidiaries) .. .. .. | Equity | NA | 10.24% | NA | - |
| PART'COM .. .. .. .. .. .. .. | Prop. | 26.45% | 26.45% | 26.45% | 26.45% |
| Sogeposte .. .. .. .. .. .. | Equity | NA | 12,96% | NA | 12,96% |
| Vega Finance (and subsidiaries) .. .. | Prop. | 26.45% | 22.48 | 26.45% | 22.48% |
| **Crédit Foncier Group** | | | | | |
| Crédit Foncier de France .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Auxiliaire du Crédit Foncier de France .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Cofimab .. .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Compagnie de Financement Foncier .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Compagnie Foncière de Crédit .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Crédit de l'Arche .. .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Crédit Foncier Assurance Courtage .. .. | Prop. | 72.39% | 72.31% | 72.39% | 72.31% |
| Crédit Foncier Banque .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Dom2 .. .. .. .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| FCC Teddy .. .. .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Financière Desvieux .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Foncier Assurance .. .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Foncier Bail .. .. .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| Foncier Participations .. .. .. .. .. | Equity | NA | 72,39% | NA | 72,39% |
| SICP (and subsidiaries) .. .. .. .. .. | Equity | NA | 72,39% | NA | 68,77% |
| Soclim .. .. .. .. .. .. .. .. | Prop. | 72.39% | 72.39% | 72.39% | 72.39% |
| **Cicobail Group** | | | | | |
| Cicobail .. .. .. .. .. .. .. | Prop. | 49.90% | 49.78% | 49.90% | 49.78% |
| Cinergie .. .. .. .. .. .. .. | Prop. | 49.90% | 49.83% | 49.90% | 49.83% |
| Mur Ecureuil .. .. .. .. .. .. | Prop. | 49.90% | 49.84% | 49.90% | 49.84% |
| **Socfim Group** | | | | | |
| Socfim .. .. .. .. .. .. .. .. | Prop. | 49.90% | 49.85% | 49.90% | 49.85% |
| SNC SEI Logement .. .. .. .. .. | Prop. | 49.90% | 49.85% | 49.90% | 49.85% |
| SNC SEI Tertiaire .. .. .. .. .. .. | Prop. | 49.90% | 49.85% | 49.90% | 49.85% |
| Socfim Participations .. .. .. .. .. | Prop. | 49.90% | 49.85% | 49.90% | 49.85% |
| Socfim Transaction .. .. .. .. .. | Prop. | 49.90% | 49.85% | 49.90% | 49.85% |

**Consolidated entities**

| | Method[(1)] | 30/06/03 Percent voting rights[(2)] | 30/06/03 Percent interest | 31/12/02 Percent voting rights[(2)] | 31/12/02 Percent interest |
|---|---|---|---|---|---|
| Société Européenne d'Investissement | Prop. | 49.90% | 49.85% | 49.90% | 49.85% |
| **Eulia Caution Group** | | | | | |
| Eulia Caution | Prop. | 49.90% | 49.90% | 49.90% | 49.90% |
| Cegi | Prop. | 49.90% | 34.93% | 49.90% | 34.93% |
| Financière CEGI | Prop. | 49.90% | 34.93% | 49.90% | 34.93% |
| Saccef | Prop. | 49.90% | 49.90% | 49.90% | 49.90% |
| Socamab | Prop. | 49.90% | 19.96% | 49.90% | 19.96% |

(1) Consolidation method: Full = Full consolidation; Prop = Consolidated on a proportional basis; Equity = Accounted for by the equity method

(2) NA: not applicable to associated companies accounted for by the equity method.

**Note 5 – Debt securities**

| *Debt securities* | *June 30, 2003* | *December 31, 2002* |
|---|---|---|
| | *(in millions of euros)* | |
| Retail certificates of deposit and savings certificates | 65 | 71 |
| Interbank and money market securities | 24,471 | 22,727 |
| Bonds | 47,732 | 43,637 |
| Other debt securities | 21 | 31 |
| TOTAL | 72,289 | 66,466 |

**Note 6 – Capital funds and reserves, reserve for general banking risks and subordinated debt**

*(a) Capital funds and reserves, excluding reserve for general banking risks*

| | *Capital* | *Share premiums* | *Reserves and retained earnings* | *Net income for the period* | *Total* |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| **At December 31, 2002** | 2,905 | 527 | 486 | 196 | 4,114 |
| Appropriation of 2002 net income | | | 196 | (196) | 0 |
| Dividends | | | (80) | | (80) |
| Mergers of individual Caisses d'Epargne | | | | | 0 |
| Translation adjustment | | | (29) | | -29 |
| Other movements | | | | 255 | 255 |
| Net income for the period | | | 2 | | 2 |
| **At June 30, 2003** | 2,905 | 527 | 575 | 255 | 4,262 |

*(b) Changes in reserve for general banking risks*

| | January 1, 2003 | Allocations | Reversals | June 30, 2003 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| Reserve for general banking risks | 131 | 87 | 0 | 218 |

*(c) Subordinated debt*

During the first half of 2003, CNCE issued €417 million worth of 4.5% subordinated debt securities, due February 2015. CDC Ixis carried out a €169 million subordinated debt issue during the period, of which €45 million are reflected in the Caisse Nationale des Caisses d'Epargne Group balance sheet

## OFF-BALANCE SHEET COMMITMENTS

### Note 7 – Commitments on financial instruments

Commitments on financial instruments primarily concern interest-rate instruments traded over-the-counter.

| | Nominal contract amounts | | | | |
|---|---|---|---|---|---|
| | Interest-rate instruments | Currency instruments | Other instruments | TOTAL June 30, 2003 | TOTAL December 31, 2002 |
| | *(in millions of euros)* | | | | |
| **TRANSACTIONS ON ORGANIZED MARKETS** | | | | | |
| Futures | 46,205 | 3 | 66,060 | 112,268 | 61,488 |
| Options | 83,609 | 7 | 28,539 | 112,155 | 30,293 |
| **OVER-THE-COUNTER TRANSACTIONS** | | | | | |
| Forward contracts | 419,771 | 3,622 | 0 | 423,393 | 385,383 |
| Options | 60,017 | 1,078 | 8,333 | 69,428 | 68,636 |
| TOTAL | 609,602 | 4,710 | 102,932 | 717,244 | 545,800 |

## PROFIT AND LOSS ACCOUNT

### Note 8 – Provisions for loan losses

| | Customer loans | Other | TOTAL |
|---|---|---|---|
| | *(in millions of euros)* | | |
| Charges to provisions | (65) | (13) | (78) |
| Reversals of provisions | 64 | 7 | 71 |
| Other | (33) | 1 | (32) |
| Total, six months ended June 30, 2003 | (34) | (5) | (39) |
| Total, six months ended June 30, 2002 | (6) | 5 | (1) |
| Total, twelve months ended December 31, 2002 | (38) | (14) | (52) |

To reflect counterparty risks more accurately, a provision is recorded under liabilities covering sound loans and off-balance sheet commitments for which statistical data are available to assess the probability of default. The provision is calculated by applying different rates to loans analyzed by credit rating and remaining term. The rates are weighted based on assumptions concerning the probability of the amounts involved being recovered in the event of default.

**Note 9 – Exceptional items**

Exceptional income and expenses are income and expenses which are unusual in terms of their frequency and which fall outside the scope of the Group's ordinary activities. Exceptional items for the first half of 2003 were not material.

## AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF CNCEP

**Free translation of the original report in French**

To the shareholders

CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

77, boulevard Saint Jacques

75014 Paris

As requested from us in our capacity as statutory auditors of Caisse Nationale des Caisses d'Epargne et de Prévoyance, we have performed a limited review of the accompanying interim consolidated financial statements for the period from January 1 to June 30, 2003.

These interim consolidated financial statements are the responsibility of the Management Board. Our responsibility, based on our limited review, is to report our conclusions concerning these financial statements.

We conducted our limited review in accordance with the standards generally accepted in France. Those standards require that we perform limited procedures to obtain reasonable assurance, below the level resulting from a full audit, that the interim financial statements do not contain any material errors. A limited review of interim financial statements is substantially less in scope than an audit and consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements, in order to present fairly the consolidated results of operations for the six months ended June 30, 2003 and the consolidated financial position and assets of Caisse Nationale des Caisses d'Epargne et de Prévoyance France at that date.

Note 2 to the interim consolidated financial statements describes the effects of applying standard CRC 2002-03, dealing with the accounting treatment of credit risks by banking institutions, and standard CRC 2002-10, dealing with asset write-downs. This observation does not affect our conclusions concerning the interim consolidated financial statements as set out above.

Paris and Paris La Défense, September 30, 2003

The Statutory Auditors

| PricewaterhouseCoopers Audit | | KPMG Audit<br>Department of KPMG S.A. | |
|---|---|---|---|
| Anik Chaumartin | Yves Nicolas | Philippe Saint-Pierre | Rémi Tabuteau |

## CNCEP CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002, 2001 AND 2000

| | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | | (in millions of euros) | | |
| **Assets** | | | | |
| CASH, MONEY MARKET AND INTERBANK ITEMS | 69,544 | 71,186 | 65,501 | 57,092 |
| CUSTOMER ITEMS | 29,569 | 24,879 | 34,317 | 31,093 |
| LEASE FINANCING | 1,027 | 799 | 177 | 159 |
| BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES | 28,314 | 22,877 | 9,699 | 7,776 |
| INVESTMENTS BY INSURANCE COMPANIES | 425 | 396 | 255 | 243 |
| INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES, AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD AND OTHER LONG-TERM INVESTMENTS | 2,269 | 2,400 | 1,876 | 1,683 |
| TANGIBLE AND INTANGIBLE ASSETS | 775 | 960 | 273 | 310 |
| GOODWILL | 227 | 282 | 92 | 103 |
| ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS | 12,648 | 9,028 | 6,320 | 4,947 |
| **TOTAL ASSETS** | 144,798 | 132,807 | 118,510 | 103,406 |

| | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | | (in millions of euros) | | |
| **Off-balance sheet commitments** | | | | |
| Commitments given: | | | | |
| FINANCING COMMITMENTS | 15,104 | 11,260 | 8,249 | 6,997 |
| GUARANTEE COMMITMENTS | 18,894 | 5,885 | 2,718 | 1,886 |
| COMMITMENTS MADE ON SECURITIES | 248 | 221 | | |
| COMMITMENTS GIVEN BY THE INSURANCE BUSINESS | | 5,305 | | 366 |

(1) The balance sheet and off-balance sheet commitments at 31 December 2001 restated to reflect the Group's consolidated position excluding the impact of the structural changes induced by the Alliance operation as carried at 31 December 2001, in order to ensure comparability with the accounts published on 31 December 2000.

| | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| **Liabilities, capital funds and reserves** | | | | |
| MONEY MARKET AND INTERBANK ITEMS | 44,350 | 42,906 | 44,933 | 40,354 |
| CUSTOMER ITEMS .. .. .. .. .. .. | 6,907 | 5,174 | 1,160 | 1,133 |
| DEBTS REPRESENTED BY A SECURITY .. | 66,466 | 61,476 | 59,516 | 51,005 |
| TECHNICAL RESERVES OF INSURANCE COMPANIES .. .. .. .. .. .. .. | 329 | 287 | 248 | 229 |
| ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES .. .. .. .. | 19,639 | 16,557 | 7,732 | 5,779 |
| NEGATIVE GOODWILL .. .. .. .. .. | 6 | 23 | 32 | 37 |
| PROVISIONS FOR LIABILITIES AND CHARGES .. .. .. .. .. .. .. | 434 | 357 | 359 | 485 |
| SUBORDINATED DEBT .. .. .. .. .. | 2,173 | 1,610 | 1,806 | 1,798 |
| RESERVE FOR GENERAL BANKING RISKS (RGBR) .. .. .. .. .. .. .. .. | 131 | 114 | 115 | 90 |
| MINORITY INTERESTS .. .. .. .. .. | 249 | 104 | 121 | 124 |
| CONSOLIDATED CAPITAL FUNDS AND RESERVES (EXCLUDING RGBR) .. .. | 4,114 | 4,199 | 2,488 | 2,372 |
| Capital .. .. .. .. .. .. .. .. | 2,905 | 2,905 | 1,801 | 1,801 |
| Share premium .. .. .. .. .. .. .. | 527 | 623 | 427 | 427 |
| Consolidated Reserves and retained earnings .. | 486 | 467 | 56 | 13 |
| Net income for the year .. .. .. .. .. | 196 | 204 | 204 | 131 |
| **TOTAL LIABILITIES, CAPITAL FUNDS AND RESERVES** .. .. .. .. .. .. .. | 144,798 | 132,807 | 118,510 | 103,406 |

| | 2002 | 2001 | 2001 (restated)[1] | 2000 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| **Off-balance sheet commitments** | | | | |
| Commitments received: | | | | |
| FINANCING COMMITMENTS .. .. .. .. | 3,145 | 2,404 | 4,740 | 5,497 |
| GUARANTEE COMMITMENTS .. .. .. | 5,455 | 3,728 | 3,892 | 3,701 |
| COMMITMENTS RECEIVED ON SECURITIES .. .. .. .. .. .. .. | 443 | 505 | | 5 |
| COMMITMENTS RECEIVED FROM THE INSURANCE BUSINESS .. .. .. .. | 11 | 7 | | |

(1) The balance sheet and off-balance sheet commitments at 31 December 2001 restated to reflect the Group's consolidated position excluding the impact of the structural changes induced by the Alliance operation as carried at 31 December 2001, in order to ensure comparability with the accounts published on 31 December 2000.

## CNCEP CONSOLIDATED PROFIT AND LOSS ACCOUNT OF FOR 2002 AND 2001

| | *2002* | *2001 (restated)* | *2001* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| Interest and similar income | 6,423 | 7,426 | 8,508 |
| Interest and similar expense | (6,748) | (7,760) | (8,113) |
| Income from shares and other variable-income securities | 68 | 59 | 45 |
| Net commission and fee income | 437 | 385 | 201 |
| Gains (or losses) on trading transactions | 590 | 552 | 46 |
| Gains (or losses) on held-for-sale portfolio transactions and similar items | 224 | 242 | (45) |
| Other net operating income | 92 | 107 | 93 |
| Gross margin on insurance business | 40 | 25 | 2 |
| **NET BANKING INCOME** | 1,126 | 1,036 | 737 |
| General operating expenses | (914) | (785) | (579) |
| Depreciation and amortization of tangible and intangible assets | (49) | (45) | (35) |
| **GROSS OPERATING INCOME** | 163 | 206 | 123 |
| Risk-related costs | (52) | (33) | (2) |
| **OPERATING INCOME** | 111 | 173 | 121 |
| Share in net income of companies accounted for by the equity method | 138 | 149 | 55 |
| Gains (or losses) on fixed assets | 69 | 11 | 17 |
| **NET ORDINARY INCOME BEFORE TAX** | 318 | 333 | 193 |
| Extraordinary items | 28 | 36 | 49 |
| Tax on profits | (88) | (55) | (4) |
| Amortization of goodwill | (57) | (19) | (6) |
| Allocations to/releases from the Reserve for General Banking Risks | (18) | (27) | (25) |
| Minority interests | 13 | (4) | (11) |
| **CONSOLIDATED NET INCOME (EXCLUDING MINORITY INTERESTS)** | 196 | 264 | 204 |

## AUDITORS' REPORT ON THE CNCEP CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

**Free translation of the original report in French**

Dear Sir, Madam,

In accordance with the terms of our appointment, we have audited the accompanying consolidated financial statements of the Caisse Nationale des Caisses d'Epargne et de Prévoyance Group for the year ended December 31, 2002.

The consolidated financial statements are the responsibility of the Management Board of the CNCEP. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the professional standards applied in France. These standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion presented below.

In our opinion, the consolidated financial statements, prepared in accordance with the accounting principles generally accepted in France, give a true and fair view of the assets and liabilities, of the consolidated financial position and consolidated income of the economic entity comprised of the companies that together form the CNCE Group.

Without calling into question the above opinion, we draw your attention to note 4 to the consolidated financial statements which :

- describes the impact on the consolidated accounts of the change in accounting regulations resulting from the application as of January 1, 2002, of Rule 2000-06 of the French Accounting Regulatory Committee governing liabilities,
- presents the impact of the alliance with the Caisse des dépôts Group on the comparability of the consolidated accounts of the Caisse Nationale des Caisses d'Epargne Group.

We have also verified the information contained in the Group Management Report in accordance with the professional standards applied in France. We have no comments to make as to the fairness and conformity with the consolidated financial statements of the information included in this Report.

Paris and La Défense, May 2, 2003

The Statutory Auditors

| Coopers & Lybrand<br>Members of PricewaterhouseCoopers | | KPMG Audit<br>Department of KPMG S.A. | |
|---|---|---|---|
| Yves NICOLAS | Anik CHAUMARTIN | Philippe SAINT-PIERRE | Rémy TABUTEAU |

## CNCEP INDIVIDUAL BALANCE SHEET AT 30 JUNE 2003 AND 31 DECEMBER 2002

| | Notes | 30/06/2003 | 31/12/2002 |
|---|---|---|---|
| | | *(in millions of euros)* | |
| **ASSETS** | | | |
| CASH ON HAND, ACCOUNTS DUE FROM CENTRAL BANKS AND POST OFFICE BANKS | | 2,851 | 2,617 |
| LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS | 3, 6, 7 | 54,250 | 44,063 |
| Demand Accounts | | 8,754 | 4,343 |
| Term Accounts | | 45,496 | 39,720 |
| LOANS AND ADVANCES TO CUSTOMERS | 4, 7 | 942 | 635 |
| Commercial Loans | | | |
| Loan Accounts | | 885 | 586 |
| Current Accounts in debt | | 57 | 49 |
| BONDS AND OTHER FIXED-INCOME SECURITIES | 5, 7 | 3,324 | 2,604 |
| SHARES AND OTHER VARIABLE-INCOME SECURITIES | 5 | 398 | 883 |
| INVESTMENTS, SECURITIES PORTFOLIO | 6 | 128 | 130 |
| INVESTMENTS IN ASSOCIATED COMPANIES | 6 | 3,885 | 3,878 |
| INTANGIBLE FIXED ASSETS | 8 | 7 | 5 |
| TANGIBLE FIXED ASSETS | 8 | 36 | 34 |
| OTHER ASSETS | | 653 | 87 |
| ACCRUALS AND OTHER ACCOUNTS RECEIVABLE | 10 | 3,158 | 2,818 |
| TOTAL ASSETS | | 69,632 | 57,754 |

| | Notes | 30/06/2003 | 31/12/2002 |
|---|---|---|---|
| | | *(in millions of euros)* | |
| **OFF BALANCE SHEET COMMITMENTS** | | | |
| Commitments given | | 8,987 | 5,370 |
| FINANCING COMMITMENTS | | 6,207 | 3,124 |
| Commitments to financial institutions | 6, 13 | 5,611 | 2,773 |
| Commitments to customers | | 596 | 351 |
| GUARANTEES GIVEN | | 2,752 | 2,246 |
| Commitments to financial institutions | 6, 13 | 651 | 162 |
| Commitments to customers | | 2,101 | 2,084 |
| SECURITIES COMMITMENTS | | 28 | |
| Other commitments given | | 28 | |

The attached Notes form an integral part of the individual financial statement.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

| | Notes | 30/06/2003 | 31/12/2002 |
|---|---|---|---|
| | | *(in millions of euros)* | |
| **LIABILITIES, CAPITAL FUNDS AND RESERVES** | | | |
| AMOUNTS DUE TO FINANCIAL INSTITUTIONS | 3, 6, 7 | 24,278 | 17,775 |
| Demand Accounts | | 7,347 | 4,507 |
| Term Accounts | | 16,931 | 13,268 |
| CUSTOMER DEPOSITS | 7 | 627 | 223 |
| Other accounts | | 627 | 223 |
| *Demand Accounts* | | 116 | 100 |
| *Term Accounts* | | 511 | 123 |
| DEBTS EVIDENCED BY A SECURITY | 7, 9 | 34,852 | 30,988 |
| "Bons de Caisse" | | | |
| Interbank and other negotiable debt instruments | | 13,119 | 10,992 |
| Bonds | | 21,733 | 19,996 |
| Other debts evidenced by a security | | | |
| OTHER LIABILITIES | | 599 | 41 |
| ACCRUALS AND OTHER ACCOUNTS PAYABLE | 10 | 3,456 | 3,274 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 11 | 105 | 106 |
| SUBORDINATED DEBT | 6, 12 | 2,178 | 1,710 |
| RESERVE FOR GENERAL BANKING RISKS | 12 | 48 | 48 |
| CAPITAL FUNDS AND RESERVES | 12 | 3,489 | 3,589 |
| Capital | | 2,905 | 2,905 |
| Share premium | | 527 | 527 |
| Reserves | | 75 | 71 |
| Re-evaluation reserves | | | |
| Regulated provisions | | | |
| Investment subsidies | | 2 | |
| Net profit/(loss) for the year | | (20) | 86 |
| TOTAL LIABILITIES, CAPITAL FUNDS | | 69,632 | 57,754 |

| | Notes | 30/06/2003 | 31/12/2002 |
|---|---|---|---|
| | | *(in millions of euros)* | |
| **OFF BALANCE SHEET COMMITMENTS AND RESERVES** | | | |
| Commitments received | | 4,757 | 3,657 |
| FINANCING COMMITMENTS | | 1,501 | 183 |
| Commitments from financial institutions | 6, 13 | 1,501 | 183 |
| GUARANTEES RECEIVED | | 3,240 | 3,473 |
| Commitments from financial institutions | 6, 13 | 3,240 | 3,473 |
| SECURITIES COMMITMENTS | | 16 | 1 |
| Other commitments received | | 16 | 1 |

The attached Notes form an integral part of the individual financial statement.

These financial statements have been translated from the French version which has been approved by the *Directorie* of the Issuer.

## CNCEP INDIVIDUAL PROFIT AND LOSS ACCOUNT AT 30 JUNE 2003

| | Notes | *1st six-month Period* 2003 | 2002 | *Year* 2002 |
|---|---|---|---|---|
| | | *(in millions of euros)* | | |
| **Profit and loss account presented in publishable form** | | | | |
| Interest and similar income | 16 | 996 | 969 | 1,909 |
| - Interest and similar expense | 16 | (999) | (941) | (1,914) |
| + Income form shares and other variable-income securities | 17 | 16 | 19 | 162 |
| + Commissions (income) | 18 | 48 | 43 | 84 |
| - Commissions (expense) | 18 | (4) | (4) | (10) |
| +/- Gains (or losses) on transactions involving trading-account securities | 19 | (1) | (3) | (2) |
| +/- Gains (or losses) on transactions involving securities | 20 | 12 | (7) | (27) |
| + Other operating income | 21 | 26 | 13 | 43 |
| - Other operating expense | 21 | (19) | (15) | (31) |
| + NET BANKING INCOME | | 75 | 74 | 214 |
| - General operating expense | 22 | (86) | (74) | (155) |
| - Depreciation and amortisation of tangible and intangible assets | | (5) | (5) | (11) |
| + GROSS OPERATING INCOME | | (16) | (5) | 48) |
| +/- Net additions to allowances for credit risks and country risks | 24 | (2) | (1) | (6) |
| + OPERATING INCOME | | (18) | (6) | 42 |
| +/- Gains (or losses) on fixed assets | 25 | (2) | | 6 |
| + NET ORDINARY INCOME BEFORE TAX | | (20) | (6) | 48 |
| +/- Extraordinary items | 26 | | 29 | 29 |
| - Tax on profits | 27 | | 8 | 9 |
| +/- Allocations to/releases from the Reserve for General Banking Risks | | | | |
| + NET PROFIT | | (20) | 31 | 86 |

The attached Notes form an integral part of the individual financial statements.

These financial statements have been translated from the French version which has been approved by the *Directoire* of the Issuer.

# NOTES TO CNCEP INDIVIDUAL FINANCIAL STATEMENTS AT 30 JUNE 2003

The interim financial statements for the six months ended June 30, 2003 provide an overview of the accounting effects of operations and events for the period since December 31, 2002. They do not include all the disclosures made in the annual financial statements.

## 1. LEGAL AND FINANCIAL BACKGROUND – KEY EVENTS OF THE PERIOD

No significant events occurred during the six months ended June 30, 2003.

## 2. ACCOUNTING POLICIES

### Note 1 – Valuation methods and financial statement presentation

The interim financial statements of the Caisse Nationale des Caisses d'Epargne for the six months ended June 30, 2003 have been prepared and presented in accordance with the policies defined by Caisse Nationale des Caisses d'Epargne (CNCE), which comply with French generally accepted accounting principles and the valuation methods recommended by the Conseil National de la Comptabilité (CNC Recommendation 2001-R-02).

The accounting policies and methods applied are the same as those used to draw up the annual financial statements. Revenues and expenses have been recorded by the accruals method, in accordance with the principle of segregation of accounting periods.

### Note 2 – Changes of accounting methods

Standard CRC 2002-03 concerning the accounting treatment of credit risks is applicable by the Caisses d'Epargne effective from January 1, 2003.

This standard requires non-performing loans to be analyzed in more detail, between non-performing and doubtful loans, as well as the recording of a provision for the discount corresponding to the interest differential on restructured loans at below market rates. Concerning the accounting treatment of restructured loans at below market rates (excluding "Neiertz Act" restructured loans to private individuals who are heavily in debt), based on the analyses performed to date by the Caisses d'Epargne, application of CRC 2002-03 should not have any material impact on opening shareholders' equity at January 1, 2003 or on the comparability of the consolidated financial statements. Further analyses will be performed during the second half, based on the outcome of discussions currently under way with the French accounting authorities concerning the definition of restructured loans at below market rates.

The French accounting authorities published the rules governing the first-time application of CRC 2002-10 dealing with asset write-downs after June 30, 2003. Consequently, the previous accounting method continued to be applied at June 30, 2003. The Group will examine the method of applying this new standard during the second half of the year.

No other changes of method occurred during the first half of 2003.

## 3. NOTES TO THE BALANCE SHEET, OFF-BALANCE SHEET ITEMS AND THE PROFIT AND LOSS ACCOUNT

### BALANCE SHEET

Unless stated otherwise, the notes to the various balance sheet items are stated net of accumulated depreciation or amortization and provisions.

**Note 3 – Interbank and money market items**

| | *June 30, 2003* | *December 31, 2002* |
|---|---|---|
| | *(in millions of euros)* | |
| **ASSETS** | | |
| **Demand deposits** | 8,754 | 4,343 |
| Current accounts | 8,745 | 4,260 |
| Overnight loans | | |
| Accrued interest | 2 | 9 |
| Doubtful accounts | | |
| Provisions | — | — |
| Suspense items | 7 | 74 |
| **Time deposits** | 45,496 | 39,720 |
| Term loans[(1)(2)] | 44,920 | 39,124 |
| Securities purchased under resale agreements | | |
| Other assets purchased under resale agreements | | |
| Accrued interest[(3)] | 576 | 596 |
| Doubtful accounts | | |
| Provisions | | |
| **TOTAL** | 54,250 | 44,063 |
| **LIABILITIES** | | |
| **Demand deposits** | 7,347 | 4,507 |
| Current accounts | 7,318 | 4,412 |
| Overnight loans | | |
| Accrued interest | 13 | 24 |
| Other amounts payable | 16 | 71 |
| **Time deposits** | 16,931 | 13,268 |
| Term borrowings | 16,813 | 13,150 |
| Securities sold under repurchase agreements | | |
| Other assets sold under repurchase agreements | | |
| Accrued interest | 118 | 118 |
| **TOTAL** | 24,278 | 17,775 |

(1) including subordinated loans at June 30, 2003: €1,134 million. Effective from January 1, 2002, subordinated loans in the amount of €683 million have been transferred to the Ixis Group, by means of borrowings with identical terms.

Debts represented by a security and the interbank borrowings were transferred to the IXIS Group, by means of loans with identical terms representing (2) euro 39,893 million in Term loans and (3) euro 550 million in accrued interest.

**Note 4 – Customer items**

| | *June 30, 2003* | *December 31, 2002* |
|---|---|---|
| | *(in millions of euros)* | |
| **ASSETS** | | |
| Short-term credit facilities .. .. .. .. .. .. .. .. .. | 128 | 239 |
| Equipment loans .. .. .. .. .. .. .. .. .. .. .. | 547 | 338 |
| Subordinated loans .. .. .. .. .. .. .. .. .. .. | 200 | |
| Current accounts in debit .. .. .. .. .. .. .. .. .. | 58 | 49 |
| Accrued interest .. .. .. .. .. .. .. .. .. .. .. | 5 | 2 |
| Non-performing loans .. .. .. .. .. .. .. .. .. .. | 19 | 22 |
| Provisions .. .. .. .. .. .. .. .. .. .. .. .. | (15) | (15) |
| **TOTAL** .. .. .. .. .. .. .. .. .. .. .. .. | 942 | 635 |

**Note 5 – Bonds, shares, and other fixed and variable income securities**

| *Trading* | *Held for sale* | *Investment Portfolio* | *Accrued interest* | *Total June 30, 2003* | *Total December 31, 2002* |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| Government securities | | | | | |
| Bonds and other fixed-income securities[(1)] .. .. .. .. | 680 | 2,570 | 74 | 3,324 | 2,604 |
| Shares and other variable-income securities[(2)] .. .. .. .. | 398 | | 398 | 883 | |
| | 1,078 | 2,570 | 74 | 3,722 | 3,487 |
| **TOTAL 2002** .. .. .. .. | 1,070 | 2,361 | 56 | | |

(1) including listed securities: €3,324 million at June 30, 2003 and €2,604 million at December 31, 2002.

(2) including listed securities: €2 million at June 30, 2003 and €6.6 million at December 31, 2002.

The total difference between the cost and the redemption price of investment securities amounted to €25 million at June 30, 2003.

CNCE does not hold any government securities or equivalent.

There were no receivables corresponding to lent securities at June 30, 2003.

There were no transfers between the different securities portfolios during the first half of 2003 or in 2002.

Unrealised gains and losses on portfolio securities are as follows:

| | | *Investment Portfolio* | | |
|---|---|---|---|---|
| | *June 30, 2003* | *Dec 31, 2002* | *June 30, 2003* | *Dec 31, 2002* |
| | | *(in millions of euros)* | | |
| Net book value including accrued interest .. .. | 1,083 | 1 071 | | |
| Market value .. .. .. .. .. .. .. .. | 1,083 | 1,076 | | |
| Unrealised gains .. .. .. .. .. .. .. | 7 | 5 | | |
| Unrealised losses covered by provisions .. .. | 7 | 10 | | |

**Note 6 – Equity interests, investments in associated companies and long-term portfolio securities**

**a) Table of subsidiaries and investments**

| *FINANCIAL INFORMATION* *Subsidiaries and investment* | *Share capital* | *Reserves and unappro-priated earned surplus* | *% interest held* | *Book value of securities held* *Gross* | *net* | *Loans and advances granted by the Company and still outstanding* | *Guarantees and endorsements given by the Company* | *Net sales (before tax) generated in the previous period* | *Profit or loss of the previous period* | *Dividends received by the Company during the period* |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | *(in millions of euros)* | | | | | | |
| **I. Detailed information concerning subsidiaries and investments whose gross value exceeds 1% of the capital of CNCE** | | | | | | | | | | |
| **1. Subsidiaries (over 50% owned)** | | | | | | | | | | |
| Holassure – (5, rue Masseran – 75007 PARIS) .. .. .. .. .. .. | 811 | 100 | 100,00% | 928 | 928 | | 34 | 34 | | |
| Crédit Foncier de France – (19, rue Capucines - 75001 PARIS) .. .. .. | 386 | 302 | 52,12% | 389 | 389 | 810 | 27 | 803 | 46 | 12 |
| Financière OCEOR – (27, rue de la Tombe-Issoire - 75014 PARIS) .. .. .. | 164 | 101 | 61,72% | 245 | 245 | 164 | 12 | 2 | | |
| **2. Investments (between 10% and 50% owned)** | | | | | | | | | | |
| EULIA – (5, rue Masseran – 75007 PARIS) | 3 648 | 670 | 49,90% | 2 313 | 2 313 | | 246 | 224 | | |
| **II. General information concerning other subsidiaries and investments** | | | | | | | | | | |
| 1. Subsidiaries not included in I-1 .. .. | | | | | | | | | | |
| a. French subsidiaries .. .. .. .. | | | | | | | | | | |
| a. Foreign subsidiaries .. .. .. .. | | | | | | | | | | |
| 2. Investments not included in I-2 .. .. | | | | | | | | | | |
| a. In French companies .. .. .. | | | 48 | 48 | 183 | | | | | |
| b. In foreign companies .. .. .. | | | | | | | | | | |

**b) Related party transactions**

| | *Network financial institutions* | *Other companies* | *Total June 30, 2003* | *Total December 31, 2002* |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| Loans .. .. .. .. .. .. .. .. | 44,459 | | 44,459 | 37,817 |
| - including subordinated loans .. .. .. .. | 734 | | 734 | 719 |
| Debt .. .. .. .. .. .. .. .. | 19,722 | 2 | 19,724 | 12,375 |
| - including subordinated debt | | | | |
| Financing commitments given .. .. .. .. | 5 360 | 6 | 5 366 | 2 745 |
| Financing commitments received .. .. .. | 557 | | 557 | 144 |
| Guarantee commitments given .. .. .. .. | 128 | | 128 | 145 |
| Guarantee commitments received .. .. .. | 1 | | 1,219 | 1,462 |

**Note 7 – Loans and advances outstanding and sources of funds at maturity date**

The following table sets out the analysis of loans and advances outstanding and sources of funds by maturity date (excluding accrued interest). According to convention, doubtful receivables and allowances for impairment in value are included in the "Up to 3 months column".

| | *Up to 3 months* | *3 months to 12 months* | *1 to 5 years* | *Over 5 years* | *Total June 30, 2003* |
|---|---|---|---|---|---|
| | *(in millions of euros)* | | | | |
| **Loans and advances** .. .. .. | 15 083 | 2,199 | 5,421 | 26,346 | 49,049 |
| Government securities | | | | | |
| Loans and advances to financial institutions .. .. .. .. .. | 14,911 | 1 890 | 3,260 | 24,859 | 44,920 |
| Customer loans .. .. .. .. .. | 70 | 117 | 158 | 534 | 879 |
| Bonds and other fixed-income securities .. .. .. .. .. .. | 102 | 192 | 2 003 | 953 | 3 250 |
| **Sources of funds** .. .. .. .. .. | 19,127 | 8,221 | 11,477 | 12,918 | 51,743 |
| Amounts due to financial institutions .. .. .. .. .. | 7 114 | 3 823 | 1 726 | 4 150 | 16 813 |
| Customer transactions .. .. .. | 205 | 305 | | 510 | |
| Debts represented by a security .. | 11,808 | 4 093 | 9,751 | 8,768 | 34 420 |
| - *Negotiable debt instruments* .. .. | 11,798 | 713 | 318 | 252 | 13 081 |
| - *Bonds issued* .. .. .. .. .. | 10 | 3,380 | 9,433 | 8 516 | 21,339 |

**Note 8 – Tangible and intangible fixed assets**

**a) Changes in fixed assets**

| | *Gross value Dec 31, 2002* | *Acquisitions* | *Sales or scrapping* | *Other movements* | *Gross value June 30, 2003* | *Depreciation, amortisation and provisions June 30, 2003* | *Net book value June 30, 2003* |
|---|---|---|---|---|---|---|---|
| | *(in millions of euros)* | | | | | | |
| Intangible fixed assets .. | 25 | 4 | (1) | — | 28 | (21) | 7 |
| Tangible fixed assets .. .. | 73 | 6 | – . | 79 | (43) | 36 | |
| **TOTAL** | 98 | 10 | (1) | — | 107 | (64) | 43 |

**b) Intangible fixed assets**

At June 30, 2003, intangible fixed assets include computer software with a net book value of €4 million.

**c) Tangible assets**

At June 30, 2003, land and buildings amounted to €4 million, relating to premises for the CNCE's own use.

**Note 9 – Debts represented by a security**

| | *June 30, 2003* | *December 31, 2002* |
|---|---|---|
| | *(in millions of euros)* | |
| Debenture loans | 21,339 | 19,591 |
| Certificates of deposit | 11,198 | 8,527 |
| Negotiable medium-term notes (fungible) | 116 | 354 |
| Negotiable medium-term notes (structured) | 177 | 193 |
| Other negotiable medium-term notes | 1,590 | 1,862 |
| Accrued interest on debenture loans | 394 | 405 |
| Accrued interest on negotiable debt instruments | 38 | 56 |
| **TOTAL** | 34,852 | 30,988 |

The redemption or issue premiums still to be amortized on debts represented by a security amount to €37 million.

**Note 10 – Accrued assets and liabilities**

| *Assets* | *June 30, 2003* | *December 31, 2002* |
|---|---|---|
| | *(in millions of euros)* | |
| Items in course of collection | 2,664 | 2,360 |
| Issue premiums and expenses relating to negotiable debt instruments | 37 | 40 |
| Issue premiums and expenses relating to bonds | 145 | 147 |
| Unrealised hedging losses (financial futures) | 9 | 10 |
| Prepaid expenses | 78 | 81 |
| Accrued income | 57 | 136 |
| Other | 168 | 44 |
| **TOTAL** | 3,158 | 2,818 |

| Liabilities | June 30, 2003 | December 31, 2002 |
|---|---|---|
| | *(in millions of euros)* | |
| Items in course of collection | 2,875 | 2,464 |
| Issue premiums and expenses relating to negotiable debt instruments | 2 | 5 |
| Issue premiums and expenses relating to bonds | 51 | 51 |
| Unrealised hedging gains (financial futures) | 16 | 1 |
| Deferred income | 196 | 189 |
| Accrued expenses | 307 | 387 |
| Other | 9 | 177 |
| **TOTAL** | 3,456 | 3,274 |

**Note 11 – Provisions**

**a) Provisions for counterparty risks**

| | *December 31, 2002* | *Allocations* | *Releases* | *Other movements* | *June 30, 2003* |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| Provisions deducted from assets | 15 | | | | 15 |
| Provisions for customer loans | 15 | | | — | 15 |
| Other | | | | | |
| Provisions included under liabilities | 6 | 2 | | | 8 |
| Provisions for counterparty risk on signature commitments | | | | | |
| Provisions for customer loans | 6 | 2 | | | 8 |
| Other | | | | | |
| **TOTAL** | 21 | 2 | | | 23 |

To reflect counterparty risks more accurately, a provision is recorded under liabilities based on a statistical estimate of the probability of default on all performing loans and off-balance sheet commitments. The provision is calculated by applying different rates to loans according to the borrower's credit rating and the remaining term. The rates are weighted based on assumptions concerning the probability of the amounts involved being recovered in the event of default.

At June 30, 2003, the aggregate provision amounted to €8 million euros.

**b) Provisions for liabilities and charges**

| | *December 31, 2002* | *Allocations* | *Releases* | *June 30, 2003* |
|---|---|---|---|---|
| | | *(in millions of euros)* | | |
| Provisions for claims, fines and penalties .. .. | 1 | | | 1 |
| Provisions for estimated retirement obligations[3] | 29 | 2 | | 31 |
| Provisions for counterparty risks .. .. .. | 6 | 2 | | 8 |
| Provisions for deferred taxes[1] .. .. .. .. | 1 | | | 1 |
| Other subsidies provided for[2] .. .. .. .. | 43 | | 5 | 38 |
| Credit risk[2] .. .. .. .. .. .. .. | 15 | | | 15 |
| Miscellaneous and technical risks .. .. .. | 11 | 1 | 1 | 11 |
| **TOTAL** | 106 | 5 | 6 | 105 |

(1) This item only includes provisions retained to cover capital gains on securities transferred by the Central guarantee reserve.

(2) Balance of the provisions retained by the Central guarantee reserves in 1999

(3) As a precautionary measure, the commitment to finance future deficits of the retirement fund (Caisse Générale de Retraites du Personnel des Caisses d'Epargne – CGRPCE) has been estimated on an inclusive basis at the level of the Caisse d'Epargne Group. In the first half of 2003, the provision for the Group's estimated retirement obligations included in the accounts of the Caisse Nationale des Caisses d'Epargne received a net allocation of €1.5 million owing to the updating of commitments and adjustment of retirement pensions decided during the period

**Note 12 – Capital funds and reserves, reserve for general banking risks and subordinated debt**

**a) Capital funds and reserves**

| | *Capital funds* | *Share premiums* | *Reserves and retained earnings* | *Net profit/ (loss) for the period* | *Total (excluding Reserve for General Banking Risks)* |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| At December 31, 2000 .. .. .. | 1,801 | 427 | 4 | 105 | 2,337 |
| Movements for the year .. .. | 1,104 | 195 | 6 | 32 | 1,337 |
| At December 31, 2001 .. .. .. | 2,905 | 622 | 10 | 137 | 3,674 |
| Movements for the year .. .. | | (95) | 61 | (51) | (85) |
| At December 31, 2002 .. .. .. | 2 905 | 527 | 71 | 86 | 3,589 |
| Appropriation of 2002 profit .. .. | | | 86 | (86) | |
| Distribution of dividends .. .. | | | (80) | | (80) |
| Net loss for the period .. .. .. | | | | (20) | (20) |
| **At June 30, 2003** | 2 905 | 527 | 77 | (20) | 3 489 |

When the reform of the Caisses d'Epargne and the operations related the Alliance were completed, the capital funds of the CNCE amounted to €2,905 million, divided into 190,496,999 shares with a par value of €15.25 each.

**b) Changes in the Reserve for General Banking Risks**

| | *December 31, 2002* | *Allocations* | *Releases* | *June 30, 2003* |
|---|---|---|---|---|
| Reserve for general banking risks .. .. .. | 48 | | | 48 |

**c) Subordinated debt**

In December 1998, the CCCEP issued redeemable subordinated debt for a total of €91 million at a fixed rate of 4.50%. These securities will be redeemed at par on December 14, 2010. In November 1999, the CNCE carried out a new issue of redeemable subordinated debt for a total of €745 million at a fixed rate of 5.6%. These securities will be redeemed at par on November 5, 2011. The CNCE also granted corresponding mirror redeemable subordinated loans in favour of the Caisses d'Epargne at the same rates and with the same maturity profile as the subordinated debt.

In 2002, the CNCE carried out two issues of redeemable subordinated debt for a total of €850 million at a rate of 5.20%. This debt will be repaid in full on July 19, 2014.

During the first half 2003, the CNCE issued €417 million worth of 4.5% subordinated debt securities due February 2015.

The subordinated loans of the CNCE are included in the calculation of regulatory capital pursuant to article 4.D of Rule 90-02 of the French banking and Financial Services Regulatory Committee.

**OFF-BALANCE SHEET COMMITMENTS**

**Note 13 – Commitments given to and received from financial institutions**

| | *Financing commitments* | *Guarantee commitments* |
|---|---|---|
| | *(in millions of euros)* | |
| **Commitments given:** | | |
| to the Caisse d'Epargne network .. .. .. .. .. .. .. | 5,598 | 15 |
| to debt mutual funds (Fonds Communs de Créances) | | |
| to other institutions .. .. .. .. .. .. .. .. .. | 13 | 636 |
| **TOTAL June 30, 2003** .. .. .. .. .. .. .. .. .. | 5,611 | 651 |
| **TOTAL December 31, 2002** .. .. .. .. .. .. .. .. | 2,773 | 162 |
| **Commitments received:** | | |
| from the Caisses d'épargne network .. .. .. .. .. .. .. .. | 738 | 1,268 |
| from other institutions .. .. .. .. .. .. .. .. .. | 763 | 1,972 |
| **TOTAL June 30, 2003** .. .. .. .. .. .. .. .. .. | 1,501 | 3,240 |
| **TOTAL December 31, 2002** .. .. .. .. .. .. .. .. | 183 | 3,473 |

At the period-end, assets pledged as security for commitments given by the Group or by third parties were not significant.

**Note 14 – Other off-balance sheet commitments**

| | *Commitments given* | *Commitments received* |
|---|---|---|
| | *(in millions of euros)* | |
| Commitments under finance leases | | |
| – real estate | 30 | |
| **TOTAL June 30, 2003** | 30 | |

**Note 15 – Transactions in financial futures outstanding**

**a) Commitments on derivatives outstanding**

| *Nominal value of contracts* | *Hedging operations* | *Special operations* | *Trading* | *TOTAL June 30, 2003* | *TOTAL December 31, 2002* |
|---|---|---|---|---|---|
| | *(in millions of euros)* | | | | |
| **FUTURES** | | | | | |
| Transactions on organized markets | | | | | |
| Interest rate contracts | | | | | |
| Purchased | | | | | |
| Sold | | | | | |
| Other contracts | | | | | |
| Over-the-counter transactions | | | | | |
| Forward rate agreements | | | | | |
| Purchased | | | | | |
| Sold | | | | | |
| Interest rate swaps | 3,497 | | | 3,497 | 1,284 |
| Forward currency swaps | 69 | | | 69 | 128 |
| **OPTIONS** | | | | | |
| Transactions on organized markets | | | | | |
| Index options | | | | | |
| Purchased | | | | | |
| Sold | | | | | |
| Over-the-counter transactions | | | | | |
| Caps and floors | | | | | |
| Purchased | | | | | |
| Sold | | | | | |
| Swaptions (interest rate, currency and others) | | | | | |
| Purchased | | | | | |
| Sold | | | | | |
| Options on loans/borrowings | | | | | |
| Purchased | | | | | |
| Sold | | | | | |
| Currency options | | | | | |
| Purchased | | | | | |
| Sold | | | | | |
| Index options | | | | | |
| Purchased | | 3 | | 3 | 78 |
| Sold | | 19 | | 19 | |

| *Nominal value of contracts* | *Hedging operations* | *Special operations* | *Trading* | *TOTAL June 30, 2003* | *TOTAL December 31, 2002* |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| Equity options .. .. .. .. | | | | | |
| Purchased .. .. .. .. | | | | | |
| Sold .. .. .. .. .. | 174 | | | 174 | |
| **TOTAL** .. .. .. .. .. | 3,740 | 22 | 3,762 | 1,490 | |

**b) Commitments on futures by residual maturity**

| | *Up to 1 year* | *1 to 5 years* | *Over 5 years* | *Total June 30, 2003* |
|---|---|---|---|---|
| | | *(in millions of euros)* | | |
| **TRANSACTIONS ON ORGANIZED MARKETS** | | | | |
| Futures .. .. .. .. .. .. .. .. | | | | |
| Options .. .. .. .. .. .. .. .. | | | | |
| **OVER-THE-COUNTER TRANSACTIONS** | | | | |
| Forward contracts .. .. .. .. .. .. .. | 232 | 991 | 2,343 | 3,566 |
| Options .. .. .. .. .. .. .. .. | 67 | 116 | 13 | 196 |
| **TOTAL** .. .. .. .. .. .. .. .. | 299 | 1,107 | 2,356 | 3,762 |

**c) Counterparty risk in respect of derivatives**

Counterparty risks are measured as the probable loss that the CNCE would suffer as a result of a counterparty failing to meet its obligations. The CNCE's exposure to counterparty risk in respect of interest rate and currency futures and options can be calculated as the equivalent credit risk as defined by French Banking Commission Instruction 96-06, i.e. by adding together:

– the positive replacement value of these instruments, on the basis of their market value
– the potential credit risk resulting from the application of add-ons defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and remaining term.

The CNCE reduces counterparty risk by:

– signing ISDA/AFB framework agreements allowing for the netting of positive and negative replacement values in the event of counterparty default
– signing collateral agreements providing for cash to be lodged as collateral for counterparty commitments

| | OECD governments and central banks and equivalent | OECD financial institutions and equivalent | Other counterparties | Total 2002 |
|---|---|---|---|---|
| | *(in millions of euros)* | | | |
| Unweighted equivalent credit risk before netting and collateral agreements | 74 | 74 | | |
| Effect of netting agreements | | | | |
| Effect of collateral agreements | | | | |
| Unweighted equivalent credit risk after netting and collateralisation agreements | 74 | 74 | | |
| **Weighted equivalent credit risk after netting and collateralisation agreements** | 15 | 15 | | |
| *(1) including positive gross replacement values* | 35 | 35 | | |

The above table shows only the transactions concerned by French Banking Commission Instruction 96-06, i.e. transactions executed on over-the-counter markets and markets considered as organized markets.

At June 30, 2003, the weighted equivalent credit risk set out in the above table, represented 0.4% of the sum of the nominal values of these outstanding positions.

## PROFIT AND LOSS ACCOUNT

### Note 16 – Interest and similar income and expense

| | Income | | | Expense | | |
|---|---|---|---|---|---|---|
| | *First-half 2003* | *First-half 2002* | *2002* | *First-half 2003* | *First-half 2002* | *2002* |
| | *(in millions of euros)* | | | | | |
| On transactions with financial institutions | 889 | 938 | 1,849 | (254) | (152) | (401) |
| On customer transactions | 12 | 7 | 11 | (4) | (8) | (11) |
| On bonds and other fixed-income securities | 95 | 24 | 49 | (691) | (758) | (1,441) |
| On subordinated debt | | (50) | (23) | (61) | | |
| **TOTAL** | 996 | 969 | 1,909 | (999) | (941) | (1,914) |

### Note 17 – Income from shares and other variable-income securities

| | *First-half 2003* | *First-half 2002* | *2002* |
|---|---|---|---|
| | *(in millions of euros)* | | |
| Shares and other variable-income securities | 4 | 2 | 2 |
| Investments and other long-term portfolio securities | | | |
| Shares in associated companies | 12 | 17 | 160 |
| **TOTAL** | 16 | 19 | 162 |

**Note 18 – Net commission income and expense**

| | Income | | | Expense | | |
|---|---|---|---|---|---|---|
| | *First-half 2003* | *First-half 2002* | *2002* | *First-half 2003* | *First-half 2002* | *2002* |
| | | | *(in millions of euros)* | | | |
| On transactions with financial institutions | 1 | 1 | 1 | — | — | (1) |
| On customer transactions | 1 | 1 | 1 | | | |
| On securities transactions | 2 | 2 | (1) | — | — | |
| On payment processing | 42 | 41 | 79 | (1) | (4) | (2) |
| Other commissions | 2 | 1 | (2) | (7) | | |
| **TOTAL** | 48 | 43 | 84 | (4) | (4) | (10) |

**Note 19 – Net gains/(losses) on trading account securities**

| | *First-half 2003* | *First-half 2002* | *2002* |
|---|---|---|---|
| | | *(in millions of euros)* | |
| Trading account securities | | | |
| Foreign exchange | (1) | (2) | (2) |
| Financial instruments | — | (1) | |
| **TOTAL** | (1) | (3) | (2) |

**Note 20 – Net gains/(losses) on securities held for sale**

| | *Securities held for sale* | *Long-term portfolio securities* | *First-half 2003* | *First-half 2002* | *2002* |
|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | |
| Income (loss) from disposals | | | 9 | (4) | (21) |
| Net (allocation to) reversal from provisions | | | 3 | (3) | (6) |
| **TOTAL** | | | 12 | (7) | (27) |

**Note 21 – Other banking income and expenses**

| | Income First-half 2003 | First-half 2002 | 2002 | Expense First-half 2003 | First-half 2002 | 2002 |
|---|---|---|---|---|---|---|
| | | | *(in millions of euros)* | | | |
| TPE activity | 3 | 3 | 6 | (3) | (2) | (5) |
| Card activity | 8 | 5 | 9 | (7) | (4) | (8) |
| Amortization and cross-charging of issue expense on debenture loans | 9 | 18 | (9) | (9) | (18) | |
| Other income and expenses | 6 | 5 | 10 | — | — | |
| **TOTAL** | 26 | 13 | 43 | (19) | (15) | (31) |

**Note 22 – General operating expenses**

| | First-half 2003 | First-half 2002 | 2002 |
|---|---|---|---|
| | *(in millions of euros)* | | |
| Personnel costs | (45) | (33) | (73) |
| *Wages and salaries* | (25) | (20) | (43) |
| *Pension and retirement costs* | (6) | (2) | (6) |
| *Other social security costs and taxation* | (13) | (10) | (23) |
| *Profit-sharing and incentive schemes* | (1) | (1) | (1) |
| Taxes | (2) | (2) | (4) |
| External services | (103) | (93) | (201) |
| Cross-charged expenses | 64 | 54 | 123 |
| **TOTAL** | (86) | (74) | (155) |

**Note 23 – Average number of employees**

| | 2002 | First-half 2003 |
|---|---|---|
| – Clerical and Supervisory staff | 281 | 276 |
| – Managerial staff | 413 | 518 |
| **TOTAL** | 694 | 794 |

**Note 24 – Provisions for loan losses and other risk-related costs**

| | *Customer transactions* | *Other transactions* | *Total* |
|---|---|---|---|
| | *(in millions of euros)* | | |
| Allocations | (2) | — | (2) |
| Releases | | | |
| Losses on bad debts written off – covered by provisions | — | — | |
| Losses on bad debts written off – not covered by provisions | — | — | |
| Recoveries on bad debts written off | | | |
| **Total, first half 2003** | (2) | — | (2) |
| Total, first half 2002 | (1) | (1) | |
| Total, 2002 | (2) | (4) | (6) |

**Note 25 – Net gains/(losses) on fixed assets**

| | *First half 2003* | *First half 2002* | *2002* |
|---|---|---|---|
| | *(in millions of euros)* | | |
| On intangible assets | — | | |
| On tangible assets | | | |
| Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method, other long-term investments | | | 6 |
| On investment securities | (2) | | |
| **Total** | (2) | | 6 |

**Note 26 – Exceptional items**

Exceptional items in the first half of 2003 were not material.

**Note 27 – Tax on profits**

| | *(in millions of euros)* |
|---|---|
| Charge for the period | |
| Deferred taxation with respect to capital gains on Central guarantee reserves securities disposed of during the period | |
| Other | |
| **Total, first-half 2003** | |
| Total, first half 2002 | 8 |
| Total, 2002 | 9 |

### Note 28 – Deferred taxes

| *Base* | *Standard rate* | *Reduced rate* |
|---|---|---|
| | *(in millions of euros)* | |
| Income subject to deferred taxation | | (347) |
| Expenses subject to deferred deductibility | 116 | |
| Income subject to deferred recognition in the accounts | 5 | |
| **Total, first half 2003** | 121 | (347) |
| Total, 2002 | 119 | (347) |

(1) Including €298 million pending taxation related to the Holassure shares contributed by the Caisses d'Epargne within the framework of the Alliance operation.

## AUDITORS' REVIEW REPORT ON THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS OF CNCEP

**Free translation of the original report in French**

To the shareholders

As requested from us in our capacity as statutory auditors of Caisse Nationale des Caisses d'Epargne et de Prévoyance, we have performed a limited review of the accompanying interim financial statements for the period from January 1 to June 30, 2003.

These interim financial statements are the responsibility of the Management Board. Our responsibility, based on our limited review, is to report our conclusions concerning these financial statements.

We conducted our limited review in accordance with the standards generally accepted in France. Those standards require that we perform limited procedures to obtain reasonable assurance, below the level resulting from a full audit, that the interim financial statements do not contain any material errors. A limited review of interim financial statements is substantially less in scope than an audit and consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements, in order to present fairly the results of operations for the six months ended June 30, 2003 and the financial position and assets of Caisse Nationale des Caisses d'Epargne et de Prévoyance France at that date.

Note 2 to the interim financial statements describes the effects of applying standard CRC 2002-03, dealing with the accounting treatment of credit risks by banking institutions, and standard CRC 2002-10, dealing with asset write-downs. This observation does not affect our conclusions concerning the interim consolidated financial statements as set out above.

Paris and Paris La Défense, September 30, 2003

The Statutory Auditors

| PricewaterhouseCoopers Audit | | KPMG Audit<br>Department of KPMG S.A. | |
|---|---|---|---|
| Anik Chaumartin | Yves Nicolas | Philippe Saint-Pierre | Rémi Tabuteau |

# RECENT DEVELOPMENTS

## 1. PARTNERSHIP CAISSE D'EPARGNE GROUP AND CAISSE DES DEPOTS GROUP

**Press release**

**(*Paris, October 2, 2003*) — Francis Mayer, Chairman & CEO of the Caisse des dépôts, and Charles Milhaud, Chairman of the Management Board of the Caisse Nationale des Caisses d'Epargne (CNCE), laid the foundations for a major new universal bank when they signed, on October 1st, a memorandum of agreement to put their partnership on a new footing. With combined capital funds of €18 billion, the new financial institution created by the decision to make Eulia and CDC IXIS an integral part of the Caisse d'Epargne Group will boast almost 55,000 employees and enjoy a significant international presence while simultaneously reinforcing its operations in France.**

The Caisse d'Epargne Group and the Caisse des dépôts, two historic partners in the French banking industry, have decided to give a clear and coherent framework to their cooperation. The summer of 2003 represented a new stage in this process, marked by the launch of negotiations between the two groups that led, on October 1st, to the signature of a memorandum of agreement.

The two groups are consolidating their partnership on a long-term basis by striking a new balance in their respective roles within a new financial institution. The Caisse d'Epargne Group will become the operator responsible for banking activities, and the Caisse des dépôts will become the strategic shareholder of this new entity created from the integration of Eulia and the CDC IXIS investment bank within the CNCE. Major decisions will be taken together: strategic initiatives, principal investments and, in agreement with the Chairman of the Management Board of the CNCE, the appointment of the senior executives of the CNCE Group.

The CNCE will reinforce its three principal functions as network head, banker to the Group, and holding company. As such, it will manage all the core businesses of the new financial institution: retail banking, corporate and investment banking (financial markets, asset management, banking services and securities), etc.

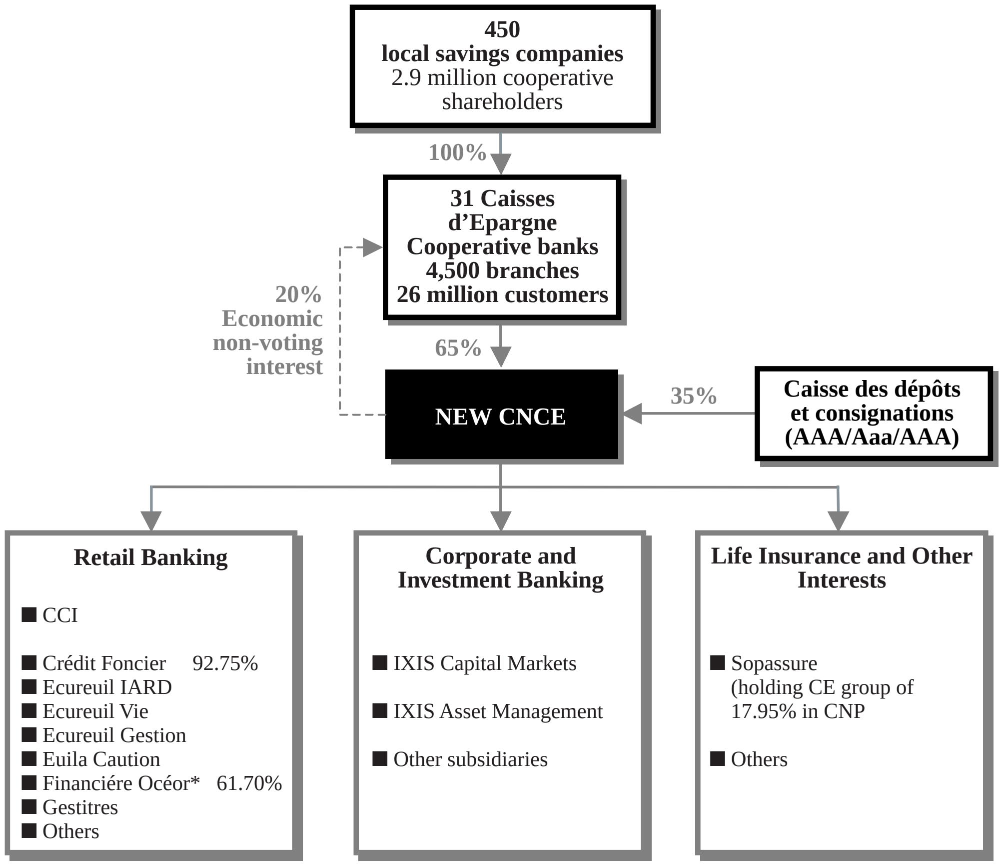
This agreement enables the Caisse des dépôts, with its 35% equity interest in the new universal bank, to consolidate its role as a major, long-term investor. It will also take direct control of the proprietary trading portfolio of CDC IXIS and enjoy access, for the first time in its history, to revenues generated from the network activities in the form of cooperative investment certificates (CCIs) held by the CNCE, representing 20% of the capital of the Caisses d'Epargne.

Like other major banking groups, 60% of the CNCE's results will be derived on a recurring basis from retail banking activities and some 40% will be generated from corporate and investment banking business.

The 2003 pro-forma simulations based on the Group's new structure reveal consolidated net banking income of €9.2 billion, 28% higher than the net banking income expected this year for the Caisse d'Epargne Group in its current form, and an earning capacity of approximately €1.9 billion.

In order to draw up the final agreements, the project and its different drafts will be submitted to the internal governing bodies of the companies involved as well as to the regulatory authorities. Working groups will be set up to finalize the operational details. The final agreements should be completed by the end of the first half of 2004. This major new universal bank, boasting strong roots in France and well armed to confront the pan-European market, will then be operational.

During the press conference held by MM. Charles Milhaud and Francis Mayer on October 2, 2003, the principles for the future organisation based on 3 main lines of business were presented for information purpose. The new organizational chart will be decided during the first half of 2004 on the basis of the conclusions of the working groups.




1. The Financiére Océor financial holding company owns Caisse d'Epargne de Nouvelle Calédonie and the holdings in Banque de la Réunion, Banque des Antiulles Françaises, Banque de Tahiti, Banque de Nouvelle-Calédonie, etc.

2. Through Sopassure, a holding company jointly owned with La Poste.

* Balance held by CE PACA (35.18%).

## 2. EXCEPTIONAL DISTRIBUTION

The general meeting of shareholders held on October 14, 2003 decided to proceed to an exceptional repartition, from the subscription premium, for an amount of Euro 91,438,559.52 (being Euro 0.48 per share). Such repartition constitutes a partial partition of the assets ("*partage partiel d'actif*") and will be paid on November 15, 2003.

## 3. ANNOUNCEMENT BY CRÉDIT FONCIER DE FRANCE AND AGF RELATING TO THE ACQUISITION OF ENTENIAL

**Press Release**

Paris, October 21, 2003 – **AGF and Crédit Foncier sign a final agreement for the sale of Entenial**

Following the agreement in principle signed on July 18 earlier this year, AGF and Crédit Foncier (CFF) today signed the final agreement setting the terms of AGF's sale of its 72.15% interest in the capital of Entenial. Following the due diligence conducted by CFF and the inclusion of Entenial's results for the quarter ended September 30, 2003, the value of the transaction has provisionally been fixed at 575 million euros for the entire company, or 48.64 euros per share.

This price is based on a provisional estimate of the value of Entenial's interest in Depfa Holding III (DH III), a company excluded from the scope of the transaction. The price will subsequently be adjusted to take account of the actual price of the transfer to AGF of the DH III shares, to be concluded at the same time as the Entenial transaction on the basis of the average stock market prices of DH III's two equity stakes in Depfa plc and Aareal Bank AG, less an illiquidity discount of 10%. AGF and Entenial have appointed the Ricol, Lasteyrie & Associés audit firm to develop a fairness opinion about the terms of this transaction.

The Supervisory Board of Crédit Foncier and the Board of Directors of AGF have both approved the acquisition of Entenial and the terms and conditions of this transaction. As provided for by French regulations, the closing of this transaction is subject to the prior approval of the relevant supervisory and competition authorities (CECEI, the French Banking and Investment Committee, and DGCCRF, the Directorate-General for Competition and Consumer Protection). Applications for authorization have already been drafted and will be submitted as soon as possible. Following its acquisition of AGF's 72.15% interest in Entenial, Crédit Foncier will launch an unconditional tender offer (''garantie de cours'') for the balance of Entenial's capital at the same price per share as that specified in the transfer agreement.

Jean-Philippe Thierry, AGF Chairman, commented: ''After helping Comptoir des Entrepreneurs to recovery and, subsequently, supporting its merger with Banque La Hénin to give birth to Entenial, AGF is extremely pleased to see Entenial join forces with Crédit Foncier to create one of the leading specialists in the property loan market. This transaction will also enable AGF to pursue its strategy of optimizing its allocated capital by helping to reduce its exposure to banking risk while preserving its distribution agreements with the new entity.''

François Drouin, Chairman of the Management Board of Crédit Foncier, said: ''Entenial and Crédit Foncier will unite their destinies. This is good news for the customers and employees of both companies who will fully benefit from the synergies generated by the future group. By combining the strengths of Entenial with those of Crédit Foncier, we shall provide the new banking entity with a strong foundation for future growth.''

In this operation, CFF was advised by Deloitte & Touche Corporate Finance and AGF by Citigroup.

## USE OF PROCEEDS

The Issuer intends to use the proceeds of the issuance of the Notes, which constitute Tier 1 Capital (as defined in this Offering Document), to increase its regulatory capital and to contribute to the funding of the planned acquisitions of 50.1% of Eulia and 43.55% of CDC IXIS. The net proceeds of the issuance of the Notes are estimated to euro 787,760,000.

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