CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

Issue of Euro 700,000,000 Deeply Subordinated Fixed changing to Floating Rate Notes

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: 246

TRANCHE NO: 1

Issue Price: 99.682 per cent.

The Euro ("**EUR**") 700,000,000 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 4.625 per cent. per annum payable annually in arrear on 30 July in each year commencing on 30 July 2005 (there will be a first short coupon) until 30 July 2015 (included) and thereafter at Euribor 3 months + 1.53 per cent. per annum payable quarterly in arrear on 30 October, 30 January, 30 April and 30 July in each year commencing on 30 October 2015, as more fully described in the Pricing Supplement.

For so long as the compulsory interest provisions do not apply, the Issuer may elect 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, on a semi-annual basis (see Condition 17).

The Notes may be redeemed (in whole but not in part) on 30 July 2015 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 9 for certain information relevant to an investment in the Notes.

The Notes will, upon issue on 6 October 2004, 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 EUR 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 and Joint Lead Managers

CDC IXIS CAPITAL MARKETS **CITIGROUP**

Senior Co-Lead Manager

MORGAN STANLEY

The date of this Offering Document is 4 October 2004

This document (the "**Offering Document**"), under which the Notes described herein (the **"Note**s") 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 Circula**r") 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 (i) significant change in the financial or trading position of the Issuer since 31 December 2003 and no material adverse change in the financial position or prospects of the Issuer and its consolidated subsidiaries *(filiales consolidées)* and consolidated affiliates *(participations consolidées)* taken as a whole since 31 December 2003, or (ii) any development reasonably likely to involve an adverse change that is material in the context of the Notes.

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:

Pierre Servant
Membre du Directoire

In connection with this issue, CDC IXIS Capital Markets (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.

CONTENTS

Clause **Page**

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES 4

CERTAIN INVESTMENT CONSIDERATIONS 9

TAXATION 12

PRICING SUPPLEMENT 14

INFORMATION RELATING TO SOLVENCY RATIOS AND ISSUES OF SECURITIES QUALIFYING AS TIER 1 AND TIER 2 CAPITAL 41

CAPITALISATION OF CNCEP 47

DESCRIPTION OF THE ISSUER 48

CNCEP CONSOLIDATED FINANCIAL STATEMENTS 51

CNCEP INDIVIDUAL FINANCIAL STATEMENTS 94

DESCRIPTION OF THE CAISSE D'EPARGNE GROUP 116

MANAGEMENT REPORT OF THE CAISSE D'EPARGNE GROUP 120

CONSOLIDATED FINANCIAL STATEMENTS OF THE CAISSE D'EPARGNE GROUP 158

RECENT DEVELOPMENTS 202

USE OF PROCEEDS 206

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. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them in the Pricing Supplement. Investors should read the entire Offering Document and the entire Offering Circular carefully before deciding to purchase the Notes.

Issuer:	Caisse Nationale des Caisses d'Epargne et de Prévoyance
Description:	EUR 700,000,000 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
Joint Bookrunners and Joint Lead Managers:	CDC IXIS Capital Markets and Citigroup Global Markets Limited
Senior Co-Lead Manager:	Morgan Stanley & Co. International Limited
Amount:	EUR 700,000,000
Fiscal Agent, Principal Paying Agent and Calculation Agent:	Deutsche Bank AG London
Other Paying Agents:	Deutsche Bank AG Paris branch as Paris Paying Agent and Deutsche Bank Luxembourg SA. 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:	EUR
Denomination:	The Notes will be issued in Denominations of EUR 1,000.
Status of the Notes:	The Notes are Deeply Subordinated Notes (*obligations*) of the Issuer issued pursuant to the provisions of article L. 228-97 of the French *Code de commerce*, as amended by law n° 2003-706 on financial security dated 1 August 2003. 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 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 shares and of any other equity securities issued by the Issuer.

Use of Proceeds:	The proceeds of the issue of the Notes will be treated for regulatory purposes as *fonds propres de base* for the Issuer. *Fonds propres de base* ("**Tier 1 Capital**") shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated 23 February 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the "**CRBF Regulation**"), or otherwise recognised as *fonds propres de base* by the *Secrétariat général of the Commission bancaire* ("**SGCB**")**.** The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated 27 October 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**"). The French language version of the BIS Press Release is attached to the report published annually by the SGCB entitled "*Modalités de calcul du ratio international de solvabilité*".
Negative Pledge:	There is 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).
Principal Amount of the Notes:	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), on a semi-annual basis. The principal amount of the Notes will 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.

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, (ii) if the Supervisory Event occurred pursuant to clause (ii) of the definition of Supervisory Event above, 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) at the Original Principal Amount (as defined in paragraph 21(ii) of the Pricing Supplement) together with any amounts outstanding thereon, including Accrued Interest, on 30 July 2015 and on any Interest Payment Date thereafter, at the option of the Issuer. The Issuer will also have the right to redeem the Notes (in whole but not in part) at the higher of (a) the Original Principal Amount (as defined in paragraph 21(ii) of the

Pricing Supplement) together with any amounts outstanding thereon, including Accrued Interest, and (b) the Make Whole Amount (as defined in paragraph 24(i) of the Pricing Supplement) for certain tax and regulatory reasons.

Any early redemption is subject to the prior approval of the SGCB.

Taxation:	See paragraph "***Taxation***" thereafter.
Interest:	The Notes will bear interest at 4.625 per cent. per annum payable annually in arrear on 30 July in each year commencing on 30 July 2005 (there will be a first short coupon) until 30 July 2015 (included) and thereafter at Euribor 3 months + 1.53 per cent. per annum payable quarterly in arrear on 30 October, 30 January, 30 April and 30 July in each year commencing on 30 October 2015.

Payment of interest will be compulsory on any Compulsory Interest Payment Date (as defined in the Pricing Supplement) in the conditions specified in the Pricing Supplement.

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.

The Issuer may elect 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 forfeited and no longer be due and payable by the Issuer.

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 as set out in Annex 1 to the Pricing Supplement.

Form of Notes:	The Notes will, upon issue on 6 October 2004, 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 bearer dematerialised form (*au porteur*) and 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

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 which are the most junior debt instruments of the Issuer, subordinated to and ranking behind the claims of all other unsubordinated and ordinarily subordinated creditors of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer. The Issuer's obligations under the Notes rank in priority only to the share capital and any other equity securities of 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.

Securities Qualifying as Tier 1 Capital

The Notes are being issued for capital adequacy regulatory purposes and it is the Issuer's intention that they qualify as Tier 1 capital for itself, although no representation is given that this is or will remain the case during the life of the Notes. Such qualification depends upon a number of conditions being satisfied and which are reflected in the terms and conditions of the Notes. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, in certain circumstances and/or upon the occurrence of certain events, payments of interest under the Notes may be restricted and, in certain cases, forfeited and the amount of interest and principal may be reduced, on a semi-annual basis, as described below.

Restrictions on Payment

Interest

For so long as the compulsory interest provisions do not apply, the Issuer may elect 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 forfeited 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 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, on a semi-annual basis.

Principal Amount

In accordance with Condition 17, 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, on a semi-annual basis.

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, the reduction of the principal amount of the Notes and, if the Issuer were liquidated (whether voluntarily or involuntarily), loss by holders of the Notes of their entire investment.

Semi-Annual Loss Absorption

The loss absorption related to the Notes will be implemented on a semi-annual basis. The Issuer has issued other deeply subordinated obligations where the loss absorption is implemented on an annual basis.

As a result, the modalities of loss absorption for the holders of the Notes may be different from those applicable to the holders of previously issued deeply subordinated obligations where the loss absorption is implemented on an annual basis.

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 2015 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.

The Issuer may be required to redeem the Notes (in whole but not in part) for certain tax reasons.

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 Compagnie Financière 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 may 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 Compagnie Financière 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 Compagnie Financière 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 for the Notes to be listed on the Luxembourg Stock Exchange.

TAXATION

FRENCH TAX CONSIDERATIONS

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 per cent. In addition, a surcharge equal to 3 per cent. of the corporate income tax is levied (Article 235 ter ZA of the French *Code Général des Impôts*).

A social contribution of 3.3 per cent. (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 Euro 763,000 for each 12-month period. However, entities that have a turnover of less than Euro 7,630,000 and whose share capital is fully paid-up and of which at least 75 per cent. 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 Euro 38,120 within a twelve-month period, at 15 per cent.

(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 per cent. (or, where applicable, 15 per cent. up to an amount of Euro 38,120 per period of twelve months for entities that meet the conditions described in (a) above). In addition, a surcharge of 3 per cent. is levied and, where applicable, the social contribution of 3.3 per cent. 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 does 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 700,000,000 Deeply Subordinated Fixed changing to Floating Rate Notes

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: 246
TRANCHE NO: 1

Issue Price: 99.682 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 and Joint Lead Managers

CDC IXIS CAPITAL MARKETS **CITIGROUP**

Senior Co-Lead Manager

MORGAN STANLEY

The date of this Pricing Supplement is 4 October 2004

1.	Issuer		Caisse Nationale des Caisses d'Epargne et de Prévoyance
2.	(i)	Series Number:	246
	(ii)	Tranche Number:	1
3.	Specified Currency or Currencies		Euro ("**EUR**")
4.	Aggregate Nominal Amount		
	(i)	Series :	EUR 700,000,000
	(ii)	Tranche:	EUR 700,000,000
5.	(i)	Issue Price:	99.682 per cent. of the Aggregate Nominal Amount
	(ii)	Net proceeds:	EUR 694,274,000
6.	Specified Denominations:		The Notes will be issued in Denominations of EUR 1,000.
7.	(i)	Issue Date:	6 October 2004
	(ii)	Interest Commencement Date:	6 October 2004
8.	Maturity Date:		Undated, subject to the Issuer's Call Option described below The Notes are undated Deeply Subordinated Notes in respect of which there is no fixed redemption date. The Issuer will have the right (subject to the prior approval of the *Secrétariat général* of the *Commission bancaire* ("**SGCB**") to redeem the Notes, in whole but not in part, in accordance with: (i) Condition 6(c), as further specified in paragraphs 12 and 21 below; (ii) Condition 6(f), as amended in Annex 1 hereto and further specified in paragraph 24 below; and (iii) Condition 6(k), as set out in Annex 1 hereto and further specified in paragraph 24 below. 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 (further particulars specified below in paragraphs 11, 16 and 17)
10.	Redemption/Payment Basis:	Original Principal Amount (as defined in paragraph 21(ii)), subject to paragraphs 21 and 24 and to Condition 3, as amended in Annex 1 hereto, Condition 5, as amended in Annex 1 hereto and Condition 17, as set out in Annex 1 hereto.
11.	Change of Interest or Redemption/Payment Basis:	Fixed Rate until 30 July 2015 changing to Floating Rate thereafter (further particulars specified below in paragraphs 16 and 17)
12.	Options:	Issuer Call (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
14.	Listing:	Application has been made for the Notes to be listed on the Luxembourg Stock Exchange.
15.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	Applicable
	(i) Rate of Interest:	For the period from the Issue Date to and excluding 30 July 2015 4.625 per cent. per annum payable annually in arrear, except that the first payment of interest on 30 July 2005 will be in respect of the period from and including the Issue Date to but excluding 30 July 2005 (first short coupon), subject to the particulars described below. In accordance with Condition 17, which is

set out in Annex 1 hereto, interest may be reduced, as required, on one or more occasions, on a semi-annual basis.

(ii) Interest Payment Date(s): 30 July in each year from and including 30 July 2005 to and including 30 July 2015, subject to Conditions 5(h) and 17, as respectively amended and set out in Annex 1 hereto, without adjustment to the coupon amount

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

The Issuer may elect not to pay interest falling due 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 forfeited and shall no longer be due and payable by the Issuer.

Payment of interest will be suspended upon the occurrence of a Supervisory Event, in accordance with Condition 17 (which is set out in Annex 1 hereto).

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.

The modalities and basis of calculation and accrual of interest payable on any Compulsory Interest Payment Date are

		specified in Condition 5 and Condition 17(d), as respectively amended and set out in Annex 1 hereto.
	(iii) Fixed Coupon Amount(s):	EUR 46.25 per EUR 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):	A first payment of EUR 37.63 per EUR 1,000 in nominal amount will be made on 30 July 2005 in respect of the period from and including the Issue Date to but excluding 30 July 2005 (subject to Condition 5 and Condition 17, as respectively 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 2015
	(i) Interest Period(s):	3 months
	(ii) Specified Interest Payment Dates:	30 October, 30 January, 30 April and 30 July in each year from and including 30 October 2015, subject in each case to adjustment in accordance with the Modified 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 elect not to pay interest falling due 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 forfeited and shall no longer be due and payable by the Issuer.

Payment of interest will be suspended upon the occurrence of a Supervisory Event, in accordance with Condition 17 (which is set out in Annex 1 hereto).

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.

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

(iii) Business Day Convention:	Modified 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):	Interest Payment Dates
(vii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):	Not Applicable
(viii) Screen Rate Determination (Condition 5(c)(iii)(B)):	
- Relevant Time:	11.00 a.m. Brussels time

	- Interest Determination Date:	Two TARGET Business Days prior to the first day of each Interest Period
	- Primary Source for Floating Rate:	Telerate Page 248
	- Reference Banks (if Primary Source is "**Reference Banks**"):	Not Applicable
	- Relevant Financial Centre:	Not Applicable
	- 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)):	Not Applicable
	(x) Margin(s):	Plus 1.53 per cent. per annum In accordance with Condition 17, which is set out in Annex 1 hereto, interest may be reduced, as required, on one or more occasions, on a semi-annual basis.
	(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 2015
	(i)	Optional Redemption Date(s):	30 July 2015 (the "**First Call Date**") and any Interest Payment Date thereafter, subject to the prior approval of the SGCB
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	Original Principal Amount, together with any amounts outstanding thereon, including Accrued Interest "**Original Principal Amount**" means the nominal amount of each Note on the Issue Date, not taking into account any reduction of the Principal Amount of the Notes or any 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		
	(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):	The higher of (a) the Original Principal Amount (as defined in paragraph 21(ii) above) together with any amounts outstanding thereon, including Accrued Interest and (b) the Make Whole Amount "**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. This definition of Early Redemption Amount applies in case of redemption for taxation reasons (Condition 6(f), as amended in Annex 1 hereto) and for regulatory reasons (Condition 6(k), as set out in Annex 1 hereto). For the avoidance of doubt, it does not apply in case of exercise by the 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 other 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 other 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

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	Not Applicable

	dates:	
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. The following person is designated as Representative of the *Masse*: MURACEF 5, rue Masseran 75007 Paris France Represented by its *Directeur Général* The Representative of the *Masse* shall not be paid for its functions. The following person is designated as substitute Representative of the *Masse*: Monsieur Hervé-Bernard VALLEE 5, rue Masseran 75007 Paris France 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:	CDC IXIS Capital Markets and Citigroup Global Markets Limited as Joint Bookrunners and Joint Lead Managers-and

			Morgan Stanley & Co. International Limited as Senior Co-Lead Manager
	(ii)	Stabilising Manager (if any):	CDC IXIS Capital Markets
	(iii)	Dealer's Commission:	1 per cent. of the Aggregate Nominal Amount, part of which may be discounted back to the Issuer
35.	If non-syndicated, name of Dealer:		Not Applicable
36.	Additional selling restrictions:		**General**

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 Manager 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 Manager shall have responsibility therefore.

Belgium

This Offering Document has not been submitted for approval to the Belgian Banking, Finance and Insurance Commission and, accordingly, the Notes may not be distributed by way of public offering in Belgium.

France

Each of the Managers 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 monétaire et financier*).

Germany

Each Manager 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 any other laws and legal and regulatory requirements applicable in the Federal Republic of Germany with respect to the issue, sale and offering of securities. In particular, each of the Managers 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.

Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each Manager 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.

Each of the Managers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Offering Document or any other document relating to the Notes in the Republic of Italy except to "**Professional Investors**", as defined in Article 31.2 of CONSOB Regulation No.11522 of 1 July 1998 as amended ("**Regulation No. 11522**"), pursuant to Article 30.2 and Article 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 CONSOB 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 Document 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 Regulations No. 11522 and No. 11971 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 ("*Istruzioni di vigilanza della Banca d'Italia*"), pursuant to which the issue, trading or placement of securities in Italy is subject to a prior notification to the Bank of Italy, unless an 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.

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. No advertisement or document or other material may be distributed to the public or published in Luxembourg, except for listing purposes.

Spain

The Notes have not and will not be offered, sold or distributed in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of Spanish securities laws and regulations. Accordingly, the Notes will not be offered or marketed in Spain through promotional activities (as defined and construed under Spanish law) except in compliance with the requirements of the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended and restated, and Royal Decree 291/1992, of 27 March, on issues and public offerings of securities (*Real Decreto 291/1992, de 27 de marzo, sobre Emisiones y Ofertas Públicas de Venta de Valores*), as amended and restated, and the decrees and regulations made thereunder.

The Offering Document has not been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore it is not intended for any public offer of the Notes in Spain.

The Netherlands

The Offering Circular and 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 EUR 500,000,000 (or the equivalentthereof 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 EUR 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 (i) 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.

OPERATIONAL INFORMATION

37.	ISIN Code:	FR0010117366
38.	Common Code:	020233753
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 and Principal Paying Agent and Calculation Agent Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom **Deutsche Bank AG Paris branch,** as Paris Paying Agent 2, avenue de Friedland 75008 Paris France

Deutsche Bank Luxembourg S.A., as Luxembourg Paying Agent and Listing Agent

2, boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

GENERAL

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)(iii) **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 shares and of any other equity securities 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**" (*fonds propres de base*) shall have the meaning given to it in Article 2 of *Règlement* no. 90-02 dated 23 February 1990, as amended, of the CRBF, or otherwise 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 the Interest Commencement Date falling on or about 30 July 2015 at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date from and including 30 October 2015, 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 classes of shares, on other equity securities issued by the Issuer or on other Deeply Subordinated Notes or any other securities which rank *pari passu* with the Notes, unless such payment on other Deeply Subordinated Notes or other securities 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 classes of shares or on other equity securities 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 classes of shares, 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 forfeited.

- 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.

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 set out in the consolidated accounts of the Issuer (whether audited annual or unaudited semi-annual).

"**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, (ii) if the Supervisory Event occurred pursuant to clause (ii) of the definition of Supervisory Event below, 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.

"**Interim Period**" means a six-month financial period ending on 30 June or 31 December.

"**financial year**" means a twelve-month financial period ending on 31 December.

"**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 relevant Interim Period during which the Supervisory Event has occurred, the management board of the Issuer will implement within ten days following the last day of the relevant Interim

Period a reduction of the amount of Accrued Interest, and if necessary of the Principal Amount of the Notes so as to enable the Issuer to continue its activities.

A loss absorption pursuant to this Condition 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 such 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 (wether audited annual or unaudited semi-annual).

For the avoidance of doubt, absorption of losses will first be set off against any classes of shares and of any other equity securities issued by the Issuer in relation to the measures adopted by the extraordinary shareholders' meeting of the Issuer to remedy the Supervisory Event as described above and thereafter, and to the extent it is not sufficient, then against the then Accrued Interest and the then Principal Amount of the Notes as herein described.

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 securities which rank *pari passu* with the Notes outstanding, such reduction will be applied on a pro-rata basis among them.

In the event the Issuer has other Deeply Subordinated Notes or other securities which rank *pari passu* with the Notes outstanding, which may also be subject to a loss absorption within ten days following the last day of the relevant Interim Period in accordance with their terms, the reduction implemented within ten days following the last day of the relevant Interim Period will be applied on a pro-rata basis among them.

Further, in the event the Issuer has other Deeply Subordinated Notes or other securities which rank *pari passu* with the Notes outstanding, which may only be subject to a loss absorption within ten days following the last day of the relevant financial year during which the Supervisory Event has occurred in accordance with their terms, any reduction related to the Notes implemented within ten days following the last day of a six-month financial period ending on 30 June will not exceed the reduction that would have been made if all other Deeply Subordinated Notes or other securities which rank *pari passu* with the Notes outstanding had been reduced on a pro-rata basis among them at that time.

It is also specified that, on the tenth calendar day following the last day of the financial year during which the Supervisory Event has occurred, the implementation of any loss absorption(s) related to the Notes pursuant to this Condition shall not result in an aggregate reduction exceeding, at such date, the prorata reduction of the other Deeply Subordinated Notes or other security which rank pari passu with the Notes issued by the Issuer.

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 the Issuer, of any classes whatsoever, 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 shall increase the Principal Amount of the Notes up to the Original Principal Amount (a "**Reinstatement**") to the extent any Reinstatement (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount) does not trigger the occurrence of a Supervisory Event.

Such Reinstatement shall be made on one or more occasions in the conditions described above until the then Principal Amount of the Notes has been reinstated to the Original Principal Amount as from the Return to Financial Health (save in the event of occurrence of another Supervisory Event).

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 securities 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 classes of shares, on other equity securities issued by the Issuer or on other Deeply Subordinated Notes or any other securities which rank *pari passu* with the Notes, unless such payment on other Deeply Subordinated Notes or other securities 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 classes of shares or on other equity securities 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 classes of shares, 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), 6(f) or 6(k), or (2) of any other Deeply Subordinated Notes or other securities which rank *pari passu* with the Notes, in accordance with their terms.

No payments will be made to holders of shares of the Issuer, of any classes whatsoever, 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 elect 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 forfeited 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 forfeited, 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, to the extent any such payment would not trigger the occurrence of a Supervisory Event. Any A Interest not paid by the Issuer on the first Interest Payment Date following the End of Supervisory Event will be forfeited, 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 will always be calculated on the basis of the entire relevant Interest Period.

Interest payable on any Compulsory Interest Payment Date will be calculated on the basis of the then Principal Amount.

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 per cent. of the CAD Coverage Ratio as defined below) as of 31 December 2003 was 12.19 per cent., including a Tier 1 Ratio Equivalent (equal to 8 per cent. of the Tier 1 Coverage Ratio as defined below) of 11.66 per cent.

Impact of acquisition of 50.1 per cent. of Compagnie Financière Eulia and 43.55 per cent. of CDC IXIS:

After taking into account the acquisition of 50.1 per cent. of Compagnie Financière Eulia and 43.55 per cent. of CDC IXIS, which occurred on 30 June 2004, it is estimated that the Issuer's ESR Equivalent has decreased by 2.6 percentage points to 9.6 per cent. as of 30 June 2004 and the Issuer's Tier 1 Ratio Equivalent has decreased by 3.1 percentage points to 8.6 per cent. 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 per cent. of their total credit risks (also known as the Cooke ratio), 4 per cent. 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 per cent.

At 31 December 2003, the Issuer's CAD Coverage Ratio and ESR Equivalent stood at 152 per cent. and 12.19 per cent. respectively (compared with 145 per cent. and 11.57 per cent. respectively at 31 December 2002).

CNCE Group / CAD Coverage Ratio

(in millions of euros)	**31 December 2003**	**31 December 2002**	**31 December 2001**
RISKS			
Credit risk			
Total weighted risks	34 339	27 753	20 993
Capital requirement for credit risk	2 747	2 220	1 679
Market risks			
Capital requirements calculated using the standard method			
Capital requirement for interest rate risk	237	206	228
• Specific risk	198	178	176
• General market risk	39	28	52
Capital requirement for equity position risk	14	62	29
• Specific risk	3	12	6
• General market risk	7	50	23
• Residual risk on option positions (gamma and vega risks)	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
• Capital requirement for commodities risk	-	-	-
Total capital requirements / standard method	**257**	**279**	**269**
Capital requirements calculated using an internal model[1]	**56**	**59**	**51**
Total capital requirements for market risks	**313**	**338**	**320**
Total capital requirements (credit risk + market risks)	**3 060**	**2 558**	**1 999**
AVAILABLE CAPITAL			
Tier 1	4 461	3 759	3 595
Tier 2	929	482	497
Tier 3		-	-
Deductions	(726)	(544)	(547)
Total available capital	**4 664**	**3 697**	**3 545**
RATIOS			
CAD Coverage Ratio (Total available capital / Total capital requirements	152%	145%	177%
ESR Equivalent (8% x CAD Coverage Ratio)	**12.19%**	**11.56%**	**14.19%**
Tier 1 Coverage Ratio (Tier 1 / Total capital requirements)	146%	147%	180%
Tier 1 Ratio Equivalent (8% x Tier 1 Coverage Ratio)	**11.66%**	**11.76%**	**14.39%**

[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 per cent. 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 CNCEP.

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.

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 will replace the current agreement with 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 have taken place in 2003, based on a consultative document circulated in May 2003.

On 26 June 2004, the central bank governors and heads of bank supervisory authorities in the "Group of ten countries" endorsed the publication of the new BIS standards, the "International Convergence of Capital Measurement and Capital Standards: a Revised Framework".

For banks applying IRBF method, 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.

For banks applying IRBA method, introduction is planned for 31 December 2007, after 2 years (2006 and 2007) with calculation of both ratios.

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 – only probability of default is assessed with internal method ; loss given default and exposure at default given by regulatory authority) to calculate its capital requirements for credit risk, from the very day when the New Accord is in effect (31 December 2006);

- To prepare a future transition to the Advanced Internal Ratings Based Approach (known as IRB Advanced – internal assessment of probability of default, loss given default and exposure at default);

- 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. Pierre SERVANT, 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 organisation, new decision making process and pricing based on internal ratings and collection of risk related historical data at Group level. V1 is operational since April 1st, 2004.

- Version 2 (known as V2): V1 will be upgraded with the addition of a monthly review of Retail counterparties and commitments of the Group; collection of historical data will be continued and completed. V2 should be operational on November 1st, 2004.

- Version 3 (known as V3): V3 will enable the internal rating assignment process to all 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 1 November 2005.

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

(M€)	**As at 31 December 2003**
Capital and consolidated retained earnings	3 988
Hybrid tier 1 capital	669
Minority interests	370
Reserve for general banking risks	286
Deductions of intangible assets and goodwill	852
Tier 1	**4 461**
Subordinated debt	929
Tier 2	**929**
Deductions of holdings in credit institutions	726
Total deductions	**726**
Total available capital	**4 664**

The Hybrid tier 1 component of the total available Tier 1 capital of CNCE Group as at 31 December 2003 can be detailed as follows :

Issuer	Issue date	Maturity date	Interest rate	Amount outstanding (M€)	Amount eligible as tier 1 (M€)
CNCEP	11/2003	Perpetual, possible Early redemption 07/2014	5.25%	800	669
TOTAL				**800**	**669**

The tier 2 component of the total available capital of CNCE Group as at 31/12/2003 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		
CNCEP	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		
CNCEP	07/2002	07/2014	5.200%	455			
CNCEP	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		
CDC IXIS	07/2003	07/2018	4.375%	132	132		
	Sub-total			**2 483**	**837**		
Undated subordinated debt							
BDAF				8	8		
FIDEV				179	172		
	Sub-total			**187**	**180**		
TOTAL				**2 538**	**1017**	**(88)**	**929**

CAPITALISATION OF CNCEP

The following table sets forth the capitalisation of the Issuer, on a non-consolidated basis, as at June 30, 2004 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 capitalisation of the Issuer since June 30, 2004, other than as set forth below.

as at and for the period ended June 30, 2004 (in millions of euro)

Short term borrowings (more than 1 month and less than 1 year)	
Money market, interbank and customer items *	740
Interbank and other negotiable debt instruments, bonds	15,321
1/ Total Short term borrowings	**16,061**
Medium and long term borrowings (more than 1 year)	
Unsubordinated Issues	19,503
Subordinated Issues	
Tier 2 Subordinated Issue	3,010
Deeply Subordinated Issue	1,220
2/Total medium and long term borrowings	**23,733**
Own Funds	
Issued Share Capital	6,681
Subscription Premium	1,887
Legal reserves	25
Other reserves	55
3/Total Own Funds	**8,648**
(1) + (2) + (3) Total Capitalisation	**48,442**

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

As at June 30, 2004, the share capital was equal to Euro 6,680,893,560.25 divided into 438,091,381 fully paid-up ordinary shares of Euro 15.25 each.

DESCRIPTION OF THE ISSUER

INTRODUCTION

Legal form

The Issuer is a bank organised as a *société anonyme à directoire et conseil de surveillance* (corporation) governed by a Management Board (*Directoire*) and a Supervisory Board (*Conseil de Surveillance*) subject to the provisions of the French *Code de Commerce* and, in particular, articles L.225-57 to L.225-93 of the French *Code de Commerce*, the provisions of decree 67-236 dated 23 March 1967, the provisions of law n°84-46 dated 24 January 1984 embodied in the French *Code monétaire et financier* and the legal, regulatory provisions adopted for the implementation or modification of such texts.

The Issuer was granted final approval as a bank by the *Comité des Etablissements de Crédit et des Entreprises d'Investissement* (Committee of credit institutions and investment firms) on 27 October 1995, when it was still named the Caisse Centrale des Caisses d'Epargne et de Prévoyance.

Pursuant to article 29 of the Savings and Financial Security Law n°99-532 dated 25 June 1999, during the extraordinary shareholders' meeting and the Management Board convened on 29 September 1999, the Caisse Centrale des Caisses d'Epargne et de Prévoyance became the Caisse Nationale des Caisses d'Epargne et de Prévoyance and took over from the Centre National des Caisses d'Epargne et de Prévoyance as the central body of the Caisse d'Epargne Group, as provided for by articles L.511-30, L.511-31 and L.511-32 of the French *Code monétaire et financier*. The new name and new responsibilities of the central institution are irrelevant to the form and official approval of the Issuer.

Duration of the Issuer

The duration of the Issuer is set at 99 years and shall consequently expire on 26 November 2090, except in the event of earlier dissolution or extension.

Purpose

Pursuant to article 2 II of its Articles of Incorporation, the Issuer is a credit institution, officially approved as a bank. In this respect, it conducts – independently of its responsibilities as a central institution as defined in article L.512-95 of the French *Code monétaire et financier* – both in France and abroad, all the banking operations allowed to the banks in accordance with the provisions of Law No. 84.46 dated 24 January 1984 and those referred to in articles L.321-1 and L.321-2 of the French *Code monétaire et financier*, to French and foreign customers and, notably, to the Caisses d'Epargne and all entities and companies contributing to the development of the Caisse d'Epargne Group.In this capacity, the Issuer may acquire and hold investments in companies contributing to the purpose outlined above or to the development of the Caisse d'Epargne Group network or, more generally, may conduct all operations of any nature related directly or indirectly to this purpose and liable to facilitate its development or achievement.

The Issuer's registration

The Issuer was registered with the *Registre du Commerce et des Sociétés de Paris* on 26 November 1991 under reference number 383 680 220.The Issuer's registered office is at 5, rue Masseran, 75007 Paris, France.The Issuer's head office for business purposes is at 77, boulevard Saint-Jacques, 75014 Paris, France.

MANAGEMENT OF THE ISSUER

Management Board

The following are members of the Management Board (*Directoire*) of the Issuer as at the date hereof:

Chairman	Charles MILHAUD
Members of the board	Guy COTRET Nicolas MERINDOL Anthony ORSATELLI Pierre SERVANT

Supervisory Board

The following are members of the Supervisory Board (*Conseil de Surveillance*) of the Issuer as at the date hereof:

Chairman	Jacques MOUTON
Vice Chairman	Bernard COMOLET Francis MAYER
Caisses d'Epargne Representatives	Jean-Charles COCHET Jean-Claude CREQUIT Michel DOSIERE Marcel DUVANT Yves HUBERT Alain LEMAIRE Jean LEVALLOIS Alain MAIRE Bernard SIROL Hervé VOGEL
Caisse des dépôts et consignations representatives	Dominique MARCEL (permanent representative) Etienne BERTIER Albert OLLIVIER Jean SEBEYRAN Franck SILVENT
Network's employees Representatives	Jacques MOREAU Serge HUBER

The following attend the meetings of the Supervisory Board:

Censors	Joël BOURDIN Jean-Marc ESPALIOUX Jean-Charles NAOURI Henri PROGLIO
Workers' Council Representatives	Carole GODEAU Abdel BABACI Patrick MELLUL Jean-Luc DEBARRE

Issuer's Statutory Auditors

The statutory auditors (*Commissaires aux Comptes*), which are members of the *Compagnie Nationale des Commissaires aux Comptes*, are appointed every six years by the Issuer's shareholders to audit the Issuer's accounts and financial reports.The Issuer's statutory auditors, appointed by the shareholders' general meeting held on 26 May 2004, are:

- Mazars & Guérard, represented by M. Michel Barbet-Massin and M. Franck Boyer, Tour le Vinci, 4 allée de l'Arche, 92075 La Défense Cedex.
- PricewaterhouseCoopers Audit, represented by Mr Yves Nicolas and Mrs Anik Chaumartin, 32, rue Guersant, 75017 Paris.

The substitute statutory auditors are:

- M. Patrick de Cambourg, Le Vinci, 4 allée de l'Arche, 92075 La Défense Cedex
- M. Pierre Coll, 32 rue Guersant, 75017 Paris

  The statutory auditors who have audited the consolidated and individual financial statements of the Issuer for the year ended on 31 December 2003 are:

- KPMG SA, represented by Mr Philippe SAINT-PIERRE and Mr Rémy TABUTEAU, 2 bis, rue de Villiers, 92300 Levallois-Perret ; and
- PricewaterhouseCoopers Audit, represented by Mr Yves NICOLAS and Mrs Anik CHAUMARTIN, 32, rue Guersant, 75017 Paris.

Financial year

The financial year is the calendar year.

Website

The address of the Issuer's website is http://www.caisse-epargne.fr.

CNCEP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet of CNCEP at 31 December 2003, 2002 and 2001

		(*in millions of euros*)		
ASSETS	***Notes***	**2003**	**2002**	**2001**
Cash, money market and interbank items	*6,11*	76,123	69,544	71,186
Customer items	*7,11*	36,813	29,569	24,879
Lease financing	*8*	1,593	1,027	799
Bonds, shares and other fixed- and variable-income securities	*9,11*	31,873	28,314	22,877
Investments by insurance companies		602	425	396
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	*10*	2,445	2,269	2,400
Tangible and intangible assets	*12*	899	775	960
Goodwill	*16*	436	227	282
Accruals, other accounts receivable and other assets	*14*	11,887	12,648	9,028
Total assets		**162,671**	**144,798**	**132,807**

		(*in millions of euros*)		
OFF-BALANCE SHEET COMMITMENTS	***Notes***	**2003**	**2002**	**2001**
Commitments given	*18,19*			
Financing commitments		17,107	15,104	11,260
Guarantee commitments		23,608	18,894	5,885
Commitments made on securities		479	248	221
Commitments given by the insurance business		1,012	-	5,305

		(*in millions of euros*)		
LIABILITIES, CAPITAL FUNDS AND RESERVES	***Notes***	**2003**	**2002**	**2001**
Money market and interbank items	*6,11*	43,792	44,350	42,906
Customer items	*7,11*	13,488	6,907	5,174
Debts represented by a security	*11,13*	74,191	66,466	61,476
Technical reserves of insurance companies		437	329	287
Accruals, other accounts payable and other liabilities	*14*	21,237	19,639	16,557
Negative goodwill	*16*	4	6	23
Provisions for liabilities and charges	*15*	518	434	357
Subordinated debt	*17*	4,135	2,173	1,610
Reserve for General Banking Risks	*17*	286	131	114
Minority interests		381	249	104
Consolidated capital funds and reserves (excluding the Reserve for General Banking Risks)	*17*	4,202	4,114	4,199
Capital		2,905	2,905	2,905
Share premium		435	527	623
Consolidated reserves and retained earnings		535	486	467
Net income for the year		327	196	204
Total liabilities, capital funds and reserves		**162,671**	**144,798**	**132,807**
		(*in millions of euros*)		
OFF-BALANCE SHEET COMMITMENTS	***Notes***	**2003**	**2002**	**2001**
Commitments received	*18,19*			
Financing commitments		3,209	3,145	2,404
Guarantee commitments		7,054	5,455	3,728
Commitments received on securities		1,349	443	505
Commitments received from the insurance business		73	11	7

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

Consolidated profit and loss account of CNCEP for 2003 and 2002

		(in millions of euros)	
	Notes	**2003**	**2002**
Interest and similar income	*21*	6,643	6,423
Interest and similar expense	*21*	(6,402)	(6,748)
Income from shares and other variable-income securities	*22*	53	68
Net commissions and fee income	*23*	491	437
Net gains on trading transactions	*24*	456	590
Net gains on held-for-sale portfolio transactions and similar items	*25*	120	224
Other net operating income	*26*	120	92
Gross margin on insurance business	*35*	64	40
Net banking income		**1,545**	**1,126**
General operating expenses	*27*	(1,089)	(914)
Depreciation and amortization of tangible and intangible assets		(66)	(49)
Gross operating income		**390**	**163**
Net additions to provisions	*28*	(71)	(52)
Operating income		**319**	**111**
Share in net income of companies accounted for by the equity method	*10*	144	138
Net gains on fixed assets	*29*	107	69
Net ordinary income before tax		**570**	**318**
Exceptional items	*30*	(1)	28
Tax on profits	*31*	(54)	(88)
Amortization of goodwill	*16*	(22)	(57)
Allocations to/releases from the Reserve for General Banking Risks	*17*	(155)	(18)
Minority interests		(11)	13
Consolidated net income (excluding minority interests)		**327**	**196**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF CNCEP FOR THE YEAR ENDED 31 DECEMBER 2003

NOTE 1 - LEGAL AND FINANCIAL FRAMEWORK – KEY EVENTS OF THE YEAR

1.1 Legal and financial framework

Responsibilities of the Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE)

The central institution of the Caisse d'Epargne Group as defined by French banking law, and a financial institution approved as a bank, the Caisse Nationale des Caisses d'Epargne et de Prévoyance is a limited liability company (*société anonyme*) with a two-tier management structure (Management Board and Supervisory Board) whose capital is held by the individual Caisses d'Epargne and the Caisse des dépôts et consignations.

More particularly, the CNCE represents the dfferent Caisses d'Epargne, defines the range of products and services offered by them, organizes the adequacy of depositors' protection, approves the appointment of the senior managers of the Caisses d'Epargne, and generally supervises and controls the proper management of the various entities within the Caisse d'Epargne Group.

In respect of the Group's financial functions, the CNCE is responsible, in particular, for the centralized management of any surplus funds held by the regional savings banks and for proceeding with any financial transactions useful for the development and refinancing of the network; it is responsible for choosing the most efficient operator for these assignments in the greater interest of the network whose financial stability is guaranteed by the CNCE.

Subsidiaries

Subsidiaries of Compagnie Financière Eulia

Through the interest held by the CNCE in the financial holding company Compagnie Financière Eulia, the Caisse d'Epargne Group possesses a comprehensive range of subsidiaries/core business lines, widening the range of services offered to the regional savings banks.

Compagnie Financière Eulia and its principal subsidiaries — the Crédit Foncier Group and the CDC IXIS group — are jointly controlled with the Caisse des dépôts et consignations in compliance with a shareholders' pact signed at the end of 2001. As a result, these different entities are accounted for on a proportional basis.

Specialized IT subsidiaries

The processing of customer transactions is carried out by a banking system organized around software publishing houses set up to supervise the target information system from three application platforms, a central IT organization (CNETI) and regional processing centres.

1.2 Guarantee system

Pursuant to the Act of June 25, 1999, the CNCE, acting as the central institution of the Caisse d'Epargne Group, has organized a mutual guarantee and solidarity mechanism within the Group to guarantee the liquidity and solvency of each affiliated entity. The scope of this guarantee system includes not only the entities belonging to the Caisses d'Epargne network as provided for by the 1999 Act but more generally all members of the Group, in accordance with article L.511-31 of the French Monetary and Financial Code.

This broad definition makes it possible to base the Group's guarantee mechanism on all the capital funds and reserves of its affiliates with a view to preventing default, offering protection complementary to the chiefly curative objective of the market guarantee systems to which the Caisse d'Epargne Group also subscribes. These resources are made available through a Group Mutual Guarantee and Solidarity Fund (*Fonds de garantie et de solidarité du groupe, FGSG*) carried in the books of the CNCE and provided with an immediate intervention capacity of €271 million. Should this amount prove insufficient to avert the failure of a member of the Group, the CNCE may call on appropriate additional resources by having recourse to a short decision process guaranteeing rapidity of intervention.

Within the framework of the partnership with the Caisse des dépôts Group, the combination of both Groups' resources in the area of non-regulated banking activities has resulted in the parallel and simultaneous pooling of their internal guarantee systems.

Consequently, should the support of its shareholders prove necessary in the event of default of a subsidiary of Compagnie Financière Eulia or of the Company itself, the CNCE, acting as the central institution of the Caisse d'Epargne Group, could intervene to draw on the resources of this guarantee system and, primarily, the Group's mutual guarantee and solidarity fund.

These provisions do not modify the conditions governing the creation, management and use of this fund carried in the books of the CNCE.

1.3 Planned changes in Group structure

On October 1, 2003, the Caisse d'Epargne and Caisse des dépôts et consignations Groups signed a memorandum of agreement aimed at redefining the nature of their partnership.

This agreement in principle represents the logical continuation of earlier stages in their relationship and pursues the business development strategy already initiated in 2001 with the creation of Compagnie Financière Eulia.

The final agreements and operations leading to the creation of the new group resulting from these decisions should be completed in 2004. The Caisse d'Epargne Group will then 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 Compagnie Financière Eulia and the CDC IXIS Group within the Caisse Nationale des Caisses d'Epargne.

The Caisse des dépôts will reinforce its core activity as an institutional investor by assuming control of the portfolios of investments in listed securities, in private equity and in real estate that are currently managed by CDC IXIS.

NOTE 2 - PRINCIPLES AND METHODS OF CONSOLIDATION OF THE CAISSE NATIONALE DES CAISSES D'EPARGNE GROUP

2.1 Principles

The consolidated financial statements are drawn up in accordance with the principles laid down by Rule 99-07 and 2000-04 of the French Accounting Regulatory Committee.

2.2 Methods and scope of consolidation

General principles

The accounts of companies under exclusive control — including companies having a different account structure whose principal activities represent an extension of banking or finance or are involved in related activities — are carried in the accounts as fully consolidated subsidiaries. "Exclusive control" is the power to determine the financial and operating policies of a company, and is based either on the direct or indirect ownership of the majority of voting rights or on the power to appoint a majority of the members of the Board of Directors or, alternatively, derives from the right to exercise a dominant influence by virtue of a management contract or clauses in the company's articles of association.

Companies that the Group jointly controls with other partners are consolidated on a proportional basis. "Joint control" means shared control over a company involving a limited number of associates or shareholders, such that the company's financial and operating policies are determined by agreement between those partners.

Companies over which the Group exercises significant influence are accounted for by the equity method. "Significant influence" is defined as the power to participate in determining the financial and operating policies of a company without necessarily having control.

Exclusions

A company controlled by, or subject to the significant influence of, the Group is excluded from the scope of consolidation when the shares of this company, from the moment they were first acquired, are held exclusively with a view to their subsequent sale, when the Group's ability to control or influence a company is impaired in a substantial and durable manner, or when it is faced with limited possibilities for transferring assets between such companies and the other entities included in the consolidated Group.

In addition, a subsidiary or investment may be excluded from consolidation when it is impossible to obtain the information required to establish the consolidated accounts without excessive expense or before a date compatible with the publication of the consolidated financial statements.

A company may also be excluded from consolidation when, taken alone or with other companies capable of being consolidated, it is not material compared with the consolidated accounts of all the entities included within the scope of consolidation.

Investments in such companies appear under the heading "Investments in unconsolidated subsidiaries".

Changes in the scope of consolidation

Acquisition of Banque Sanpaolo by the Caisse Nationale des Caisses d'Epargne

On December 3, 2003, after receiving the official go-ahead of the regulatory authorities, the Caisse d'Epargne Group and the San Paolo IMI Group finalized the agreement signed on July 31, 2003 with the acquisition of 60% of the capital of Banque Sanpaolo by the Caisse Nationale des Caisses d 'Epargne.

In the absence of any significant impact on the profit & loss account and in view of the fact that the end of the financial year was imminent, the Banque Sanpaolo Group was fully consolidated in the accounts of the Caisse d'Epargne Group at December 31, 2003.

The share acquisition cost was equal to €502 million while the initial goodwill arising on the transaction amounted to €242 million. This goodwill item will be adjusted in 2004 in line with the fair value adjustments to be determined after completion of the analyses and appraisals required to value the assets and liabilities of the Banque Sanpaolo Group in compliance with paragraphs 2110 and 2112 of Rule 99-07 of the French Accounting Regulatory Committee.

Continued internal restructuring of the "overseas" banking division

Following a new equity issue and the acquisition of additional shares from the Caisse d'Epargne de Provence-Alpes-Corse-Réunion, the Caisse Nationale des Caisses d'Epargne now owns 81.88% of the capital of Financière Océor, up from its previous interest of 61.72% at December 31, 2002.

This change in the scope of consolidation has had no material impact on the Group's results. Any impact on certain items in the profit & loss account is mentioned, where necessary, in the Notes to the financial statements.

Subsidiaries of Compagnie Financière Eulia

The Nexgen Financial Holdings Group, which specializes in the arrangement of high value-added financial engineering operations, has been accounted for by the equity method in the accounts of the CDC IXIS Group since January 1, 2003.

On October 21, 2003, AGF and Crédit Foncier signed the final agreement setting the terms of AGF's sale of its 72.15% interest in the capital of Entenial. As provided for by French regulations, the closing of this transaction was 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).

After receiving the official go-ahead at the end of January 2004, Crédit Foncier acquired 72.05% of Entenial's capital on February 4, 2004, the total value of the transaction being fixed at €587 million for the entire capital, or €49.56 per share. At the end of the unconditional tender offer ("garantie de cours") made to shareholders for the balance of Entenial's capital, and which expired on March 8, 2004, Crédit Foncier de France owned 98.66% of the company's share capital and voting rights.

As a result, the Entenial Group will be consolidated for the first time as of the 2004 financial year.

***Ad hoc* entities**

In the particular case of the CNCE Group, the closed mutual funds held by the Group correspond to the definition of *ad hoc* entities given by Rule 99-07 of the French Accounting Regulatory Committee.

These closed mutual funds are excluded from the scope of consolidation pursuant to the conditions laid down in paragraph 51 of the rule referred to above. These collective investment vehicles will be subject to extinction within a period laid down by the rule. Specific information related to these mutual funds is provided in note 9.2.

Through its interest in the CDC IXIS Group, the CNCE Group consolidated a further 22 *ad hoc* entities. These include 6 venture capital investment funds or similar directly owned by CDC IXIS, the others being entities held by the CDC IXIS Capital Markets sub-group and by the CDC IXIS North America sub-group.

Lastly, the Crédit Foncier Group has consolidated the FCC Teddy securitization fund — which has now crossed the materiality threshold — in its accounts since January 1, 2002.

Impact of changes in the reporting entity on the consolidated accounts

The changes affecting the scope of consolidation during the year, as described above, had no material impact on the comparability of the Group's financial statements.

2.3 Consolidation adjustments and eliminations

The consolidated financial statements of the CNCE Group are drawn up in conformity with Rule 99-07 of the French Accounting Regulatory Committee.

These regulations require that:

- Accounting methods used by the various companies included in the consolidation should be consistent. The principal consolidation methods are described in Section 3 of the present Notes to the consolidated financial statements,
- Certain valuation methods shall be used when drawing up the consolidated financial statements that are not used in the individual financial statements of each company. These accounting methods chiefly relate to:
  - Finance lease transactions including leases with purchase options where the company is the lessor,

- Assets leased under finance or similar leases where the company is the lessee,

- Certain accounting entries that result from tax regulations,

- Deferred tax.

Finance lease transactions including leases with purchase options where the company is the lessor

Finance lease transactions including leases with purchase options are accounted for in the individual financial statements of Group companies according to strict legal definitions. French banking regulations recognize that such transactions are, in substance, a method of financing and, accordingly, require that they be restated in the consolidated financial statements to reflect their true underlying economic significance.

Consequently, finance lease transactions including leases with purchase options are accounted for in the consolidated balance sheet as financing transactions considering that the rental is a repayment of principal plus interest.

The excess of the outstanding principal over the net book value of the leased assets is included in consolidated reserves, net of the related deferred tax effect.

Finance leases where the company is the lessee

Fixed assets acquired under finance or similar leases are restated on consolidation as if the assets had been acquired on credit.

Accounting entries that result from tax regulations

On consolidation, accounting entries that result solely from tax regulations are eliminated.

The major items concerned by this rule are:

- Investment grants,

- Regulated provisions when not included in the Reserve for General Banking Risks for the presentation of the financial statements.

Deferred tax

Deferred tax is accounted for in respect of all temporary differences between the book value of assets and liabilities and their tax basis as well as for timing differences arising from consolidation adjustments.

Items to be included in the computation of deferred tax are determined by the comprehensive method, i.e. all temporary differences are considered, whatever the future period in which the tax will become due or the tax saving will be realized.

The rate of tax and fiscal rules adopted for the computation of deferred tax are those founded on current tax legislation and applicable when the tax becomes due or the tax saving is realized.

Deferred tax liabilities and assets are netted off for each consolidated company (including the impact of any ordinary and evergreen tax loss carryforwards). This netting process applies only to items taxed at the same rate and items that are expected to reverse in a reasonably short period.

2.4 Elimination of inter-company transactions

The effect on the consolidated balance sheet and profit & loss account of inter-company transactions is eliminated on consolidation. Gains or losses on inter-company sales of fixed assets are also eliminated except for sales where the lower selling price reflects the economic value, in which case the lower price is retained.

2.5 Goodwill

The "Goodwill" item represents the outstanding balance of differences not attributed elsewhere on the balance sheet between the cost of the investment and the book value of the underlying net assets noted at the time of acquisition of shares in consolidated subsidiaries and associated companies.

Positive and negative goodwill is amortized over a pre-determined period, giving consideration to underlying assumptions and the objectives of the acquisition.

2.6 Translation of financial statements expressed in foreign currencies

Balance sheets and off-balance sheet items of foreign companies are translated at year-end exchange rates (with the exception of shareholders' equity translated at historical rates) and the profit & loss accounts are translated using an average annual rate. Any gains or losses observed as a result of translation are included in consolidated reserves under the heading "Translation adjustments."

2.7 Consolidation method adopted for insurance companies

The CNCE Group includes six insurance companies: Cegi, Ecureuil Assurances IARD, Foncier Assurance, Saccef, Socamab Assurances and the CDC IXIS Financial Guaranty Group.

The interests held by the Group in Ecureuil Vie and the CNP Group are accounted for under the equity method.

The annual accounts of the insurance companies in the CNCE Group are drawn up in accordance with the provisions of French insurance law and, where relevant, Rule 2000-05 of the French Accounting Regulatory Committee governing consolidation policies for companies subject to French insurance law.

Pursuant to Rule 99-07 of the French Accounting Regulatory Committee, items listed in the financial statements of insurance companies included in consolidation are presented in the accounts of the CNCE Group in the balance sheet and profit & loss headings of the same nature, with the exception of a number of specific items:

- In the balance sheet, "Investments by insurance companies" and "Technical reserves of insurance companies" are presented separately,
- In the consolidated profit & loss account, the item "Gross margin on insurance business." The gross margin on insurance business is comprised of policy premiums received, claims expenses that include changes in technical reserves and net income from investments.

Moreover, the amount of commitments given and received by the insurance companies included within the scope of consolidation is included in separate lines of the Group's statement of off-balance sheet commitments.

NOTE 3 - ACCOUNTING POLICIES

The consolidated financial statements are prepared and presented according to policies defined by the CNCE and in conformity with the rules laid down by the French Accounting Regulatory Committee (CRC) and the Banking and Financial Services Regulatory Committee (CRBF), notably CRC Rule 99-07 governing consolidation policies and Rule 2000-04 governing the consolidated financial statements of companies overseen by the Banking and Financial Services Regulatory Committee.

Balance sheet items are presented, where relevant, net of related depreciation and any provisions or other corrections to book values.

3.1 Fixed assets

Fixed assets are recorded at historical cost except for real-estate assets that have been revalued at the time of mergers.

Depreciation is recorded on a straight-line or accelerated basis over the estimated useful lives of the assets, as follows:

- Buildings: 20 to 50 years,
- Improvements: 5 to 20 years,
- Furniture and specialized equipment: 4 to 10 years,
- Computer equipment: 3 to 5 years,
- Computer software: up to a maximum of 5 years.

In some circumstances additional write-downs may be made.

3.2 Investments in unconsolidated subsidiaries and associated companies, and other long-term investments

Investments in unconsolidated subsidiaries and associated companies are recorded at historical cost. At year-end, a provision for impairment in value is made where necessary on a case-by-case basis if the fair value to the Group is below cost. The fair value of equity interests is calculated, in particular, on the basis of their fair value to the Group (according to their strategic nature and the Group's intention to provide ongoing support to the investee and to hold the shares over the long term) and objective criteria (market price, net assets, revalued net assets, projected items).

Other long-term investments are stocks and similar variable-income securities acquired to promote the development of durable professional relationships by creating close links with the issuing companies without, however, exercising an influence on the management of these companies owing to the small percentage of voting rights represented by these holdings. Other long-term investments are recorded at the lower of historical cost or fair value to the Group. "Fair value to the Group", for listed or unlisted securities, corresponds to what the company would be prepared to disburse in order to obtain these securities should it be necessary to acquire them in pursuit of its investment objectives. Unrealized capital losses are systematically provided for. Unrealized capital gains are not recognized.

3.3 **Securities transactions**

Securities transactions are accounted for in conformity with Rule 90-01 (as amended) of the French Banking and Financial Services Regulatory Committee.

Trading account securities are securities that, at the very outset, are acquired or sold with a view to being resold or repurchased within a short period not exceeding six months. Only securities negotiable on a liquid market, with market prices constantly accessible to third parties, are deemed to be trading account securities. They may include fixed-income or variable-income securities.

Trading account securities are recorded at their purchase cost, including ancillary costs and accrued interest. At the balance sheet date, they are marked-to-market and the net gain or loss is taken to the profit & loss account.

After they have been held for a period of six months, trading account securities are reclassified as "securities held for sale" or "investment securities" depending on their definition and the conditions required for inclusion in each of the target portfolios. These trading account securities are transferred at their market value on the day of transfer.

Securities acquired with a view to be held for a period in excess of six months — without the institution being committed to holding them until maturity in the case of fixed-income securities — are considered **securities held for sale**. This category also includes securities transferred from the trading account portfolio, and securities not satisfying the conditions required for inclusion in the trading account and investment portfolios.

At their date of acquisition, securities held for sale are recorded at their original purchase cost, excluding ancillary costs. For the securities received from the trading account portfolio, the market price on the day of transfer is deemed to be the acquisition price, and the date of transfer is considered the date of acquisition. Accrued interest is not included in cost for fixed-income securities but is included for money market instruments. Any differences between purchase price and redemption value (premiums or discounts) are taken to the profit & loss account over the remaining life of the security on a straight-line basis for fixed-income securities or by the yield-to-maturity method for money market instruments. At year-end, securities held for sale are valued at the lower of cost or market price. Unrealized capital gains are not recognized; unrealized capital losses are provided for.

Gains and losses on related hedging transactions are considered per line of securities when determining the level of the provisions required.

Investment securities are fixed-income instruments with a pre-determined redemption value, acquired with a view to long-term investment, in principle until maturity. Securities satisfying this criterion may be classified as investment securities when, in compliance with the provisions of the French Banking and Financial Services Regulatory Committee, they are subject to a specific hedging transaction in terms of duration or rates.

Securities meeting the necessary criteria but originally included in the "held for sale" portfolio because the specific hedging conditions related to duration and rates were not satisfied when the instruments were first acquired, are also included in the "investment" portfolio.

Investment securities are recorded at the date of their acquisition in the same manner as securities held for sale.

They may be subject to a provision for impairment in value if it is highly probable that the company will not keep these securities until maturity owing to changes in circumstances or in the event of issuer risks.

In accordance with Rule 90-01 of the French Banking and Financial Services Regulatory Committee, securities transferred from the "held for sale" portfolio to the "investment" portfolio are carried at cost and any provisions made are taken back to the profit & loss account over the remaining life of the security.

Provisions for impairment in value of securities held for sale and investment securities are completed by a provision for certain counterparty risks (Note 15.1).

Portfolio equity investments are accounted for in conformity with Rule 90-01 of the French Banking and Financial Services Regulatory Committee as amended by Rule 2000-02 of the French Accounting Regulatory Committee.

Portfolio activities consist in regularly investing a part of assets in an investment portfolio for the exclusive purpose of obtaining, over a certain period of time, a satisfactory medium-term yield without the intention of making a long-term investment in developing the business activities of the issuing companies or participating in their operating management. In principle, portfolio investment is only made in stocks and similar variable-income securities.

Investments of this type must involve significant and permanent transactions carried out within a structured framework, generating recurrent yields chiefly derived from capital gains on disposals.

At year-end, portfolio investments are recorded at the lower of historical cost or fair value to the Group.

The "fair value to the Group" is based on a consideration of the issuing company's prospects and the remaining investment period. For listed securities, the fair value is determined by the average market price of the past two years or the market value at year-end, if greater. In the case of unlisted securities, valuation may be based on recent transaction prices.

Unrealized capital losses are systematically provided for. Unrealized capital gains are not recognized.

Rule 89-07 of the French Banking and Financial Services Regulatory Committee, completed by Instruction 94-06 of the Banking Commission, defines the accounting rules applicable to **repurchase agreements**.

The assets sold under the repurchase agreement are retained on the borrower's balance sheet while the proceeds, representing the debt due to the lender, are carried as a liability.

The lender (who is the beneficiary of the collateral) shows the amount expended—i.e. the loan granted to the borrower—on the assets side of its balance sheet.

When the financial statements are prepared, the assets sold, and the debt due to the lender or the loan granted to the borrower, are valued in accordance with the rules governing each of these transactions.

3.4 Customer loans

Customer loans are recorded at their nominal value net of any provisions for non-performing accounts.

Guarantees received are accounted for and described in Note 18. They are subject to periodic revaluations. The book value of all guarantees received for a given loan is limited to the amount outstanding.

Loans are classified as non-performing – irrespective of whether or not they have matured or are guaranteed where at least one of the debtor's commitments represents a recognized credit risk. A risk is "recognized" where it is probable that the bank will not receive all or some of the sums due with respect to commitments made by the counterparty, notwithstanding the existence of a guarantee or security. Loans are systematically classified as non-performing at the latest within three months of the first default (9 months in the case of loans to local authorities).

Within the non-performing loans category, loans are classified as doubtful when no reclassification as performing loans is foreseeable. Doubtful loans include loans where the outstanding balance becomes immediately repayable in application of an acceleration clause and those which have been classified as non-performing for over one year.

Irrecoverable loans are written off as losses and the corresponding provisions are released.

Non-performing loans are reinstated as performing loans when repayments resume on a regular basis in amounts corresponding to the original contractual installments, and when the counterparty no longer presents a risk of default.

Loans restructured at below market rates are itemized in a specific sub-category until maturity. A provision is recorded for the discount corresponding to the present value of the interest differential. This provision is recorded under net additions to provisions in the profit & loss account and as a provision against the corresponding loan in the balance sheet. It is taken to the profit & loss account (included in the lending margin) using the yield-to-maturity method over the life of the related loan (see note 7a).

Provisions for recognized probable losses cover all anticipated losses, calculated in terms of the difference between the principal still outstanding and expected future cash flows. Exposure is computed on a case-by-case basis in the light of the present value of guarantees received. For smaller loans sharing similar characteristics, a statistical method is used when this approach is deemed more appropriate.

Specific provisions for recognized risks are completed by general provisions for certain counterparties (see Note 15.1).

Interest on non-performing loans continues to be accrued, including for doubtful loans, but provision is made for the full amount.

For the presentation of the accounts in the Notes to the financial statements (Note 7a), the breakdown of outstandings adopted is that used within the Caisse d'Epargne Group for internal management purposes, notably in areas related to sales, finance and risks.

3.5 Reserve for General Banking Risks

The Reserve for General Banking Risks constitutes a fund for the risks inherent in the Group's banking activities as required by Article 3 of Rule 90-02 of the French Banking and Financial Services Regulatory Committee and Instruction 86-05 (as amended) of the French Banking Commission.

3.6 Bonds issued

Bonds issued by entities in the CNCE Group are recorded on the liabilities side of the consolidated balance sheet at their redemption value. Redemption premiums are amortized on a straight-line basis over the life of the bonds.

3.7 Employee benefits

Commitments related to lump-sum indemnities paid to employees upon retirement and bonuses related to long-service awards are generally covered by contributions charged to the profit & loss account and paid to retirement or insurance funds. When these commitments are not covered by specific funds, they are appraised in accordance with an actuarial calculation considering the age, length of service and probability of staff being employed by the Group at retirement age and of receiving long-service awards, and are fully provided for on the liabilities side of the balance sheet.

The commitment to finance the Group's potential pension liabilities (Note 15-2) — corresponding to the risk of being obliged to make up the anticipated shortfall of the pension scheme created for the benefit of the employees of companies in the Caisses d'Epargne network, their subsidiaries and joint bodies — is fully covered by provisions for liabilities and charges carried on the liabilities side of the balance sheet.

3.8 **Financial futures and other forward agreements**

The CNCE Group conducts trading transactions on different over-the-counter or organized markets, with financial instruments (futures and options) relating to interest rates, foreign exchange and equities.

Hedging and trading transactions in forward financial instruments relating to interest rates, foreign exchange or equities are accounted for in accordance with French Banking and Financial Services Regulatory Committee Rules 88-02 and 90-15. Commitments on such instruments are recorded in off-balance sheet accounts at their nominal value. At December 31, the amount of commitments represents the transactions outstanding at the end of the financial year.

Methods for evaluating income generated on financial instruments depend on the operators' original intent.

Gains and losses on financial futures designed to hedge and manage Caisse d'Epargne Group entities' overall interest rate positions are reflected in the profit & loss account over the life of the related instruments. Unrealized gains and losses are not recorded. Gains and losses on hedging transactions are accounted for on a symmetrical basis and under the same heading as the loss or gain on the hedged item.

Transactions corresponding to the specialized management of trading portfolios are valued on the basis of their year-end market value taking account, if necessary, of counterparty risks and related future expense. The corresponding gains and losses are directly recorded in the profit & loss account whether they are realized or not. Equalization payments are recognized in the profit & loss account when the contracts are set up.

Gains and losses on certain contracts representing isolated open positions are recognized either when the position is unwound or over the life of the instrument according to its type. Potential, unrealized losses determined by reference to market values are provided for.

The determination of this value depends upon the nature of the markets concerned: organized exchange (or equivalent) or an over-the-counter market. Instruments traded on organized exchanges are quoted continuously and enjoy a sufficient degree of liquidity to justify the use of quoted prices as market value.

Variations in value relating to contracts representing isolated open positions concluded on organized exchanges and similar markets are immediately recorded in the profit & loss account at each year-end.

Over-the-counter markets may be assimilated to organized exchanges when the institutions acting as market makers guarantee continuous quotations within a realistic trading range or when the price of the underlying financial instrument is itself quoted on an organized exchange. Market values of interest rate and currency swaps are determined as the present value of future cash flows allowing for counterparty risks and the present value of related future expense. Changes in the value of non-traded options are determined according to a mathematical formula.

3.9 **Transactions in foreign currencies**

Spot foreign exchange transactions, forward exchange contracts and loans or borrowings denominated in foreign currencies are reported as off-balance sheet commitments at the transaction date. These transactions are recorded on the balance sheet as soon as the foreign currencies are delivered.

Assets, liabilities and off-balance sheet items denominated in foreign currencies, including accrued income and expenses, are translated at year-end rates. Forward contracts are valued at market forward rates for the remaining period for the currency concerned.

Variances resulting, in particular, from the translation of investment securities, equity interests and investments in subsidiaries, as well as the variances resulting from the consolidation of foreign offices are recorded under the heading "Accruals".

Differences noted between the valuation of exchange positions and that of the converted amounts, fluctuations in value of financial futures and other forward agreements and premiums relating to currency options are reported in the profit & loss account of each financial year.

3.10 **Provisions for liabilities and charges**

This item covers provisions booked in respect of liabilities and charges not directly related to banking operations as provided for in article L.311-1 of the French Monetary and Financial Code and associated transactions defined in article L.311-2 of that same law. The nature of these liabilities and charges is clearly defined but their amount and date of payment cannot be determined precisely.

This item also covers provisions booked to provide for liabilities and charges related to banking operations and associated transactions as defined in articles L311-1 and L311-2 of the above-mentioned law, rendered probable by past or current events and whose purpose is clearly defined, but whose effective occurrence remains uncertain.

This item includes, in particular, a provision for the Group's potential pension liabilities and a provision in respect of counterparty risks.

3.11 **Accounting principles and valuation rules specific to insurance companies**

The accounting principles and valuation rules specific to insurance companies are adhered to in the consolidated accounts of the CNCE Group.

Investments

Investments are stated at cost, excluding acquisition expenses, except for investments corresponding to unit-linked policies which are marked to market at each closing. Technical reserves corresponding to such policies are similarly revalued.

A liquidity risk reserve, included on the liabilities side of the balance sheet of insurance companies, is set up when the realizable value of equities, property and similar assets falls below their book value. The reserve created is equal to the difference observed between these two valuations.

The realizable value of these investments is determined in accordance with article R 332-20-1 of the French Insurance Code, namely:

- Equities listed on a stock exchange are valued at the last price on the closing day,
- Values of equities not listed on a stock exchange are estimated according to the price at which they could be sold in normal market conditions or their fair value to the company,
- Shares in collective investment vehicles are valued at the last published bid price on the closing day,
- The realizable value of property and shares in unlisted property development companies is determined on the basis of appraisals made by outside experts.

Provision is made for any permanent impairment in value of a property or equity investment.

The value of an asset is considered to be permanently impaired when at least one of the following criteria is met:

- The market value reflects a long period of generally depressed prices,
- The realizable value is so significantly below book value that the impairment in value can only be recovered in the long term,
- The type of asset is no longer adapted to market needs so that the yield from the asset is permanently impaired.

The difference between the acquisition cost of bonds and other fixed-income securities (excluding accrued interest) and their redemption price is taken to the profit & loss account over the remaining life of the security. The yield-to-maturity method is used for this calculation for fixed-rate securities and the straight-line method for variable-rate securities.

A provision for impairment in value is set up at each closing for any counterparty risk.

Life insurance transactions

Income from insurance premiums on outstanding policies is recognized in the profit & loss account on an accrual basis including accrued income on premiums not notified to policyholders at year-end (group policies including the cover for mortality risks). In addition, premiums notified to the policyholder or to be notified are adjusted to account for the risk of termination not yet notified to the company.

Technical reserves in respect of policies including a clause of payment in the event of death correspond to the portion of premiums written but not earned during the period.

Technical reserves for non-unit-linked policies represent the difference between the present values of respective commitments of the insurer and the policyholder. The insurer's commitment corresponds to the present value of the capital sum insured, adjusted for the probability of payment, increased by the present value of related management expense. The policyholder's commitment is the present value of future premiums, adjusted for the probability of payment thereof.

A general reserve for management expense is made when future management expense is not covered by the loading included in the policy premiums payable or deducted from future income from assets.

When a remuneration is attributed to a policyholder in excess of a guaranteed minimum, due to income earned on assets, and such amount is not yet payable nor included in reserves for claims payable or technical reserves, it is recorded under reserves for amounts payable on with-profit policies.

The reserve for claims payable represents mainly insured losses that have occurred and capital amounts payable but not paid at the year-end.

Technical reserves for unit-linked policies are determined according to the value of the underlying assets (known as "ACAV" or "variable capital" policies, and "ACAVI" when expressed in terms of property units). Gains or losses resulting from the mark to market of the underlying assets are netted off and recorded in the profit & loss account to neutralize the impact of variations in the technical reserves.

Non-life insurance transactions

Premium income is recorded net of tax and cancellations.

A reserve for increasing risks is set up to cover timing differences between the introduction of the guarantee and its funding by insurance premiums.

The provision for unearned premiums includes for all policies outstanding at year-end, that part of the premium (notified to the policyholder or to be notified) corresponding to the period from the end of the current year to the next maturity date, or (failing that) the term, of the policy.

The reserve for unexpired risks is calculated for each type of insurance activity when the level of claims and related expenses experienced appears high in relation to unearned premium reserves.

Reserves are made as required by the variations in claims experience in compliance with legislation governing such reserves. They apply notably to cyclical risks with varying impact on successive years, such as occasioned by natural phenomena.

Reserves for claims represent the estimated amount of foreseeable expenses, net of any recoveries receivable.

Reserves for expenses related to the future management of claims are determined with reference to a rate calculated on historical actual costs.

Reserves are recorded among liabilities gross of any re-insurance. The projected share of re-insurers in relation to reserves made is calculated according to re-insurance treaties in force and appears on the assets side of the balance sheet.

Deferred acquisition costs

Deferred acquisition costs correspond to the fraction of policy acquisition expenses related to deferred premiums (provision for unearned premiums).

In respect of the CNP Group, studies carried out on the capitalization of acquisition costs lead to amounts whose impact on the shareholders' equity and consolidated net income is not material. Consequently, acquisition costs are not deferred.

NOTE 4 - CHANGES IN ACCOUNTING METHODS – COMPARABILITY OF ACCOUNTS

4.1 Changes in accounting methods

Rule 2002-03 of the French Accounting Regulatory Committee governing the treatment of credit risk has been applied since January 1, 2003.

The application of this new standard has resulted in the following changes in accounting method: loans to local authorities are now classified as non-performing when one or more installments are at least 9 months past due (compared to 3 months previously), non-performing loans have been analyzed in more detail, between "non-performing" and "doubtful" loans, and a provision has been recorded for the discount corresponding to the interest differential on restructured loans at below market rates (see Notes 3.4 and 7a). The adoption of this new standard had no impact on opening capital funds and has no material impact on the year-on-year comparative results presented in this report.

Moreover, the provisional measures applicable until the entry into force of Rule 2002-10 of the French Accounting Regulatory Committee governing amortization, depreciation and write-downs of assets have been interpreted in the light of the provisions of Rule 2003-07 of the French Accounting Regulatory Committee. Consequently, no provisions were booked to cover asset replacement expenses.

A non-material amount was set aside in a provision for major maintenance work.

No other changes in accounting methods occurred during the year.

4.2 Recommendation 2003-R.01 of the French National Accountancy Council (CNC)

On April 1, 2003, the French National Accountancy Council published recommendation 2003-R.01 concerning the rules for recognizing and measuring commitments related to employee pensions and other post-employment benefits. The provisions of this recommendation concern financial years starting on or after January 1, 2004 or, for companies electing for early adoption, to financial years starting on or after January 1, 2003.

This recommendation is largely based on the provisions of IAS 19 which will become compulsory once International Financial Reporting Standards (IFRS) have been adopted, i.e. starting with the 2005 financial year for publicly listed companies, or with the 2007 financial year for companies whose debt securities are listed on a regulated market.

The Caisse d'Epargne Group, which is not concerned by the 2005 financial year deadline, intends to complete all the analyses required by the transition to IFRS before adopting recommendation 2003-R.01.

NOTE 5 - SCOPE OF CONSOLIDATION AT 31 DECEMBER 2003

The following table presents the different entities consolidated within the CNCEP Group.

Consolidated entities	2003			2002	
	Consolidation method (a)	Percentage consolidation (b)	Percentage interest	Percentage consolidation (b)	Percentage interest
Caisse Nationale des Caisses d'Epargne et de Prévoyance	Parent company	Parent company	Parent company	Parent company	Parent company
Direct subsidiaries					
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 (Group)	EQUITY	NA	17.84%	NA	17.85%
Financière Océor Group					
Financière Océor	FULL	100.00%	81.88%	100.00%	61.72%
Banque de la Réunion	FULL	100.00%	66.82%	100.00%	49.39%
Banque de Nouvelle-Calédonie	FULL	100.00%	78.44%	100.00%	59.11%
Banque de Tahiti	FULL	100.00%	78.16%	100.00%	58.87%
Banque des Antilles Françaises	FULL	100.00%	79.81%	100.00%	60.06%
Banque des Iles Saint-Pierre-et-Miquelon	FULL	100.00%	79.39%	100.00%	59.65%
Banque Internationale des Mascareignes	FULL	100.00%	72.09%	100.00%	24.94%
Caisse d'Epargne de Nouvelle-Calédonie	FULL	100.00%	81.88%	100.00%	61.72%
Credipac Polynésie	FULL	100.00%	78.14%	100.00%	58.86%
Crédit Commercial de Nouméa	FULL	100.00%	73.23%	100.00%	55.18%
Crédit Saint-Pierrais	EQUITY	NA	38.55%	NA	29.06%
Slibail Réunion	FULL	100.00%	66.79%	100.00%	49.37%
Mascareignes Investors Services Ltd	FULL	100.00%	81.06%	-	-
Société Havraise Calédonienne	FULL	100.00%	70.87%	100.00%	53.41%
IT technical centres and software houses					
Cnéti	FULL	100.00%	75.72%	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 Assurances 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%

(a) Consolidation method: FULL = Full consolidation; PROP. = Consolidated on a proportional basis; EQUITY = Accounted for by the equity method

(b) NA: not applicable to companies accounted for by the equity method

Consolidated entities	2003			2002	
	Consolidation method (a)	Percentage consolidation (b)	Percentage interest	Percentage consolidation (b)	Percentage interest
CDC IXIS Group					
CDC IXIS	PROP.	26.45%	26.45%	26.45%	26.45%
Anatol Invest (group) (c)	-	-	-	26.45%	26.45%
CDC Entreprises	PROP.	26.45%	25.26%	26.45%	25.34%
CDC Entreprises 2	PROP.	26.45%	10.02%	26.45%	10.02%
CDC Innovation 96	PROP.	26.45%	25.56%	26.45%	25.58%
CDC IXIS Asset Management (group)	PROP.	26.45%	21.16%	26.45%	21.16%
CDC IXIS Capital Markets (group)	PROP.	26.45%	26.45%	26.45%	26.45%
IXIS AEW Europe (ex-CDC IXIS Immo)	PROP.	26.45%	26.45%	26.45%	26.45%
CDC IXIS North America (group)	PROP.	26.45%	26.45%	26.45%	26.45%
CDC IXIS Financial Guaranty (group)	PROP.	26.45%	26.45%	26.45%	26.45%
CDC IXIS Private Equity (group)	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 (group)	PROP.	26.45%	26.45%	26.45%	26.45%
Foncière des Pimonts (group)	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 (group)	EQUITY	NA	8.81%	NA	8.81%
Magnant (group) (c)	-	-	-	26.45%	26.45%
Martignac Finance	PROP.	26.45%	26.45%	26.45%	26.45%
Nexgen (group)	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 (group)	PROP.	26.45%	22.48%	26.45%	22.48%
Crédit Foncier Group					
Crédit Foncier de France	PROP.	72.42%	72.42%	72.39%	72.39%
Auxiliaire du Crédit Foncier de France	PROP.	72.42%	72.42%	72.39%	72.39%
Cofimab	PROP.	72.42%	72.42%	72.39%	72.39%
Compagnie de Financement Foncier	PROP.	72.42%	72.42%	72.39%	72.39%
Compagnie Foncière de Crédit	PROP.	72.42%	72.42%	72.39%	72.39%
Crédit de l'Arche	PROP.	72.42%	72.42%	72.39%	72.39%
Crédit Foncier Assurance Courtage	PROP.	72.34%	72.25%	72.39%	72.31%
Crédit Foncier Banque	PROP.	72.42%	72.42%	72.39%	72.39%
Dom2	PROP.	-	-	72.39%	72.39%
FCC Teddy	PROP.	72.42%	72.42%	72.39%	72.39%
Financière Desvieux	PROP.	72.42%	72.42%	72.39%	72.39%
Foncier Assurance	PROP.	72.39%	72.42%	72.39%	72.39%
Foncier Bail	PROP.	72.42%	72.42%	72.39%	72.39%
Foncier Participations	EQUITY	NA	72.42%	NA	72.39%
SICP (group)	EQUITY	NA	72.42%	NA	68.77%
Soclim	PROP.	72.42%	72.42%	72.39%	72.39%

(a) Consolidation method: FULL = Full consolidation; PROP. = Consolidated on a proportional basis; EQUITY = Accounted for by the equity method

(b) NA: not applicable to companies accounted for by the equity method

(c) Deconsolidated following their merger with CDC IXIS

Consolidated entities	2003			2002	
	Consolidation method (a)	Percentage consolidation (b)	Percentage interest	Percentage consolidation (b)	Percentage interest
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%
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%
Banque Sanpaolo Group					
Banque Sanpaolo	FULL	100%	60%	-	-
Conservateur Finance	EQUITY	NA	12%	-	-
Eurosic Sicomi SA	FULL	100%	19.66%	-	-
Uni Invest SAS	FULL	100%	60%	-	-
Société Foncière Joseph Vallot	FULL	100%	60%	-	-
Sanpaolo Asset Management	FULL	100%	60%	-	-
Société Foncière d'investissement	FULL	100%	60%	-	-
Société Immobilière d'investissement	FULL	100%	60%	-	-
Socavie SNC	FULL	100%	60%	-	-
Sanpaolo Bail SA	FULL	100%	60%	-	-
Sanpaolo Fonds Gestion SNC	FULL	100%	60%	-	-
Sanpaolo Mur SNC	FULL	100%	60%	-	-
Banque Michel Inchauspe	EQUITY	NA	12%	-	-

(a) Consolidation method: FULL = Full consolidation; PROP. = Consolidated on a proportional basis; EQUITY = Accounted for by the equity method

(b) NA: not applicable to companies accounted for by the equity method

NOTE 6 - CASH, MONEY MARKET AND INTERBANK ITEMS

(in millions of euros)

	Assets 2003	Assets 2002	Liabilities 2003	Liabilities 2002
Cash, central banks and French Postal system	**4,303**	**4,015**	**2**	**5**
Financial institutions	**71,820**	**65,529**	**43,790**	**44,345**
- Demand accounts	9,984	9,034	9,498	7,949
- Term accounts	61,836	56,495	34,292	36,396
TOTAL	76,123	69,544	43,792	44,350

Deposits with banks and related accrued interest amounted respectively to €635 million and €293 million at 31 December 2003. Provisions relating to amounts due from financial institutions amounted to €0.3 million at 31 December 2003.

NOTE 7 - CUSTOMER ITEMS

					(in millions of euros)
ASSETS	2003	2002	LIABILITIES	2003	2002
Commercial loans	**238**	**46**	**Regulated savings accounts**	**1,870**	**1,037**
Other customer loans	**34,263**	**27,457**	- Livret A	65	61
- Short-term credit facilities	2,437	2,094	- Livret Jeune, Livret B and Codevi	978	464
- Equipment loans	5,117	4,059	- PEL and CEL	743	482
- Regulated home purchase loans	33	42	- LEP	5	-
- Other mortgage lending	20,757	18,579	- PEP	54	27
- Other loans	5,919	2,683	- Other	25	3
Current accounts in debit	**1,159**	**1,025**	**Other liabilities**	**11,552**	**5,826**
Accrued interest	**221**	**215**	- Ordinary accounts (deposits)	3,274	1,926
Non-performing loans	**1,450**	**1,315**	- Other	8,278	3,900
Provisions on non-performing loans	**(518)**	**(489)**	**Accrued interest**	**66**	**44**
TOTAL	36,813	29,569	TOTAL	13,488	6,907

NOTE 7A. Breakdown of Loans Outstanding

o Performing loans and non-performing loans at 31 December 2003

(in millions of euros)

	Performing loans	Non-performing loans		Of which doubtful loans	
		Gross	Provisions	Gross	Provisions
Loans and advances to financial institutions	**71,819**	**1**	**-**	**1**	**-**
Loans and advances to customers	**35,864**	**1,466**	**(518)**	**594**	**(221)**
- Individuals: property loans	15,681	416	(81)	92	(18)
- Individuals: other	748	73	(28)	29	(20)
- Self-employed professionals	1,365	132	(71)	67	(42)
- SMEs	1,262	96	(54)	57	(39)
- Local and regional authorities	3,615	10	0	1	-
- Others	12,988	723	(275)	344	(102)
- Accrued interest	205	16	(9)	4	

o Restructured loans

In the performing loans category, loans restructured at below market rates represent a total of €8 million, taking into account a discount with a net value of €0.1 million at 31 December 2003.

NOTE 8 - LEASE FINANCING AND LEASES WITH PURCHASE OPTIONS (WHERE THE GROUP IS THE LESSOR)

		(in millions of euros)
	2003	**2002**
Equipment	566	369
Property	1,179	667
Other finance leases	90	55
Accrued interest	42	25
Provisions	(284)	(89)
TOTAL	**1,593**	**1,027**

NOTE 9 - BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES

9.1 Analysis by portfolio

(in millions of euros)

	Trading account	Held for sale	Invest-ment	Portfolio activity	Accrued interest	Total 2003	Total 2002
Treasury bills and similar securities	3,931	58	380		5	4,374	2,861
Bonds and other fixed-income securities (1)	7,986	5,749	8,931		174	22,840	21,480
Shares and other variable-income securities (2)	2,720	1,336		592	11	4,659	3,973
TOTAL 2003	**14,637**	**7,143**	**9,311**	**592**	**190**	**31,873**	**/////////**
TOTAL 2002	13,628	5,903	7,982	621	180	/////////	28,314

(1) Including listed securities: €20,997 million in 2003 against €16,528 million in 2002

(2) Including listed securities: €3,436 million in 2003 against €1,804 million in 2002

The aggregate difference between the acquisition price and the redemption price of securities amounted to €13 million in 2003 against €29 million in 2002 for securities held for sale, and €2 million in 2003, against €1 million in 2002 for investment securities.

The amount of bonds and other fixed-income securities issued by public bodies stands at €47 million.

Over the past two years, the following transfers have been made between the different categories of portfolio:

(in millions of euros)

From	To	Amount transferred during the year 2003	2002
Trading account	Securities held for sale	264	631
Trading account	Investment securities	-	381
Investment securities	Securities held for sale	988	-

Unrealized capital gains and losses on securities held for sale and securities in the portfolio activity can be analyzed as follows:

(in millions of euros)

	Securities held for sale		Portfolio activity	
	2003	2002	2003	2002
Net book value	7,206	5,953	591	621
Market value	7,478	5,956	767	979
Unrealized capital gains (1)	272	3	176	358
Unrealized losses provided for	51	77	132	130

(1) In 2003, €11 million on treasury bills, €225 million on bonds and other fixed-income securities, and €36 million on shares and other variable-income securities.

9.2 **Ad hoc entities**

The *ad hoc* entities not consolidated in application of paragraph 51 of Rule 99-07 of the French Accounting Regulatory Committee present a net book value of €238 million and a realizable value of €241 million.

NOTE 10 - INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES, AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD AND OTHER LONG-TERM INVESTMENTS

(in millions of euros)	2003	2002
Investments and shares in unconsolidated subsidiaries	648	606
Investments in affiliates accounted for by the equity method	1,706	1,571
Other long-term investments	91	92
TOTAL	**2,445**	**2,269**
Of which listed securities	93	131

Total provisions for the impairment in value of investments stood at €218 million in 2003 (€246 million in 2002).

10.1 **Investments in unconsolidated subsidiaries**

(in millions of euros)	Net book value (1)		% interest held by Group companies (2)	
	2003	**2002**	**2003**	**2002**
Foncier Vignobles	30	30	100.00%	100.00%
Socrelog	10	10	100.00%	100.00%
Nexgen	-	25	-	38.60%
Air Calin	31	31	12.23%	12.23%
Crédit Logement	107	81	15.49%	15.49%
Banca Carige	73	64	9.82%	9.50%
Sanpaolo IMI	108	108	2.00%	2.00%
Veolia Environnement	90	90	0.93%	0.93%
A3C	11		100.00%	
TOTAL	**460**	**439**	**-**	**-**
Other securities	162	210	-	-
Accrued interest and current accounts	117	49	-	-
Investments in unconsolidated subsidiaries	**739**	**698**	-	-

(1) For interests held by entities recorded in the consolidated accounts on a proportional basis, the net book value adopted is calculated from the percentage interest held in the company owning the shares.

(2) The percentage does not take account of shares that may be held in "held for sale" portfolios by certain Group entities.

10.2 Affiliates accounted for by the equity method

(in millions of euros)				
	Net book value at December 31, 2003	**Share in the affiliate's 2003 net income**	**Net book value at December 31, 2002**	**Share in the affiliate's 2002 net income**
CNP Group	1,060	94	1,006	92
Ecureuil Vie	428	36	391	28
Foncier Participations	13		14	1
Société Invest				
Construction Patrimoine Group	143	10	130	11
Crédit Saint Pierrais	4		4	-
Banque Michel Inchauspe (1)	6			
Conservateur Finance (1)	8			
Other companies (2)	44	4	26	6
TOTAL	**1,706**	**144**	**1,571**	**138**

(1) Interest acquired in 2003 as part of the acquisition of Banque Sanpaolo.

(2) This heading includes, in particular, the companies accounted for by the equity method in the CDC IXIS Group.

NOTE 11 - LOANS AND ADVANCES OUTSTANDING AND SOURCES OF FUNDS BY 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, non-performing loans and provisions for impairment in value are included in the "Up to 3 months" column.

(in millions of euros)

	Up to 3 months	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total 2003**
Loans and advances	**30,310**	**10,154**	**31,480**	**47,289**	**119,233**
Loans and advances to financial institutions	25,174	6,015	13,306	16,719	61,214
Customer loans	4,751	2,948	10,494	17,161	35,354
Bonds and other fixed-income securities	385	1,191	7,680	13,409	22,665
Sources of funds	**41,094**	**12,960**	**30,316**	**29,414**	**113,784**
Amounts due to financial institutions	16,402	4,817	5,096	7,691	34,006
Customer deposits	4,909	555	727	684	6,875
Debts represented by a security:	19,783	7,588	24,493	21,039	72,903
- Retail certificates of deposit and savings certificates	*21*	*11*	*35*	*0*	*67*
- Interbank and other negotiable debt instruments	*17,509*	*2,629*	*2,048*	*2,148*	*24,334*
- Bonds issued	*2,253*	*4,948*	*22,410*	*18,891*	*48,502*

NOTE 12 - TANGIBLE AND INTANGIBLE FIXED ASSETS

12.1 Changes in fixed assets

(in millions of euros)

	Gross value at December 31, 2002	Acquisitions	Sales or retirements	Other movements (1)	Gross value at December 31, 2003	Depreciation, amortization and provisions at December 31, 2003	Net value at December 31, 2003	Net value at December 31, 2002
Intangible fixed assets	424	35	(18)	8	449	(135)	314	337
Tangible fixed assets	729	156	(135)	213	963	(378)	585	438
TOTAL	**1,153**	**191**	**(153)**	**221**	**1,412**	**(513)**	**899**	**775**

(1) This column chiefly reflects changes in the reporting entity during the financial year.

12.2 Intangible fixed assets

At 31 December 2003, the main items of intangible fixed assets related to (net values in millions of euros):

- Computer software	57
- Goodwill	39
- Market share (contribution from the CDC IXIS Group)	209

12.3 Tangible fixed assets

At 31 December 2003, the net book value of land and buildings amounted to €364 million, including €177 million relating to premises for the Group's own use.

NOTE 13 - DEBTS REPRESENTED BY A SECURITY

(in millions of euros)

	2003	2002
Retail certificates of deposit and savings certificates	69	71
Interbank and other negotiable debt instruments	24,456	22,727
Bonds	49,666	43,637
Other debts represented by a security	0	31
TOTAL	**74,191**	**66,466**

Unpaid accrued interest carried under the item "Other debts represented by a security" stands at €1,288 million.

Unamortized issue and redemption premiums amount to €163 million.

NOTE 14 - ACCRUALS AND OTHER ASSETS AND LIABILITIES

		(in millions of euros)
Assets	**2003**	**2002**
Options purchased	647	229
Miscellaneous receivables	2,914	2,845
Other insurance assets	94	70
Subtotal other assets	**3,655**	**3,144**
Foreign currency commitments	2,334	2,742
Unrealized hedging gains	387	261
Deferred expenses	268	345
Prepaid expense	198	126
Accrued income	883	856
Items in course of collection	2,624	2,388
Deferred tax	193	143
Other assets	1,345	2,643
Subtotal accruals	**8,232**	**9,504**
TOTAL	**11,887**	**12,648**

		(in millions of euros)
Liabilities	**2003**	**2002**
Amounts due for securities	6,479	4,894
Options sold	781	659
Miscellaneous payables	2,957	2,342
Public funds appropriated	315	371
Securities transactions	265	571
Other insurance liabilities	9	8
Subtotal other liabilities	**10,806**	**8,845**
Foreign currency commitments	2,648	2,606
Unrealized hedging losses	341	881
Unearned income	996	820
Accrued expense	912	945
Items in course of collection	3,209	2,493
Deferred tax	37	66
Other liabilities	2,288	2,983
Subtotal accruals	**10,431**	**10,794**
TOTAL	**21,237**	**19,639**

NOTE 15 - PROVISIONS

15.1 Provisions booked in respect of counterparty risks

(in millions of euros)

	December 31, 2002	Allocations	Releases	Other movements	Changes in the reporting entity	December 31, 2003
Provisions carried on the assets side (as deductions)	**504**	**147**	**(217)**	**(1)**	**124**	**557**
Provision for customer loans	489	118	(211)	(2)	123	517
Other provisions	15	29	(6)	1	1	40
Provisions carried on the liabilities side	**107**	**37**	**(29)**	**11**	**-**	**126**
Provision for signature commitments	12	2	(4)	-		10
Provision for customer loans	95	35	(25)	11		116
TOTAL	611	184	(246)	10	124	683

For a more economic inclusion of counterparty risks, a provision for counterparty risks has been booked for the entire extent of the Group's performing on- and off-balance sheet commitments for which the available statistical data make it possible to calculate the probabilities of default. This provision is calculated with the help of coefficients differentiated by rating classification and by the remaining life of the instruments, and weighted by the probability of recovery in the event of default.

Net releases amounted to €7 million in 2003, bringing the aggregate provision on all portfolios covered (i.e., HLM social housing associations and semi-public companies, professional real estate, local and regional authorities, small- and medium-sized enterprises, consumer loans, financial markets) to €51 million at 31 December 2003.

15.2 Provisions for liabilities and charges (excluding counterparty risks)

(in millions of euros)

	December 31, 2002	Allocations	Releases	Other movements	Changes in the reporting entity	December 31, 2003
Provision for signature commitments	12	2	(4)			10
Provision for customer loans	95	35	(25)	11		116
Provision for claims, fines and penalties	42	7	(7)	1		43
Provision for the Group's estimated potential pension commitments (CGRPCE)	31	4				35
Provision for country risk	5		(2)		2	5
Provision for Crédit Foncier Group restructuring	21		(9)			12
Provision for miscellaneous real-estate risks	23					23
Provision for amortization of loans	6		(2)			4
Other provisions for banking and non-banking operations	199	82	(49)	(3)	41	270
TOTAL	434	130	(98)	9	43	518

NOTE 16 - GOODWILL

The "Goodwill" heading represents the outstanding balance of differences not attributed elsewhere on the balance sheet between the cost of the investment and the book value of the underlying net assets noted at the time of acquisition of shares in consolidated subsidiaries and associated companies.

				(in millions of euros)
	Assets 2003	**Assets 2002**	**Liabilities 2003**	**Liabilities 2002**
Net amount at January 1	227	282	6	23
Movements during the year (1)	237	20	4	1
Amortization for the year	(28)	(75)	(6)	(18)
Net amount at December 31	**436**	**227**	**4**	**6**

(1) Including, on the assets side, €242 million related to the first-time consolidation of the Banque Sanpaolo Group at December 31, 2003, €(20) million related to the translation effect on the goodwill of the CDC IXIS Asset Management North America Group, and €13 million related to the acquisition of additional shares in Financière Océor.

NOTE 17 - CONSOLIDATED CAPITAL FUNDS, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED DEBT

17.1 Changes in consolidated capital funds and reserves (excluding minority interests and the Reserve for General Banking Risks)

					(in millions of euros)
	Capital	**Share premium**	**Consolidated retained earnings**	**Consolidated net income**	**Consolidated capital funds (excluding minority interests and the Reserve for General Banking Risks)**
At December, 31 2001	**2,905**	**623**	**467**	**204**	**4,199**
Appropriation of 2001 net income			33	(33)	
Distribution of dividends				(171)	(171)
Exceptional distribution of dividends		(96)	96		
Translation adjustment			(84)		(84)
Other movements, changes in accounting methods			(26)		(26)
2002 consolidated net income				196	196
At December, 31 2002	**2,905**	**527**	**486**	**196**	**4,114**
Appropriation of 2002 net income			25	(25)	
Distribution of dividends				(171)	(171)
Exceptional distribution of dividends		(92)	92		
Translation adjustment			(68)		(68)
2003 consolidated net income				327	327
At December, 31 2003	**2,905**	**435**	**535**	**327**	**4,202**

17.2 Changes in the Reserve for General Banking Risks

				(in millions of euros)
	December, 31 2002	Allocations	Releases	December, 31 2003
Reserve for General Banking Risks	131	155	-	286

17.3 Subordinated debt

		(in millions of euros)
Liabilities	**2003**	**2002**
Dated subordinated notes	3,070	1,929
Dated subordinated debt	10	10
Undated subordinated debt	186	202
Non-cumulative, undated deeply subordinated notes (1)	800	-
Accrued interest	69	32
TOTAL	4,135	2,173

(1) In November 2003, the CNCE issued non-cumulative, undated deeply subordinated notes for a total of €800 million. This issue was arranged in application of the new provisions of article L.228-97 of the French Commercial Code as amended by the Financial Security Act.

Following the approval of the General Secretary of the French Banking Commission, this issue may be assimilated to the consolidated tier-1 regulatory capital of the CNCE and Caisse d'Epargne Group up to a maximum of 15% of the consolidated tier-1 regulatory capital as applicable to "innovative" financial instruments.

Total capital is the sum of tier-1 capital (including the non-cumulative, undated deeply subordinated notes), tier-2 capital and regulatory deductions (holdings in unconsolidated credit institutions or those accounted for by the equity method).

Dated subordinated notes and debt

				(in millins of euros)
Issue date	**Maturity date**	**Interest rate**	**2003 total**	**2002 total**
02/1993	02/2003	(1)		50
07/1994	07/2004	8.125%	36	36
10/1994	10/2004	8.375%	54	54
12/1994	12/2004	8.500%	18	18
12/1998	12/2010	4.500%	91	91
06/1999	06/2009	5.220%	5	5
06/1999	06/2009	4.440%	5	5
11/1999	11/2011	5.600%	747	747
08/2000	08/2010	(2)	66	66
07/2002	07/2014	5.200%	455	455
09/2002	07/2014	5.200%	395	395
09/2002	09/2022	(2)	5	5
11/2002	11/2027	5.375%	12	12
01/2003	01/2033	(2)	14	-
02/2003	02/2015	4.500%	417	-
03/2003	04/2023	(2)	6	-
04/2003	01/2033	(2)	2	-
04/2003	04/2015	(2)	20	-
06/2003	03/2018	(3)	3	-
07/2003	07/2015	4.100%	450	-
07/2003	12/2015	4.800%	147	-
07/2003	07/2018	(2)	132	-
Total			3,080	1,939

(1) 6-month Libor USD, less a margin of 0.125%
(2) Linked to the 3-month EURIBOR
(3) Linked to the 6-month EURIBOR

NOTE 18 - COMMITMENTS GIVEN AND RECEIVED

				(in millions of euros)
	Given		Received	
	2003	2002	2003	2002
Financing commitments				
Given to/received from banking institutions	7,752	8,453	3,209	3,145
Given to customers	9,355	6,651		
Total	**17,107**	**15,104**	**3,209**	**3,145**
Guarantee commitments				
Given to/received from bankin g institutions	17,414	13,995	7,054	5,455
Given to customers	6,194	4,899		
Total	**23,608**	**18,894**	**7,054**	**5,455**
Commitments on securities				
Other commitments given/received	479	248	1,349	443
Commitments given by/received from the insurance business				
Other commitments given/received	**1,012**		73	11

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

NOTE 19 - TRANSACTIONS IN FINANCIAL FUTURES OUTSTANDING

19.1 Commitments on derivatives outstanding

Derivatives transactions mainly related to trading in interest-rate futures on over-the-counter markets.

					(in millions of euros)
	Interest-rate instruments	**Currency instruments**	**Other instruments**	**TOTAL 2003**	**TOTAL 2002**
TRANSACTIONS ON ORGANIZED MARKETS					
Futures	27,021	-	60,531	87,552	61,488
Options	74,150	-	31,300	105,450	30,293
OVER-THE-COUNTER TRANSACTIONS (1)					
Futures	415,817	3,295	-	419,112	385,383
Options	62,618	2,413	9,175	74,206	68,636
TOTAL	**579,606**	**5,708**	**101,006**	**686,320**	**545,800**

The nominal values of contracts listed in this table give only a general idea of the volume of the CNCEP Group's activities on derivatives markets at the year-end and do not provide a valuation of the Group's market risks in respect of these instruments.

Commitments on interest-rate instruments traded on over-the-counter markets chiefly concern swaps and forward rate agreements (FRA) for dated transactions, and rate guarantee contracts for option-based transactions. Commitments on currency instruments traded on over-the-counter markets chiefly concern foreign currency swaps.

Interest-rate futures on over-the-counter markets can be broken down by type of portfolio as follows:

(in millions of euros)

	Specific hedging	General hedging	Isolated open positions	Specialized futures operations	Total
Futures	**35,478**	**7,967**	**967**	**371,405**	**415,817**
Options	**2,112**	**81**	**1**	**60,424**	**62,618**
Bought	1,734	81	1	23,724	25,540
Sold	378	0	0	36,700	37,078
Total at December, 31 2003	37,590	8,048	968	431,829	478,435
Total at December, 31 2002	**17,707**	**20,182**	**140**	**402,306**	**440,335**

19.2 **Commitments on futures by residual maturity**

(in millions of euros)

	Up to 1 year	1 to 5 years	Over 5 years	Total 2003
Transactions on organized markets				
Futures	75,943	10,516	1,093	87,552
Options	93,792	10,604	1,054	105,450
Over-the-counter transactions				
Futures	168,427	127,228	123,457	419,112
Options	25,692	31,460	17,054	74,206
TOTAL	363,854	179,808	142,658	686,320

19.3 **Counterparty risk in respect of derivatives**

Counterparty risks are measured as the probable loss that the CNCEP Group would suffer as a result of a counterparty failing to meet its obligations. The Group'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, excluding the effect of netting agreements in accordance with the conditions laid down in article 4 of Rule 91-05 of the French Banking and Financial Services Regulatory Committee,

– The potential credit risk resulting from the application of "add-on" factors defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and residual term.

The CNCEP Group has been able to attenuate this counterparty risk by:

– Signing financial market agreements (ISDA-AFB) whereby, if a counterparty defaults, unrealized gains and losses will be netted,

– Collateral agreements where compensating balances are deposited in cash or securities.

(in millions of euros)				
	Government and OECD centr al banks and equivalent	**OECD financial institutions and equivalent**	**Other counterparties**	**Total 2003**
Unweighted equivalent credit risk, without considering netting and collateral agreements (1)	841	10,157	2,035	13,033
Effect of netting agreements	(269)	(5,772)	(246)	(6,287)
Effect of collateral agreements	(4)	(661)	(11)	(676)
Unweighted equivalent credit risk, after considering netting and collateral agreements	**568**	**3,724**	**1,778**	**6,070**
Weighted equivalent credit risk, after considering netting and collateral agreements	**-**	**745**	**889**	**1,634**
(1) Including positive net replacement values	*482*	*2,906*	*943*	*4,331*

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. However, the table excludes transactions concluded on organized markets and operations realized with credit institutions belonging to the Caisses d'Epargne network for which the counterparty risk is deemed to be non-existent to the extent it is covered by the Group's mutual guarantee and solidarity mechanisms.

At 31 December 2003, the weighted equivalent credit risk set out in the above table represented 0.3% of the notional values of these outstanding positions against 0.2% at 31 December 2002.

NOTE 20 - RECIPROCAL INDEMNITY CLAUSES GRANTED BY THE ALLIANCE PARTNERS

Pursuant to their agreement to merge a number of their activities within the "Alliance," the Caisse d'Epargne and Caisse des dépôts Groups decided — with a view to ensuring fairness and in accordance with the economic equilibrium guiding the Alliance — to grant each other reciprocal indemnity clauses to cover certain possible future developments.

The most significant particular clauses concern the occurrence of certain events by the year 2005, namely:

- A substantial change in the value of the listed securities portfolio contributed to the Alliance via CDC IXIS
- A significant change in the performance of the intermediation activity of the Finance Division contributed to the Alliance by the CNCE
- The realization of potential capital gains by the Crédit Foncier Group

In accordance with steps taken to redefine the partnership between the Caisse d'Epargne Group and the Caisse des dépôts Group (memorandum of agreement signed on 1 October 2003), both entities would like to proceed with the early termination of these different clauses through final agreements due to be signed in 2004.

Regarding the first clause, changes in the value of the portfolio in question should require the Caisse des dépôts Group to pay a total of approximately €50 million to CNCEP.

The partners have agreed that the last two clauses should be terminated globally in return for a payment of a compensatory amount of €100 million to CNCEP.

NOTE 21 - INTEREST AND SIMILAR INCOME AND EXPENSE

(in millions of euros)

	Income		Expense	
	2003	**2002**	**2003**	**2002**
Transactions with financial institutions	2,606	3,060	(1,566)	(1,878)
Customer transactions	1,761	1,702	(274)	(244)
Bonds and other fixed-income securities	1,425	1,002	(3,514)	(3,533)
Related to subordinated debt	-	-	(136)	(89)
Lease financing transactions	69	58	(11)	(4)
Other interest income and similar revenues and charges	782	601	(901)	(1,000)
TOTAL	**6,643**	**6,423**	**(6,402)**	**(6,748)**

NOTE 22 - INCOME FROM VARIABLE-INCOME SECURITIES

(in millions of euros)

	2003	**2002**
Shares and other variable-income securities	27	31
Investments in unconsolidated subsidiaries, and other long-term portfolio securities	26	37
TOTAL	**53**	**68**

NOTE 23 - NET COMMISSION AND FEE INCOME

(in millions of euros)

	Income		Expense	
	2003	**2002**	**2003**	**2002**
Transactions with financial institutions	4	2	(3)	(3)
Customer transactions (1)	77	37	(37)	(30)
Securities transactions	347	349	(21)	(19)
Payment processing	92	73	(14)	(9)
Sale of life-insurance products	22	18	-	-
Other commissions	59	50	(35)	(31)
TOTAL	**601**	**529**	**(110)**	**(92)**

(1) Including the impact on income of acquisitions of the "overseas" banking division: + €37 million.

NOTE 24 - NET GAINS ON TRADING TRANSACTIONS

(in millions of euros)

	2003	**2002**
Trading account securities	529	316
Foreign exchange	(4)	67
Financial instruments	(69)	207
TOTAL	**456**	**590**

NOTE 25 - NET GAINS ON HELD-FOR-SALE PORTFOLIO TRANSACTIONS AND SIMILAR ITEMS

(in millions of euros)

	Securities held for sale	Similar securities	TOTAL 2003	TOTAL 2002
Income from disposals	(6)	89	83	319
Net allocation to (release from) provisions	42	(5)	37	(95)
TOTAL	**36**	**84**	**120**	**224**

NOTE 26 - OTHER NET OPERATING INCOME

(in millions of euros)

	Income	Expense	Net
Share generated on transactions carried out in common	-	(3)	(3)
Transfer of expenses	20	-	20
Other income and expenses	318	(215)	103
TOTAL 2003	**338**	**(218)**	**120**
TOTAL 2002	**211**	**(119)**	**92**

NOTE 27 - GENERAL OPERATING EXPENSES

(in millions of euros)

	2003	2002
Personnel costs	(641)	(533)
- Wages and salaries(1)	(426)	(364)
- Pension and retirement costs	(46)	(36)
- Other social security costs and payroll-based taxes	(154)	(123)
- Profit-sharing and incentive schemes	(15)	(10)
Taxes other than on income	(35)	(33)
External services and other administrative expense(2)	(553)	(487)
Cross-charged expenses	139	
TOTAL	**(1.089)**	**(914)**

(1) Including the impact of the acquisition of the "overseas" banking division: €(36) million.
(2) Including the impact of the acquisition of the "overseas" banking division: €(31) million.

The average number of employees working during the year, broken down by professional category, is as follows:

- For fully consolidated companies: 2,241 divided into 920 managerial and 1,501 non-managerial staff,
- For companies consolidated on a proportional basis: 3,456 divided into 1,734 managerial and 1,722 non-managerial staff.

NOTE 28 – NET ADDITIONS TO PROVISIONS

			(in millions of euros)
	Customer transactions	**Other transactions**	**TOTAL**
Provisions made	(87)	(57)	(144)
Provisions released	130	12	142
Losses on irrecoverable debts written off – covered by provisions	(68)	-	(68)
Losses on irrecoverable debts written off – not covered by provisions	(6)	(2)	(8)
Recovery of debts written off as irrecoverable	4	3	7
TOTAL 2003	**(27)**	**(44)**	**(71)**
TOTAL 2002	**(38)**	**(14)**	**(52)**

NOTE 29 – NET GAINS ON FIXED ASSETS

		(in millions of euros)
	2003	**2002**
Tangible fixed assets(1)	104	31
Intangible fixed assets	(1)	-
Financial fixed assets	4	38
TOTAL	**107**	**69**

(1) Including a €102 million gain on the sale of the head office building of Crédit Foncier de France.

NOTE 30 – EXCEPTIONAL ITEMS

		(in millions of euros)
	2003	**2002**
Other exceptional items(1)	(1)	28
TOTAL	**(1)**	**28**

(1) In 2002, exceptional income related to the attribution of shares in the Caisse d'Epargne de Nouvelle-Calédonie.

NOTE 31 – TAX ON PROFITS

		(in millions of euros)
	2003	**2002**
Current tax	(156)	(51)
Deferred tax	96	(22)
Tax credits and other tax	6	(15)
TOTAL	**(54)**	**(88)**

NOTE 32 – SEGMENT INFORMATION

(in millions of euros)				
	Total activity		Of which Retail Banking	
	2003	2002	2003	2002
Net banking income	**1,545**	**1,126**	**833**	**589**
Operating expenses	(1,155)	(963)	(741)	(553)
Gross operating income	**390**	**163**	**92**	**36**
Net additions to provisions	(71)	(52)	(17)	(38)
Operating income	**319**	**111**	**75**	**(2)**
Share in net income of companies accounted for by the equity method	144	138	141	135
Net gains on fixed assets	107	69	8	52
Net ordinary income before tax	**570**	**318**	**224**	**185**

Retail banking includes the following activities:

- Commercial banking activities (loans granted to customers, insurance business),
- Operations designed to support these activities, including hedging operations,
- Assets required for the pursuit of banking activities and financial assets invested in the retail banking business.

NOTE 33 – INVESTMENTS BY INSURANCE COMPANIES

(in millions of euros)				
	Net book value		Realizable value	
	2003	2002	2003	2002
Property	15	15	20	23
Bonds and other fixed-income securities (1)	290	249	308	260
Equities and variable-income securities (excluding mutual funds)	16	16	18	14
Mutual funds holding exclusively fixed-income securities	37	28	38	28
Other mutual funds	220	110	223	111
Other investments and related accrued income	4	6	4	8
Assets representing unit-linked policies	20	11	20	11
TOTAL	**602**	**435**	**631**	**455**

(1) The net book value and realizable value of bonds and other fixed-income securities are estimated with interest included.

After taking account of accrued interest and the elimination of intra-group items, the amount of insurance investments included on the consolidated balance sheet was €602 million at 31 December 2003 against €425 million at 31 December 2002.

NOTE 34 – INSURANCE COMPANIES' TECHNICAL RESERVES

(in millions of euros)

	2002	Allocations	Releases	Other movements	2003
Technical reserves, life insurance	161	26	(1)	(2)	184
Technical reserves, non-life insurance	155	218	(145)	0	228
Equalization reserves	2	3	0	0	5
Technical reserves for unit-linked policies	11	9	0	0	20
	329	**256**	**(146)**	**(2)**	**437**

NOTE 35 – GROSS MARGIN ON INSURANCE BUSINESS

(in millions of euros)

	Life	Non-life	2003	2002
Premium income	36	140	176	99
Technical expense	(35)	(102)	(137)	(78)
Net premium income	**1**	**38**	**39**	**21**
Net acquisition and management expense	**(1)**	**(20)**	**(21)**	**(15)**
Net income from investments	10	6	16	16
Policyholders' surplus and credited interest	(9)	-	-9	(10)
Net financial income	**1**	**6**	**7**	**6**
Other technical income and expense	-	(1)	(1)	(1)
Re-insurance result			**-**	**2**
Underwriting result	**1**	**23**	**24**	**13**
Net income from investments, excluding technical account	-	2	2	1
Acquisition and management expense	1	24	25	18
Claim management expense	-	3	3	3
Other items classified by type and consolidation adjustments	2	8	10	5
Gross margin on insurance activities	**4**	**60**	**64**	**40**

AUDITORS REPORT ON THE CNCEP CONSOLIDATED FINANCIAL STATEMENTS

Statutory Auditors' report on the consolidated financial statements
for the year ended December 31, 2003

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by the Annual General Meeting, we have audited the accompanying consolidated financial statements of the Caisse Nationale des Caisses d'Epargne et de Prévoyance, for the year ended December, 31 2003.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion set out above, we draw your attention to Note 4.1 to the consolidated financial statements which describes the changes in accounting methods due to the application of CRC Rule 2002-03 concerning the accounting treatment of credit risk, and CRC Rule 2002-10 concerning the amortization, depreciation and impairment in value of assets.

II - Justification of our assessments

In accordance with the requirements of article L.225-235 of the Commercial Code relating to the justification of our assessments, introduced by the Financial Security Act of August 1, 2003 and which came into effect for the first time this year, we bring to your attention the following matters:

Changes in accounting methods

As part of our assessment of the accounting rules and principles followed by the Company, we ensured that the above-mentioned changes in accounting methods and ensuing presentation were appropriate.

Accounting estimates

The Group records provisions to cover the credit risks inherent to its operations (Notes 3.4, 7-a and 15.1 to the consolidated financial statements). As part of our assessment of the significant estimates used for the preparation of the financial statements, in co-ordination with the Statutory Auditors of the consolidated entities, we examined the control procedures relating to the monitoring of credit risks, the assessment of the risks of non-recovery and determining the related specific and general provisions.

The Group holds positions relating to securities and financial instruments. Notes 3.3, 3.8 and 3.11 to the consolidated financial statements describe the accounting rules and methods applicable to securities and financial instruments and the conditions under which mathematical models are used to value positions relating to financial instruments which are not listed on an organized market.

In co-ordination with the Statutory Auditors of the consolidated entities:

- we examined the control procedures applicable to the related accounting classifications, the checking of the models used, and the determination of the parameters used to value these positions,

- we verified the appropriateness of the above-mentioned accounting methods and the information disclosed in the Notes to the consolidated financial statements, and we ensured that they were applied correctly.

Note 3.2 relating to the valuation and presentation rules used for the consolidated financial statements, describes the methods used to value investments in unconsolidated subsidiaries and associated companies and portfolio securities. Our procedures consisted of reviewing the approaches and assumptions used by the Group.

For the purposes of preparing the consolidated financial statements, the Group also makes accounting estimates in order to determine deferred tax assets (Notes 2.3 and 31), intangible assets (Notes 2.5, 3.1, 12 and 16), insurance companies' technical reserves (Notes 3.11 and 34) and pension commitments (Notes 3.7 and 15.2). In co-operation with the Statutory Auditors of the consolidated entities, we reviewed the assumptions used and verified that these accounting estimates were based on documented methods in accordance with the principles described in the Note relating to the valuation and presentation rules applicable to the consolidated financial statements.

We assessed whether these estimates were reasonable.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III - Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris, May 7, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit Member of KPMG SA

Yves Nicolas	Anik Chaumartin	Philippe Saint-Pierre	Rémy Tabuteau

CNCEP INDIVIDUAL FINANCIAL STATEMENTS

Balance sheet of CNCEP at 31 December 2003 and 31 December 2002

(in millions of euros)

ASSETS	Notes	2003	2002
CASH ON HAND, AMOUNTS DUE FROM CENTRAL BANKS AND POST OFFICE BANKS		**2,605**	**2,617**
LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS	*3, 6, 7*	**51,586**	**44,063**
- Demand accounts		5,728	4,343
- Term accounts		45,858	39,720
LOANS AND ADVANCES TO CUSTOMERS	*4, 6, 7*	**1,521**	**635**
- Loan accounts		1,464	586
- Current accounts in debt		57	49
BONDS AND OTHER FIXED-INCOME SECURITIES	*5, 7*	**3,110**	**2,604**
SHARES AND OTHER VARIABLE-INCOME SECURITIES	*5*	**404**	**883**
INVESTMENTS, SECURITIES PORTFOLIO	*6*	**131**	**130**
INVESTMENTS IN ASSOCIATED COMPANIES	*6*	**4,487**	**3,878**
INTANGIBLE FIXED ASSETS	*8*	**9**	**5**
TANGIBLE FIXED ASSETS	*8*	**34**	**34**
OTHER ASSETS		**639**	**87**
ACCRUALS AND OTHER ACCOUNTS RECEIVABLE	*10*	**2,910**	**2,818**
TOTAL ASSETS		**67,436**	**57,754**

(in millions of euros)

OFF-BALANCE SHEET COMMITMENTS	Notes	*2003*	*2002*
Commitments given	*13, 14, 15*		
FINANCING COMMITMENTS	*6*	**4,751**	**3,124**
Commitments to financial institutions		4,089	2,773
Commitments to customers		662	351
GUARANTEES GIVEN	*6*	**2,721**	**2,246**
Commitments to financial institutions		663	162
Commitments to customers		2,058	2,084

The attached notes form an integral part of the financial statements of CNCEP.

			(in millions of euros)
LIABILITIES, CAPITAL FUNDS AND RESERVES	***Notes***	**2003**	**2002**
AMOUNTS DUE TO FINANCIAL INSTITUTIONS	***3, 6, 7***	**22,697**	**17,775**
- Demand accounts		4,301	4,507
- Term accounts		18,396	13,268
CUSTOMER DEPOSITS	***4, 6, 7***	**162**	**223**
Other accounts:		162	223
- Demand accounts		*116*	*100*
- Term accounts		*46*	*123*
DEBTS REPRESENTED BY A SECURITY	***7, 9***	**33,641**	**30,988**
- Interbank and other negotiable debt instruments		11,469	10,992
- Bonds		22,172	19,996
OTHER LIABILITIES		**135**	**41**
ACCRUALS AND OTHER ACCOUNTS PAYABLE	***10***	**3,585**	**3,274**
PROVISIONS FOR LIABILITIES AND CHARGES	***11***	**105**	**106**
SUBORDINATED DEBT	***6, 12***	**3,559**	**1,710**
RESERVE FOR GENERAL BANKING RISKS	***12***	**48**	**48**
CAPITAL FUNDS AND RESERVES (EXCLUDING THE RESERVE FOR GENERAL BANKING RISKS)	***12***	**3,504**	**3,589**
Capital		2,905	2,905
Share premium		435	527
Reserves		75	71
Retained earnings		2	-
Net income for the year		87	86
TOTAL LIABILITIES, CAPITAL FUNDS AND RESERVES		**67,436**	**57,754**

			(in millions of euros)
OFF-BALANCE SHEET COMMITMENTS	***Notes***	***2003***	***2002***
Commitments received	***13, 14, 15***		
FINANCING COMMITMENTS	***6***		
Commitments from financial institutions		404	183
GUARANTEES RECEIVED			
Commitments from financial institutions		2,961	3 473
SECURITIES COMMITMENTS		**2**	**1**
Other commitments received		2	1

The attached notes form an integral part of the financial statements of CNCEP.

Profit and loss account of CNCEP for 2003 and 2002

(in millions of euros)

	Notes	2003	2002
Interest and similar income	*17*	2,058	1,909
Interest and similar expense	*17*	(2,056)	(1,914)
Income from shares and other variable-income securities	*18*	176	162
Commissions (income)	*19*	94	84
Commissions (expense)	*19*	(11)	(10)
Gains (or losses) on transactions involving trading-account securities	*20*	1	(2)
Gains (or losses) on transactions involving securities held for sale and similar items	*21*	16	(27)
Other operating income	*22*	52	43
Other operating expense	*22*	(39)	(31)
NET BANKING INCOME		**291**	**214**
General operating expenses	*23*	(186)	(155)
Depreciation and amortization of tangible and intangible assets		(12)	(11)
GROSS OPERATING INCOME		**93**	**48**
Net additions to provisions	*24*	(3)	(6)
OPERATING INCOME		**90**	**42**
Net gains on fixed assets	*25*	-	6
NET ORDINARY INCOME BEFORE TAX		**90**	**48**
Exceptional items	*26*	-	29
Tax on profits	*27*	(3)	9
Allocations to/releases from the Reserve for General Banking Risks and regulated provisions		-	-
NET INCOME FOR THE YEAR		**87**	**86**

The attached notes form an integral part of the financial statements of CNCEP.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF CNCEP FOR THE YEAR ENDED 31 DECEMBER 2003

I – LEGAL AND FINANCIAL BACKGROUND – KEY EVENTS OF THE YEAR

a) Legal framework and financial relationship with Group entities

Together, the different Caisses d'Epargne et de Prévoyance form a financial network around a central institution, the Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE). The Caisse d'Epargne Group is made up of a varied body of subsidiaries contributing to the proper management and sales performance of the Caisses d'Epargne network. A national Federation (*Fédération Nationale des Caisses d'Epargne et de Prévoyance*) has been set up pursuant to the Act of 1 July 1901 governing non-profit-making associations. The missions of the Federation are specified in Article L.512-99 of the French Monetary and Financial Code.

• **The Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCEP)**

The central institution as defined by French banking law and a financial institution approved as a bank, CNCEP is a limited liability company (*société anonyme*) with a two-tier management structure (Management Board and Supervisory Board) whose capital is held by the individual Caisses d'Epargne and the Caisse des dépôts et consignations.

More particularly, CNCEP represents the different Caisses d'Epargne, defines the range of products and services offered by them, organizes the adequacy of depositors' protection, approves the appointment of the senior managers of the Caisses d'Epargne, and generally supervises and controls the proper management of the various entities within the Group.

In respect of the Group's financial functions, CNCEP is responsible, in particular, for the centralized management of any surplus funds held by the regional savings banks and for proceeding with any financial transactions useful for the development and refinancing of the network; it is responsible for choosing the most efficient operator for these assignments in the greater interest of the network whose financial stability is guaranteed by CNCEP.

b) Guarantee system

Pursuant to the Act of June 25, 1999, CNCEP, acting as the central institution of the Caisse d'Epargne Group, has organized a mutual guarantee and solidarity mechanism within the Group to guarantee the liquidity and solvency of the affiliated entities. The scope of this guarantee system includes not only the entities belonging to the Caisses d'Epargne network as provided for by the 1999 Act but more generally all members of the Group, in accordance with article L.511-31 of the French Monetary and Financial Code.

This broad definition makes it possible to base the Group's guarantee mechanism on all the capital funds and reserves of its affiliates with a view to preventing default, offering protection complementary to the chiefly curative objective of the market guarantee systems to which the Caisse d'Epargne Group also subscribes. These resources are made available through a Group Mutual Guarantee and Solidarity Fund (*Fonds de garantie et de solidarité du groupe, FGSG*) carried in the books of CNCEP and provided with an immediate intervention capacity of €271 million. Should this amount prove insufficient to avert the failure of a member of the Group, CNCEP may call on appropriate additional resources by having recourse to a short decision process guaranteeing rapidity of intervention.

c) **Key events of the year**

On 3 December 2003, after receiving the official go-ahead of the regulatory authorities, the Caisse d'Epargne Group and the San Paolo IMI Group finalized the agreement signed on 31 July 2003 with the acquisition of 60% of the capital of Banque Sanpaolo by CNCEP.

Following a new equity issue and the acquisition of additional shares from Caisse d'Epargne de Provence-Alpes-Corse-Réunion, CNCEP now owns 81.88% of the capital of Financière Océor, up from its previous interest of 61.72% at 31 December 2002.

d) **Planned changes in Group structure**

On October 1, 2003, the Caisse d'Epargne and Caisse des dépôts et consignations Groups signed a memorandum of agreement aimed at redefining the nature of their partnership.

This agreement in principle represents the logical continuation of earlier stages in their relationship and pursues the business development strategy already initiated in 2001 with the creation of Compagnie Financière Eulia.

The final agreements and operations leading to the creation of the new group resulting from these decisions should be completed in 2004. The Caisse d'Epargne Group will then 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 Compagnie Financière Eulia and the CDC IXIS Group within CNCEP.

La Caisse des dépôts will reinforce its core activity as an institutional investor by assuming control of the portfolios of investments in listed securities, in private equity and in real estate that are currently managed by CDC IXIS.

II – ACCOUNTING POLICIES

NOTE 1 – VALUATION METHODS AND FINANCIAL STATEMENT PRESENTATION

The accounting principles and valuation methods are described in Note 3 of the Notes to the Consolidated Financial Statements.

NOTE 2 – CHANGES IN ACCOUNTING METHODS

Rule 2002-03 of the French Accounting Regulatory Committee governing the treatment of credit risk has been applied since 1 January 2003.

The application of this new standard has resulted in the following changes in accounting method: loans to local authorities are now classified as non-performing when one or more installments are at least 9 months past due (compared to 3 months previously), non-performing loans have been analyzed in more detail, between "non-performing" and "doubtful" loans (see note 4a), and a provision has been recorded for the discount corresponding to the interest differential on restructured loans at below market rates.

The adoption of this new standard had no impact on opening capital funds and has no material impact on the year-on-year comparative results presented in this report.

Moreover, the provisional measures applicable until the entry into force of Rule 2002-10 of the French Accounting Regulatory Committee governing amortization, depreciation and write-downs of assets have been interpreted in the light of the provisions of Rule 2003-07 of the French Accounting Regulatory Committee. Consequently, no provisions were booked to cover asset replacement expenses.

A non-material amount was set aside in a provision for major maintenance work.

No other changes in accounting methods occurred during the year.

III - NOTES TO THE BALANCE SHEET, OFF-BALANCE SHEET ITEMS AND THE PROFIT & LOSS ACCOUNT

BALANCE SHEET

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

NOTE 3 – INTERBANK ITEMS

(in millions of euros)

ASSETS	2003	2002	LIABILITIES	2003	2002
Demand deposits	**5,728**	**4,343**	**Demand deposits**	**4,301**	**4,507**
Current accounts	5,708	4,260	Current accounts	4,279	4,412
Accrued interest	4	9	Accrued interest	4	24
Suspense items	16	74	Other amounts payable	18	71
Time deposits	**45,858**	**39,720**	**Time deposits**	**18,396**	**13,268**
Term loans (1) (2)	45,291	39,124	Term borrowings	18,275	13,150
Accrued interest (3)	567	596	Accrued interest	121	118
TOTAL	**51,586**	**44,063**	**TOTAL**	**22,697**	**17,775**

(1) Including subordinated loans at 31 December 2003: €1,139 million. A portion of the subordinated loans (€683 million) has been transferred to the CDC IXIS Group in the form of "mirror loans" since January 1, 2002.
Debts represented by a security and interbank borrowings have been transferred to the CDC IXIS Group in the form of "mirror loans" representing:

(2) €37,512 million of term loan items and

(3) €504 million of accrued interest.

NOTE 4 – CUSTOMER ITEMS

(in millions of euros)

ASSETS	2003	2002	LIABILITIES	2003	2002
Other customer loans	**1,452**	**577**	**Other liabilities**	**161**	**220**
- Short-term credit facilities	402	239	- Ordinary accounts (deposits)	116	100
- Equipment loans	1,030	338	- Other	45	120
- Participating loans	20		Accrued interest	1	3
Current accounts in debit	**57**	**49**			
Accrued interest	**9**	**2**			
Non-performing loans	**17**	**22**			
Provisions on non-performing loans	**(14)**	**(15)**			
TOTAL	**1,521**	**635**	**TOTAL**	**162**	**223**

NOTE 4A – BREAKDOWN OF LOANS OUTSTANDING

Performing loans and non-performing loans at 31 December 2003

(in millions of euros)

	Performing loans	Non-performing loans	Of which doubtful loans	
		Gross	Gross	Provision
Loans and advances to financial institutions	**51,586**	**0**	**0**	**0**
Loans and advances to customers	**1,509**	**17**	**17**	**(14)**
- Individuals: other	2	0	0	0
- Self-employed professionals	251	17	17	(14)
- SMEs	1,096	0	0	0
- Local and regional authorities	160	0	0	0
- Others	0	0	0	0

NOTE 5 – TREASURY BILLS, BONDS, SHARES, AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES

5.1 Analysis by portfolio

(in millions of euros)

	Trading account	Held for sale	Investment	Portfolio activity	Accrued interest	Total 2003	Total 2002
Bonds and other fixed-income securities (1)	-	1,681	1,365	-	64	3,110	2,604
Shares and other variable-income securities (2)	-	404	-	-	-	404	883
TOTAL 2003	**0**	**2,085**	**1,365**	**0**	**64**	**3,514**	*///////// *
TOTAL 2002	**0**	**1,070**	**2,361**	**0**	**56**	*/////////*	**3,487**

(1) Including listed securities: €3,110 million in 2003 against €2,604 million in 2002

(2) Including listed securities: €5.7 million in 2003 against €6.6 million in 2002

The aggregate difference between the acquisition price and the redemption price amounted to €2.3 million in 2003 for securities held for sale and €2.6 million for investment securities.

Bonds and other fixed-income securities issued by public bodies represent a total of €97 million.

There were no amounts due with respect to securities lent at 31 December 2003.

5.2 Transfers of portfolio

Over the past two financial years, the following transfers have been made between the different categories of portfolio:

(in millions of euros)

From	To	Amount transferred during the year 2003	2002
Investment securities	Securities held for sale	988	-

The aggregate amount of investment securities sold before maturity during the 2003 financial year stood at €498 million.

5.3 Unrealized capital gains and losses

The unrealized capital gains and losses on securities held for sale can be analyzed as follows:

(in millions of euros)

	Securities held for sale 2003	2002
Net book value	2,112	1,070
Market value	2,167	1,075
Unrealized capital gains	55	5
Unrealized losses provided for	2	10

NOTE 6 – EQUITY INTERESTS, INVESTMENTS IN ASSOCIATED COMPANIES, AND LONG-TERM PORTFOLIO SECURITIES

6.1 – Table of subsidiaries and investments

FINANCIAL INFORMATION Subsidiaries and investments	Share capital	Reserves and retained earnings	% interest held	Book value of securities held		Loans and advances granted by the company and still outstanding	Guarantees and endorse-ments given by the company	Net sales (before tax) generated in the previous financial year	Net income of the previous financial year	Dividends received by the company during the financial year
				Gross	Net					
I. Detailed information about subsidiaries and investments whose gross value exceeds 1% of the capital of the company subject to publication rules										
1. Subsidiaries (greater than 50%):										
Holassure - 5,rue Masseran - 75007 PARIS	811	101	100.00%	928	928			38	38	35
Crédit Foncier de France - 19,rue des Capucines - 75001 PARIS	395	338	52.14%	401	401	810	27	786	49	12
Financière Océor - 27,rue de la Tombe-Issoire - 75014	173	85	81.88%	334	334	409		56	28	15
Banque Sanpaolo - 52 avenue Hoche - 75008 PARIS	350	39	60.00%	500	500	150		369	22	
2. Investments (between 10% and 50%)										
Eulia - 5,rue Masseran - 75007 PARIS	3,648	581	49.90%	2,313	2,313			268	245	110
II. General information about the other subsidiaries and investments										
1. Subsidiaries not included in 1										
a. French subsidiaries										
b. Foreign subsidiaries										
2. Investments not included in 2										
a. In French companies				140	140	290				
b. In foreign companies										

6.2 – Transactions with associated companies

(in millions of euros)

	Financial institutions	Other companies	Total 2003	Total 2002
Loans	45,394	0	45,394	37,817
- Including subordinated loans	739	0	739	719
Debts	16,506	2	16,508	12,735
Financing commitments given	3,747	6	3,753	2,745
Financing commitments received	281	0	281	144
Guarantee commitments given	152	0	152	145
Guarantee commitments received	1,029		1,029	1,462

NOTE 7 – LOANS AND ADVANCES OUTSTANDING AND SOURCES OF FUNDS BY 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, non-performing loans and provisions for impairment in value are included in the "Up to 3 months" column.

(in millions of euros)

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2003
Loans and advances	**13,951**	**4,184**	**13,644**	**18,013**	**49,792**
Loans and advances to financial institutions	13,757	3,789	11,386	16,359	45,291
Customer loans	123	247	380	705	1,455
Bonds and other fixed-income securities	71	148	1,878	949	3,046
Sources of funds	**19,877**	**7,419**	**12,495**	**11,765**	**51,556**
Amounts due to financial institutions	8,322	4,128	1,765	4,060	18,275
Customer deposits	20	25	0	0	45
Debts represented by a security:	11,535	3,266	10,730	7,705	33,236
- *Interbank and other negotiable debt instruments*	*10,069*	*857*	*370*	*142*	*11,438*
- *Bonds issued*	*1,466*	*2,409*	*10,360*	*7,563*	*21,798*

NOTE 8 – TANGIBLE AND INTANGIBLE FIXED ASSETS

8.1 – Changes in fixed assets

(in millions of euros)

	Gross value at Dec. 31, 2002	Acquisitions	Sales or retirements	Other movements	Gross value at Dec. 31, 2003	Depreciation, amortization and provisions at Dec. 31, 2003	Net value at Dec. 31, 2003
Intangible fixed assets	25	9	-	(1)	33	(24)	9
Tangible fixed assets	73	8	-	+1	82	(48)	34
TOTAL	**98**	**17**	**-**	**0**	**115**	**(72)**	**43**

8.2 **– Intangible fixed assets**

At 31 December 2003, intangible fixed assets include computer software for a net book value of €9 million.

8.3 **- Tangible fixed assets**

At 31 December 2003, the net book value of land and buildings reserved for CNCEP's own use amounted to €4 million.

NOTE 9 – DEBTS REPRESENTED BY A SECURITY

(in millions of euros)

	2003	2002
Bonds (1)	21,798	19,591
Certificates of deposit	9,798	8,527
Negotiable medium-term notes (fungible)	116	354
Negotiable medium-term notes (structured)	155	193
Other negotiable medium-term notes	1,369	1,862
Accrued interest on bonds	373	405
Accrued interest on negotiable debt instruments	32	56
TOTAL	**33,641**	**30,988**
(1) Including Euro Medium-Term Notes	8,350	5,169

The redemption or issue premiums still to be amortized amount to €39 million.

NOTE 10 – ACCRUALS AND OTHER ASSETS AND LIABILITIES

(in millions of euros)

Assets	**2003**	**2002**
Items in course of collection	2,551	2,360
Issue premiums and expenses related to negotiable debt instruments	39	40
Issue premiums and expenses related to bonds	146	147
Unrealized hedging losses (financial futures)	15	10
Deferred expenses and income	75	81
Prepaid expense	42	136
Other	42	44
TOTAL	**2,910**	**2,818**

(in millions of euros)

Liabilities	**2003**	**2002**
Items in course of collection	3,097	2,464
Issue premiums and expenses related to negotiable debt instruments	2	5
Issue premiums and expenses related to bonds	56	51
Unrealized hedging gains (financial futures)	15	1
Unearned income	187	189
Accrued expense	178	387
Other	50	177
TOTAL	**3,585**	**3,274**

NOTE 11 - PROVISIONS

11.1 Provisions booked in respect of counterparty risks

(in millions of euros)

	01/01/2003	Allocations	Releases	Other movements	Dec. 31, 2003
Provisions carried on the assets side (as deductions)	**15**		**(1)**		**14**
Provision for customer loans	15		(1)		14
Provisions carried on the liabilities side	**6**	**3**			**9**
Provision for customer loans	6	3			9
TOTAL	**21**	**3**	**(1)**		**23**

For a more economic inclusion of counterparty risks, a provision for counterparty risks has been booked for the entire extent of the Company's performing on- and off-balance sheet commitments for which the available statistical data make it possible to calculate the probabilities of default. This provision is calculated with the help of coefficients differentiated by rating classification and by the remaining life of the instruments, and weighted by the probability of recovery in the event of default.

At 31 December 2003, the provision recorded for all the portfolios concerned (HLM social housing organizations and semi-public bodies, professional real estate, local and regional authorities, SMEs, consumer loans, financial markets) amounted to €9 million.

11.2 - Provisions for liabilities and charges

(in millions of euros)

	Dec. 31, 2002	Allocations	Releases	Dec. 31, 2003
Provision for claims, fines and penalties	1	4		5
Provisions for potential pension commitments (2)	29	3		32
Dynamic provisions for counterparty risks	6	3		9
Provisions for deferred taxes	1		1	0
Single currency	-	-	-	-
Other subsidies provided for (1)	43		16	27
Credit risk (1)	15			15
Miscellaneous and technical risks	11	8	2	17
TOTAL	**106**	**18**	**19**	**105**

(1) Balance of provisions transferred from the central guarantee reserves in 1999.

(2) 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 all-inclusive basis at the level of the Caisse d'Epargne Group. With respect to the 2003 financial year, the provision for the Group's potential pension commitments included in the accounts of CNCEP received a net allocation of €3.4 million owing to the updating of commitments and adjustment of retirement pensions decided during the year.

NOTE 12 – CAPITAL FUNDS, SUBORDINATED DEBT AND RESERVE FOR GENERAL BANKING RISKS

12.1 – Capital funds

(in millions of euros)

	Capital funds	Share premium	Reserves/ retained earnings	Net income	Total (excluding Reserve for General Banking Risks)
At December, 31 2001	2,905	622	10	137	3,674
Movements during the year	-	(95)	61	-51	(85)
At December, 31 2002	2,905	527	71	86	3,589
Appropriation of 2002 net income			86	-86	
Distribution of dividends		(92)	(80)		(172)
2003 net income				87	87
At December, 31 2003	**2,905**	**435**	**77**	**87**	**3,504**

The share capital of CNCEP amounted to €2,905 million divided into 190,496,999 shares of a nominal value of €15.25 each.

12.2 – Changes in the Reserve for General Banking Risks

(in millions of euros)

	Dec. 31, 2002	Allocations	Releases	Dec. 31, 2003
Reserve for General Banking Risks	48			48

12.3 – Subordinated debt

(in millions of euros)

Issue date	Maturity date	Interest rate	Amount in 2003	Amount in 2002
12/1998	12/2010	4.50%	91	91
11/1999	11/2011	5.60%	747	747
07/2002	07/2014	5.20%	455	455
09/2002	07/2014	5.20%	395	395
02/2003	02/2015	4.50%	417	
07/2003	07/2015	4.10%	450	
07/2003	12/2015	4.80%	147	
11/2003		5.25%	800	
Total			**3,502**	**1,688**

In November 1999, CNCEP proceeded with a new issue of redeemable subordinated debt for a total of €747 million at a fixed rate of 5.6%. These securities will be entirely amortized at their nominal value on 5 November 2011. CNCEP 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, CNCEP proceeded with two issues of redeemable subordinated debt for a total of €850 million at a rate of 5.2%; this debt will be fully amortized on 19 July 2014.

In November 2003, CNCEP issued non-cumulative, undated deeply subordinated notes for a total of €800 million. This issue was arranged in application of the new provisions of article L.228-97 of the French Commercial Code as amended by the Financial Security Act.

Following the approval of the General Secretary of the French Banking Commission, this issue may be assimilated to the consolidated tier-1 regulatory capital of CNCEP and Caisse d'Epargne Group up to a maximum of 15% of the consolidated tier-1 regulatory capital as applicable to "innovative" financial instruments.

Total capital is the sum of tier-1 capital (including the non-cumulative, undated deeply subordinated notes), tier-2 capital and regulatory deductions (holdings in non-consolidated credit institutions or those accounted for by the equity method).

Off-balance sheet and similar operations

NOTE 13 – COMMITMENTS GIVEN TO, AND RECEIVED FROM, FINANCIAL INSTITUTIONS

(in millions of euros)

	Financing commitments	Guarantees
Commitments given		
To the Caisses d'Epargne network	3,825	152
To securitisation funds (*Fonds Communs de Créances*)		
To other establishments	264	511
Total 2003	**4,089**	**663**
Total 2002	**2,773**	**162**
Commitments received		
From the Caisses d'Epargne network	281	1,029
From other establishments	123	1,932
Total 2003	**404**	**2,961**
Total 2002	**183**	**3,473**

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

NOTE 14 – TRANSACTIONS IN FINANCIAL FUTURES OUTSTANDING

14.1 – Commitments on derivatives outstanding

(in millions of euros)

	Hedging operations	Special operations	Trading	Total 2003	Total 2002
Futures					
Over-the-counter transactions					
Interest rate swaps	4,474			4,474	1,284
Foreign exchange swaps					**128**
Options					
Over-the-counter transactions					
Index-based options					
Purchased			59	59	78
Sold	133			133	
Total	**4,607**	**0**	**59**	**4,666**	**1,490**

14.2 – Commitments on futures by residual maturity

(in millions of euros)

	Up to 1 year	1 to 5 years	Over 5 years	2003
Over-the counter transactions				
Futures	54	960	3,460	4,474
Options	192			192
Total	**246**	**960**	**3,460**	**4,666**

14.3 – Counterparty risk in respect of derivatives

Counterparty risks are measured as the probable loss that CNCEP would suffer as a result of a counterparty failing to meet its obligations. CNCEP'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, excluding the effect of netting agreements in accordance with the conditions laid down in article 4 of Rule 91-05 of the French Banking and Financial Services Regulatory Committee,
- The potential credit risk resulting from the application of "add-on" factors defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and residual term.

(in millions of euros)

	Government and OECD central banks and equivalent	OECD financial institutions and equivalent	Other counterparties	Total 2003
Unweighted equivalent credit risk, without considering netting and collateral agreements (1)		132		132
Effect of netting agreements				0
Effect of collateral agreements				0
Unweighted equivalent credit risk, after considering netting and collateral agreements	**0**	**132**	**0**	**132**
Weighted equivalent credit risk, after considering netting and collateral agreements	**0**	**26**	**0**	**26**
(1) of which positive net replacement values		*62*		*62*

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. However, the table excludes transactions concluded on organized markets and operations realized with credit institutions belonging to the Caisses d'Epargne network for which the counterparty risk is deemed to be non-existent to the extent it is covered by the Group's mutual guarantee and solidarity mechanisms.

At 31 December 2003, the weighted equivalent credit risk set out in the above table represented 0.6% of the nominal values of these outstanding positions.

NOTE 15 – OTHER COMMITMENTS NOT CARRIED ON THE BALANCE SHEET

		(in millions of euros)
	Commitments given	Commitments received
Outstanding charges related to leasing agreements:		
- Real Estate	26	
TOTAL	**26**	

NOTE 16 – RECIPROCAL INDEMNITY CLAUSES GRANTED BY THE ALLIANCE PARTNERS

Pursuant to their agreement to merge a number of their activities within the "Alliance," the Caisse d'Epargne and Caisse des dépôts Groups decided — with a view to ensuring fairness and in accordance with the economic equilibrium guiding the Alliance — to grant each other reciprocal indemnity clauses to cover certain possible future developments.

The most significant particular clauses concern the occurrence of certain events by the year 2005, namely:

- A substantial change in the value of the listed securities portfolio contributed to the Alliance via CDC IXIS
- A significant change in the performance of the intermediation activity of the Finance Division contributed to the Alliance by CNCEP
- The realisation of potential capital gains by the Crédit Foncier Group

In accordance with steps taken to redefine the partnership between the Caisse d'Epargne Group and the Caisse des dépôts Group (memorandum of agreement signed on October, 1 2003), both entities would like to proceed with the early termination of these different clauses through final agreements due to be signed in 2004.

Regarding the first clause, changes in the value of the portfolio in question should require the Caisse des dépôts Group to pay a total of approximately €50 million to CNCEP.

The partners have agreed that the last two clauses should be terminated globally in return for a payment of a compensatory amount of €100 million to CNCEP.

Profit and Loss Account

NOTE 17 – INTEREST AND SIMILAR INCOME AND EXPENSE

				(in millions of euros)
	Income 2003	Income 2002	Expense 2003	Expense 2002
Transactions with financial institutions	1,827	1,849	(573)	(401)
Customer transactions	37	11	(14)	(11)
Bonds and other fixed-income securities	194	49	(1,353)	(1,441)
Related to subordinated debt	192		(116)	(61)
TOTAL	**2,058**	**1,909**	**(2,056)**	**(1,914)**

NOTE 18 – INCOME FROM VARIABLE-INCOME SECURITIES

(in millions of euros)

	2003	2002
Shares and other variable-income securities	1	2
Investments and other long-term portfolio securities	2	
Shares in associated companies	173	160
TOTAL	**176**	**162**

NOTE 19 – COMMISSIONS

(in millions of euros)

	Income 2003	Income 2002	Expense 2003	Expense 2002
Transactions with financial institutions	3	1	(1)	(1)
Customer transactions	2	1		
Securities transactions	4	2	(2)	
Payment processing	83	79	(2)	(2)
Other commissions	2	1	(6)	(7)
TOTAL	**94**	**84**	**(11)**	**(10)**

NOTE 20 – TRANSACTIONS ON TRADING ACCOUNT SECURITIES

(in millions of euros)

	2003	2002
Trading account securities		
Foreign exchange	1	(2)
Financial instruments		
TOTAL	**1**	**(2)**

NOTE 21 – TRANSACTIONS ON SECURITIES HELD FOR SALE AND SIMILAR SECURITIES

(in millions of euros)

	Securities held for sale	TOTAL 2003	TOTAL 2002
Income from disposals	8	8	(21)
Net allocation to (reversal from) provisions	8	8	(6)
TOTAL	**16**	**16**	**(27)**

NOTE 22 – OTHER OPERATING INCOME AND EXPENSE

(in millions of euros)

	Income 2003	**Income 2002**	**Expense 2003**	**Expense 2002**
TPE activity	6	6	(5)	(5)
Card activity	17	9	(14)	(8)
Amortization and cross-charging of issue expense	19	18	(20)	(18)
Other income and expense	10	10	0	
TOTAL	**52**	**43**	**(39)**	**(31)**

NOTE 23 – GENERAL OPERATING EXPENSES

(in millions of euros)

	2003	2002
Personnel costs	(94)	(73)
- Wages and salaries	*(54)*	*(43)*
- Pension and retirement costs	*(11)*	*(6)*
- Other social security costs and payroll-based taxes	*(27)*	*(23)*
- Profit-sharing and incentive schemes	*(2)*	*(1)*
Taxes other than on income	(5)	(4)
External services	(213)	(201)
Cross-charged expenses	126	123
TOTAL	**(186)**	**(155)**

The average number of employees working during the year, broken down by professional category, is as follows:

- Managerial staff 520
- Non-managerial staff 269

789

Aggregate compensation awarded to members of the Management and Supervisory Boards in relation to their functions during the 2003 financial year amounted to €2.1 million.

NOTE 24 – NET ADDITIONS TO PROVISIONS

(in millions of euros)

	Customer transactions	Other transactions	TOTAL
Provisions booked	(3)	0	(3)
Provisions released		0	0
Losses on irrecoverable debts written off - covered by provisions		0	0
Losses on irrecoverable debts written off - not covered by provisions			0
TOTAL	**(3)**	**0**	**(3)**
TOTAL	**(2)**	**(4)**	**(6)**

NOTE 25 – NET GAINS ON FIXED ASSETS

(in millions of euros)

	2003	2002
On tangible fixed assets	0	
On equity interests, investments in associated companies and portfolio securities		6
On investment securities	0	
TOTAL	**0**	**6**

NOTE 26 – EXCEPTIONAL ITEMS

No material exceptional items were recorded in 2003.

NOTE 27 – TAX ON PROFITS

	(in millions of euros)
Deferred taxation with respect to capital gains on central guarantee reserves securities disposed of during the year	1
Provision for taxation	(4)
TOTAL 2003	**(3)**
TOTAL 2002	**9**

NOTE 28 – DEFERRED TAX

		(in millions of euros)	
	Normal rate	**Lower rate**	
Income subject to deferred taxation		(354)	(1)
Charges subject to deferred deductibility	106		
Income subject to early taxation	6		
TOTAL 2003	**112**	**(354)**	
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.

NOTE 29 – ANALYSIS OF ACTIVITIES – RETAIL BANKING

Following the transfer of CNCEP's Finance Division to the CDC IXIS Group, effective on 31 December 2001, CNCEP chiefly pursues its activities in the following two areas:

- Responsibility as the central institution,
- Holding company owning equity interests in companies allowing the development of the full range of the Group's retail banking activities.

As a result, for the 2003 financial year, the greater part of the activities of CNCEP focused on retail banking.

IV - OTHER INFORMATION

NOTE 30 – CONSOLIDATION

In compliance with Rule 99-07 of the French Accounting Regulatory Committee, the Caisse Nationale des Caisses d'Epargne draws up consolidated financial statements.

The financial statements of the parent company are included in the consolidated accounts of the Caisse d'Epargne Group.

AUDITORS REPORT ON THE CNCEP INDIVIDUAL FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports whether qualified or not and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by the Annual General Meeting, we hereby report to you, for the year ended December 31, 2003, on:

- the audit of the accompanying financial statements of the Caisse Nationale des Caisses d'Epargne et de Prévoyance;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as of December, 31 2003, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion set out above, we draw your attention to Note 2 to the Parent company financial statements which describes the changes in accounting methods due to the application of CRC Rule 2002-03 concerning the accounting treatment of credit risk, and CRC Rule 2002-10 concerning the amortization, depreciation and impairment in value of assets.

II - Justification of our assessments

In accordance with the requirements of article L.225-235 of the Commercial Code relating to the justification of our assessments, introduced by the Financial Security Act of August 1, 2003 and which came into effect for the first time this year, we bring to your attention the following matters:

Changes in accounting methods

As part of our assessment of the accounting rules and principles followed by the Company, we ensured that the above-mentioned changes in accounting methods and the ensuing presentation were appropriate.

Accounting estimates

The Company records provisions to cover the credit risks inherent to its operations (Note 1 to the Parent company financial statements which refers to Note 3.4 of the consolidated financial statements, and Notes 4-a and 11-1 to the Parent company financial statements). As part of our assessment of the estimates used for the preparation of the financial statements, we examined the control procedures relating to the monitoring of credit risks, the assessment of the risks of non-recovery and determining the related specific and general provisions.

Equity interests and other long-term investment securities are valued at the lower of historical cost or fair value to the Group (Note 1 to the Parent company financial statements which refers to Note 3.2 to the consolidated financial statements, and Note 6 to the Parent company financial statements). Our procedures consisted of examining the data used to determine fair value to the Group for the main lines in the portfolio.

We assessed whether these estimates were reasonable.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III - Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Management Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with French law, we also ensured that the information relating to the acquisition of equity interests and controlling interests has been communicated to shareholders in the management report.

Paris, May 7, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit Member of KPMG SA

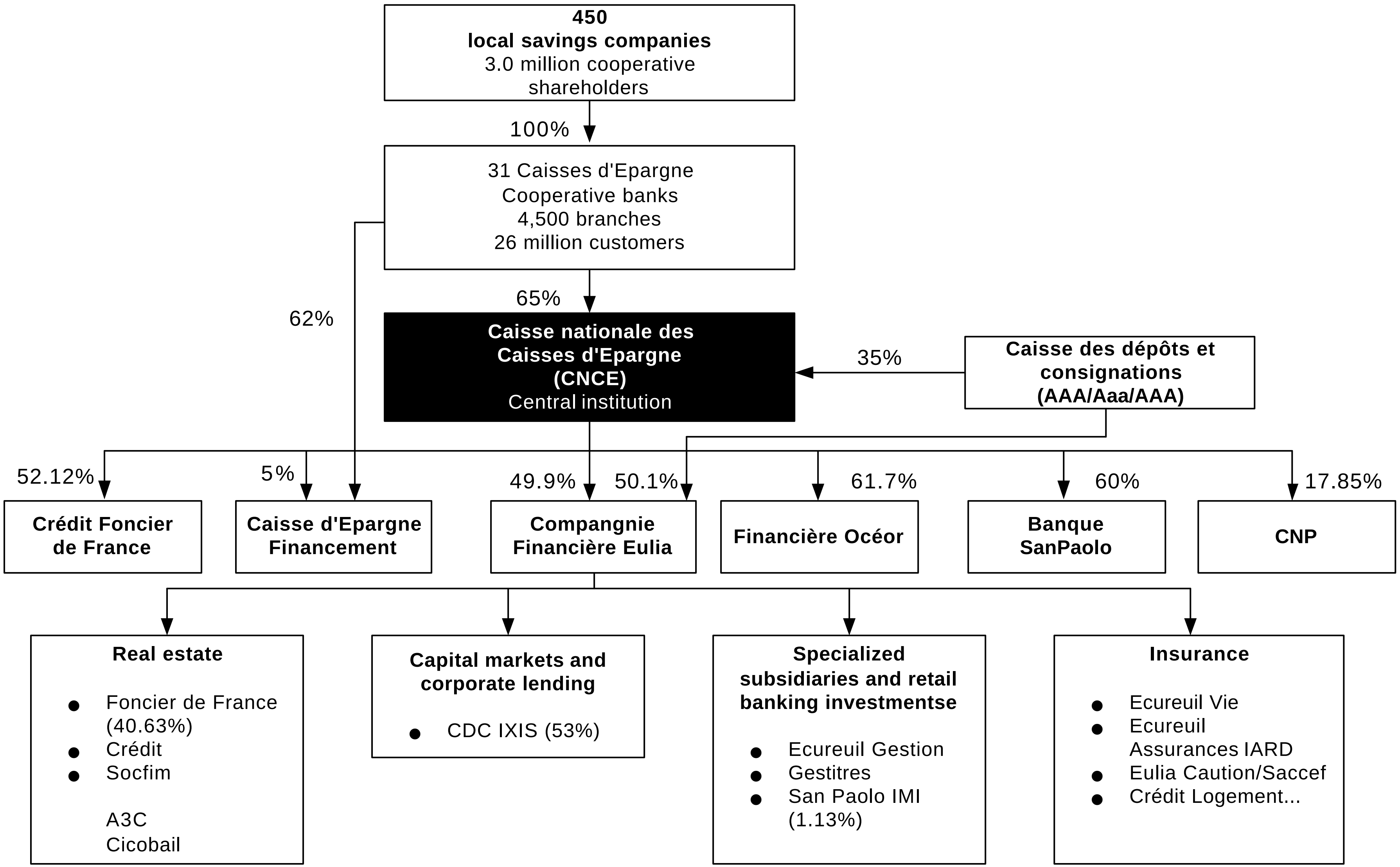
Yves Nicolas   Anik Chaumartin   Philippe Saint-Pierre   Rémy Tabuteau

DESCRIPTION OF THE CAISSE D'EPARGNE GROUP

Overview

Together, the different Caisses d'Epargne form a financial network around a central institution, CNCEP. The Caisse d'Epargne Group is made up of a varied body of subsidiaries contributing to the proper management and sales performance of the Caisse d'Epargne's network.

The organisation of the Caisse d'Epargne Group is illustrated in the chart below.


450
local savings companies
3.0 million cooperative shareholders
100%
31 Caisses d'Epargne
Cooperative banks
4,500 branches
26 million customers
65%
62%
Caisse nationale des Caisses d'Epargne (CNCE)
Central institution
35%
Caisse des dépôts et consignations (AAA/Aaa/AAA)
52.12%
5%
49.9%
50.1%
61.7%
60%
17.85%
Crédit Foncier de France
Caisse d'Epargne Financement
Compangnie Financière Eulia
Financière Océor
Banque SanPaolo
CNP
Real estate
Foncier de France (40.63%)
Crédit
Socfim
A3C
Cicobail
Capital markets and corporate lending
CDC IXIS (53%)
Specialized subsidiaries and retail banking investmentse
Ecureuil Gestion
Gestitres
San Paolo IMI (1.13%)
Insurance
Ecureuil Vie
Ecureuil Assurances IARD
Eulia Caution/Saccef
Crédit Logement...

CNCEP

CNCEP, the central institution providing guidance for the Caisse d'Epargne Group as a whole, plays a major role in the implementation of the strategic plan for the Group.

It ensures the cohesion of the Group, and oversees adherence to the management standards adopted to guarantee the liquid assets and solvency of the individual Caisses d'Epargne that it represents in dealings with the monetary, banking and financial authorities. It develops the products and services offered to the Group's customers, and coordinates the sales policy pursued by the network.

It defines the human resources policy, organises and coordinates the pooling of the Caisses d'Epargne manpower to ensure the most effective use of Group personnel.

It is responsible for optimising the financing available to the Group. It also negotiates and concludes all agreements and strategic investments.

CNCEP is a limited liability company (*société anonyme*) governed by a Management Board (*Directoire*) and a Supervisory Board (*Conseil de Surveillance*). Sixty-five per cent. of its capital is owned by the individual Caisses d'Epargne with the remaining thirty-five per cent. held by the Caisse des dépôts et consignations.

Please see "Description of the Issuer" on page 53, for a more detailed description of CNCEP.

<u>A cooperative and decentralised structure</u>

The Caisses d'Epargne

The Caisses d'Epargne are mutual savings banks that do business with all types of customers including private individuals or businesses, local government and associations with a particular focus on financial security. Their mission is to develop their activities while remaining open to the largest possible number of customers with a suitable range of banking services. Each individual Caisse d'Epargne is administered by a Management Board (*Directoire*) of between two and five members, approved by the Issuer and supervised by a 18-member Steering and Supervisory Board (*Conseil d'Orientation et de Surveillance*).**The cooperative shareholders and the local savings companies** Every customer of an individual Caisse d'Epargne – whether a private individual or legal entity – may hold shares in a local savings company and thereby become a "cooperative shareholder".The aim of the 450 local savings companies, which hold 100 per cent. of the shares representing the capital of the Caisses d'Epargne, is to further expand the base of cooperative shareholders and develop contacts with them.

At 31 December 2003, four years after shares in the capital of the Caisses d'Epargne became first available for sale, the Caisse d'Epargne Group had approximately 3 million cooperative shareholders.

To ensure a local relationship with the cooperative shareholders, there are at least seven local savings companies in the catchment area of each individual Caisse d'Epargne. Each savings company holds an annual general meeting of its cooperative shareholders, where each shareholder is entitled to one vote, irrespective of the number of shares he or she may own. The shareholders elect a Board of Directors which subsequently appoints a chairman responsible, in particular, for representing the local savings company at the General Annual Meeting of the

Caisse d'Epargne which decides, among other things, the amount of dividends to be paid per share with respect to the previous financial year.

The Caisses d'Epargne are also places for discussions and exchange of information. The Caisses d'Epargne regularly use them to organise briefing sessions on themes related to the everyday concerns of their cooperative shareholders.

The Fédération Nationale des Caisses d'Epargne ("FNCE")

The FNCE is a non-profit making association representing the individual Caisses d'Epargne and their cooperative shareholders.

Its general meeting is attended by the Caisses d'Epargne. Each savings bank is represented by its Chairman and one member of its Steering & Supervisory Board, in addition to the chairman of its Management Board.

The FNCE has five main responsibilities:

- it coordinates relations between the Caisses d'Epargne and their cooperative shareholders, and defends their common interests, notably in dealings with the public authorities ;
- it helps define the overall strategic objectives of the network ;
- it provides national guidelines for financing local and social economy projects (also known as "PELS") and actions taken by the Caisse d'Epargne Group in the general public interest ;
- it contributes to the definition of the national focus adopted by the Issuer in management-worker relations in the network ; and
- working closely with the Issuer, it organizes training sessions for the representatives of cooperative shareholders and for the Group's senior management team.

Informations regarding the Caisse d'Epargne network and the Issuer are available on the web site http://www.caisse-epargne.fr.

Guarantee system

In accordance with the law of 25 June 1999, the Issuer, as central body of the Caisse d'Epargne Group, organises the solidarity and guarantee system of the Caisse d'Epargne Group to guarantee the liquidity and the solvability of each component. The area of this guarantee system covers the entities of the Caisse d'Epargne network and also, in accordance with the provisions of article L.511-31 of the French *Code monétaire et financier*, all the affiliates of the Group.

This system is based upon all the capital funds of the affiliates and designed to prevent default, this complements to the principally curative objective of the market guarantee systems to which the Group contributes. Resources are made available through a Group's mutual guarantee and solidarity fund (*Fonds de Garantie et de Solidarité du Groupe*) recorded in the financial statements of the Issuer, and to which a total of Euro 250 million was allocated in 2000. In the event that the amount is not sufficient, the Issuer can use a rapid decision-making process to draw on the additional necessary resources.

MANAGEMENT REPORT OF THE CAISSE D'EPARGNE GROUP

FOR THE YEAR ENDED 31 DECEMBER 2003

1 HIGHLIGHTS OF THE 2003 FINANCIAL YEAR

1.1 Macroeconomic environment

- **French economic environment still depressed**

  ⇒ Rise in unemployment: an average of 9.6% in 2003 as a whole (against 9.0% in 2002)

  ⇒ Stalled growth: GDP averaged out at – 0.1% in 2003 (against 1.3% in 2002) but household consumption stood up well: + 1.5%, rise in purchasing power (+2% in annual volume terms during the 3rd quarter of 2003) and continuing strong demand for property.

- **Financial environment**

  ⇒ Recovery of the equities markets during the year. The CAC40 share index rose 16% in 2003, reaching a total of 3,558 points on December 31, 2003, up from 3,063 points at December 31, 2002.

  ⇒ A general decline in interest rates in 2003 with, however, a steeper decline in the 2nd half taking rates to historically low levels.

  ⇒ Weakness of the US dollar against the euro (negative impact on the contribution of CDC IXIS AM). Euro/dollar exchange rate: 1.26 at the end of 2003 (against 1.05 at the end of 2002).

1.2 Regulatory environment

⇒ Decline in interest rates on government-regulated savings products (Livret A passbook savings accounts) on August 1, 2003: from 3% to 2.25%.

⇒ Reform of the regulated home purchase savings plan, positioning this product at its initial fair value.

⇒ Discontinuation of the popular savings plan (PEP) and creation of the popular retirement savings plan (PERP) having an impact on the balance sheet and generating a risk of competition with life insurance products.

⇒ Reform of tax system applying to securities (reform of tax credits and increase in the threshold for disposals).

1.3 External growth operations completed by the Caisse d'Epargne Group

- **Banque Sanpaolo**

Acquisition of 60% of the capital of Banque Sanpaolo SA in December 2003, a new subsidiary dedicated to a clientele of small- to medium-sized enterprises reinforcing the local presence of the Caisses d'Epargne. The balance of the interest held by the Sanpaolo IMI Group (40%) will be subject to commitments to sell and to buy exercisable after an initial period of four years, which may be extended.

Banque Sanpaolo is one of the 20 largest retail banks in France. It came into being from the successive mergers between Banque Vernes et Commerciale de Paris, Banque Française Commerciale, Banque Veuve Morin-Pons and, finally, the private individual banking activities of Banque du Phénix and the branch network of Banque Générale du Commerce.

Banque Sanpaolo is active in the following markets: small- to medium-sized businesses, private individuals and asset management. It boasts a total of 125,000 customers and a network of 60 branches distributed along a line running between Paris, Lyon, Marseille and Nice. It employs a total of 1,200 people.

Banque Sanpaolo was included within the consolidated Group at December 31, 2003. The inclusion of this new subsidiary within the scope of consolidation has no impact on the consolidated profit & loss account of the Caisse d'Epargne Group.

- **Entenial**

Following the agreement in principle signed on July 18, 2003, AGF and Crédit Foncier (CFF) signed in October 2003 the final agreement setting the terms of AGF's sale of its 72.15% interest in the capital of Entenial. After receiving the official go-ahead from the French Banking and Investment Committee (CECEI) at the end of January 2004, CFF completed the acquisition of 72.05% of Entenial's shares on February 4, 2004, the value of the transaction having been fixed at €587 million for the entire capital, or €49.56 per share. An unconditional tender offer was then made to the company's other shareholders for the balance of Entenial's capital at the same price per share as that specified in the transfer agreement. At the end of the unconditional tender offer ("*garantie de cours*") made to shareholders for the balance of Entenial's capital, and which expired on March 8, 2004, Crédit Foncier de France owned 98.66% of the company's share capital and voting rights. As a result, the Entenial Group will be included in the consolidated group as of the 2004 financial year.

- **New Foundations**

Eulia, the European financial alliance born of the determination of the Caisse d'Epargne and Caisse des dépôts Groups to pool their competitive activities in retail and investment banking, in real estate and insurance, completed a new significant phase in its development in 2003.

The Caisse des dépôts and the CNCE signed a memorandum of agreement on 1 October 2003 whereby the CNCE will acquire 96.55% of CDC IXIS and full ownership of

Compagnie Financière Eulia in 2004, enabling the Caisse d'Epargne Group to become one of the front-ranking universal banks in France.

1.4 Rationalization of Group structures & renewal of corporate governance bodies

- **Mergers between individual Caisses d'Epargne**

The Caisse d'Epargne de Limousin and the Caisse d'Epargne d'Auvergne merged on April 29, backdated to January 1, 2003, thereby creating one of the ten largest savings banks in the Caisses d'Epargne network with almost 1,360 employees and a total of 230 branch offices. This merger gives the Group a new dimension in this part of France, making it possible to pursue a more dynamic growth strategy.

The Caisse d'Epargne des Pays Lorrains and the Caisse d'Epargne de Lorraine Nord confirmed their decision to merge into a single savings bank named Caisse d'Epargne de Lorraine, with its registered office in Metz. The merger was finalized on June 30, 2003 and became effective on July 1, 2003, backdated to January 1, 2003. This new savings bank boasting some 1,430 employees and nearly 180 branches makes the Caisses d'Epargne network the largest regional player in terms of customer funds under management.

- **Renewal of corporate governance bodies**

All the corporate governance and senior management bodies of the Caisses d'Epargne were renewed in the second half of 2003 in addition to the Supervisory Board and Management Board of the CNCE.

1.5 Final stages in streamlining the Group's IT resources

The rationalization of the Group's IT resources continued in 2003, and proceeded according to the migration timetable. The process was concluded on December 13, 2003 with the move of the final savings banks to their target platform (Arpège, RSI and Siris). All 31 Caisses d'Epargne now use one of the reference IT platforms. Above and beyond the consolidation of IT communities, the reform also made it possible to set up a single administrative structure and a system facilitating the sharing of new technology.

A total of €285 million had been committed to this upgrade at the end of December 2003. Provisions for a total of €23 million, chiefly to cover retirement expenses, remained on the balance sheet at December 31, 2003. The target figure for IT operating cost savings is €150 million, which should be achieved in 2005, considering that the ratio of IT expenses to net banking income has already been reduced by 3 percentage points since 1999.

1.6 Capital funds

December 31, 2003 marked the end of the investment period for the capital funds of the Caisses d'Epargne. The aggregate capital of the individual Caisses d'Epargne stood at €2.6 billion. Proceeds from the sale of shares in local savings companies were paid to the French State via the reserve funds for pensions.

1.7 Sale of the head office building of Crédit Foncier

Capital gains realized on this transaction amount to €222 million (including €80 million in net banking income and €142 million in gains on fixed assets) for the Crédit Foncier Group and help to increase the Group's net ordinary income before tax by a total of €161 million (Crédit Foncier is accounted for in consolidation on a proportional basis of 72.42%).

1.8 Changes in accounting methods

Rule 2002-03 of the French Accounting Regulatory Committee governing the treatment of credit risk has been applied since January 1, 2003.

The application of this new standard has resulted in the following changes in accounting method: loans to local authorities are now classified as non-performing when one or more installments are at least 9 months past due (compared to 3 months previously), non-performing loans have been analyzed in more detail, between "non-performing" and "doubtful" loans (see Note 7.2), and a provision has been recorded for the discount corresponding to the interest differential on restructured loans at below market rates.

Moreover, the provisional measures applicable until the entry into force of Rule 2002-10 of the French Accounting Regulatory Committee governing amortization, depreciation and write-downs of assets have been interpreted in the light of the provisions of Rule 2003-07 of the French Accounting Regulatory Committee. Consequently, no provisions were booked to cover asset replacement expenses.

The adoption of these new standards led to a €6 million reduction in the Group's opening consolidated capital funds, but had no material impact on the year-on-year comparative results presented in this report.

No other changes in accounting methods occurred during the year.

Recommendation 2003-R.01 of the French National Accountancy Council (CNC)

On April 1, 2003, the French National Accountancy Council published recommendation n° 2003-R.01 concerning the rules for recognizing and measuring commitments related to employee pensions and other post-employment benefits. The provisions of this recommendation concern financial years starting on or after January 1, 2004 or, for companies electing for early adoption, to financial years starting on or after January 1, 2003.

This recommendation is largely based on the provisions of IAS 19 which will become compulsory once the International Financial Reporting Standards (IFRS) have been adopted, i.e. starting with the 2005 financial year for publicly listed companies, or with the 2007 financial year for companies whose debt securities are listed on a regulated market.

The Caisse d'Epargne Group, which is not concerned by the 2005 financial year deadline, intends to complete all the analyses required by the transition to IFRS before adopting recommendation 2003-R.01.

1.9 Compliance with regulatory requirements

The Group has mobilized its resources around ongoing regulatory changes in the European banking system with the Basel II and IFRS initiatives.

- **Basel II reform**

The aim of the Basel II reform is to define a better risk monitoring system and to bring capital funds into line with the exposure to risks. The Basel II rating system appraises credit risk by calculating two elements: the probability of the borrower defaulting on the loan and the rate of loss should the borrower effectively default. The Basel II initiative therefore is a cross-functional project involving an extremely large number of individuals both in the CNCE and in the individual savings banks, subsidiaries and IT communities.

A great deal of work was done in 2003 involving the gathering and analysis of data to define the first generation models to be deployed at the end of March 2004 designed to meet the regulatory requirements. The more precise, second generation models currently under development will be deployed on January 1, 2005.

- **Transition to International Financial Reporting Standards**

To improve the smooth running of the domestic market, the European Parliament has adopted a rule requiring companies not officially listed in the European Union but whose debt securities are listed on a regulated market to apply, by 2007 at the latest, the international accounting standards drawn up by the IASB for the production of their consolidated financial statements.

The adoption of these new standards will profoundly affect the presentation of the financial position and performance of European credit institutions, and will have a significant financial impact on the calculation of results and changes in capital funds.In the spring of 2003, the Caisse d'Epargne Group, fully aware of this deadline and what it implies, began the process of the transition to IFRS.

After a preliminary study completed in the first half of 2003, the project entered a phase of detailed diagnosis in the autumn involving contributions from a large number of specialists within the Group. This diagnosis was entrusted to task forces from functional management departments working closely with the information systems personnel to identify the most appropriate switchover scenarios. At the same time, and in order to help the teams in their choice of scenario, simulations of financial impacts were carried out in relation to specific issues and certain entities. These simulations will continue at Group level.

The conclusions of this detailed diagnosis will make it possible to define a plan of action to be implemented in all the Group's different entities during the second quarter of 2004.

The IFRS project is organized around two supervisory bodies:

- A Strategic Committee, comprised of two members of the Management Board of the CNCE and senior managers from the individual Caisses d'Epargne, approves the chosen scenarios,

- A Steering Committee, chaired by the member of the Management Board of the CNCE responsible for financial management, is responsible for tactical decisions, approves the progress achieved by the project, and ensures that the predetermined objectives are respected.

Both these committees enjoy the support of an Operational Committee, responsible for coordinating the project, for ensuring that work proceeds smoothly, and for appraising the operational risks and the corrective actions required.

This organization, combined at an operational level with a significant, cross-functional mobilization of expertise within the Group as a whole, enables the programme to proceed as originally planned and rapidly to include within the scope of its analysis problems related to the implementation of the new standards and, more particularly, those related to the information systems.

As a result, the Caisse d'Epargne Group will be in a position, at the very least, to respect the deadline set for institutions issuing securities listed on a regulated European market, namely: the initial publication of consolidated financial statements for the 1st half of 2007 at the latest.

2. STRONG GROWTH IN CONSOLIDATED RESULTS

	2001	2002	2003	Change	
Net banking income	5,760	6,583	7,247	664	10%
General operating expenses	(4,384)	(4,774)	(5,063)	(289)	6%
Gross operating income	1,376	1,809	2,184	375	21%
Operating efficiency ratio	76.1%	72.5%	69.9%	(2.6 points)	-
Net additions to provisions	(391)	(357)	(306)	51	(14%)
Share in net income of companies accounted for by the equity method	200	151	155	4	3%
Net gains on fixed assets	41	45	75	30	67%
Net ordinary income before tax	**1,226**	**1,648**	**2,108**	**460**	**28%**
Exceptional items	37	(9)	(54)	(45)	500%
Tax on profits	(236)	(435)	(503)	(68)	16%
Amortization of goodwill	34	(38)	(15)	23	(61%)
Allocations to the Reserve for General Banking Risks	(185)	(156)	(294)	(138)	88%
Minority interests	(86)	(58)	(126)	(68)	117%
Net income (excluding minority interests)	**790**	**952**	**1,116**	**164**	**17%**
Earning capacity (excluding minority interests)*	**975**	**1,102**	**1,356**	**254**	**23%**
Return on equity**	10.1%	10.1%	11.3%	1.2 points	-

* Earning capacity (excluding minority interests) = net income (excluding minority interests) + amounts allocated to the Reserve for General Banking Risks (excluding minority interests).

** Calculated on the basis of opening capital funds in 2001 and average capital funds in 2002 and 2003.

The results achieved by the Caisse d'Epargne Group in 2003 show significant improvement and reach the objectives of its "Double!" strategic plan that had been fixed following the reform of the Caisses d'Epargne at the end of 1999:

- **Gross operating income rose by a total of 21%.** This performance, comparable to that achieved in 2002 and 2001 (on a like-for-like basis), reflects 10% growth in income related to interest margins, commissions and fees, larger than the 6% increase in general operating expenses.

- **Net ordinary income before tax** for the first time exceeded the €2 billion mark, rising to €2,108 million, equal to **growth of 28%** compared with the previous year following a decline in net additions to provisions and the realization of significant capital gains on the sale of buildings housing the head office of Crédit Foncier.

- The Group's **earning capacity** (excluding minority interests) reached a total of €1,356 million in 2003, representing **growth of 23%** compared with the previous year. As a result, the Group has achieved its initial objective of doubling its 1999 earning capacity.

- **The operating efficiency ratio was improved by a further 2.6 points** and is brought for the first time to less than 70% at 69.9% at the end of December 2003. The Group 's operating efficiency ratio has improved more than 10 points over the past 3 years, confirming the success of the rationalization drive launched by the Group since the reform of the Caisses d'Epargne.

- Finally, **return on equity rose to 11.3% in 2003**. The target included in the strategic plan of achieving a ROE of 10% by the end of 2003 was already achieved in 2002.

2.1 Net banking income up 10%

(*in millions of euros*)

	2001	2002	2003	Change	
Net interest margin	3,187	3,551	4,052	501	14%
Commission and fee income	2,389	2,853	3,053	190	7%
Other income	184	179	152	(27)	(15%)
Net banking income	**5,760**	**6,583**	**7,247**	**664**	**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 10% to reach a total of €7.25 billion. The contribution of commission and fee income to 2003 net banking income was 42%, down from 43.3% in 2002, despite an increase in volume terms. This relative decline was due to the combined impact of a negative currency effect on commissions received by CDC ISIX NA (- 0.4 points) in 2003 andthe weakness of the net banking income generated by the Group's "capital markets" and "proprietary trading" activities in 2002 reflecting the general depressed nature of the financial markets. As far as retail banking activities are concerned, the proportion represented by commissions and fee income in overall net banking income remains stable. For the Caisses d'Epargne, this item accounts for 45% of aggregate net banking income.

- Net interest margin

Net interest margin rose 14% compared with 2002 to reach a total of €4.05 billion.

This strong growth is linked to:

- Growth of €110 million in the overall intermediation margins generated by the retail banking activities, chiefly driven by a rise in average outstandings related to lending (+5%) and intermediation activities (+1%). By the end of the financial year, these outstandings listed on the balance sheet had risen respectively by 8.6% (on a constant Group structure basis) and 5.1% between the end of 2002 and the end of 2003.

- Improvement in revenues posted by the activities of CDC IXIS (€83 million, including €74 million for the capital markets activities), which was successful in taking advantage of the decline in interest rates and the narrowing of spreads.

- The rise in income from the portfolio activity securities of CDC IXIS for a total of €59 million, realizing substantial capital gains on the Rossini and Nexity securities (€14 million and €18 million, respectively).

- Positive net income on the equities portfolio after booking €221 million in provisions in 2002.

- Commission and fee income

(*in millions of euros*)

	2001	2002	2003	Change	
Commissions on regulated savings funds	824	878	907	29	3%
Mutual fund and life insurance commissions	525	770	790	20	3%
Fees from banking services	1,040	1,205	1,346	141	12%
Total commission and fee income	**2,389**	**2,853**	**3,043**	**190**	**7%**

Total commission and fee income exceeded the €3 billion mark in 2003, enjoying 7% growth compared with 2002. The strong growth in commissions in 2002 reflected the first-time consolidation of CDC IXIS AM (contributing a total of €159 million).

Commissions received on **regulated savings funds** (*Livret A passbook accounts and, in part, LEP popular passbook and Codevi tax-efficient savings accounts*) rose 3% in 2003, after a 6% increase in 2002. This growth is chiefly due to a volume effect on Livret A passbook accounts whose average aggregate deposits rose 4.6% during the year. Despite this growth in deposits, the proportion of commissions related to Livret A passbook accounts pursued their decline in the aggregate net banking income of the Group, which continues to reduce its dependence on this historical product. Commissions from this source only accounted for 10.9% of net banking income in 2003 against 11.5% in 2002 and 14.3% in 1999.

Commissions on the sale of mutual funds and life insurance products rose 3% in 2003 after 7% growth in 2002 (on a constant Group structure basis) with the mutual fund and life insurance segments performing at different rates.

- After enjoying substantial growth in commissions on the sale of mutual funds for several years, the Group received a total of €391 million in commissions in 2003, representing a 4% decline compared with 2002. This decline is due to a significant adverse currency effect related to the CDC IXIS AM subsidiary. If the accounts are adjusted to eliminate this effect, commissions remain stable despite the decline in customer investments. The Caisse d'Epargne Group nevertheless remains the market leader for the placement of guaranteed-return funds.

- By contrast, new life insurance business generated by the Group took advantage of customers' loss of interest in the stock market and the decline in the yield provided by intermediated savings products. Commissions from life insurance products rose 10% (after growth of 11% in 2002) to reach a total of €399 million thanks, in particular, to the distribution of the *Nuances 3D and Initiative Transmission* products.

Fees from banking services rose 12% to reach a total of €1.35 billion at the end of December 2003. The strong €141 million growth in these fees is due, in part, to penalties charged on early loan repayment (+ €54 million, of which only €25 million can be attributed to the pro-active debt management activity). This situation can largely be explained by the fact that customers took advantage of the decline in interest rates — particularly in the first half of 2003 — to renegotiate their loans. If this effect is excluded, fees from banking services still reported strong growth (+ 8%) owing to the following, in particular:

- A 19% increase in incidental commissions on loans (+ €41 million),

- 10% growth in commissions derived from a wider extension of banking services and products distributed to customers (+ €29 million).

- Other income

Other income covers the following:

- Firstly, the gross margin on insurance business, which enjoyed 53% growth in 2003 (+ €24 million) to reach a total of €69 million, and

- Secondly, other operating income and expense, which declined by 38% to €83 million owing, in particular, to provisions for risks booked during the year for a total of €36 million.

The insurance business includes guarantees and non-life insurance activities, which enjoyed extremely strong growth during the year.

2.2 General operating expenses up 6%

(*in millions of euros*)

	2001	2002	2003	Change	
Personnel costs	(2,637)	(2,932)	(3,098)	(166)	6%
Taxes	(171)	(175)	(154)	21	-12%
External services	(1,233)	(1,355)	(1,497)	(142)	10%
Net depreciation charges	(343)	(312)	(314)	(2)	1%
Total operating expenses	**(4,384)**	**(4,774)**	**(5,063)**	**(289)**	**6%**

General operating expenses rose 6% compared with 2002 to reach a total of €5.06 billion.

Personnel costs (the major element in operating expenses) reached a total of €3.1 billion, equal to an increase of 6% This rise is chiefly due to a cost effect as the average number of Group employees remained stable at approximately 44,900 full-time employees during the year. This cost effect can chiefly be explained by:

- The rise in expenses related to covering the pension liabilities of the Caisses d'Epargne network and Crédit Foncier de France for a total of €52 million,

- The modernization of the remuneration policy applied to the Caisses d'Epargne network employees with the introduction of a variable portion in their salaries correlated to their sales performance. This additional remuneration represented a charge of €45 million during the 2003 financial year.

- The growth in the volume of business generated by the different core business lines of IXIS and the increased activities of the retail banking subsidiaries (CEFI, Eulia caution, overseas banks), triggering a €29 million increase in personnel costs.

All in all, when adjusted to eliminate non-recurring items (pension liabilities and the 1st payment of the variable portion of remuneration), the increase in personnel costs is equal to 2.3% for the Caisse d'Epargne Group as a whole.

Expenses related to taxes reached a total of €154 million, down 12% owing in particular to the sharp decline in the contribution from financial institutions ("tax on general operating expenses") whose rate was cut from 0.8% to 0.4% and the reform of the local tax on business activity (*taxe professionnelle*).

Expenses related to external services rose 10% to a total of €1.5 billion. This strong rise can be explained, in particular, by the following:

- A surge in certain IT expenses equal to €54 million linked to the conclusion of the IT migrations within the Caisse d'Epargne network, and to the modernization of the information system of Crédit Foncier de France (Copernic project) and overseas subsidiaries,

- A €6 million increase in fees related to the internal restructuring operations (merger between individual Caisses d'Epargne, creation of the professional real-estate division within Crédit Foncier), acquisitions-driven growth (Banque Sanpaolo, Entenial, CDC IXIS), projects devoted to changes in the regulatory environment (Basel II, IFRS), and projects concerning the modernization of the middle & back offices of the Caisses d'Epargne's financial activities,

- The greater volume of business generated by the Group's new subsidiaries in consumer credit, guarantees and non-life insurance, leading to a €16 million increase in expenses,

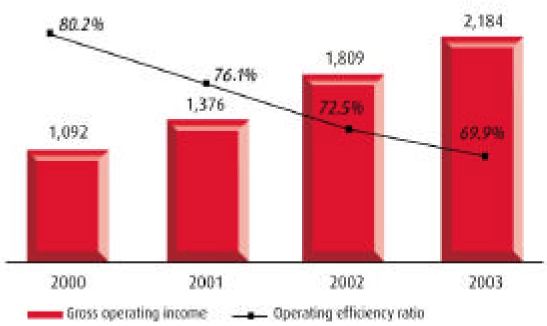
- An increase in rental charges for a total of €11 million (Crédit Foncier de France now rents its premises), advertising expenses up €7 million owing to a more active communications drive (worldwide sponsoring of athletics, etc.).

Net depreciation charges amounted to €315 million, similar to the level of charges recorded in 2002.

2.3 Gross operating income and operating efficiency ratio

Gross operating income reached a total of €2.18 billion in 2003, equal to 21% growth over 2002. The **operating efficiency ratio** improved by 2.6 percentage points to reach 69.9% at December 31, 2003; this ratio stood at 80.2% at the end of the 2000 financial year.

Changes in the operating efficiency ratio and gross operating income



2.4 Net additions to provisions

Net additions to provisions decreased during the year, falling to €306 million from €357 million in 2002, representing a decline of 14%.

(*in millions of euros*)

	2001	2002	2003	Change	
"Dynamic" and sector-based provisions	(151)	(125)	(17)	108	(86%)
Risk on portfolio positions and major financing operations	(123)	(70)	(97)	(27)	39%
Risk on commercial activities	(117)	(162)	(192)	(30)	19%
Net additions to provisions	**(391)**	**(357)**	**(306)**	**51**	**(14%)**

This decline in net additions to provisions is the result of several contradictory trends:

- Firstly, the Caisse d'Epargne Group only booked a small amount to its "dynamic" and sector-based provisions in 2003 following the extremely large provisions set aside in 2001 and 2002 (for €151 million and €125 million, respectively). Starting in 2001, the Group decided to pursue a conservative provisioning policy which after 3 years has created, in principle, a hedge against the probable risk of default on its performing loans and off-balance sheet commitments related to major account portfolios, SMEs, professional real estate, local and regional government, HLM social housing organizations and semi-public companies, and consumer loans. As this initial provision set-up period has come to an end, the Group has entered into a phase of updating its provisions in the light of variations in the probability of default on the part of its counterparties.

- The increase in net additions to provisions concerning the Group's securities portfolio and major financing operations is mainly linked to new provisions booked with respect to the Parmalat, Box Clever, Giraud and American Airlines counterparties for a total of almost €70 million.

- Finally, net additions to provisions related to loans granted by the retail banking arm stand at a total of €192 million against €162 million in 2002. This increase can largely be explained by the increase in provisions booked to cover risks in the individual and self-employed professional customer markets. However, additions to these provisions remain modest in the light of the aggregate amount of loans outstanding, representing

0.20% of total customer outstandings in 2003 against 0.18% in 2002 (excluding "dynamic" provisions).

The proportion of non-performing loans in total customer outstandings remains relatively stable, representing only 2.9% in 2003 against 3.0% in 2002. This category of loans is covered by provisions for 46.5% of their value, against 47.3% in 2002. What is more, "dynamic" provisions allocated to loans outstanding provided additional cover for a total of €361 million at December 31, 2003.

2.5 Net ordinary income before tax

Net ordinary income before tax rose 28% in 2003 to reach a total of €2.11 billion. This increase is the result of the strong rise in gross operating income, the reduction in net additions to provisions, increased gains on fixed assets and the growth in the share in net income of companies accounted for by the equity method.

The share in net income of companies accounted for by the equity method concerns, in particular, the results of the CNP and Ecureuil Vie life insurance companies. This contribution amounted to €155 million in 2003 against €151 million in 2002, equal to growth of 3%.

The item "Net gains on fixed assets" consists of the capital gains realized on the sale of Crédit Foncier's head office building for a total of €102 million, an amount partially offset by capital losses incurred on the sale of investment securities. In 2002, this key sub-total included the capital gains realized on the sale of SIMCO shares and on the sale of the Volney building, carried in the books of the Crédit Foncier Group for a total of €52 million.

2.6 Other items in the consolidated profit & loss account

Exceptional items show a net charge of €54 million in 2003 against a net charge of €9 million in 2002. In accordance with the Group's conservative provisioning policy, this item includes provisions for liabilities and charges related to the Caisses d'Epargne's pension liabilities (for a total of €40 million) to hedge against possible changes in the Group's pension commitments.

Tax on profits stands at €503 million in 2003, up 16% compared with 2002 owing, in particular, to growth in net income.

The Group recorded net amortization of **goodwill** in 2003 for a total of €15 million related to the retail banking subsidiaries in France and in overseas territories after the previous 2002 financial year marked by the exceptional amortization of goodwill related to the American company, Nvest, for a total of €69 million, as well as the reversal of negative goodwill to income for a total of €28 million related to the Crédit Foncier Group and the CNCE.

The different entities belonging to the Caisse d'Epargne Group increased their Reserves for General Banking Risks in 2003 for a total of €294 million, including €145 million for the Crédit Foncier Group. The aggregate reserves in this respect stood at €2.4 billion at December 31, 2003.

2.7 Consolidated net income and return on equity

The Group's **consolidated net income** came to €1,116 million in 2003 compared with €952 million in 2002, equal to an increase of 17%.

The Group's **earning capacity** (net income, excluding minority interests, before allocations to the Reserve for General Banking Risks) increased by 23%, reaching a total of €1.36 billion and, as such, exceeding the target fixed within the framework of the "Double!" strategic plan at the end of 1999.

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 average capital funds) rose from 7.8% in 1999 to 10.1% in 2002, and 11.3% in 2003.

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

(*in millions of euros*)

	Group			Retail banking activities		
	2001	2002	2003	2001	2002	2003
Net banking income	5,760	6,583	7,247	5,319	5,822	6,300
General operating expenses	(4,384)	(4,774)	(5,063)	(4,174)	(4,331)	(4,620)
Gross operating income	**1,376**	**1,809**	**2,184**	**1,145**	**1,491**	**1,680**
Net additions to provisions	(391)	(357)	(306)	(316)	(317)	(207)
Share in net income of companies accounted for by the equity method	200	151	155	200	147	152
Gains (or losses) on fixed assets	41	45	75	37	40	(17)
Net ordinary income before tax	**1,226**	**1,648**	**2,108**	**1,066**	**1,361**	**1,608**
Exceptional items	37	(9)	(54)	38	(8)	(54)
Tax on profits (1)	(236)	(435)	(503)	(280)	(427)	(497)
Amortization of goodwill	34	(38)	(15)	35	31	(7)
Minority interests (2)	(86)	(64)	(180)	(55)	(64)	(46)
Earning capacity (excluding minority interests)	**975**	**1,102**	**1,356**	**804**	**893**	**1,004**
Allocated equity (3)	9,672	10,867	11,972	5,049	5,589	6,264
Return on allocated equity*	**10.1%**	**10.1%**	**11.3%**	**15.9%**	**16.0%**	**16.0%**

* Calculated on the basis of average capital funds.

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), match-funding 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 €6.3 billion in 2003, representing growth of 8.2% compared with 2002. Gross operating income increased by 12.7% to reach a total of €1.68 billion. Earning capacity, which enjoyed growth of 12.4%, amounted to

€1,004 million while the return on the equity allocated to the retail banking business remained stable compared with 2002 at 16%.

3. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(*in millions of euros*)

				Change	
	2001	**2002**	**2003**	**In value**	**As a%**
Cash and due from banks	77,937	74,764	78,769	4,005	5.4%
Deposits with the CDC	78,431	81,154	82,895	1,741	2.1%
Customer loans	110,681	118,658	132,566	13,908	11.7%
Securities portfolio	53,125	54,891	56,584	1,693	3.1%
Other assets	18,803	21,957	23,861	1,904	(8.7%)
Fixed assets	6,080	5,710	6,000	290	5.1%
Total assets	**345,057**	**357,133**	**380,675**	**23,542**	**6.6%**
Cash and due to banks	75,170	76,762	76,878	116	0.2%
Deposits with the CDC	78,431	81,154	82,895	1,741	2.1%
of which Livret A passbook accounts	*62,656*	*64,958*	*65,672*	*714*	*1.1%*
Other customer deposits	87,857	88,935	98,306	9,371	10.5%
Debts represented by a security	63,779	67,571	75,061	7,490	11.1%
Other liabilities	26,032	27,435	28,773	1,338	4.9%
Subordinated debt	1,636	2,179	4,153	1,974	90.6%
Consolidated capital funds and reserves	12,152	13,097	14,609	1,512	11.5%
Excluding minority interests	*10,418*	*11,405*	*12,688*	*1,283*	*11.2%*
Total liabilities	**345,057**	**357,133**	**380,675**	**23,542**	**6.6%**

At December 31, 2003, the total consolidated assets of the Caisse d'Epargne Group amounted to €380.7 billion against €357.1 billion at December 31, 2002, equal to growth of 6.6%. The first-time consolidation of Banque Sanpaolo at December 31, 2003 had an impact of €6.9 billion on total consolidated assets.

Outstanding loans carried on the assets side of the balance sheet grew by almost €14 billion, representing growth of 11.7% (8.6% on a constant Group structure basis), while savings deposits (excluding finds deposited with the CDC) only grew by 10.5% between the end of 2002 and 2003. Outstanding loans currently represent one third of total assets.

Funds deposited with the CDC rose 2.1% to reach a total of €82.9 billion at December 31, 2003, compared with €81.2 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 €0.7 billion (+ 1.1%) in 2003.

Subordinated debt rose by a total of €1.97 billion during the year. The CNCE was the first French bank to issue deeply subordinated notes for a total of €800 million. The CNCE also launched three issues of subordinated notes in 2003, for a total value of almost €1 billion.

Consolidated capital funds and reserves (excluding minority interests but including the Reserve for General Banking Risks) rose by €1.3 million between the end of the two financial years, representing an increase of 11.2%.

3.1 Loans to customers up 11.7% (or 8.6% on a constant Group structure basis)

The figures published in the consolidated balance sheet do not give the most accurate view of growth in the Group's commercial activities. Owing to the joint control of the Eulia financial holding company by the CNCE and the Caisse des dépôts et consignations, the accounts of the Crédit Foncier Group are consolidated on a proportional basis and only 72.4% of outstandings are carried. This is why the analysis of changes in the loan book presented below is based on 100% of the outstandings of the Crédit Foncier Group

(*in billions of euros*)

				Change	
	2001	**2002**	**2003**	**In value**	**As a%**
Individual customers and self-employed professionals	69.2	73.3	82.6	9.3	12.7%
Specialized markets and Major accounts	48.9	53.4	58.0	4.6	8.6%
- Local and regional authorities	24.8	25.8	28.2	2.5	9.5%
- SME and miscellaneous segments	15.9	18.1	18.7	0.6	3.2%
- Major accounts	8.2	9.5	11.1	1.6	16.5%
Customer loans outstanding (Crédit Foncier Group at 100%)	**118.1**	**126.7**	**140.6**	**13.9**	**11.0%**
Customer loans outstanding	**110.7**	**118.7**	**132.6**	**13.9**	**11.7%**

At December 31, 2003, **customer loans outstanding** (including lease financing) net of provisions amounted to €140.6 billion against €126.7 billion at the end of 2002, representing year-on-year growth of 11.0% (and 8.6% on a constant Group structure basis).

An analysis of outstanding loans per customer segment reveals that the Group is expanding its lending activities in all retail banking markets and continuing its 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 more than 40% of outstandings in 2003 as in 2002.

Loans outstanding in the **individual customers and self-employed professionals segment** rose 12.7% in 2003 to reach a total of €82.6 billion at December 31, 2003.

- The **individual Caisses d'Epargne** enjoyed strong demand for **consumer credit** on the part of individual customers, with 15% growth in new personal loan production. A large-scale advertising campaign was launched in the spring with the dual objective of significantly boosting new production and reasserting the status of the Caisse d'Epargne as a benchmark player in this market. The Caisses d'Epargne's share of the consumer credit market increased by 0.5% in 2003.

- **Property loans to individual customers** also buoyed up the activities of the **Caisses d'Epargne** thanks to an active real-estate market and particularly low interest rates, offsetting a certain downward pressure on margins. The French savings banks enjoyed 20% growth in this segment compared with 2002, granting new property loans for a total of €12 billion.

  In the **property loans to individual customers** segment, the **Credit Foncier Group** also enjoyed a good year in 2003 with substantial growth in assets in the non-regulated sector (+ 25%). Crédit Foncier reinforced its front-ranking positions in real-estate projects thanks to a consolidation of loans, and strong growth in additional sales: new loan production reached a total of €3.7 billion in 2003.

- The **self-employed professionals** segment continued to make headway (the Caisses d'Epargne held more than 7% of this market at the end of 2003, representing a 3-point increase in the space of four years). If the Océor subsidiary and Banque Sanpaolo are also included in the calculation, the Group boasts more than 200,000 professional customers, including 120,000 who bank with the Group in both a private and a professional capacity.

Thanks to the loyalty of this clientele, new loan production in 2003 represented a total of €2 billion.

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 9.5% (up by almost €2.5 billion) to €28.2 billion. 2003 represents a turning point in the local communities sector, with the Group reinforcing its role as the reference financier of local and regional authorities, running neck-and-neck with the historical leader, Dexia.

The good financial health currently enjoyed by local government is the fruit of a political determination to reduce public body debt, favoured by the decline in interest rates and the easing of financial restrictions. This greater financial stability has put an end to the timid investment strategies characterizing the 1990s. The recovery has been clear since 2002 and, between now and 2007, local government investment should continue on an upward curve of 5.1% per year on average.

Total loans outstanding granted to **SME and miscellaneous segments** rose 3.3% compared with 2002 to reach a total of €18.7 billion at the end of 2003. However, on a constant Group structure basis, loans outstanding contracted by almost 10%.

- Demand from **small - to medium-sized enterprises** was rather sluggish, and new loan production in this sector declined overall in 2003. In an extremely adverse economic environment, the Group focused on controlling its risks and emphasized qualitative changes and, in particular, a gradual rebalancing of the deposits/loans ratio. The acquisition of Banque Sanpaolo will enable the Group to take a new decisive step in this market segment in 2004.

- Loans outstanding with respect to **miscellaneous segments** are marginally lower than in 2002 (€8 billion at December 31, 2003 down from €8.4 billion at December 31, 2002). The decline is chiefly due to the Crédit Foncier Group as the contribution from the individual Caisses d'Epargne, in contrast, remains positive overall. Loans granted to associations financed by the Caisses d'Epargne enjoyed marginal growth in 2003 (the loan book rose from €1.1 billion to €1.4 billion in the course of the year). The volume of loans granted to private real-estate professionals, financed by the Caisses d'Epargne, increased by a modest €270 million.

Loans outstanding granted to **major accounts** stood at €11.1 billion at the end of 2003 (up €1.6 billion year on year). This item includes loans to major accounts granted by CDC IXIS, the Caisses d'Epargne and the Crédit Foncier Group.

3.2 Total managed customer funds up 6.5%

(*in billions of euros*)

				Change	
	2001	**2002**	**2003**	**In value**	**As a%**
Intermediation activity	100.2	100.6	108.9	8.3	8.3%
Commission-earning activity	156.5	162.7	171.4	8.7	5.3%
Total customer deposits	**256.7**	**263.3**	**280.3**	**17.0**	**6.5%**
Shares in local savings companies	1.6	2.2	2.6	0.4	16.5%

Aggregate managed customer funds stood at €280.3 billion at December 31, 2003, representing an increase of €17.0 billion compared with December 31, 2002 or growth of 6.5% (4.5% on a constant Group structure basis).

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 2.7 million to 3 million. At the end of 2003, cooperative shareholders had purchased shares for a total value of €2.6 billion since subscriptions began in 2000.

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

Intermediated savings increased by 8.3% during the year (5.1% on a constant Group structure basis) to reach a total of €108.9 billion at the end of 2003.

(*in billions of euros*)

				Change	
	2001	**2002**	**2003**	**In value**	**As a %**
Demand deposits	19.7	19.6	22.0	2.4	12.2%
Passbook accounts	11.7	12.7	14.7	2.0	15.7%
Home purchase savings plans and accounts	40.1	41.7	44.1	2.4	5.8%
Popular savings plan (PEP)	6.9	5.9	5.2	(0.7)	(11.9%)
Time deposits	6.5	6.0	4.9	(1.1)	(18.3%)
Retail bonds issued by the CNCE, savings certificates and other	15.3	14.7	18.0	3.3	22.4%
Total intermediation	**100.2**	**100.6**	**108.9**	**8.3**	**8.3%**

At December 31, 2003, **demand deposits** had increased by a total of €2.4 billion (or by 6.6% on a constant Group structure basis) compared with their level at the end of 2002.

Deposits on passbook accounts increased 15.7% to reach a total of €14.7 billion thanks, in particular, to growth in deposits on Livret B and LEP popular passbook savings accounts, which rose 30% and 6%, respectively.

Deposits in home purchase savings plans and accounts increased by almost €2.4 billion, or 5.8%, to €44.1 billion.

Net withdrawals from **PEP popular savings plans** continued in 2003 but at a slower pace. After falling 17% in 2001 and 14.7% in 2002, deposits in popular savings plans fell by 11.9% to a total of €5.2 billion at the end of 2003.

Savings invested in **time deposits** declined significantly (compared with the end of the year) against a background of sharply reduced market rates. Time deposits fell by 18.3% in 2003 to reach a total of €4.9 billion after experiencing a 7.6% decline in 2002.

Lastly, outstandings on **retail certificates of deposit issued by the CNCE (*Ecureuil* loans), savings certificates** and **other products** rose by €3.3 billion to reach a total of €18.0 billion chiefly due to new issues of retail certificates of deposit by the CNCE. 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 €1.1 billion in 2003 against €1.5 billion in 2002.

3.2.2 Commission-earning activity up 5.3%

(*in billions of euros*)

	2001	2002	2003	In value	As a %
Regulated savings funds deposited with CDC (Livret A, LEP passbook accounts and *Codevi*)	78.4	81.2	82.9	1.7	2.1%
Mutual funds	24.4	24.5	28.5	4.0	16.3%
Life insurance	49.9	54.5	57.5	3.0	5.5%
Other securities under management	3.8	2.5	2.5	0.0	0.0%
Total commission-earning activity	**156.6**	**162.7**	**171.4**	**8.7**	**5.3%**

Managed funds related to commission-earning activities continued to grow at a regular pace, rising 5.3% in 2003 thanks, for the most part, to mutual funds (+ 16.3%) and, to a lesser extent, to life insurance (+ 5.5%). On a constant Group structure basis, the increase stands at 4.1%.

Regulated savings funds deposited with the Caisse des dépôts et consignations rose 2.1% to a total of €82.9 billion at December 31, 2003 up from €81.2 billion one year earlier despite the cut in interest rates in August 2003. This increase is principally due to the performance achieved by *Livret* A passbook accounts, which grew by a total of €714 million (the capitalization of interest making t possible to offset withdrawals of almost €1 billion) and, for the balance, by LEP passbook accounts and Codevi savings accounts.

Savings invested in **mutual funds** rose by 16.3% (or 12.2% on a constant Group structure basis) to reach a total of €28.5 billion at December 31, 2003. This positive performance is partly due to the revaluation of managed funds at the end of the period (market effect). Without this adjustment, aggregate savings would only have grown by 7.3% (on a constant Group structure basis).

In **life insurance** the Group achieved 5.5% growth in life funds during the year with, in particular, the success of the new *Initiatives Transmission and Nuances* products. Nuances 3D, a combined unit-linked and non-unit-linked product, continued its excellent commercial track record. The aggregate value of life funds rose to €57.5 billion at December 31, 2003 from €54.5 billion at December 31, 2002.

3.3 Securities portfolio and debts represented by a security

The Group's securities portfolio increased marginally during the year to reach €56.6 billion at December 31, 2003 compared with €54.9 billion at the end of 2002 (up 3.1%). **Trading account securities** rose 6.5% to reach a total of €15 billion in 2003, up from €14.1 billion in 2002. **Securities held for sale and portfolio equity investments** enjoyed growth of 3.1% to reach €20.4 billion at December 31, 2003 compared with €19.8 billion at the end of 2002. **Investment securities** grew marginally during the year, rising from €20.9 billion in 2002 to almost €21.1 billion in 2003 (+ 0.8%).

Securities portfolio

(*in millions of euros*)

				Change	
	2001	2002	2003	In value	As a %
Trading account securities	14,615	14,117	15,033	916	6.5%
Securities held for sale	20,838	19,806	20,419	613	3.1%
Investment securities	17,672	20,967	21,132	165	0.8%
Total securities portfolio	**53,125**	**54,890**	**56,854**	**1,694**	**3.1 %**

Debt securities issued by the Group (excluding retail certificates of deposit and savings certificates) amounted to €74.0 billion at December 31, 2003 against €66.1 billion in 2002, equal to growth of 11.8%. Negotiable debt securities and interbank instruments stood at €24.3 billion, representing growth of €1.9 billion (+ 8%) compared with 2002. Bonds rose to €49.7 billion, representing growth of €6 billion (+ 14%) over 2002.

Debts represented by a security

(*in billions of euros*)

				Change	
	2001	**2002**	**2003**	**In value**	**As a %**
Savings certificates and retail certificates of deposit	2,139	1,452	1,088	(364)	(25%)
Money market securities	19,028	22,442	24,300	1,858	8%
Bonds	42,483	43,646	49,673	6,027	14%
Other debt represented by a security	130	31	0	(31)	(100%)
Total debt securities issued	**63,780**	**67,571**	**75,061**	**7,490**	**11%**

3.4 Consolidated capital funds and reserves up 10.8%

(*in millions of euros*)

	2002	**Appropria-tion of 2002 net income**	**Earning capacity 2003**	**Translation adjustment**	**Other movements**	**2003**
Consolidated capital funds and reserves (excluding Reserve for General Banking Risks)	9,298	(86)	1,116	(44)	4	10,288
Reserve for General Banking Risks (excluding minority interests)	2,060		240		(1)	2,299
Consolidated capital funds and reserves	11,358	(86)	1,356	(44)	3	12,587
Earning capacity (excluding minority interests)	**1,102**					**1,356**
Return on equity (earning capacity/average capital funds)	10.1%					11.3 %

Consolidated capital funds and reserves (including the Reserve for General Banking Risks) rose to €12.6 billion at December 31, 2003 from €11.4 billion at December 31, 2002, representing growth of almost 10.8% (this item had already experienced strong growth of 9.5% between 2001 and 2002).

4. CAPITAL FUNDS AND CAPITAL ADEQUACY RATIO

(*in millions of euros*)

	2002	**2003**	**Change (as a %)**
Total capital	13,340	15,332	14.9 %
of which Tier 1 capital	*12,477*	*14,527*	*16.4%*
Including non-cumulative undated deeply subordinated notes		*800*	
Capital funds requirements	9,342	10,269	9.9 %
Loan loss risks	8,539	9,447	
Market risk	803	822	
International capital adequacy ratio	**143 %**	**149 %**	**6 points**
Tier-1 capital ratio	*133 %*	*141 %*	*8 points*

In compliance with the provisions of French Banking Regulations Committee (CRBF) Rule 2000-03, as amended, networks of entities possessing a central institution 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 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 €10.3 billion at December 31, 2003, up 9.9% compared with December 31, 2002.

In November 2003, the CNCE issued non-cumulative, undated deeply subordinated notes for a total of €800 million. This issue was arranged in application of the new provisions of article L.228-97 of the French Commercial Code as amended by the Financial Security Act.

Following the approval of the General Secretary of the French Banking Commission, this issue may be assimilated to the consolidated tier-1 regulatory capital of the CNCE and Caisse d'Epargne Group up to a maximum of 15% of the consolidated tier-1 regulatory capital as applicable to "innovative" financial instruments.

Total capital is the sum of tier-1 capital (including the non-cumulative, undated deeply subordinated notes), 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 increased by 6 points during the year, rising from 143% at the end of 2002 to 149% at the end of 2003 (of which 141% for Tier-1 capital alone against 133% in 2002), well in excess of the statutory ratio of 100%.

5. RISK MANAGEMENT WITHIN THE CAISSE D'EPARGNE GROUP

5.1 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 aim of the internal control system is to satisfy the following three requirements:

- To monitor the activities of the Group in such a way as to achieve the highest possible earning capacity for the bank's business activities while maintaining the lowest possible level of risk inherent in these activities,

- To provide exhaustive, accurate, and timely information necessary for appraising risks and verifying that they remain in line with the level of risk authorized,

- To respect internal and external regulations.

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 major 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 (Caisse Nationale des Caisses d'Epargne) is the central institution 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 mutual savings banks, 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, of interest-rate risks on the Group's liquid assets portfolio, and of global interest-rate and liquidity risks,

- The periodic verification of the smooth functioning of the internal control procedures by the Internal Audit department.

The resources of the Internal Audit department are organized in such a way as to allow them to inspect each of the Group's banking entities with an appropriate degree of frequency depending on the level of risk represented by the activities pursued by these entities and the quality of their internal control systems. The principal objectives of audits are to appraise and report on:

- The quality, effectiveness and smooth functioning of the internal control systems,

- The accuracy and completeness of accounting records and management information,

- The quality and adequacy of the procedures set up to ensure compliance with the law, regulations, market rules and codes of good conduct,

- The quality and smooth functioning of the risk management systems and their compliance with the regulations,

- The respect of Group policies and rules, and compliance with directives issued by the establishments,

- The effective implementation of recommendations made by previous audits.

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.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 €271 million at December 31, 2003 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.

5.2 Vigilance against money laundering and measures to combat the funding of terrorism

The "Money Laundering Vigilance" unit within the Group Risk Department is responsible for the assignments undertaken by the CNCE on behalf of 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 the respect of professional regulations, notably those governing the offer of investment services or the distribution of insurance products.

It is responsible 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 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 which raise suspicions of money laundering and for reporting such operations to the appropriate department of the French Ministry of Finance and Industry responsible for monitoring potentially illicit financial transactions (known under the abbreviation *Tracfin*).

The aim of initiatives taken at Group level is to enhance the quality of the mechanisms adopted to prevent money laundering within the different entities. In 2003, standards and principles governing procedures common to all the entities potentially concerned by these illicit financial transactions were fully revised and circulated for immediate adoption, along with an Ethical Charter for the Prevention of Money Laundering.

The Group has also opted for a solution providing automatic monitoring of customer operations to improve the detection of questionable transactions.

Based on a rules engine and incorporating a behavioral analysis function, this system — scheduled for deployment through the network starting in late 2004 — is designed to improve the monitoring and treatment of irregularities whose analysis could raise suspicions of money laundering.

The Caisse d'Epargne Group is the first major French bank to have chosen an automatic detection system.

With the acquisition of a licence to use the training system devised by the French Banking Federation with the help of the *Tracfin* unit, the Group started work on tailoring the various modules included in the system in line with its own activities, and prepared a wide-ranging personnel training scheme to be deployed in 2004.

The manual published by the French Banking Federation to heighten awareness about the struggle to combat money laundering has been widely circulated, along with the booklet presenting the Group's standards in this area, to the employees working in each entity.

As far as efforts to prevent the funding of terrorist organizations are concerned, all the necessary steps have been taken within the Group to apply French and European regulations in this area.

In 2003, and in order to reinforce the monitoring tools at its disposal, the CNCE acquired, on behalf of the Group's different entities, a terrorist list management and filtering tool to be used for detection purposes both when entering into relations with new customers and for the permanent scanning of existing customer files.

5.3 Management of credit risks, capital market risks and operational risks

5.3.1 Organization and tools at the level of the Group and Group entities

In its capacity as the central institution of the network and parent company of the national French subsidiaries, the CNCE is responsible for guaranteeing the consistency of the risk management departments and mechanisms adopted within Group entities as well as the control of consolidated risks, notably by defining the areas subject to exposure limits, by setting at Group level ceilings to limits that the different entities are authorized to adopt for themselves, and by adopting specific and, if necessary, restrictive mechanisms with respect to certain risks deemed critical to the Group by virtue of their degree of materiality or concentration.

The Group Risk Department reports directly to the Finance & Risks division, created in December 2003, which groups together the following functional departments: Group Financial Management, Conformity, Group Consolidation and Regulations, Group Management Control and the Basel II programme.

The Group Risk Department is 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 error 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.

The risk management department in each Group entity (Caisse d'Epargne or national subsidiary) is responsible for managing and monitoring risks. The risk management function within a Group entity:

- Is responsible for circulating, at a local level, all Group standards regarding the analysis and measurement of risks.

- Ensures, as far as decisions related to the granting of loans and operational limits are concerned, that the Group's rules governing ratings and risk analysis are effectively applied, and provides a second opinion when required by the proxy system.

- Is responsible for examining proposals for risk limits and for organizing the operational monitoring of risk and ensuring adherence to exposure limits within the framework of Group standards.

The exposure-limit mechanism is organized at several different levels:

- Exposure limits at Group level are approved by the Management Board of the CNCE after deliberation at committee level. These limits reflect the risk and development policy of the Group.

- Group exposure limits define global ceilings which are then allocated to the subsidiary or affiliated entities according to the same principles. The entities' exposure to risk may be frozen if a ceiling is reached or a Group limit is reduced.

- Lastly, the entities in turn allocate these exposure limits per core business, activity, or subsidiary, as necessary. Each Group entity manages its 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.

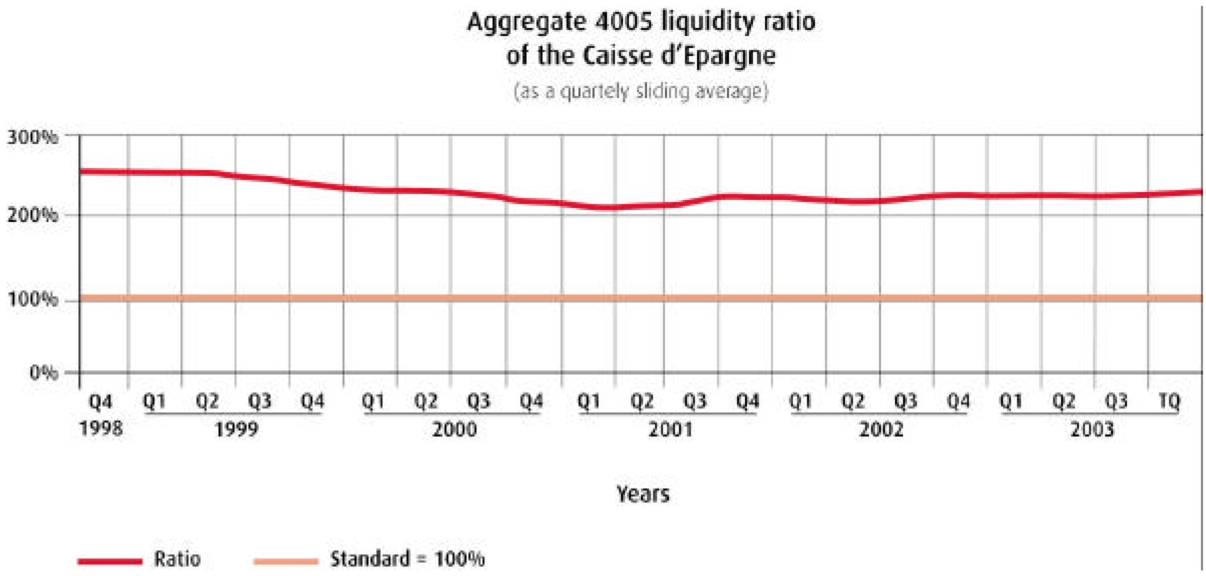
The *Outil de Pilotage Risque Groupe* (OPRG, or the Group Risk Steering Tool) should allow a consolidated monitoring of capital market and credit risks (both at an operational and regulatory level) and a monitoring of risks by each savings bank and subsidiary. As such, the OPRG should comply with the new Basel II regulations and with the provisions of the French Banking Regulations Committee (CRBF) Rule 97-02. OPRG covers a set of functions assumed at different levels of the organization: branches, local departments, entities, communities, and the national level. It is based on interoperative systems that form an integral part of the Caisse d'Epargne Group's information system.

OPRG includes statistical functionalities (modelling of scoring and rating algorithms, deployment and backtesting of models, etc.) as well as risk monitoring functionalities (parameterization and calculation of operational and regulatory credit risk indicators as provided for by the Basel committee, regulatory reporting, operational reporting, monitoring of exposure limits, etc.). A *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).

5.4 General financial risks related to retail banking activities

5.4.1 Liquidity risk

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 and stability of its credit rating allowing it to raise the additional financial resources it needs to develop its activities. The rating agencies not only unanimously confirmed the issuer ratings of the CNCE following the announcement of the New Foundations project and the development of the partnership with the Caisse des dépôts, but also welcomed the constant improvement in the Group's financial performance as reflected in the ratings assigned for financial strength. The Group consequently enjoys the highest ratings assigned to French banks. The CNCE took advantage of this creditworthiness in November 2003 with the first issue by a French bank of deeply subordinated notes, an innovative capital instrument, for which the Group attracted an order book of almost €2 billion with the lowest spread ever achieved in the euro market, all issuers taken together.



Continuing the trend observed in previous years, the impact of the economic environment in 2003 on the Caisse d'Epargne Group, as on all the other major retail banks, resulted once again against a background of extremely low interest rates, in a reallocation of customer funds flows and savings towards life insurance contracts. At the same time, however, new loan production remained extremely 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.

The structure set up within the framework of the Eulia project is designed to optimize the different signatures present in the market as well as the resources used to implement these signatures. The Group's refinancing operations are governed by the CNCE using its signature dedicated to the retail banking activity (as defined within the framework of Eulia). The operational implementation of refinancing operations is 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,

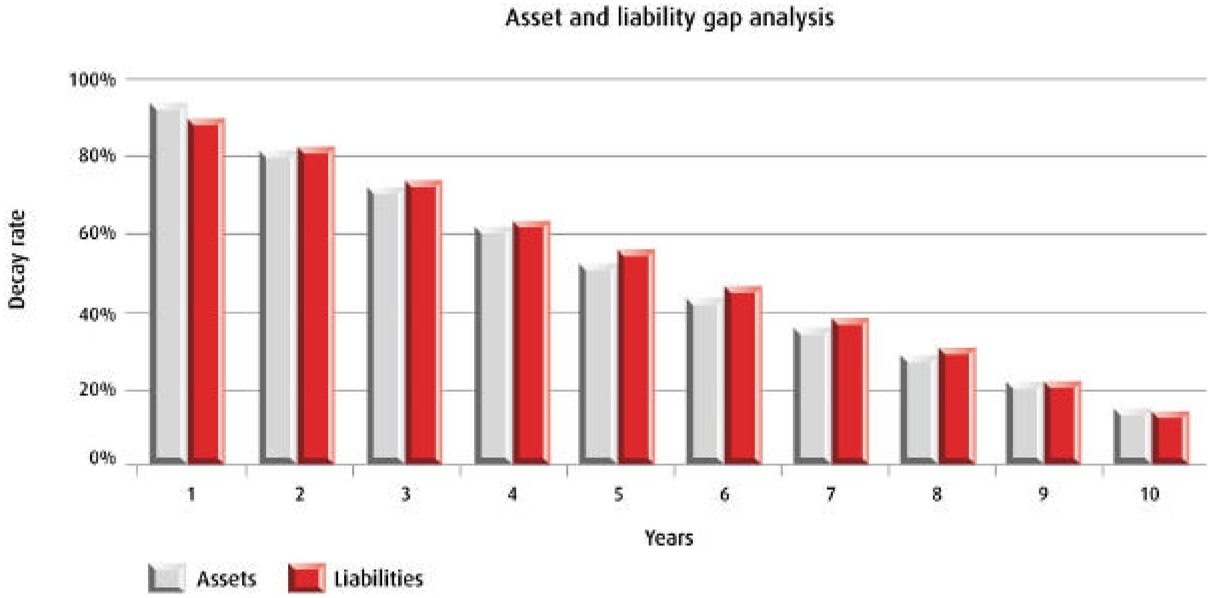
- Secondly, an *ad hoc* structure within CDC IXIS is responsible for the capital markets intermediation function on behalf of Group entities.

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 budgets intended to refinance local government projects from supra-national bodies. In this respect, the CNCE obtained refinancing from the European Investment Bank for a total of €575 million (including €175 million dedicated to the Hôpitaux de France programme) on behalf of the Caisses d'Epargne, making the Group a major partner of the EIB in France,

- 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,

- Compagnie de Financement Foncier, a subsidiary of Crédit Foncier, issued covered bonds (obligations foncières) in 2003 for a total of €9.6 billion (65%. in public placements and 35% in private placements), taking its outstandings in this area to a total of €32.6 billion. For the second year in succession, Compagnie de Financement Foncier is the second largest issuer after the French State.



The Group's overall liquidity position and the positions of each individual entity are monitored by the CNCE. Annual financing plans cover the long-term requirements of the Group entities in the light of their anticipated needs. The use of short-term resources is subject to quotas per entity depending on the Group's ability to raise short-term funds in the capital markets.

5.4.2 Global interest-rate risk

2003 was marked by the general implementation of global interest-rate risk indicators within the retail banking entities of the Caisse d'Epargne Group. In these core business activities, 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.

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.

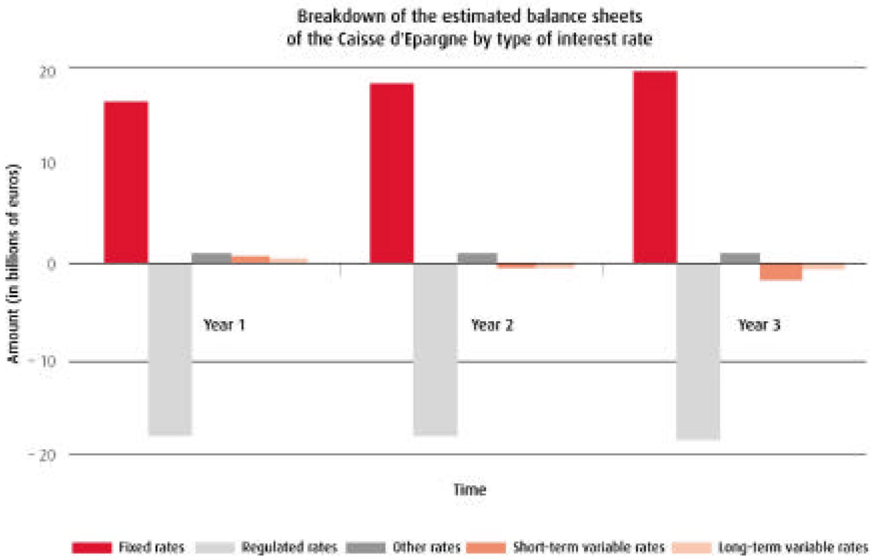
The coherent organization of these two management levels helps to optimize the financial management of the Caisse d'Epargne Group in interaction with the approach adopted by the Eulia financial holding company throughout the entire Group structure.

It also makes it possible to obtain the best possible integration of knowledge about foreseeable customer behavior specific to each regional savings bank. 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), analyzes 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**

In the Group's configuration in 2003, significantly influenced by the retail banking activities, particular attention is paid to mismatch risks and the 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% at December 31, 2003, the reduction in net banking income at a three-year horizon — on the basis of the new conventions regarding regulated interest rates and before any corrective action — would be close to €200 million, equal to 3.2% of current levels of net banking income, which would only increase the operating efficiency ratio by 2.1 points.

As a precaution, 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.



5.4.3 Credit risks

Credit risk can be defined as the financial 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.

The scope of the capital market activities pursued by the Group's different entities 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, securitization operations, major corporations, sovereign, public and supranational borrowers, and large regional public authorities (and similar bodies).With respect to the rating of the national counterparties (and, more particularly, those included within the scope of the financial activities of the Caisses d'Epargne), 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 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 **Group Rating Committee** is responsible for rating the national and multiregional counterparties as soon as the Group's outstandings exceed a certain threshold, if necessary by group of related debtors, as provided for in the regulations governing major risks.

Overall Group exposure to different counterparty risks 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.

In accordance with professional standards, when the Group Rating Committee prepares recommendations for Group exposure limits per counterparty, it takes account of indicators that concern both the counterparty (internal rating, capital funds, debts, etc.) and the Caisse d'Epargne Group (capital funds and earning capacity). Similarly, exposure limits per counterparty are calculated at the level of Group entities in the light of two limits: one based on a criterion of solvency, the other based on profitability. The choice of credit operations must also take account of their profitability. This appraisal must be carried out in terms of the return-on-equity target laid down by the Group. Lastly, Group entities set limits on outstandings in terms of issuer diversification, breakdown by business sector and by credit rating.

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.

Working through the Group Provision Committee, the CNCE also initiates procedures in a uniform manner throughout the Caisses d'Epargne network whereby compromised operations or counterparties are downgraded and provisions are booked.

At an organizational level, standardized procedures have been established for the pursuit of financial operations as far as syndication activities in the corporates and major financing market are concerned. These procedures cover the role played by arrangers, the risk appraisal system, and the approach used for monitoring operations.

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. 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.

Country risk can be defined as the combination of a sovereign risk whereby a country may find itself unable to honour its commitments, a political risk liable to generate a risk involving the non-transfer of assets, and an economic risk liable to increase the level of credit risk. An operation may only be initiated if the nationality of the debtor or guarantor, the geographical area in which the operation will take place, and the country of the entity carrying the commitment in its books all correspond to one of the countries for which risk is accepted by the country risk mechanism. The Caisse d'Epargne Group is exposed to very little country risk; country limits and ratings are subject to the appraisal of the Group Rating Committee.

5.4.4 Analysis of the Group's credit portfolio at December 31, 2003

- **Analysis of outstanding loans**

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 communities, 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**

(*in millions of euros**)

	2002			2003		
	Net loans outstanding	**Performing loans**	**Non-performing loans**	**Provisions**	**Net loans outstanding**	**Provisioning rate**
Local retail banking	73,252	81,402	2,109	(937)	82,574	44.4%
Specialized markets and major accounts	53,404	56,951	2,069	(1,006)	58,014	48.6%
- Local and regional authorities	25,763	28,184	62	(25)	28,221	40.3%
- SMEs and other	18,120	17,841	1,706	(842)	18,705	49.4%
- Major accounts	9,521	10,926	301	(139)	11,088	46.2%
Customer loans	**126,656**	**138,353**	**4,178**	**(1,943)**	**140,588**	**46.5 %**

* Crédit Foncier outstandings carried at 100%.

The Group has also booked dynamic provisions for a total of €361 million to hedge against the probable risk of default on its performing loans. Lastly, thanks to a reserve for credit risk (included in the Reserve for General Banking Risks), the Caisses d'Epargne had additional provisions for a total of €173 million in 2003. In all, outstandings were covered by allocated and non-allocated provisions for a total of 1.7% in 2003 compared with 1.8% in 2002.

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

Outstanding loans (excluding the individual customer market and outstandings deposited with CDC IXIS) amounted to a total of €55.7 billion at December 31, 2003 (including €1.5 billion in lease financing activities). As the local government sector (included under "Local and regional authorities") accounts for 35.2% of this total, it has been excluded from this analysis which, therefore, only covers outstandings for a total of €36.1 billion (excluding accrued interest).

Economic sector	**Dec. 31, 2002**	**Dec. 31, 2003**
Real estate, rentals and business-to-business services	52.0%	51.6%
Health and welfare	11.6%	11.7%
Manufacturing industry	5.2%	5.1%
Retailing, car repairs and domestic goods	5.4%	5.6%
Public, social and individual services	5.0%	5.1%
Transport and communications	3.3%	3.5%
Hotels and restaurants	3.8%	3.8%
Energy production and distribution	1.9%	1.9%
Financial services	7.3%	7.2%
Education	1.8%	1.8%
Construction	1.5%	1.5%
Primary sector and activities outside France	1.2%	1.2%
Total	**100.0%**	**100.0%**

- **Analysis of outstandings with national counterparties**

All the statistics at December 31, 2003 presented below concern consolidated proprietary activities of the Caisse d'Epargne Group, namely: the individual Caisses d'Epargne, CFF, Océor, Banque Sanpaolo, Eulia Caution, Muracef, Ecureuil IARD and CDC IXIS (risk consolidated at the rate of 26.45%).

The tables of commitments include "banking", "corporate" and "securitization" counterparties. The other counterparties — chiefly "sovereign", "associations", and "local authorities"—are not included in the scope of the analysis. For counterparties presented, all operations are included (loans, debt and capital instruments). They are all expressed in millions of euros and in equivalent credit risks for off-balance sheet derivative products.

- **The breakdown of corporate outstandings by economic sector is as follows:**

(*in millions of euros*)

Economic sector	Loans outstanding	As a %
Real estate	3,656	11.7
Automotive/auto equipment manufacturers	2,772	8.9
Services	2,289	7.3
Insurance/reinsurance/financial institutions	2,237	7.2
Supermarket retailing	1,703	5.5
Business-to-business services	1,559	5.0
Telecom operators/manufacturers	1,545	5.0
Materials	1,374	4.4
Agro-food	1,260	4.0
Airline companies	1,107	3.5
Manufacturing companies	813	2.6
Rail transport	761	2.4
Media (press/TV/cinema)	733	2.3
Tourism/leisure activities	649	2.1
Chemical industry	644	2.1
Construction/public works	607	1.9
Management company	607	1.9
Specialized retailing	580	1.9
Oil companies/equipment manufacturers	548	1.8
Aeronautical industry	523	1.7
Luxury goods	516	1.7
Equipment for business purposes (light goods)	433	1.4
Infrastructure management	424	1.4
Sea transport/shipping	383	1.2
Pharmaceutical industry	350	1.1
Others (sum of economic sectors < 1%)	3,127	10.0
Total	**31,200**	**100**

- **The analysis of "banking", "corporate" and "securitization" outstandings by quality of internal rating is as follows:**

Internal rating	Loans outstanding	As a %
AAA	13,988	18.6
AA	17,264	23.0
A	16,225	21.6
BBB	10,428	13.9
BB	2,024	2.7
B	221	0.3
C	91	0.1
D	155	0.2
Not rated by the Rating Committee	14,749	19.6
Total	**75,145**	**100**

Outstandings not rated by the Rating Committee 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 analysis of "banking" and "corporate" outstandings by country is as follows:**

Country	Loans outstanding	As a %
France	33,329	54
Germany	7,746	13
USA	5,254	9
United Kingdom	4,411	7
Netherlands	2,017	3
Spain	1,701	3
Italy	921	1
Sweden	920	1
Belgium	890	1
Denmark	674	1
Luxemburg	543	1
Ireland	483	1
Others	313	1
	2,355	4
Total	**61,557**	**100**

5.5 Capital market risks

The source of the Group's capital market risks consists in the financial activities of the Caisses d'Epargne and in the operations carried out by CDC IXIS.

Capital market risks are divided into five main types of risk: interest-rate risk, foreign exchange risk, equities risk, options risk and liquidity risk. Other types of risk exist for exotic financial instruments such as model risks and decorrelation risks.

Three risk measurement methods are typically used:

- Position, which focuses on the negotiated, nominal amounts, or on the market values,
- Sensitivity, which measures the changes in market value for a unit change in a risk factor,
- Maximum loss, based on scenarios involving the change of one or several risk factors.

Financial activities whose risks are independent of those related to the management of retail banking services concern financial instruments that are deemed liquid to allow a rapid management of positions. The approach based on market value is relevant here, and provides a framework for all the risk indicators used.

The financial organization requires approval of the financial instruments authorized for use by Caisse d'Epargne Group entities based on the appraisal of the risks related to these instruments and the resources available in the Group entities to ensure their ongoing exploitation.

The financial instruments, whether held directly or via collective management structures, are subject to approval by the CNCE; the same is true of the intermediaries authorized to use them within the framework of the financial activities of Caisse d'Epargne Group entities. Products are authorized according to their type, the nature of the activity and the purpose of their use with respect to management procedures.

The aim of the Operating Committee representing CDC IXIS and the Caisse d'Epargne Group 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.

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 material in relation to profits and capital funds. All foreign currency transactions with customers are systematically hedged.
- Rules governing collective management have been adopted according to the size of the mutual funds, the ratio of Group control, the existence of adequate historic records of performance, and risk parameters. A Group approval procedure for management companies makes it possible to establish exposure limits per individual company of this type.

Analysis of capital market risks at December 31, 2003

The measurement of the sensitivity of the portfolios compares the net income for the year to various scenarios of fluctuations 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, 2003 shows the following impacts:

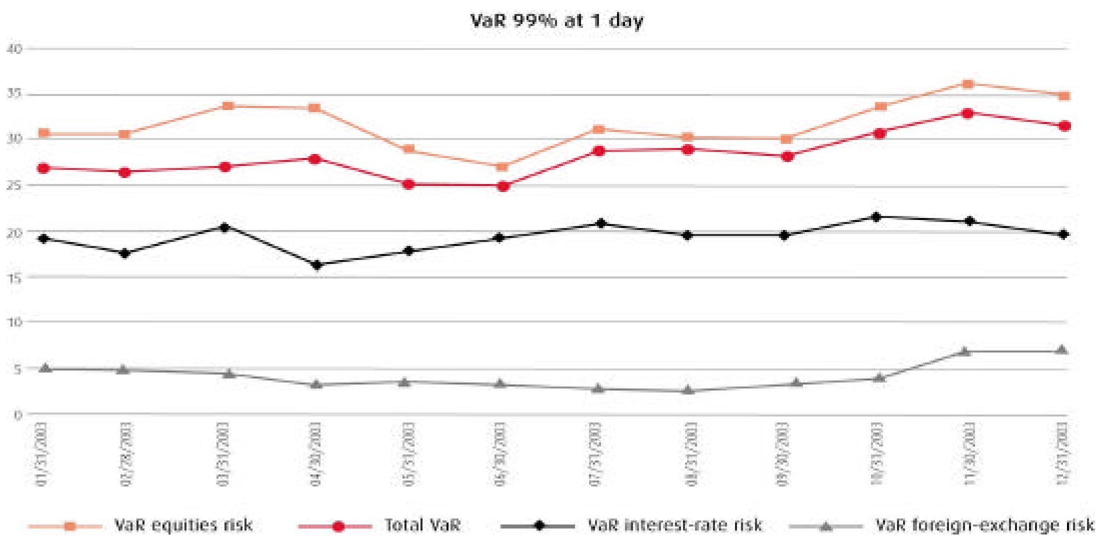
(in millions of euros)

Type of risk	Area	Assumption	Negative impact
Interest-rate risk	Liquid assets portfolio	Uniform rise in interest rates of 1 point	<55>
Equities risk	Liquid assets portfolio	10% fall in market prices	<53>
Foreign exchange risk	All balance sheet	Simultaneous 5% decline in all currencies' exchange rates	Not material

The scope of the Value at Risk (VaR) measurement tool is the entire trading portfolio of the entities in the Caisses d'Epargne network. 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 network level, and to compare them with the capital funds allocated to these operations. This pro-active risk management procedure makes it possible to measure the gains to be expected from the portfolio diversification policy.

The current 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. The table below shows the VaR for the Caisses d'Epargne network at December 31, 2003 for a holding period of 1 day and a level of confidence of 99%. The maximum potential loss for the trading portfolios of the Caisses d'Epargne network is equal to, or less than, €32 million in 99% of cases and represented 0.25% of the market value of the portfolios at December 31, 2003.

(*in millions of euros*)	
VaR 99% at 1 day	**December 31, 2003**
VaR interest-rate risk	19.55
VaR equities risk	34.99
VaR foreign exchange risk	7.07
Total VaR	**31.67**
Sum of VaR	61.61
Diversification gain	29.94
Mark-to-market value	13,432.01
VaR as a % MtM	0.24%



5.6 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.

Thanks to work carried out with a "pilot" savings bank, it has been possible to determine a method for the identification and appraisal of risks. A matrix comparing risks and processes currently used in a Caisse d'Epargne has been created. This work has been incorporated in a more global approach to the management of operational risks, which has found expression in two major initiatives:

1. The first concerns the pursuit of coordination work with the CNCE Departments responsible for the different types of risk (Information System Security, Security of Property and Individuals, Banking Production, Legal Affairs, Accounts Department, etc.) with a view to launching awareness-building campaigns or monitoring individual issues presenting a certain risk.

2. The second corresponds to a structural approach providing a response to the requirements of the Basel II reform as far as operational risks are concerned with the launch of a dedicated project, forming an integral part of the Group's Basel II programme. This project will make it possible to define an organizational and technical structure capable of meeting the objective of being eligible, in the medium term, for the advanced methods laid out in the Basel reform's Consultative Paper n°3.

This approach — which brings together the individual savings banks, communities and Group subsidiaries — will make it possible to approve the functional target as far as operational risks are concerned. It deals with the following points: identification and appraisal of risks, appraisal of financial loss or damage to image, appraisal of the management system, adoption of a monitoring mechanism with the systematic reporting of incidents, introduction of damage prevention or limitation plans, definition and monitoring of advanced indicators and setting of exposure limits, and regular reporting.

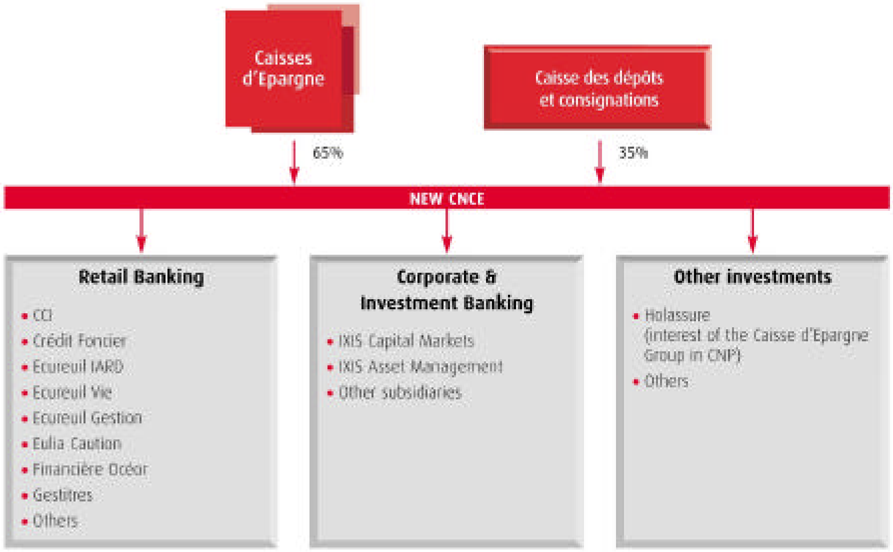
The Group's individual entities manage their operational risks in cooperation with the various CNCE departments specializing in certain specific risks (Information System Security, Security of Property and Individuals, Banking Production, Legal Affairs, Accounts Department, etc.) and in liaison with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

The Internal Liaison Committee for Operational Risk coordinates the actions of the CNCE's different departments in this area, takes charge of organizing the prevention of inter-departmental risk and recommends, whenever necessary, decisions to be taken by the Internal Control Committee of the CNCE.

6. RECENT DEVELOPMENTS AND OUTLOOK FOR THE YEAR 2004

The Caisse d'Epargne Group clearly demonstrated its commercial dynamism and creativity in the first few months of the 2004 financial year. Business remains extremely buoyant as far as lending activities are concerned with new loan production of €2.8 billion in the first two months of the year; a total of 93,000 deposit accounts have been opened; new savings (excluding current accounts) stand at approximately €1 billion; life insurance has enjoyed strong growth (€1.36 billion in new life funds) while bank deposits have recovered thanks to the launch of the progressive deposit account CAPCIEL. The success enjoyed by this new product and the number of reservations for the popular retirement savings plan recorded by the Caisse d'Epargne Group testify to the Group's ability to refresh its product range and to offer its different types of customer products tailored to their needs against a background of low interest rates and a certain popular aversion for stock-market products.

At a more strategic level, after achieving the targets contained in its first medium-term plan in 2003, the Group is now at the threshold of a new far-reaching phase in its development with the integration of the CDC IXIS Group in 2004. This acquisition—which should become effective in the middle of the year once the implementation work has been finalized and the different supervisory or regulatory bodies have given their approval—will lead to the creation of a new universal bank, the third largest French banking group in terms of capital funds. The target organization of the new Group is as follows:



The other initiatives related to external growth (Entenial) or to the streamlining of internal structures (the creation of a Professional Real Estate division within Crédit Foncier) will be finalized at the beginning of 2004.

To accompany this change in scale, the Group will adopt a new Strategic Plan for 2004-2007 based on the following objectives:

- To provide the Group's senior management with the key benchmarks they need for their strategic planning over the next few years,
- To identify the new challenges facing the Group by virtue of its new scope and dimensions,
- To fix growth objectives while simultaneously pursuing the drive to enhance the Group's performance,
- To confirm the twin objectives of economic efficiency and social commitment, a form of solidarity that represents the very essence of our Group and, finally,
- To draft the business plan of the new Group for 2004 to 2007.

Launched in November 2003 with the creation of 8 task forces comprised of corporate officers of the Caisse d'Epargne Group, the preliminary work focused on the three major topics in the life of the Group, namely: core values, growth, and efficiency. An initial report on these general objectives will be presented on April 21, 2004 at a meeting of all the Group's senior management staff. The second stage in the project will consist in a quantified presentation of the strategic vision in the form of a business plan. This will include a more detailed definition of the objectives as far as the Group's new core business lines are concerned and within the Group's different entities. The Group's new ambitions will be the subject of an official statement during the convention devoted to the "new" Group scheduled for November 2004.

Information about the corporate officers (terms of office, remuneration) and details about the social and environmental consequences of the Group's activities are presented in the Group's reference document.

CONSOLIDATED FINANCIAL STATEMENTS
OF THE CAISSE D'EPARGNE GROUP

Consolidated balance sheet of the Caisse d'Epargne Group at 31 December 2003, 2002 and 2001

ASSETS

		(*in millions of euros*)		
	Notes	**2003**	**2002**	**2001**
Cash, money market and interbank items	*6, 11*	161,665	155,917	156,369
Customer items	*7, 11*	129,919	116,572	108,737
Lease financing	*8*	2,647	2,085	1,944
Bonds, shares and other fixed- and variable-income securities	*9, 11*	56,584	54,891	53,125
Investments by insurance companies	*33*	672	482	451
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	*10*	3,165	2,994	3,106
Tangible and intangible assets	*12*	2,835	2,716	2,974
Goodwill	*16*	372	173	271
Accruals, other accounts receivable and other assets	*14*	22,816	21,303	18,080
Total assets		**380,675**	**357,133**	**345,057**

OFF-BALANCE SHEET COMMITMENTS

		(*in millions of euros*)		
	Notes	**2003**	**2002**	**2001**
Commitments given	*18, 19, 20*			
Financing commitments		30,428	27,639	23,129
Guarantee commitments		18,424	15,924	10,626
Commitments made on securities		510	256	228
Commitments given by the insurance business		1,012	1,184	1,080

The attached notes form an integral part of the consolidated financial statements of the Caisse d'Epargne Group.

LIABILITIES, CAPITAL FUNDS AND RESERVES

		(*in millions of euros*)		
	Notes	**2003**	**2002**	**2001**
Money market and interbank items	*6, 11*	76,878	76,763	75,170
Customer items	*7, 11*	181,202	170,089	166,289
Debts represented by a security	*11, 13*	75,061	67,571	63,779
Technical reserves of insurance companies	*34*	482	366	317
Accruals, other accounts payable and other liabilities	*14*	25,202	23,880	22,492
Negative goodwill	*16*	52	60	87
Provisions for liabilities and charges	*15*	3,036	3,128	3,135
Subordinated debt	*17*	4,153	2,179	1,636
Reserve for General Banking Risks	*17*	2,400	2,107	1,952
Minority interests		1,921	1,692	1,734
Consolidated capital funds and reserves (excluding Reserve for General Banking Risks)	*17*	10,288	9,298	8,466
Capital		2,601	2,873	2,878
Share premium		199	0	2
Consolidated reserves and retained earnings		6,372	5,472	4,796
Net income for the year		1,116	952	790
Total liabilities, capital funds and reserves		**380,675**	**357,133**	**345,057**

OFF-BALANCE SHEET COMMITMENTS

		(*in millions of euros*)		
	Notes	**2003**	**2002**	**2001**
Commitments received	*18, 19, 20*			
Financing commitments		5,837	4,703	3,677
Guarantee commitments		8,950	7,812	6,540
Commitments received on securities		1,404	482	531
Commitments received from the insurance business		77	23	12

The attached notes form an integral part of the consolidated financial statements of the Caisse d'Epargne Group.

Consolidated profit & loss account of the Caisse d'Epargne Group for 2003 and 2002

		(in millions of euros)	
	Notes	**2003**	**2002**
Interest and similar income	*21*	16,648	16,913
Interest and similar expense	*21*	(12,726)	(13,507)
Income from shares and other variable-income securities	*22*	150	179
Net commission and fee income	*23*	2,136	1,975
Net gains on trading transactions	*24*	487	583
Net gains on held-for-sale portfolio transactions and similar items	*25*	400	260
Other net operating income	*26*	83	135
Gross margin on insurance business	*35*	69	45
Net banking income		**7,247**	**6,583**
General operating expenses	27	(4,749)	(4,462)
Depreciation and amortization of tangible and intangible assets		(314)	(312)
Gross operating income		**2,184**	**1,809**
Net additions to provisions	28	(306)	(357)
Operating income		**1,878**	**1,452**
Share in net income of companies accounted for by the equity method	10	155	151
Net gains on fixed assets	29	75	45
Net ordinary income before tax		**2,108**	**1,648**
Exceptional items	*30*	(54)	(9)
Tax on profits	*31*	(503)	(435)
Amortization of goodwill	*16*	(15)	(38)
Allocations to the Reserve for General Banking Risks	*17*	(294)	(156)
Minority interests		(126)	(58)
Consolidated net income (excluding minority interests)		**1,116**	**952**

The attached notes form an integral part of the consolidated financial statements of the Caisse d'Epargne Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CAISSE D'EPARGNE GROUP FOR THE YEAR ENDED 31 DECEMBER 2003

NOTE 1 – LEGAL AND FINANCIAL FRAMEWORK – KEY EVENTS OF THE YEAR

1.1 - **Legal and financial framework**

The individual Caisses d'Epargne et de Prévoyance together form a financial network around a central institution, the Caisse Nationale des Caisses d'Epargne et de Prévoyance. The Caisse d'Epargne Group consists of a varied body of subsidiaries contributing to the proper management and enhanced sales performance of the network of mutual savings banks. A national federation (Fédération Nationale des Caisses d'Epargne et de Prévoyance) was set up pursuant to the Act of July 1, 1901 governing non-profit-making associations. The missions of the Federation are specified in Article L.512-99 of the French Monetary and Financial Code.

• Caisses d'Epargne et de Prévoyance

The Caisses d'Epargne et de Prévoyance are structures approved as cooperative banks governed by ordinary law whose capital is held by local savings companies. The Caisses d'Epargne et de Prévoyance are limited liability companies (*sociétés anonymes*) having the status of credit institutions operating as ordinary banks. Their capital is divided into shares of capital stock.

• Local savings companies

The regionally based local savings companies are cooperative structures having an open-ended capital stock owned by cooperative shareholders. The mission of the local savings companies — within the framework of the general objectives defined by the individual mutual savings bank to which they are affiliated — is to coordinate the cooperative shareholder base. They are not entitled to carry out banking business.

• The Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE)

The central institution of the Caisse d'Epargne Group as defined by French banking law and a financial institution approved as a bank, the CNCE is a limited liability company (*société anonyme*) with a two-tier management structure (Management Board and Supervisory Board) whose capital is held by the individual Caisses d'Epargne and the Caisse des dépôts et consignations.

More particularly, the CNCE represents the different Caisses d'Epargne et de Prévoyance, defines the range of products and services offered by them, organizes the adequacy of depositors' protection, approves the appointment of the senior managers of the Caisses d'Epargne, and generally supervises and controls the proper management of the various entities within the Group.

In respect of the Group's financial functions, the CNCE is responsible, in particular, for the centralized management of any surplus funds held by the regional savings banks and for proceeding with any financial transactions useful for the development and refinancing of the network; it is responsible for choosing the most efficient operator for these assignments in the greater interest of the network whose financial stability is guaranteed by the CNCE.

• Subsidiaries

Subsidiaries of Compagnie Financière Eulia

Through the interest held by the CNCE in the financial holding company Compagnie Financière Eulia, the Caisse d'Epargne Group possesses a comprehensive range of subsidiaries/core business lines, widening the range of services offered to the regional savings banks.

Compagnie Financière Eulia and its principal subsidiaries — the Crédit Foncier Group and the CDC IXIS Group — are jointly controlled by the CNCE and the Caisse des dépôts et consignations in compliance with a shareholders' pact signed at the end of 2001. As a result, these different entities are accounted for on a proportional basis.

Specialized IT subsidiaries

The processing of customer transactions is carried out by a banking system organized around software publishing houses set up to supervise the target information system from three application platforms, a central IT organization (CNETI) and regional processing centres.

Local subsidiaries of individual Caisses d'Epargne

The individual Caisses d'Epargne et de Prévoyance may have their own investments in local subsidiaries (Regional Development Corporations, finance companies, etc.).

1.2 **- Guarantee system**

Pursuant to the Act of June 25, 1999, the CNCE, acting as the central institution of the Caisse d'Epargne Group, has organized a mutual guarantee and solidarity mechanism within the Group to guarantee the liquidity and solvency of the affiliated entities. The scope of this guarantee system includes not only the entities belonging to the Caisses d'Epargne network as provided for by the 1999 Act but more generally all members of the Group, in accordance with article L.511-31 of the French Monetary and Financial Code.

This broad definition makes it possible to base the Group's guarantee mechanism on all the capital funds and reserves of its affiliates with a view to preventing default, offering protection complementary to the chiefly curative objective of the market guarantee systems to which the Caisse d'Epargne Group also subscribes. These resources are made available through a Group Mutual Guarantee and Solidarity Fund (Fonds de garantie et de solidarité du groupe, FGSG) carried in the books of the CNCE and provided with an immediate intervention capacity of €271 million. Should this amount prove insufficient to avert the failure of a member of the Group, the CNCE may call on appropriate additional resources by having recourse to a short decision process guaranteeing rapidity of intervention.

Within the framework of the partnership with the Caisse des dépôts Group, the combination of both Groups' resources in the area of non-regulated banking activities has resulted in the parallel and simultaneous pooling of their internal guarantee systems.

Consequently, should the support of its shareholders prove necessary in the event of default of a subsidiary of Compagnie Financière Eulia or of the Company itself, the CNCE, acting as the central institution of the Caisse d'Epargne Group, could intervene to draw on the resources of this guarantee system and, primarily, the Group's mutual guarantee and solidarity fund.

These provisions do not modify the conditions governing the creation, management and use of this fund carried in the books of the CNCE.

1.3 **– Issue of cooperative shares**

The process transforming the Caisses d'Epargne et de Prévoyance into cooperative banks came to an end on December 31, 2003.

In accordance with the temporary provisions set out in the Act of June 25, 1999, and pursuant to article 22 of that Act, the capital stock of the Caisses d'Epargne et de Prévoyance was reduced (1) to bring its final amount in line with the aggregate value of the cooperative shares placed on December 31, 2003 by the local savings companies affiliated to them. For the Caisses d'Epargne as a whole, this reduction in capital is equal to €272 million.

Within the same legal framework, and in a manner correlative to the capital reduction operation, the difference between, firstly, the initial estimation of the amount due to the Reserve Fund for Pensions resulting from the placement of cooperative shares and, secondly, the proceeds from contributions actually paid at November 30, 2003, was booked to reserves for a total of €286 million.

These operations result in a net increase of €14 million in the Group's consolidated capital funds.

Pursuant to article 26 of the aforementioned Act, the Caisses d'Epargne et de Prévoyance will have paid a total of €2,587 million to the Reserve Fund for Pensions between 2000 and 2003.

(1) With the exception of four Caisses d'Epargne et de Prévoyance, which placed the exact amount of their initial capital stock with cooperative shareholders.

1.4 **– Planned changes in Group structure**

On October 1, 2003, the Caisse d'Epargne and Caisse des dépôts et consignations Groups signed a memorandum of agreement aimed at redefining the nature of their partnership.

This agreement in principle represents the logical continuation of earlier stages in their relationship and pursues the business development strategy already initiated in 2001 with the creation of Compagnie Financière Eulia.

The final agreements and operations leading to the creation of the new group resulting from these decisions should be completed in 2004. The Caisse d'Epargne Group will then 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 Compagnie Financière Eulia and the CDC IXIS Group within the Caisse Nationale des Caisses d'Epargne.

The Caisse des dépôts will reinforce its core activity as an institutional investor by assuming control of the portfolios of investments in listed securities, in private equity and in real estate that are currently managed by CDC IXIS.

NOTE 2 – PRINCIPLES AND METHODS OF CONSOLIDATION OF THE CAISSE D'EPARGNE GROUP

2.1 **– Principles**

The consolidated financial statements of the Caisse d'Epargne Group are drawn up in accordance with the principles laid down by Rules 99-07 and 2000-04 of the French Accounting Regulatory Committee.

2.2 **– Methods and scope of consolidation**

• General 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. Note 5 specifies the scope of consolidation of the Caisse d'Epargne Group.

The accounts of companies under exclusive control — including companies having a different account structure whose principal activities represent an extension of banking or finance or are involved in related activities — are carried in the accounts as fully consolidated subsidiaries. "Exclusive control" is the power to determine the financial and operating policies of a company, and is based either on the direct or indirect ownership of the majority of voting rights or on the power to appoint a majority of the members of the Board of Directors or, alternatively, derives from the right to exercise a dominant influence by virtue of a management contract or clause in the company's articles of association.

Companies that the Group jointly controls with other partners are consolidated on a proportional basis. "Joint control" means shared control over a company involving a limited number of associates or shareholders, such that the company's financial and operating policies are determined by agreement between those partners.

Companies over which the Group exercises significant influence are accounted for by the equity method. "Significant influence" is defined as the power to participate in determining the financial and operating policies of a company without necessarily having control.

• Exclusions

A company controlled by, or subject to the significant influence of, the Group is excluded from the scope of consolidation when the shares of this company, from the moment they were first acquired, are held exclusively with a view to their subsequent sale, when the Group's ability to control or influence a company is impaired in a substantial and durable manner, or when it is faced with limited possibilities for transferring assets between such companies and the other entities included in the consolidated Group.

Property finance companies organized as limited liability companies (SACI, or sociétés anonymes de crédit immobilier) are excluded even though certain Caisses d'Epargne may exercise effective control over them. The reason these companies have been excluded is that it is uncertain that the Group will continue to exercise such control subsequent to the reorganization of these companies into an independent network with its own central institution.

In addition, a subsidiary or investment may be excluded from consolidation when it is impossible to obtain the information required to establish the consolidated accounts without excessive expense or before a date compatible with the publication of the consolidated financial statements.

A company may also be excluded from consolidation when, taken alone or with other companies capable of being consolidated, it is not material in relation to the Group as a whole.

Investments in such companies appear under the heading "Investments in unconsolidated subsidiaries".

• Changes in the scope of consolidation

Consolidating entity

Mergers between the Caisse d'Epargne du Limousin and the Caisse d'Epargne d'Auvergne, and between the Caisse d'Epargne des Pays Lorrains and the Caisse d'Epargne de Lorraine Nord, were completed in 2003. The new entities created by these mergers have adopted the names of "Caisse d'Epargne d'Auvergne et du Limousin" and "Caisse d'Epargne de Lorraine", respectively. These mergers have no impact on the consolidated accounts of the Caisse d'Epargne Group.

Acquisition of Banque Sanpaolo by the CNCE

On December 3, 2003, after receiving the official go-ahead of the regulatory authorities, the Caisse d'Epargne Group and the San Paolo IMI Group finalized the agreement signed on July 31, 2003 with the acquisition of 60% of the capital of Banque Sanpaolo by the CNCE.

In the absence of any significant impact on the profit & loss account and in view of the fact that the end of the financial year was imminent, the Banque Sanpaolo Group was fully consolidated in the accounts of the Caisse d'Epargne Group at December 31, 2003.

The share acquisition cost was equal to €502 million while the initial goodwill arising on the transaction amounted to €242 million. This goodwill item will be adjusted in 2004 in line with the fair value adjustments to be determined after completion of the analyses and appraisals required to value the assets and liabilities of the Banque Sanpaolo Group in compliance with paragraphs 2110 and 2112 of Rule 99-07 of the French Accounting Regulatory Committee.

Continued internal restructuring of the "overseas" banking division

Following a new equity issue and the acquisition of additional shares from the Caisse d'Epargne de Provence-Alpes-Corse-Réunion, the CNCE now owns 81.88% of the capital of Financière Océor, up from its previous interest of 61.72% at December 31, 2002.

As this transaction constitutes an internal restructuring operation, it had no impact on the Group's consolidated results.

Subsidiaries of the Caisses d'Epargne

Beaulieu Immo, a newly created subsidiary of the Caisse d'Epargne Poitou-Charentes, has been included within the scope of consolidation.

In the area of IT activities, the SED RSI software house has absorbed the CTCENO, CTRECAPC, CTICEP and CTRCEB technical centres. Girce Ingénierie has absorbed GT3I.

Subsidiaries of Compagnie Financière Eulia

Within the Compagnie Financière Eulia Group, the principal change to occur in 2003 is the consolidation by CDC IXIS of the Nexgen Financial Holdings Group, which specializes in the arrangement of high value-added financial engineering operations. This group has been accounted for by the equity method in the accounts of the CDC IXIS since January 1, 2003.

On October 21, 2003, AGF and Crédit Foncier signed the final agreement setting the terms of AGF's sale of its 72.15% interest in the capital of Entenial. As provided for by French regulations, the closing of this transaction was 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).

After receiving the official go-ahead at the end of January 2004, Crédit Foncier acquired 72.05% of Entenial's capital on February 4, 2004, the total value of the transaction being fixed at €587 million for the entire capital, or €49.56 per share. At the end of the unconditional tender offer ("*garantie de cours*") made to shareholders for the balance of Entenial's capital, and which expired on March 8, 2004, Crédit Foncier de France owned 98.66% of the company's share capital and voting rights.

As a result, the Entenial Group will be consolidated for the first time as of the 2004 financial year.

***Ad hoc* entities**

In the particular case of the Caisse d'Epargne Group, the closed mutual funds held by the Group correspond to the definition of ad hoc entities given by Rule 99-07 of the French Accounting Regulatory Committee.

Five of these mutual funds have been consolidated pursuant to the dispensations granted under paragraph 51 of the rule. These provisions chiefly consist in accounting for the net assets of the mutual funds on the basis of valuation rules specific to them.The closed mutual funds, which respect the conditions laid down in paragraph 51 of the aforementioned rule, are excluded from the scope of consolidation. These collective investment vehicles will be subject to extinction within a period laid down by the rule. Specific information related to these mutual funds is provided in note 9.2.

FCPR Expanso Investissement, a venture capital investment fund set up in December 2002 by the Caisse d'Epargne Aquitaine-Nord and the Caisse d'Epargne des Pays de l'Adour, has been consolidated since that date.

Through its interest in the CDC IXIS Group, the Caisse d'Epargne Group consolidated a further 22 ad hoc entities. These include 6 venture capital investment funds or similar directly owned by CDC IXIS.

Lastly, the Crédit Foncier Group has consolidated the FCC Teddy securitization fund – which has now crossed the materiality threshold – in its accounts since January 1, 2002.

Impact of changes in the reporting entity on the consolidated accounts

The changes affecting the scope of consolidation during the year, as described above, had no material impact on the comparability of the Group's financial statements.

2.3 **– Consolidation adjustments and eliminations**

The consolidated financial statements of the Caisse d'Epargne Group are drawn up in conformity with Rule 99-07 of the French Accounting Regulatory Committee.

These regulations require that:

- Accounting methods used by the various companies included in the consolidation should be consistent. The principal consolidation methods are described in Section 3 of the present Notes to the consolidated financial statements,

- Certain valuation methods shall be used when drawing up the consolidated financial statements that are not used in the individual financial statements of each company. These accounting methods chiefly relate to:

  - Finance lease transactions including leases with purchase options where the company is the lessor,
  - Assets leased under finance or similar leases where the company is the lessee,
  - Certain accounting entries that result from tax regulations,
  - Deferred tax.

• Finance lease transactions including leases with purchase options where the company is the lessor

Finance lease transactions including leases with purchase options are accounted for in the individual financial statements of Group companies according to strict legal definitions. French banking regulations recognize that such transactions are, in substance, a method of financing and, accordingly, require that they be restated in the consolidated financial statements to reflect their true underlying economic significance.

Consequently, in the consolidated financial statements, finance leases where the company is the lessor are accounted for as financing transactions considering that the rental is a repayment of principal plus interest.

The excess of the outstanding principal over the net book value of the leased assets is included in consolidated reserves, net of the related deferred tax effect.

• Assets leased under finance or similar leases where the company is the lessee

Fixed assets acquired under finance or similar leases are restated on consolidation as if the assets had been acquired on credit.

• Accounting entries that result from tax regulations

On consolidation, accounting entries that result solely from tax regulations are eliminated. The major items are:

- Investment grants,
- Regulated provisions when not included in the Reserve for General Banking Risks for the presentation of the financial statements.

• Deferred tax

Deferred tax is accounted for in respect of all temporary differences between the book value of assets and liabilities and their tax basis, as well as for timing differences arising from consolidation adjustments.

Items to be included in the computation of deferred tax are determined by the comprehensive method, i.e. all temporary differences are considered, whatever the future period in which the tax will become due or the tax saving will be realized.

The rate of tax and fiscal rules adopted for the computation of deferred tax are those founded on current tax legislation and applicable when the tax becomes due or the tax saving is realized.

Deferred tax liabilities and assets are netted off for each consolidated company (including the impact of any ordinary and evergreen tax loss carryforwards). This netting process applies only to items taxed at the same rate and items that are expected to reverse in a reasonably short period.

2.4 **– Elimination of inter-company transactions**

The effect on the consolidated balance sheet and profit & loss account of inter-company transactions is eliminated on consolidation.

Gains or losses on inter-company sales of fixed assets are also eliminated except for sales where the lower selling price reflects the economic value, in which case the lower price is retained.

However, gains arising on mergers of Caisses d'Epargne concluded during the restructuring of the network between 1990 and 1993 have not been eliminated.

2.5 **– Goodwill**

The "Goodwill" item represents the outstanding balance of differences not attributed elsewhere on the balance sheet between the cost of the investment and the book value of the underlying net assets noted at the time of acquisition of shares in consolidated subsidiaries and associated companies.

Positive and negative goodwill is amortized over a pre-determined period, giving consideration to underlying assumptions and the objectives of the acquisition.

2.6 **– Translation of financial statements expressed in foreign currencies**

Balance sheets and off-balance sheet items of foreign companies are translated at year-end exchange rates (with the exception of shareholders' equity translated at historical rates) and the profit & loss accounts are translated using an average annual rate. Any gains or losses observed as a result of translation are included in consolidated reserves under the heading "Translation adjustments."

2.7 **– Consolidation method adopted for insurance companies**

The Caisse d'Epargne Group includes seven insurance companies: Cegi, Ecureuil Assurances IARD, Foncier Assurance, Muracef, Saccef, Socamab Assurances and the CFC IXIS Financial Guaranty Group.

The interests held by the Group in Ecureuil Vie and the CNP Group are accounted for under the equity method.

The annual accounts of the insurance companies in the Caisse d'Epargne Group are drawn up in accordance with the provisions of French insurance law and, where relevant, Rule 2000-05 of the French Accounting Regulatory Committee governing consolidation policies for companies subject to French insurance law.

Pursuant to Rule 99-07 of the French Accounting Regulatory Committee, items listed in the financial statements of insurance companies included in consolidation are presented in the accounts of the Caisse d'Epargne Group in the balance sheet and profit & loss headings of the same nature, with the exception of a number of specific items:

- In the balance sheet, "Investments by insurance companies" and "Technical reserves of insurance companies" are presented separately,

- In the consolidated profit & loss account, the item "Gross margin on insurance business." The gross margin on insurance business is comprised of policy premiums received, claims expenses that include changes in technical reserves and net income from investments.

Moreover, the amount of commitments given and received by the insurance companies included within the scope of consolidation is included in separate lines of the Group's statement of off-balance sheet commitments.

NOTE 3 – ACCOUNTING POLICIES

The consolidated financial statements are prepared and presented according to policies defined by the CNCE and in conformity with the rules laid down by the French Accounting Regulatory Committee (CRC) and the Banking and Financial Services Regulatory Committee (CRBF), notably CRC Rule 99-07 governing consolidation policies and Rule 2000-04 governing the consolidated financial statements of companies overseen by the Banking and Financial Services Regulatory Committee.

Balance sheet items are presented, where relevant, net of related depreciation and any provisions or other corrections to book values.

3.1 – Fixed assets

Fixed assets are recorded at historical cost except for real-estate assets that have been revalued following the network mergers between 1990 and 1993.

Depreciation is recorded on a straight-line or accelerated basis over the estimated useful lives of the assets, as follows:

- Buildings:	20 to 50 years,
- Improvements:	5 to 20 years,
- Furniture and specialized equipment:	4 to 10 years,
- Computer equipment:	3 to 5 years,
- Computer software:	up to a maximum of 5 years.

In some circumstances additional write-downs may be made.

3.2 – Investments in unconsolidated subsidiaries and associated companies, and other long-term investments

Investments in unconsolidated subsidiaries and associated companies are recorded at historical cost. At year-end, a provision for impairment in value is made where necessary on a case-by-case basis if the fair value to the Group is below cost. The fair value of equity interests is calculated, in particular, on the basis of their fair value to the Group (according to their strategic nature and the Group's intention to provide ongoing support to the investee and to hold the shares over the long term) and objective criteria (market price, net assets, revalued net assets, projected items).

Other long-term investments are stocks and similar variable-income securities acquired to promote the development of durable professional relationships by creating close links with the issuing companies without, however, exercising an influence on the management of these companies owing to the small percentage of voting rights represented by these holdings. Other long-term investments are recorded at the lower of historical cost or fair value to the Group. "Fair value to the Group", for listed or unlisted securities, corresponds to what the company would be prepared to disburse in order to obtain these securities should it be necessary to acquire them in pursuit of its investment objectives. Unrealized capital losses are systematically provided for. Unrealized capital gains are not recognized.

3.3 **– Securities transactions**

Securities transactions are accounted for in conformity with Rule 90-01 (as amended) of the French Banking and Financial Services Regulatory Committee.

Trading account securities are securities that, at the very outset, are acquired or sold with a view to being resold or repurchased within a short period not exceeding six months. Only securities negotiable on a liquid market, with market prices constantly accessible to third parties, are deemed to be trading account securities. They may include fixed-income or variable-income securities.

Trading account securities are recorded at their purchase cost, including ancillary costs and accrued interest. At the balance sheet date, they are marked-to-market and the net gain or loss is taken to the profit & loss account. After they have been held for a period of six months, trading account securities are reclassified as "securities held for sale" or "investment securities" depending on their definition and the conditions required for inclusion in each of the target portfolios. These trading account securities are transferred at their market value on the day of transfer.

Securities acquired with a view to be held for a period in excess of six months — without the institution being committed to holding them until maturity in the case of fixed-income securities — are considered **securities held for sale**. This category also includes securities transferred from the trading account portfolio, and securities not satisfying the conditions required for inclusion in the trading account and investment portfolios.
At their date of acquisition, securities held for sale are carried at original purchase cost, excluding ancillary costs. For the securities received from the trading account portfolio, the market price on the day of transfer is deemed to be the acquisition price, and the date of transfer is considered the date of acquisition. Accrued interest is not included in cost for fixed-income securities but is included for money market instruments. Any differences between purchase price and redemption value (premiums or discounts) are taken to the profit & loss account over the remaining life of the security on a straight-line basis for fixed-income securities or by the yield-to-maturity method for money market instruments. At year-end, securities held for sale are valued at the lower of cost or market price. Unrealized capital gains are not recognized; unrealized capital losses are provided for.
Gains and losses on related hedging transactions are considered per line of securities when determining the level of the provisions required.

Investment securities are fixed-income instruments with a pre-determined redemption value, acquired with a view to long-term investment, in principle until maturity. Securities satisfying this criterion may be classified as investment securities when, in compliance with the provisions of the French Banking and Financial Services Regulatory Committee, they are subject to a specific hedging transaction in terms of duration or rates.
Securities meeting the necessary criteria but originally included in the "held for sale" portfolio because the specific hedging conditions related to duration and rates were not satisfied when the instruments were first acquired, are also included in the "investment" portfolio.
Investment securities are recorded at the date of their acquisition in the same manner as securities held for sale. They may be subject to a provision for impairment in value if it is highly probable that the company will not keep these securities until maturity owing to changes in circumstances or in the event of issuer risks.
In accordance with Rule 90-01 (as amended) of the French Banking and Financial Services Regulatory Committee, securities transferred from the "held for sale" portfolio to the "investment" portfolio are carried at cost and any provisions made are taken back to the profit & loss account over the remaining life of the security.

Provisions for impairment in value of securities held for sale and investment securities are completed by a provision for certain counterparty risks (Note 15.1).
Portfolio equity investments are accounted for in conformity with Rule 90-01 of the French Banking and Financial Services Regulatory Committee as amended by Rule 2000-02 of the French Accounting Regulatory Committee.
Portfolio activities consist in regularly investing a part of assets in an investment portfolio for the exclusive purpose of obtaining, over a certain period of time, a satisfactory medium-term yield without the intention of making a long-term investment in developing the business activities of the issuing companies or participating in their operating management.
In principle, portfolio investment is only made in stocks and similar variable-income securities.
Investments of this type must involve significant and permanent transactions carried out within a structured framework, generating recurrent yields chiefly derived from capital gains on disposals.
At year-end, portfolio investments are recorded at the lower of historical cost or fair value to the Group.
The "fair value to the Group" is based on a consideration of the issuing company's prospects and the remaining investment period. For listed securities, the fair value is determined by the average market price of the past two years or the market value at year-end, if greater. In the case of unlisted securities, valuation may be based on recent transaction prices.
Unrealized capital losses are systematically provided for. Unrealized capital gains are not recognized.

Rule 89-07 of the French Banking and Financial Services Regulatory Committee, completed by Instruction 94-06 of the Banking Commission, defines the accounting rules applicable to **repurchase agreements**.
The assets sold under the repurchase agreement are retained on the borrower's balance sheet while the proceeds, representing the debt due to the lender, are carried as a liability.
The lender (who is the beneficiary of the collateral) shows the amount expended — i.e. the loan granted to the borrower — on the assets side of its balance sheet.

When the financial statements are prepared, the assets sold and the debt due to the lender or the loan granted to the borrower, are valued in accordance with the rules governing each of these transactions.

3.4 **– Customer loans**

Customer loans are recorded at their nominal value net of any provisions for non-performing accounts.

Guarantees received are accounted for and described in Note 18. They are subject to periodic revaluations. The book value of all guarantees received for a given loan is limited to the amount outstanding.

Loans are classified as non-performing – irrespective of whether or not they have matured or are guaranteed – where at least one of the debtor's commitments represents a recognized credit risk. A risk is "recognized" where it is probable that the bank will not receive all or some of the sums due with respect to commitments made by the counterparty, notwithstanding the existence of a guarantee or security. Loans are systematically classified as non-performing at the latest within three months of the first default (9 months in the case of loans to local authorities).

Within the non-performing loan category, loans are classified as doubtful when no reclassification as performing loans is foreseeable. Doubtful loans include loans where the outstanding balance becomes immediately repayable in application of an acceleration clause and those which have been classified as non-performing for over one year.

Irrecoverable loans are written off as losses and the corresponding provisions are released.

Non-performing loans are reinstated as performing loans when repayments resume on a regular basis in amounts corresponding to the original contractual installments, and when the counterparty no longer presents a risk of default.

Loans restructured at below market rates are itemized in a specific sub-category until maturity. A provision is recorded for the discount corresponding to the present value of the interest differential. This provision is recorded under net additions to provisions in the profit & loss account and as a provision against the corresponding loan in the balance sheet. It is taken to the profit & loss account (included in the lending margin) using the yield-to-maturity method over the life of the related loan.

Provisions for recognized probable losses cover all anticipated losses, calculated in terms of the difference between the principal still outstanding and expected future cash flows. Exposure is computed on a case-by-case basis in the light of the present value of guarantees received. For smaller loans sharing similar characteristics, a statistical method is used when this approach is deemed more appropriate.

Specific provisions for recognized risks are completed by general provisions for certain counterparties (see Note 15.1).

Interest on non-performing loans continues to be accrued, including for doubtful loans, but provision is made for the full amount.

For the presentation of the accounts in the Notes to the financial statements (Note 7.2), the breakdown of outstandings adopted is that used within the Caisse d'Epargne Group for internal management purposes, notably in areas related to sales, finance and risks.

3.5 **– Reserve for General Banking Risks**

The Reserve for General Banking Risks constitutes a fund for the risks inherent in the Group's banking activities as required by Article 3 of Rule 90-02 of the French Banking and Financial Services Regulatory Committee and Instruction 86-05 (as amended) of the French Banking Commission.

3.6 **– Bonds issued**

Bonds issued by the Caisse d'Epargne Group are recorded on the liabilities side of the consolidated balance sheet at their redemption value. Redemption premiums are amortized on a straight-line basis over the life of the bonds.

3.7 **– Employee benefits**

Commitments related to lump-sum indemnities paid to employees upon retirement and bonuses related to long-service awards are generally covered by contributions charged to the profit & loss account and paid to retirement or insurance funds. When these commitments are not covered by specific funds, they are appraised in accordance with an actuarial calculation considering the age, length of service and probability of staff being employed by the Group at retirement age and of receiving long-service awards, and are fully provided for on the liabilities side of the balance sheet.

The commitment to finance the Group's potential pension liabilities (Note 15.2) — corresponding to the risk of being obliged to make up anticipated shortfall of the pension scheme created for the benefit of the employees of companies in the Caisses d'Epargne network, their subsidiaries and joint bodies — is fully covered by provisions for liabilities and charges carried on the liabilities side of the balance sheet.

A study has been commissioned to appraise the impact of the Act of August 23, 2003 (the so-called "Fillon law") on these commitments, notably regarding changes in the articles of association governing the *Caisse générale de retraite* (general retirement fund). However, this law had no material impact on commitments at Group level with respect to lump-sum indemnities paid to employees upon retirement and bonuses related to long-service awards.

3.8 **– Financial futures and other forward agreements**

The Caisse d'Epargne Group conducts transactions on different over-the-counter or organized markets, with financial instruments (futures and options) relating to interest rates, foreign exchange and equities.

Hedging and trading transactions in forward financial instruments relating to interest rates, foreign exchange or equities are accounted for in accordance with French Banking and Financial Services Regulatory Committee Rules 88-02 and 90-15. Commitments on such instruments are recorded in off-balance sheet accounts at their nominal value. At December 31, the amount of commitments represents the transactions outstanding at the end of the financial year.

Methods for evaluating income generated on financial instruments depend on the operators' original intent.

Gains and losses on financial futures designed to hedge and manage Caisse d'Epargne Group entities' overall interest rate positions are reflected in the profit & loss account over the life of the related instruments. Unrealized gains and losses are not recorded. Gains and losses on hedging transactions are accounted for on a symmetrical basis and under the same heading as the loss or gain on the hedged item.

Transactions corresponding to the specialized management of trading portfolios are valued on the basis of their year-end market value taking account, if necessary, of counterparty risks and related future expense. The corresponding gains and losses are directly recorded in the profit & loss account whether they are realized or not. Equalization payments are recognized in income when the contracts are set up.

Gains and losses on certain contracts representing isolated open positions are recognized either when the position is unwound or over the life of the instrument according to its type. Potential, unrealized losses determined by reference to market values are provided for.

The determination of this value depends upon the nature of the markets concerned: organized exchange (or equivalent) or an over-the-counter market. Instruments traded on organized exchanges are quoted continuously and enjoy a sufficient degree of liquidity to justify the use of quoted prices as market value.

Variations in value relating to contracts representing isolated open positions concluded on organized exchanges and similar markets are immediately recorded as income at each year-end.

Over-the-counter markets may be assimilated to organized exchanges when the institutions acting as market makers guarantee continuous quotations within a realistic trading range or when the price of the underlying financial instrument is itself quoted on an organized exchange. Market values of interest rate and currency swaps are determined as the present value of future cash flows allowing for counterparty risks and the present value of related future expense. Changes in the value of non-traded futures are determined according to a mathematical formula.

3.9 **– Transactions in foreign currencies**

Spot foreign exchange transactions, forward exchange contracts and loans or borrowings denominated in foreign currencies are reported as off-balance sheet commitments at the transaction date. These transactions are recorded on the balance sheet as soon as the foreign currencies are delivered.

Assets, liabilities and off-balance sheet items denominated in foreign currencies, including accrued income and expenses, are translated at year-end rates. Forward contracts are valued at market forward rates for the currency concerned.

Variances resulting, in particular, from the translation of investment securities, equity interests and investments in subsidiaries, as well as the variances resulting from the consolidation of foreign offices are recorded under the heading "Accruals".

Differences noted between the valuation of foreign exchange positions and that of the converted amounts, fluctuations in value of financial futures and other forward agreements and premiums relating to currency options are reported in the profit & loss account of each financial year.

3.10 **– Provisions for liabilities and charges**

This item covers provisions booked in respect of liabilities and charges not directly related to banking operations as provided for in article L.311-1 of the French Monetary and Financial Code and associated transactions defined in article L.311-2 of that same law. The nature of these liabilities and charges is clearly defined but their amount and date of payment cannot be determined precisely.

This item also covers provisions recorded to provide for liabilities and charges related to banking operations and associated transactions as defined in articles L.311-1 and L.311-2 of the above-mentioned law, rendered probable by past or current events and whose purpose is clearly defined, but whose effective occurrence remains uncertain.

This item includes, in particular, a provision for the Group's potential pension liabilities and a provision in respect of counterparty risks.

3.11 **– Accounting policies and valuation rules specific to insurance companies**

The accounting principles and valuation rules specific to insurance companies are adhered to in the consolidated accounts of the Caisse d'Epargne Group.

• Investments

Investments are stated at cost, excluding acquisition expenses, except for investments corresponding to unit-linked policies, which are marked to market at each closing. Technical reserves corresponding to such policies are similarly revalued.

A liquidity risk reserve, included on the liabilities side of the balance sheet of insurance companies, is set up when the realizable value of equities, property and similar assets falls below their book value. The reserve created is equal to the difference observed between these two valuations.

The realizable value of these investments is determined in accordance with Article R.332-20-1 of the French Insurance Code, namely:

- Equities listed on a stock exchange are valued at the last price on the closing day,

- Values of equities not listed on a stock exchange are estimated according to the price at which they could be sold in normal market conditions or their fair value to the company,

- Shares in collective investment vehicles are valued at the last published bid price on the closing day,

- The realizable value of property and shares in unlisted property development companies is determined on the basis of appraisals made by outside experts.

Provision is made for any permanent impairment in value of a property or equity investment.

The value of an asset is considered to be permanently impaired when at least one of the following criteria is met:

- The market value reflects a long period of generally depressed prices,
- The realizable value is so significantly below book value that the impairment in value can only be recovered in the long term,
- The type of asset is no longer adapted to market needs so that the yield from the asset is permanently impaired.

The difference between the acquisition cost of bonds and other fixed-income securities (excluding accrued interest) and their redemption price is taken to the profit & loss account over the remaining life of the security. The yield-to-maturity method is used for this calculation for fixed-rate securities and the straight-line method for variable-rate securities.

A provision is set up at each closing for any counterparty risk.

• Life insurance transactions

Income from insurance premiums on outstanding policies is recognized in the profit & loss account on an accrual basis including accrued income on premiums not notified to policyholders at year-end (group policies including the cover for mortality risks). In addition, premiums notified to the policyholder or to be notified are adjusted to account for the risk of termination not yet notified to the company.

Technical reserves in respect of policies including a clause of payment in the event of death correspond to the portion of premiums written but not earned during the period.

Technical reserves for non-unit-linked policies represent the difference between the present values of respective commitments of the insurer and the policyholder. The insurer's commitment corresponds to the present value of the capital sum insured, adjusted for the probability of payment, increased by the present value of related management expense. The policyholder's commitment is the present value of future premiums, adjusted for the probability of payment thereof.

A general reserve for management expense is made when future management expense is not covered by the loading included in policy premiums payable or deducted from future income from assets.

When a remuneration is attributed to a policyholder in excess of a guaranteed minimum, due to income earned on assets, and such amount is not yet payable, nor included in reserves for claims payable or technical reserves, it is recorded under reserves for amounts payable on with-profit policies.

The reserve for claims payable represents mainly insured losses that have occurred and capital amounts payable but not paid at the year-end.

Technical reserves for unit-linked policies are determined according to the value of the underlying assets (known as "ACAV" or "variable capital" policies, and "ACAVI" when expressed in terms of property units). Gains or losses resulting from the mark to market of the underlying assets are netted off and recorded in the profit & loss account in order to neutralize the impact of variations in the technical reserves.

• Non-life insurance transactions
Premium income is recorded net of tax and cancellations.

A reserve for increasing risks is set up to cover timing differences between the introduction of the guarantee and its funding by insurance premiums.

The provision for unearned premiums includes for all policies outstanding at year-end, that part of the premium (notified to the policyholder or to be notified) corresponding to the period from the end of the current year to the next maturity date, or (failing that) the term, of the policy.

The reserve for unexpired risks is calculated for each type of insurance activity when the level of claims and related expenses experienced appears high in relation to unearned premium reserves.

Reserves are made as required by the variations in claims experience in compliance with legislation regarding such reserves. They apply notably to cyclical risks with varying impact on successive years, such as occasioned by natural phenomena.

Reserves for claims represent the estimated amount of foreseeable expenses, net of any recoveries receivable.

Reserves for expenses related to the future management of claims are determined with reference to a rate calculated on historical actual costs.

Reserves are recorded among liabilities gross of any re-insurance. The projected share of re-insurers in relation to reserves made is calculated according to re-insurance treaties in force and appears on the assets side of the balance sheet.

• Deferred acquisition costs
Deferred acquisition costs correspond to the fraction of policy acquisition expenses related to deferred premiums (provision for unearned premiums).

In respect of the CNP Group, studies carried out on the capitalization of acquisition costs lead to amounts whose impact on the shareholders' equity and consolidated net income is not material. Consequently, acquisition costs are not deferred.

NOTE 4 – CHANGES IN ACCOUNTING METHODS - COMPARABILITY OF ACCOUNTS

4.1 – Changes in accounting methods

Rule 2002-03 of the French Accounting Regulatory Committee governing the treatment of credit risk has been applied since January 1, 2003.

The application of this new standard has resulted in the following changes in accounting method: loans to local authorities are now classified as non-performing when one or more installments are at least 9 months past due (compared to 3 months previously), non-performing loans have been analyzed in more detail, between "non-performing" and "doubtful" loans (see Note 7.2), and a provision has been recorded for the discount corresponding to the interest differential on restructured loans at below market rates. The adoption of this new standard had no impact on opening capital funds and has no material impact on the year-on-year comparative results presented in this report.

Moreover, the provisional measures applicable until the entry into force of Rule 2002-10 of the French Accounting Regulatory Committee governing amortization, depreciation and write-downs of assets have been interpreted in the light of the provisions of Rule 2003-07 of the French Accounting Regulatory Committee. Consequently, no provisions were booked to cover asset replacement expenses.

The adoption of these new standards led to a €6 million reduction in the Group's opening consolidated capital funds, but had no material impact on the year-on-year comparative results presented in this report.

No other changes in accounting methods were occurred during the year.

4.2 **– Recommendation 2003-R.01 of the French National Accountancy Council (CNC)**
On April 1, 2003, the French National Accountancy Council published its recommendation 2003-R.01 concerning the rules for recognizing and measuring commitments related to employee pensions and other post-employment benefits. The provisions of this recommendation concern financial years starting on or after January 1, 2004 or, for companies electing for early adoption, to financial years starting on or after January 1, 2003.

This recommendation is largely based on the provisions of IAS 19 which will become compulsory once the International Financial Reporting Standards (IFRS) have been adopted, i.e. starting with the 2005 financial year for publicly listed companies, or with the 2007 financial year for companies whose debt securities are listed on a regulated market.

The Caisse d'Epargne Group, which is not concerned by the 2005 financial year deadline, intends to complete all the analyses required by the transition to IFRS before adopting recommendation 2003-R.01.

NOTE 5 – SCOPE OF CONSOLIDATION AT DECEMBER 31, 2003

Consolidating entity

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

	Consolidated entities	2003		2002	
	Consolidation method[1]	Percentage consolidation	Percentage interest	Percentage consolidation	Percentage interest
Direct subsidiaries					
Banking and financial institutions					
Banque Inchauspé	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%	71.34%	100.00%	78.40%
Banque de la Réunion	Full	100.00%	58.22%	100.00%	62.73%
Banque de Nouvelle Calédonie	Full	100.00%	68.35%	100.00%	75.08%
Banque de Tahiti	Full	100.00%	68.10%	100.00%	74.78%
Banque des Antilles Françaises	Full	100.00%	69.57%	100.00%	76.29%
Banque des Iles Saint Pierre et Miquelon	Full	100.00%	69.17%	100.00%	75.88%
Banque Internationales des Mascareignes	Full	100.00%	62.82%	100.00%	31.68%

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

Consolidated entities		2003		2002	
	Consolidation method (1)	Percentage consolidation	Percentage interest	Percentage consolidation	Percentage interest
Caisse d'Epargne de Nouvelle Calédonie	Full	100.00%	71.34%	100.00%	78.40%
Crédipac Polynésie	Full	100.00%	68.08%	100.00%	74.76%
Crédit Commercial de Nouméa	Full	100.00%	63.80%	100.00%	70.09%
Crédit Saint Pierrais	Equity	47.12%	33.62%	47.12%	36.94%
Mascareigne Investors Services Ltd	Full	100.00%	70.63%	-	-
Slibail Réunion	Full	100.00%	58.20%	100.00%	62.71%
Société Havraise Calédonnienne	Full	100.00%	61.75%	100.00%	67.84%
Banque Sanpaolo Group					
Banque Sanpaolo	Full	100.00%	39.00%	-	-
Banque Michel Inchauspe	Equity	20.00%	7.80%	-	-
Conservateur Finance	Equity	20.00%	7.80%	-	-
Eurosic Sicomi SA	Full	100.00%	12.78%	-	-
Uni - Invest SAS	Full	100.00%	39.00%	-	-
Société Foncière Joseph Vallot	Full	100.00%	39.00%	-	-
Sanpaolo Asset Management	Full	100.00%	39.00%	-	-
Société Foncière d'investissement	Full	100.00%	39.00%	-	-
Société immobilière d'investissement	Full	100.00%	39.00%	-	
Socavie SNC	Full	100.00%	39.00%	-	-
Sanpaolo Bail SA	Full	100.00%	39.00%	-	-
Sanpaolo Fonds de Gestion SNC	Full	100.00%	39.00%	-	-
Sanpaolo Mur SNC	Full	100.00%	39.00%		-
Other entities					
Auto Location Pau	Full	100.00%	100.00%	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%
Ecureuil Services	Full	100.00%	99.99%	-	-
EURL Beaulieu Immo	Full	100.00%	100.00%	-	-
Expanso Investissements	Full	100.00%	100.00%	100.00%	100.00%
Groupe Ellul	Equity	49.00%	49.00%	49.00%	49.00%
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%
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%	89.15%	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%	89.15%	100.00%	89.13%
SCI Foncière 2	Full	100.00%	89.15%	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%	100.00%	100.00%	99.90%

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

Consolidated entities		2003		2002	
	Consolidation method [(1)]	**Percentage consolidation**	**Percentage interest**	**Percentage consolidation**	**Percentage interest**
IT technical centres and software houses					
Cnéti					
CTCENO	Full	100.00%	67.77%	100.00%	59.00%
CTICEP	-	-	-	100.00%	100.00%
CTRCEAL	-	-	-	100.00%	100.00%
CTR Est	Full	100.00%	98.31%	100.00%	98.30%
CTR Midi 1	Full	100.00%	100.00%	100.00%	99.98%
CTR Midi 2	Full	100.00%	100.00%	100.00%	100.00%
CTRCEAPC	Full	100.00%	100.00%	100.00%	99.97%
CTRCEB	-	-	-	100.00%	100.00%
GIE Arpège	-	-	-	100.00%	100.00%
Girce Ingénierie	Full	100.00%	100.00%	100.00%	99.79%
Girce Stratégie	Full	100.00%	87.08%	100.00%	87.08%
Giretice	Full	100.00%	87.38%	100.00%	87.38%
GT3I	Full	100.00%	99.99%	100.00%	100.00%
IRICE	-	-	-	100.00%	100.00%
SED Arpège 2000	Full	100.00%	99.87%	100.00%	99.87%
SED RSI	Full	100.00%	88.10%	100.00%	88.06%
SNC Sersim	Full	100.00%	88.10%	100.00%	88.10%
Vivalis	Full	100.00%	100.00%	100.00%	100.00%
Vivalis Investissements	Full	100.00%	100.00%	100.00%	99.99%
	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%
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 (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC Entreprises 1	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 (group)	Prop.	26.45%	13.75%	26.45%	13.75%
CDC IXIS Capital Markets (group)	Prop.	26.45%	17.19%	26.45%	17.19%
IXIS EAW Europe (ex-CDC IXIS Immo)					
CDC IXIS North America (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC IXIS Financal Guaranty (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC IXIS Private Equity (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC Urquijo	Prop.	26.45%	17.19%	26.45%	17.19%
Electropar France	Prop.	26.45%	8.77%	26.45%	8.77%
Euromontaigne	Prop.	26.45%	8.60%	26.45%	8.60%
Foncière des Pimonts (group)	Prop.	26.45%	17.19%	26.45%	17.19%
Fondinvest	Prop.	26.45%	12.64%	26.45%	12.64%
	Prop.	26.45%	17.19%	26.45%	17.19%

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

Consolidated entities		2003		2002	
	Consolidation method [1]	**Percentage consolidation**	**Percentage interest**	**Percentage consolidation**	**Percentage interest**
CDC IXIS Administration de Fonds (ex-GSF)	Prop.	26.45%	17.19%	26.45%	17.19%
Logistis (group)	Equity	8.81%	5.73%	8.81%	5.73%
Magnant (group)	-	-	-	26.45%	-
Martignac Finance	Prop.	26.45%	17.19%	26.45%	17.19%
Nexgen (group)	Equity.	10.24%	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 (group)	Prop.	26.45%	14.61%	26.45%	14.61%
Crédit Foncier Group					
Crédit Foncier de France	Prop.	72.42%	47.08%	72.39%	47.06%
Auxiliaire du Crédit Foncier de France	Prop.	72.42%	47.08%	72.39%	47.06%
Cofimab	Prop.	72.42%	47.08%	72.39%	47.06%
Compagnie de Financement Foncier	Prop.	72.42%	47.08%	72.39%	47.06%
Compagnie Foncière de Crédit	Prop.	72.42%	47.08%	72.39%	47.06%
Crédit de l'Arche	Prop.	72.42%	47.08%	72.39%	47.06%
Crédit Foncier Assurance Courtage	Prop.	72.42%	47.02%	72.39%	47.00%
Crédit Foncier Banque	Prop.	72.42%	47.07%	72.39%	47.06%
Dom2	-	-	-	72.39%	47.06%
FCC Teddy	Prop.	72.42%	47.08%	72.39%	47.06%
Financière Desvieux	Prop.	72.42%	47.07%	72.39%	47.05%
Foncier Assurance	Prop.	72.42%	47.07%	72.39%	47.05%
Foncier Bail	Prop.	72.42%	47.07%	72.39%	47.05%
Foncier Participations	Equity	72.42%	47.08%	72.39%	47.06%
SICP (group)	Equity	72.42%	47.08%	68.77%	44.70%
Soclim	Prop	72.42%	47.08%	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%
Mue 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 Transactions	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%	12.98%	49.90%	12.97%

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

NOTE 6 – CASH, MONEY MARKET AND INTERBANK ITEMS

(in millions of euros)

	Assets 2003	Assets 2002	Liabilities 2003	Liabilities 2002
Cash, central banks and French Postal system	**5,249**	**4,848**	**12**	**11**
Financial institutions				
- Demand accounts	**156,416**	**151,069**	**76,866**	**76,752**
- Term accounts	88,809	87,441	10,297	7,553
	67,607	63,628	66,569	69,199
Total	**161,655**	**155,917**	**76,878**	**76,763**

The deposit at Caisse des dépôts et consignations (made daily) of Livret A passbook deposits represented €64,129 million at December 31, 2003. Deposits with banks and related accrued interest amounted respectively to €3,824 million and €565 million at December 31, 2003. Provisions relating to amounts due from financial institutions amounted to €28 million at December 31, 2003.

NOTE 7 – CUSTOMER ITEMS

7.1 – Analysis by type

(in millions of euros)

Assets	2003	2002	Liabilities	2003	2002
Commercial loans	**499**	**316**	**Regulated savings accounts**	**147,393**	**141,760**
Other customer loans	**124,555**	**111,726**	*Livret A*	65,672	64,958
Short-term credit facilities	12,203	11,018	*Livret Jeune, Livret B and Codevi*	15,069	12,991
Equipment loans	36,009	34,442	*PEL and CEL*	44,126	41,729
Regulated home purchase loans	2,943	3,383	*LEP*	16,898	15,896
Other mortgage lending	66,089	58,888	*PEP*	5,242	5,904
Other loans	7,311	3,995	Other	386	282
Current accounts in debit	**2,165**	**2,016**	**Other liabilities**	**33,162**	**27,731**
Accrued interest	**847**	**861**	Ordinary accounts (deposits)	22,008	19,617
Non-performing loans	**3,618**	**3,273**	Other	11,154	8,114
Provisions on non-performing loans	**(1,765)**	**(1,620)**	**Accrued interest**	**647**	**598**
Total	**129,919**	**116,572**	**Total**	**181,202**	**170,089**

7.2 – Analysis of loans outstanding by counterparty

Performing loans and non-performing loans at December 31, 2003

(in millions of euros)

	Performing loans	Non-performing loans		Of which doubtful loans	
		Gross	Provisions	Gross	Provisions
Loans and advances to financial institutions	**156,407**	**36**	**(27)**	**25**	**(19)**
Loans and advances to customers	**128,021**	**3,663**	**(1,765)**	**1,985**	**(1,125)**
- Individuals: property loans	59,363	997	(373)	451	(229)
- Individuals: other	8,210	423	(289)	272	(218)
- Self-employed professionals	7,847	528	(289)	296	(193)
- SMEs	6,889	588	(351)	388	(270)
- Local and regional authorities	23,964	58	(17)	22	(13)
- Others	20,944	1,023	(411)	528	(177)
- Accrued interest	804	46	(35)	28	(25)

NOTE 8 – LEASE FINANCING AND LEASES WITH PURCHASE OPTIONS (WHERE THE GROUP IS THE LESSOR)

(in millions of euros)

	2003	2002
Equipment	537	432
Property	1,898	1,472
Other finance leases	252	277
Accrued interest	67	44
Provisions	(107)	(140)
Total	**2,647**	**2,085**

The reserve not recorded in the individual books of the consolidated companies but which arises on consolidation, corresponding to the excess of the outstanding principal over the net book value of the leased assets, is included in reserves net of deferred tax for an amount of €26 million at December 31, 2003 compared with €23 million at December 31, 2002.

NOTE 9 – BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES

9.1 - Analysis by portfolio

(in millions of euros)

	Trading account	Held for sale	Investment	Portfolio activity	Accrued interest (1)	Total 2003	Total 2002
Treasury bills and similar securities	3,932	178	379	-	7	4,496	3,010
Bonds and other fixed-income securities (2)	8,007	12,327	20,357	-	600	41,291	42,158
Shares and other variable-income securities (3)	3,094	6,913	-	772	18	10,797	9,723
Total 2003	**15,033**	**19,418**	**20,736**	**772**	**625**	**56,584**	**-**
Total 2002	**14,117**	**18,759**	**20,545**	**816**	**654**	**-**	**54,891**

(1) Including €396 million of accrued interest on investment securities, €217 million on securities held for sale, and €12 million on securities held in the portfolio activity.

(2) Including listed securities, €38,072 million in 2003 against €35,693 million in 2002.

(3) Including listed securities, €3,517 million in 2003 against €1,854 million in 2002.

The aggregate difference between the acquisition price and the redemption price of fixed-income securities amounted to €25 million in 2003 against €57 million in 2002 for securities held for sale, and €0.4 million in 2003, against €(6) million in 2002, for investment securities.

The amount of bonds and other fixed-income securities issued by public bodies stands at €3,832 million. Amounts receivable with respect to securities lent declined to €912 million at December 31, 2003 from €1,199 million at December 31, 2002.

Over the past two years, the following transfers have been made between the different categories of portfolio:

(in millions of euros)

		Amount transferred during the year	
From	**To**	**2003**	**2002**
Trading account securities	Securities held for sale	470	632
Trading account securities	Investment securities	-	381
Securities held for sale	Investment securities	20	262
Investment securities	Securities held for sale	1,023	64

Investment securities sold before maturity during the financial year totalled €973 million compared with €898 million in 2002.

Unrealized capital gains and losses on securities held for sale and securities in the portfolio activity can be analyzed as follows:

(in millions of euros)

	Securities held for sale		Portfolio activity	
	2003	**2002**	**2003**	**2002**
Net book value	19,629	18,981	783	825
Market value	20,384	19,447	973	1,207
Unrealized capital gains (1)	755	466	190	382
Unrealized losses provided for	158	348	161	156

(1) including €14 million on Treasury bills and similar securities, €447 million on bonds and other fixed-income securities, and €484 million on shares and other variable-income securities.

9.2 – *Ad hoc* entities

The *ad hoc* entities not consolidated in application of paragraph 51 of Rule 99-07 of the French Accounting Regulatory Committee can be analyzed as follows:

(in millions of euros)

	Total assets		Unrealized capital gains	
	2003	**2002**	**2003**	**2002**
Masseran CNCE	238	232	3	3
Bouquet investissement	107	125	0	11
Cap Divers	54	53	1	0
Cap Alsace	52	85	1	0
Sévigné FCP	50	58	5	7
Béranger Investissement	46	51	7	8
Eiffel	36	42	4	3
Others	130	160	9	20

NOTE 10 – INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES, AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD AND OTHER LONG-TERM INVESTMENTS

(in millions of euros)

	2003	**2002**
Investments and shares in unconsolidated subsidiaries	1,356	1,383
Investments in affiliates accounted for by the equity method	1,554	1,408
Other long-term investments	255	203
Total	**3,165**	**2,994**
Of which listed securities	109	125

10.1 – Investments in unconsolidated subsidiaries

	Net book value (1) (in millions of euros)		% interest held by Group companies (2)	
	2003	2002	2003	2002
Air Calin	185	185	72.25%	72.25%
Cepar 3 (4)	112	112	100.00%	100.00%
Sanpaolo IMI	108	108	2.00%	2.00%
Crédit Logement	107	81	15.49%	15.63%
Cepar 1 (4)	99	99	100.00%	100.00%
Veolia Environnement	90	90	0.93%	0.93%
Banca Carige	73	63	9.82%	5.70%
Cepar 2 (4)	69	69	100.00%	100.00%
Société des eaux de Tontouta	49	49	75.22%	75.22%
-Foncier Vignobles	30	30	99.91%	99.91%
-Gecina	-	77	-	4.09%
Nexgen (3)	-	25	-	38.60%
Subtotal	**922**	**988**		
Other securities	246	224		
Accrued interest and current accounts	188	171		
Investments in unconsolidated subsidiaries	**1,356**	**1,383**		

(1) For interests held by entities recorded in the consolidated accounts on a proportional basis, the net book value adopted is calculated from the percentage interest held by the company owning the shares.

(2) The percentage does not take account of shares that may be held in "held for sale" portfolios by certain Group entities.

(3) Consolidated by the equity method from January 1, 2003.

(4) The Cepar 1, Cepar 2 and Cepar 3 entities, entirely controlled by the Caisse d'Epargne Group, constitute intermediate structures created to hold securities portfolios that cannot be consolidated and are covered by guarantees.

10.2 – Affiliates accounted for by the equity method

(in millions of euros)

	Net book value at Dec. 31, 2003	Share in affiliate's 2003 net income	Net book value at Dec. 31, 2002	Share in affiliate's 2002 net income
Caisse Nationale de Prévoyance (Group)	903	104	839	102
Ecureuil Vie	431	36	395	29
SICP (Group)	143	10	130	11
Nexgen Financial Holdings	20	1	-	-
AIH BV Group	14	-	16	1
Foncier Participations	13	1	14	1
Other companies	30	3	14	7
Total	**1,554**	**155**	**1,408**	**151**

NOTE 11 – LOANS AND ADVANCES OUTSTANDING AND SOURCES OF FUNDS BY 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, non-performing loans and provisions for impairment in value are included in the "Up to 3 months" column.

(in millions of euros)					
	Up to 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total 2003**
Loans and advances	**35,118**	**20,984**	**79,885**	**98,251**	**234,238**
Loans and advances to financial institutions	20,695	5,776	19,783	20,489	66,743
Customer loans	12,674	11,779	43,393	58,958	126,804
Bonds and other fixed-income securities	1,749	3,429	16,709	18,804	40,691
Sources of funds	**60,447**	**26,432**	**62,480**	**44,301**	**193,690**
Amounts due to financial institutions	17,298	9,048	19,539	20,125	66,010
Customer deposits	22,858	9,768	18,169	3,229	54,024
Debts represented by a security:	20,321	7,616	24,772	20,947	73,656
Retail certificates of deposit and savings certificates	*421*	*101*	*439*	*0*	*961*
Inter-bank and other negotiable debt instruments	*17,647*	*2,567*	*1,920*	*2,053*	*24,187*
Bonds issued	*2,253*	*4,948*	*22,413*	*18,894*	*48,508*

NOTE 12 – TANGIBLE AND INTANGIBLE FIXED ASSETS

12.1 – Changes in fixed assets

(in millions of euros)							
	Gross value at Dec. 31, 2002	**Acquisitions**	**Sales or retirements**	**Other movements**	**Gross value at Dec. 31, 2003**	**Depreciation and provisions at Dec. 31, 2003**	**Net value at Dec. 31, 2003**
Intangible fixed assets	915	47	(67)	12 (1)	907	(410)	497
Tangible fixed assets	4,707	380	(279)	211 (2)	5,019	(2,681)	2,338
Total	**5,622**	**427**	**(346)**	**223**	**5,926**	**(3,091)**	**2,835**

(1) Including €63 million representing the first-time consolidation of the Banque Sanpaolo group and the €42 million negative impact of the translation adjustment on the market share of CDC IXIS Asset Management Group .

(2) This item chiefly includes changes in the reporting entity during the financial year.

12.2 – Intangible fixed assets

At December 31, 2003, the main items of intangible fixed assets related to (net values in millions of euros):

Market share (contribution from the CDC IXIS Group)	209
Goodwill	109
Computer software	93
Certificates of association of deposit guarantee funds	67

12.3 – Tangible fixed assets

At December 31, 2003, the net book value of land and buildings amounted to €1,765 million, including €1,394 million relating to premises for the Group's own use, and €165 million in respect of investment properties derived from the contribution of the CDC IXIS Group.

NOTE 13 – DEBTS REPRESENTED BY A SECURITY

(in millions of euros)		
	2003	**2002**
Retail certificates of deposit and savings certificates	1,088	1,452
Inter-bank and other negotiable debt instruments	24,300	22,442
Bonds	49,673	43,646
Other debts represented by a security	0	31
Total	**75,061**	**67,571**

Unpaid accrued interest carried under the item "Debts represented by a security" stands at €1,405 million.

Unamortized issue or redemption premiums amount to €163 million.

NOTE 14 – ACCRUALS AND OTHER ASSETS AND LIABILITIES

(in millions of euros)		
	Assets	**Liabilities**
Accruals	**12,771**	13,001
Off-balance sheet transactions on securities	2,364	2,629
Foreign currency commitments	23	13
Unrealized hedging losses and gains	391	343
Deferred expenses and income	436	0
Prepaid expense and unearned income	226	1,770
Accrued expense and accrued income	1,312	1,575
Items in course of collection	4,460	3,861
Deferred tax	193	120
Other accruals	3,366	2,690
Other assets/liabilities	**9,941**	**12,192**
Other miscellaneous insurance assets/liabilities	**104**	**9**
Total 2003	**22,816**	**25,202**
Total 2002	21,303	23,880

NOTE 15 – PROVISIONS

15.1 – Provisions booked in respect of counterparty risks

(in millions of euros)					
	Dec. 31, 2002	**Allocations**	**Releases**	**Other movements**	**Dec. 31, 2003**
Provisions carried on the assets side (as deductions)	**1,831**	**545**	**(480)**	**95**	**1,991**
Provision for customer loans	1,620	503	(449)	91	1,765
Other provisions	211	42	(31)	4	226
Provisions carried on the liabilities side	**575**	**136**	**(110)**	**0**	**601**
Provision for signature commitments	41	12	(22)	0	31
Provision for customer loans	145	97	(47)	14	209
"Dynamic" provisions	389	27	(41)	(14)	361
Total	**2,406**	**681**	**(590)**	**95**	**2,592**

For a more economic inclusion of counterparty risks, a provision for counterparty risks has been booked for the entire extent of the Group's performing on- and off-balance sheet commitments for which the available statistical data make it possible to calculate the probabilities of default. This provision is calculated with the help of coefficients differentiated by rating classification and by the remaining life of the instruments, and weighted by the probability of recovery in the event of default. The aggregate provision on all portfolios covered — HLM social housing associations and semi-public companies, professional real estate, local and regional authorities, small- and medium-sized enterprises, consumer loans, financial markets — stood at €361 million at December 31, 2003.

15.2 **– Provisions for liabilities and charges (excluding counterparty risks)**

(in millions of euros)					
	Dec. 31, 2002	**Allocations**	**Releases**	**Other movements**	**Dec. 31, 2003**
Provision for claims, fines and penalties	92	52	(17)	14	141
Provision for retirement indemnities	101	14	(12)	9	112
Provision for the Group's estimated potential pension commitments (CGRPCE)	1,908	148	(215)	0	1,841
Provision for capital market activities	65	43	(38)	3	73
Provision for IT migration	89	3	(69)	0	23
Provision for Crédit Foncier Group restructuring	21	0	(9)	0	12
Provision for modernization initiatives	42	0	(15)	0	27
Other provisions for banking and non-banking operations	235	77	(131)	25	206
Total	**2,553**	**337**	**(506)**	**51**	**2,435**

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 all-inclusive basis at the level of the Caisse d'Epargne Group. For 2003, the provision for estimated potential pension commitments included in the consolidated accounts of the Caisse d'Epargne Group was subject to a net reversal for a total of €67 million, reflecting the combined impact of:

- Firstly, the updating of commitments and adjustment of retirement pensions decided during the year (allocation of €148 million),

- Secondly, the transfer to the CGRPCE of €215 million covered by a reversal of provisions for the same amount.

NOTE 16 – GOODWILL

The "Goodwill" heading represents the outstanding balance of differences not attributed elsewhere on the balance sheet between the cost of the investment and the book value of the underlying net assets noted at the time of acquisition of shares in consolidated subsidiaries and associated companies.

(in millions of euros)				
	Assets 2003	**Assets 2002**	**Liabilities 2003**	**Liabilities 2002**
Net amount at January 1	173	271	60	87
Movements during the year	224 (1)	(23)	2	10
Amortization for the year	(25)	(75)	(10)	(37)
Net amount at December 31	**372**	**173**	**52**	**60**

(1) Including, on the assets side, €242 million related to the first-time consolidation of the Banque Sanpaolo Group at December 31, 2003 and €(20) million related to the translation effect on the goodwill of the CDC IXIS Asset Management North America Group.

No goodwill amortization period is greater than 20 years.

NOTE 17 - CONSOLIDATED CAPITAL FUNDS, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED DEBT

17.1 – Changes in consolidated capital funds and reserves (excluding minority interests and the Reserve for General Banking Risks)

(in millions of euros)

	Capital	Share premium and merger surplus	Consolidated retained earnings	Consolidated net income	Consolidated capital funds (excluding minority interests and the Reserve for General Banking Risks)
At December 31, 2001	**2,878**	**2**	**4,796**	**790**	**8,466**
Appropriation of 2001 net income			790	(790)	
Distribution of dividends			(63)		(63)
Translation adjustments			(55)		(55)
2002 consolidated net income				952	952
Other movements	(5)	(2)	5		(2)
At December 31, 2002	**2,873**		**5,473**	**952**	**9,298**
Appropriation of 2002 net income			952	(952)	
Distribution of dividends			(86)		(86)
Translation adjustments			(44)		(44)
End of transitional period for the placement of the capital funds of the Caisses d'Epargne (1)	(272)		286		14
Impact of mergers between individual Caisses d'Epargne (2)		199	(204)		(5)
Application of CRC rules 2002.10 and 2002.03			(6)		(6)
Other movements			1		1
2003 consolidated net income				1,116	1,116
At December 31, 2003	**2,601**	**199**	**6,372**	**1,116**	**10,288**

(1) These changes in capital are described in Note 1.3

(2) Increase in merger surplus following the mergers of the Caisses d'Epargne d'Auvergne et du Limousin, and the Caisses d'Epargne de Lorraine.

17.2 – Changes in the Reserve for General Banking Risks

(in millions of euros)

	Dec. 31, 2002	Allocations	Releases	Other movements	Dec. 31, 2003
Reserve for General Banking Risks	2,107	351	(57)	(1)	2,400

17.3 – Subordinated debt

(in millions of euros)

	2003	2002
Dated subordinated notes	3,070	1,929
Undated subordinated debt	214	219
Non-cumulative, undated deeply subordinated notes (1)	800	-
Accrued interest	69	31
Total	**4,153**	**2,179**

(1) In November 2003, the CNCE issued non-cumulative, undated deeply subordinated notes for a total of €800 million. This issue was arranged in application of the new provisions of article L.228-97 of the French Commercial Code as amended by the Financial Security Act.

Following the approval of the General Secretary of the French Banking Commission, this issue may be assimilated to the consolidated tier-1 regulatory capital of the CNCE and Caisse d'Epargne Group up to a maximum of 15% of the consolidated tier-1 regulatory capital as applicable to "innovative" financial instruments.

Total capital is the sum of tier-1 capital (including the non-cumulative, undated deeply subordinated notes), tier-2 capital and regulatory deductions (holdings in non-consolidated credit institutions or those accounted for by the equity method).

Dated subordinated notes:

(in millions of euros)				
Issue date	**Maturity date**	**Interest rate**	**2003 total**	**2002 total**
02/1993	02/2003	(1)	-	50
07/1994	07/2004	8.125%	36	36
10/1994	10/2004	8.375%	54	54
12/1994	12/2004	8.500%	18	18
12/1998	12/2010	4.500%	91	91
11/1999	11/2011	5.600%	746	746
08/2000	08/2010	(2)	66	66
07/2002	07/2014	5.200%	455	455
09/2002	07/2014	5.200%	395	395
09/2002	09/2022	(3)	5	5
11/2002	11/2027	5.375%	13	13
01/2003	01/2033	(2)	14	-
02/2003	02/2015	4.500%	417	-
03/2003	04/2023	(2)	6	-
04/2003	01/2033	(2)	2	-
04/2003	04/2015	(2)	20	-
06/2003	03/2018	(3)	3	-
07/2003	07/2015	4.100%	450	-
07/2003	12/2015	4.800%	147	-
07/2003	07/2018	(2)	132	-
Total			**3,070**	**1,929**

(1) 6-month Libor USD, less a margin of 0.125%

(2) Tied to the 3-month EURIBOR

(3) Tied to the 6-month EURIBOR

NOTE 18 – COMMITMENTS GIVEN AND RECEIVED

				(in millions of euros)
	Given		**Received**	
	2003	**2002**	**2003**	**2002**
Financing commitments				
Given to/received from banking institutions	7,566	9,820	5,837	4,703
Given to customers	22,862	17,819	-	-
Total	**30,428**	**27,639**	**5,837**	**4,703**
Guarantee commitments				
Given to/received from banking institutions	10,042	8,668	8,950	7,812
Given to customers	8,382	7,256	-	-
Total	**18,424**	**15,924**	**8,950**	**7,812**

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

NOTE 19 – TRANSACTIONS IN FINANCIAL FUTURES OUTSTANDING

19.1 – Commitments on derivatives outstanding

Derivatives transactions mainly related to trading in interest-rate futures on over-the-counter markets.

(in millions of euros)

	Interest-rate instruments	Currency instruments	Other instruments	Total 2003	Total 2002
Transactions on organized markets					
Futures	27,021	0	60,531	87,552	61,612
Options	74,150	0	31,327	105,477	31,898
Over-the-counter transactions					
Futures	423,124	3,462	0	426,586	392,85
Options	68,557	2,413	9,179	80,149	176,519
Total	**592,852**	**5,875**	**101,037**	**699,764**	**562,880**

The nominal values of contracts listed in this table give only a general idea of the volume of the Caisse d'Epargne Group's activities on derivatives markets at the year-end and do not provide a valuation of the Group's market risks in respect of these instruments.

Commitments on interest-rate instruments traded on over-the-counter markets chiefly concern swaps and forward rate agreements (FRA) for dated transactions, and rate guarantee contracts for option-based transactions.

Commitments on currency instruments traded on over-the-counter markets chiefly concern foreign currency swaps.

Interest rate futures on over-the-counter markets can be broken down by type of portfolio as follows:

(in millions of euros)

	Specific hedging	General hedging	Isolated open positions	Specialized futures operations	Total
Futures	**42,812**	**12,388**	**2,178**	**365,746**	**423,124**
Options	**4,537**	**1,918**	**2,412**	**59,690**	**68,557**
Bought	3,519	1,734	1,736	23,33	30,320
Sold	1,018	184	676	136,359	38,237
Total at December 31, 2003	**47,349**	**14,306**	**4,590**	**425,436**	**491,681**
Total at December 31, 2002	28,529	28,741	4,051	393,927	455,248

19.2 – Commitments on futures by residual maturity

(in millions of euros)

	Up to 1 year	1 to 5 years	Over 5 years	Total 2003
Transactions on organized markets				
Futures	75,943	10,516	1,093	**87,552**
Options	93,818	10,604	1,055	**105,477**
Over-the-counter transactions				
Futures	168,696	131,578	126,312	**426,586**
Options	27,051	34,334	18,764	**80,149**
Total	**365,508**	**187,032**	**147,224**	**699,764**

19.3 – Counterparty risk in respect of derivatives

Counterparty risks are measured as the probable loss that the Caisse d'Epargne Group would suffer as a result of a counterparty failing to meet its obligations. The Group'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, excluding the effect of netting agreements in accordance with the conditions laid down in article 4 of Rule 91-05 of the French Banking and Financial Services Regulatory Committee,

– The potential credit risk resulting from the application of "add-on" factors defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and residual term.

The Caisse d'Epargne Group has been able to attenuate this counterparty risk by:

– Signing financial market agreements (ISDA-AFB) whereby, if a counterparty defaults, unrealized gains and losses will be netted,

– Collateral agreements where compensating balances are deposited in cash or securities.

(in millions of euros)

	Government and OECD central banks and equivalent	OECD financial institutions and equivalent	Other counter-parties	Total 2003
Unweighted equivalent credit risk, without considering netting and collateral agreements (1)	838	10,530	2,049	13,417
Effect of netting agreements	(265)	(5,555)	(235)	(6,055)
Effect of collateral agreements	(4)	(737)	(11)	(752)
Unweighted equivalent credit risk, after considering netting and collateral agreements	**569**	**4,238**	**1,803**	**6,610**
Weighted equivalent credit risk, after considering netting and collateral agreements	**0**	**848**	**902**	**1,750**
(1) Of which positive net replacement values	276	1,363	889	2,528

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 December 31, 2003, the weighted equivalent credit risk set out in the above table represented 0.4% of the notional values of these outstanding positions, against 0.3% at December 31, 2002.

NOTE 20 – RECIPROCAL INDEMNITY CLAUSES GRANTED BY THE ALLIANCE PARTNERS

Pursuant to their agreement to merge a number of their activities within the "Alliance," the Caisse d'Epargne and Caisse des dépôts Groups decided — with a view to ensuring fairness and in accordance with the economic equilibrium guiding the Alliance — to grant each other reciprocal indemnity clauses to cover certain possible future developments.

The most significant particular clauses concern the occurrence of certain events by the year 2005, namely:

- A substantial change in the value of the listed securities portfolio contributed to the Alliance via CDC IXIS

- A significant change in the performance of the intermediation activity of the Finance Division contributed to the Alliance by the CNCE

- The realization of potential capital gains by the Crédit Foncier Group

In accordance with steps taken to redefine the partnership between the Caisse d'Epargne Group and the Caisse des dépôts Group (memorandum of agreement signed on October 1, 2003), both entities would like to proceed with the early termination of these different clauses through final agreements due to be signed in 2004.

Regarding the first clause, changes in the value of the portfolio in question should require the Caisse des dépôts Group to pay a total of approximately €50 million to the CNCE.

The partners have agreed that the last two clauses should be terminated globally in return for the payment of a compensatory amount of €100 million to the CNCE.

NOTE 21 – INTEREST AND SIMILAR INCOME AND EXPENSE

				(in millions of euros)
	Income		**Expenses**	
	2003	**2002**	**2003**	**2002**
Transactions with financial institutions	6,283	6,858	2,831)	(3,299)
Customer transactions	6,457	6,478	(4,963)	(5,112)
Bonds and other fixed-income securities	2,708	2,523	(3,682)	(3,734)
Related to subordinated debt	0	0	(134)	(88)
Lease financing transactions	205	207	(83)	(81)
Other interest income and similar revenues and charges	995	847	(1,033)	(1,193)
Total	**16,648**	**16,913**	**(12,726)**	**(13,507)**

Interest income from financial institutions includes income on funds collected on the Livret A passbook accounts which are deposited daily with the Caisse des dépôts et consignations. This income includes:

– Compensation for interest paid by the Caisses d'Epargne to the public which is included in the item "Interest and similar expense – Customer transactions" for an amount of €1,741 million in 2003,

– An additional remuneration based on amounts outstanding, fixed by government decree, which is intended to cover the costs of managing depositors' accounts and which amounted to €789 million in 2003.

NOTE 22 – INCOME FROM VARIABLE-INCOME SECURITIES

		(in millions of euros)
	2003	**2002**
Shares and other variable-income securities	100	120
Investments in unconsolidated subsidiaries, and other long-term portfolio securities	50	59
Total	**150**	**179**

NOTE 23 – NET COMMISSION AND FEE INCOME

(in millions of euros)

	Expenses	Income
Transactions with financial institutions	(43)	26
Customer transactions	(41)	738
Securities transactions	(33)	574
Payment processing	(214)	459
Sale of life-insurance products	0	553
Other commissions	(87)	204
Total 2003	**(418)**	**2,554**
Total 2002	(377)	2,352

NOTE 24 – NET GAINS ON TRADING TRANSACTIONS

(in millions of euros)		
	2003	**2002**
Trading account securities	549	318
Foreign exchange	(6)	71
Financial instruments	(56)	194
Total	**487**	**583**

NOTE 25 – NET GAINS ON HELD-FOR-SALE PORTFOLIO TRANSACTIONS AND SIMILAR ITEMS

(in millions of euros)				
	Securities held for sale	**Similar securtieis**	**Total 2003**	**Total 2002**
Income from disposals	131	92	223	434
Net allocation to (release from) provisions	184	(7)	177	(174)
Total	**315**	**85**	**400**	**260**

NOTE 26 – OTHER NET OPERATING INCOME

(in millions of euros)			
	Income	**Expenses**	**Net**
Share generated on transactions carried out in common	11	(29)	(18)
Transfer of expenses	26	0	26
Other income and expenses	436	(361)	75
Total 2003	**473**	**(390)**	**83**
Total 2002	**362**	**(227)**	**135**

NOTE 27 – GENERAL OPERATING EXPENSES

(in millions of euros)		
	2003	**2002**
Personnel costs	(3,098)	(2,932)
- Wages and salaries	(1,810)	(1,741)
- Pension and retirement costs	(413)	(380)
- Other social security costs and payroll-based taxes	(751)	(699)
- Profit-sharing and incentive schemes	(124)	(112)
Taxes other than on income	(154)	(175)
External services and other administrative expense	(1,497)	(1,355)
Total	**(4,749)**	**(4,462)**

The average number of employees working during the year, broken down by professional category, is as follows:

- For fully consolidated companies: 41,410 divided into 7,497 managerial and 33,913 non-managerial staff,
- For companies consolidated on a proportional basis: 3,477 divided into 1,753 managerial and 1,724 non-managerial staff.

NOTE 28 – NET ADDITIONS TO PROVISIONS

(in millions of euros)

	Customer transactions	Other transactions	**Total**
Provisions booked			
Provisions booked	(504)	(99)	**(603)**
Provisions released	419	53	**472**
Losses on irrecoverable debts written off – covered by provisions	(152)	(16)	**(168)**
Losses on irrecoverable debts written off – not covered by provisions	(24)	(3)	**(27)**
Recoveries of debts written off as irrecoverable	16	4	**20**
Total 2003	**(245)**	**(61)**	**(306)**
Total 2002	(306)	(51)	(357)

NOTE 29 – NET GAINS ON FIXED ASSETS

(in millions of euros)

	2003	**2002**
Tangible fixed assets	104	35
Intangible fixed assets	(2)	(2)
Financial fixed assets	(27)	12
Total	**75**	**45**

NOTE 30 – EXCEPTIONAL ITEMS

Exceptional income and expenses are non-recurring and do not fall within the scope of the Group's usual activities. With respect to the 2003 financial year, they include a provision of €40 million booked for reasons of prudence to cover possible changes in the Group's commitments related to employee benefits.

NOTE 31 – TAX ON PROFITS

(in millions of euros)

	2003	**2002**
Current tax	(596)	(381)
Deferred tax	112	(22)
Tax credits and other tax	(19)	(32)
Total	**(503)**	**(435)**

The reconciliation of theoretical and effective tax rates can be presented as follows:

Theoretical tax rate	**33.33%**
Permanent differences	2.12%
Change in unrecognized deferred tax assets	(1.65%)
Differences in tax rates	1.29%
Other(1)	(3.43%)
Effective tax rate (excluding minority interests and share in income of companies accounted for by the equity method)	**31.66%**

(1) This line is chiefly affected by the reversal of deferred tax liabilities at the end of the year with respect to the Crédit Foncier de France Group. This reversal, for a total of €38.1 million, derives from the stabilization of this Group's tax position and efforts made to improve the legibility of the related deferred tax position.

NOTE 32 – SEGMENT INFORMATION

				(in millions of euros)
	Total activity		**Of which Retail Banking**	
	2003	**2002**	**2003**	**2002**
Net banking income	**7,247**	**6,583**	**6,300**	**5,822**
Operating expenses	(5,063)	(4,774)	(4,620)	(4,331)
Gross operating income	**2,184**	**1,809**	**1,680**	**1,491**
Net additions to provisions	(306)	(357)	(207)	(317)
Operating income	**1,878**	**1,452**	**1,473**	**1,174**
Share in net income of companies accounted for by the equity method	155	151	152	147
Gains (or losses) on fixed assets	75	45	(17)	40
Net ordinary income before tax	**2,108**	**1,648**	**1,608**	**1,361**

Retail banking includes the following activities:

- Commercial banking activities (savings deposits and loans granted to customers),
- Operations designed to support these activities, including hedging operations,
- Assets required for the pursuit of banking activities and financial assets invested in the retail banking business.
- 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.

Net banking income includes the return on equity allocated to retail banking activities. The amount of this equity is determined in accordance with the applicable regulations.

Operating expenses include the following items:

- General operating expenses,
- Depreciation, amortization and provisions for impairment in value.

NOTE 33 – INVESTMENTS BY INSURANCE COMPANIES

				(in millions of euros)
	Net book value		**Realizable value**	
	2003	**2002**	**2003**	**2002**
Property	15	15	21	24
Bonds and other fixed-income securities(1)	295	255	313	266
Equities and variable-income securities (excluding mutual funds)	27	27	29	23
Mutual funds holding exclusively fixed-income securities	72	54	71	52
Other mutual funds	220	110	223	111
Other investments and related accrued income	23	24	25	28
Assets representing unit-linked policies	20	11	20	11
Total	**672**	**496**	**702**	**515**

(1) The net book value and realizable value of bonds and other fixed-income securities are estimated with interest included.

After taking account of accrued interest and the elimination of intra-group items, the amount of insurance investments included on the consolidated balance sheet was €672 million at December 31, 2003 against €482 million at December 31, 2002.

NOTE 34 – INSURANCE COMPANIES' TECHNICAL RESERVES

(in millions of euros)

	2002	**Allocations**	**Releases**	**Other movements**	**2003**
Technical reserves, life insurance	162	26	(1)	(3)	184
Technical reserves, non-life insurance	189	262	(180)	0	271
Equalization reserves	4	3	0	0	7
Technical reserves for unit-linked policies	11	9	0	0	20
Total	**366**	**300**	**(181)**	**(3)**	**482**

NOTE 35 – GROSS MARGIN ON INSURANCE BUSINESS

(in millions of euros)

	Life	**Non-Life**	**Total 2003**	**Total 2002**
Premium income	36	180	216	131
Technical expense	(35)	(125)	(160)	(99)
Net premium income	**1**	**55**	**56**	**32**
Net acquisition and management expense	**(1)**	**(29)**	**(30)**	**(22)**
Net income from investments	10	7	17	16
Policyholders' surplus and credited interest	(8)	0	(8)	(10)
Net financial income	**2**	**7**	**9**	**6**
Other technical income and expense	(1)	(3)	(4)	(2)
Re-insurance result	**0**	**(6)**	**(6)**	**2**
Underwriting result	**1**	**24**	**25**	**16**
Net income from investments, excluding technical account	0	2	2	ns
Acquisition and management expense	1	26	27	19
Claim management expense	0	4	4	4
Other items classified by type and consolidation adjustments	2	9	11	6
Gross margin on insurance activities	**4**	**65**	**69**	**45**

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

This is a free translation into English of the Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us we have audited the accompanying consolidated financial statements of the Caisse d'Epargne Group, for the year ended December 31, 2003.

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

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and princ iples applicable in France.

Without qualifying our opinion set out above, we draw your attention to Note 4.1 to the consolidated financial statements which describes the changes in accounting methods due to the application of CRC Rule 2002-03 concerning the accounting treatment of credit risk, and CRC Rule 2002-10 concerning the amortization, depreciation and impairment in value of assets.

II - Justification of our assessments

In accordance with the requirements of article L.225-235 of the Commercial Code relating to the justification of our assessments, introduced by the Financial Security Act of August 1, 2003 and which came into effect for the first time this year, we bring to your attention the following matters:

Changes in accounting methods

As part of our assessment of the accounting rules and principles followed by the Company, we ensured that the above-mentioned changes in accounting methods and the ensuing presentation were appropriate.

Accounting estimates

The Group records provisions to cover the credit risks inherent to its operations (Notes 3.4, 7.2 and 15.1 to the consolidated financial statements). As part of our assessment of the significant estimates used for the preparation of the financial statements, in co-ordination with the Statutory Auditors of the consolidated entities, we examined the control procedures relating to the monitoring of credit risks, the assessment of the risks of non-recovery and determining the related specific and general provisions.

The Group holds positions relating to securities and financial instruments. Notes 3.3, 3.8 and 3.11 to the consolidated financial statements describe the accounting rules and methods applicable to securities and financial instruments and the conditions under which mathematical models are used to value positions relating to financial instruments which are not listed on an organized market.

In co-ordination with the Statutory Auditors of the consolidated entities:

- we examined the control procedures applicable to the related accounting classifications, the checking of the models used, and the determination of the parameters used to value these positions,

- we verified the appropriateness of the above-mentioned accounting methods and the information disclosed in the Notes to the consolidated financial statements, and we ensured that they were applied correctly.

Note 3.2 relating to the valuation and presentation rules used for the consolidated financial statements, describes the methods used to value investments in unconsolidated subsidiaries and associated companies and portfolio securities. Our procedures consisted of reviewing the approaches and assumptions used by the Group.

For the purposes of preparing the consolidated financial statements, the Group also makes accounting estimates in order to determine deferred tax assets (Notes 2.3 and 31), intangible assets (Notes 2.5, 3.1, 12 and 16), insurance companies' technical reserves (Notes 3.11 and 34) and pension commitments (Notes 3.7 and 15.2). In co-operation with the Statutory Auditors of the consolidated entities, we reviewed the assumptions used and verified that these accounting estimates were based on documented methods in accordance with the principles described in the Note relating to the valuation and presentation rules applicable to the consolidated financial statements.

We assessed whether these estimates were reasonable.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III - Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris, May 7, 2004

The Auditors

PricewaterhouseCoopers Audit			Mazars & Guérard
Yves Nicolas	Anik Chaumartin	Michel Barbet-Massin	Franck Boyer

RECENT DEVELOPMENTS

Acquisition of CFCAL

Crédit Foncier de France (CFF) announced on August 23, 2004 the actual acquisition of 2 blocks of shares of Crédit Foncier Communal d'Alsace et de Lorraine (CFCAL) from 2 shareholders: CIAL (31,674 shares representing 10% of the capital and 10.10% of the voting rights) and SADE (45,136 shares representing respectively 14.25% and 14.39% of the capital and the voting rights).

CFF consequently exceeded the thresholds of, respectively, 10%, 20% and 1/3 of the capital and the voting rights of CFCAL, and now holds 106,918 shares representing 33.76% of the capital and 34.09% of the voting rights of the company.

In accordance with the provisions of article 5-5-2 of the Règlement général du Conseil des Marchés Financiers, CFF will within the next weeks, launch a public takeover bid for the balance of CFCAL's capital at the same price per share as that paid by CFF for the 2 blocks, which is EUR 390 per CFCAL share, fixing the value of the entire company at around 124 millions euros.

Project of Public Offer of Withdrawal

On September 7, 2004, CNCE, which holds 95.42% of the capital of CFF, informed CFF that it is currently studying a project of a public offer of withdrawal followed by a compulsory withdrawal (offre publique de retrait suivie d'un retrait obligatoire) for the remaining shares of CFF not yet held by CNCE. While waiting for the meetings of the relevant corporate governing bodies and committees representing the personnel, Euronext has suspended the listing of the CFF shares as from September 7, 2004.

Payment of Dividends in Shares

In accordance with the resolution adopted by the extraordinary general meeting of the shareholders on May 26, 2004, CNCE allowed each shareholder the option of receiving dividends in cash or in newly issued shares carrying dividend rights from January 1, 2004 to be issued at the price of EUR 17.95 (share premium of EUR 2.70 included).

Subsequent to the demands of the shareholders, the Management Board held on September 6, 2004 noted that 4,669,576 new shares of EUR 15.25 nominal value each were issued, representing a share capital increase of EUR 71,211,034 and a global share premium of EUR 12,607,855.20.

As from this date, the share capital amounts to EUR 6,752,104,594.25 divided into 442,760,957 fully paid-up ordinary shares of Euro 15.25 each.

Press release dated 1 July 2004

Francis Mayer, Chief Executive Officer of the Caisse des dépôts et consignations and Charles Milhaud, Chairman of the Management Board of the Issuer, at a meeting today in the presence of Nicolas Sarkozy, Minister of State, Minister for Economic Affairs, Finance and Industry, officially confirmed their agreement to give a new foundation to the long-standing partnership between both institutions. This agreement is cemented by a seven-year shareholders' pact, renewable by tacit agreement for periods of five years.

Under the terms of the agreement, the Caisse des dépôts et consignations transfers its 50.1% holding in Compagnie financière Eulia and its 43.55% stake in its investment banking and asset management subsidiary, CDC Finance - CDC IXIS ("IXIS"), to the Issuer, the central institution of the Caisse d'Epargne Group. The contribution of these assets transforms the Caisse d'Epargne Group into a universal bank in which the Caisse des dépôts et consignations enjoys the status as a strategic shareholder owning a 35% interest in the capital of the Issuer alongside the Caisses d'Epargne. This new universal bank employs 55,000 staff and will henceforth operate in the world's major financial markets, while holding leading positions in the French retail market.

The agreement consolidates the two Groups' partnership on a lasting basis and commits them to maintaining their respective shareholdings in the Issuer until the time of any potential IPO. It also clarifies their respective roles within the new entity:

- the Issuer, owned 65% by the Caisses d'Epargne and 35% by the Caisse des dépôts et consignations, strengthens its threefold role, i.e. 1/ its traditional one as central institution of the network for all the companies within the expanded Caisse d'Epargne Group, 2/ that of central banker to the Group, with proprietary activities, and 3/ that of holding company for the subsidiaries it owns directly*. This threefold role ensures it will directly manage the Group's retail banking operations as well as the investment banking activities primarily carried out by IXIS.
- The Caisse des dépôts et consignations consolidates its role as strategic shareholder in the CNCEP and its remit as long-term investor via the direct takeover of IXIS' proprietary portfolios (listed equities, private equity, real-estate assets), worth €3.4bn.

To finance the transaction, the 29 Caisses d'Epargne in metropolitan France issued €3.3bn of Cooperative Investment Certificates (CCIs) in favour of the Issuer, giving the Issuer a 20% stake in their capital. As a result, both the Issuer and the Caisse des dépôts et consignations have an interest in the banking activities of the Caisses d'Epargne—which currently account for over 65% of the Group's profits—the former directly, and the latter indirectly via its stake in the Issuer.

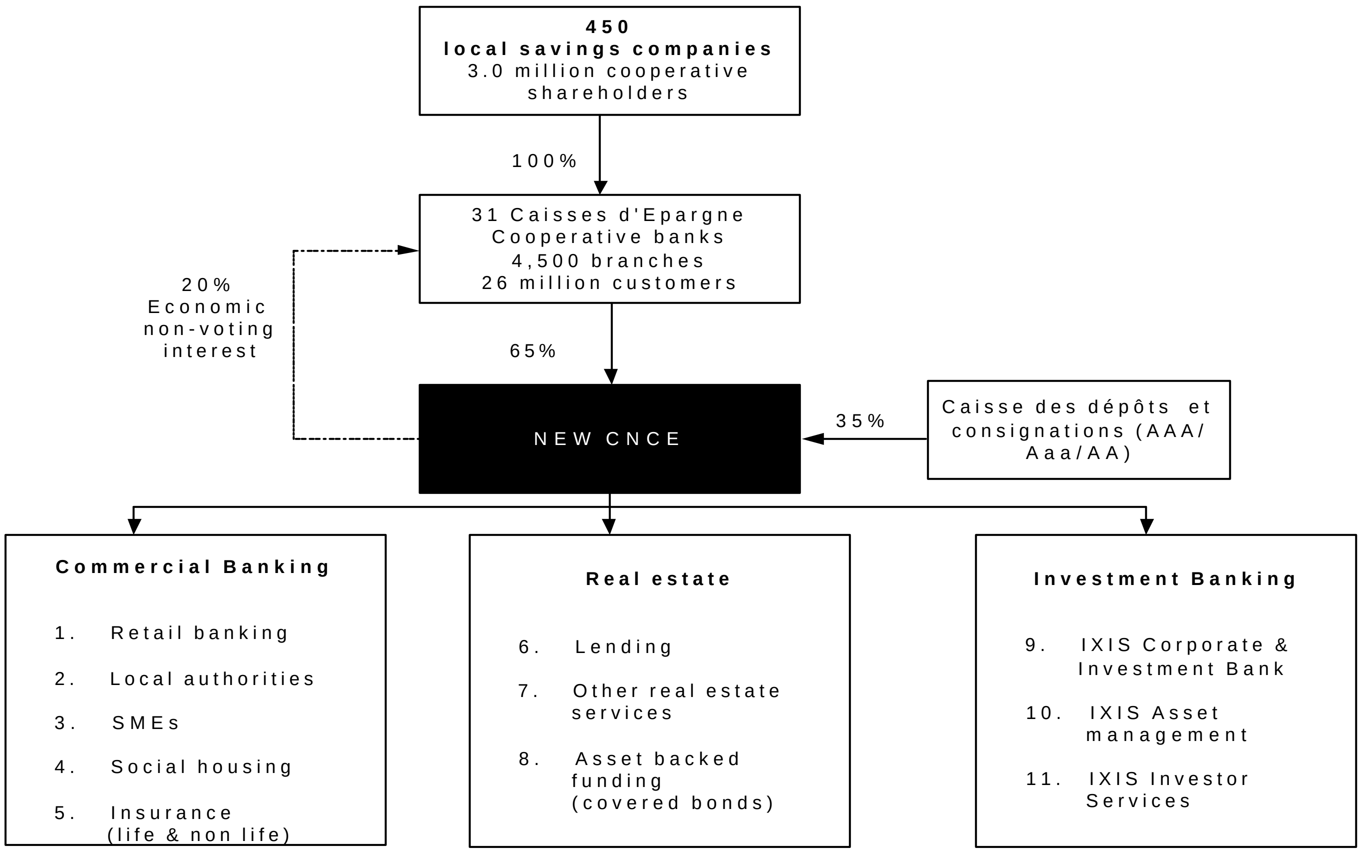
In the new banking group, the most important decisions will be taken jointly, notably during the initial period comprising the first three years of the shareholders' pact, e.g.: approval of the strategic plan, major investments and appointments of senior executives of the Caisse d'Epargne Group's main subsidiaries.

As soon as the new initiative was announced on 24 July 2003, the three ratings agencies marked their unanimous approval of the operation by confirming the Issuer's issue ratings with a stable outlook, at the highest level awarded for French banks.

Charles Milhaud and Francis Mayer both expressed pleasure that all the negotiations leading up to the signature of the final agreement had been conducted in a climate of openness and mutual trust. "The agreement signed today is a well-balanced and lasting accord that clarifies the respective roles of the two partners." It also safeguards the Caisse des dépôts et consignations' interests from both asset value and strategic standpoints, in line with the commitment made by its Chief Executive Officer and approved by the Supervisory Board of the Caisse des dépôts et consignations. The road is now clear for the Caisse d'Epargne Group to start integrating the various teams into the Group and unlocking synergies between the various companies and businesses comprising the new universal bank.

* The expanded Caisse d'Epargne's major subsidiaries include Crédit Foncier-Entenial, Banque Sanpaolo and IXIS.

The organisation of the Caisse d'Epargne Group as it is planned to be as at 31 December 2004 is illustrated in the chart below.


450
local savings companies
3.0 million cooperative shareholders
100%
31 Caisses d'Epargne
Cooperative banks
4,500 branches
26 million customers
20%
Economic non-voting interest
65%
NEW CNCE
35%
Caisse des dépôts et consignations (AAA/ Aaa/AA)
Commercial Banking
1. Retail banking
2. Local authorities
3. SMEs
4. Social housing
5. Insurance (life & non life)
Real estate
6. Lending
7. Other real estate services
8. Asset backed funding (covered bonds)
Investment Banking
9. IXIS Corporate & Investment Bank
10. IXIS Asset management
11. IXIS Investor Services

USE OF PROCEEDS

The issuer intends to use the proceeds of the issuance of the Notes to increase its regulatory capital and for its general corporate purposes. The net proceeds of the issuance of the Notes are estimated to EUR 694,274,000.

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