2003 Annual Report

NATEXIS BANQUES POPULAIRES

Key figures 2003

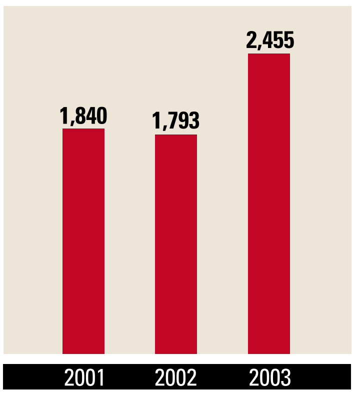
AS OF DECEMBER 31, 2003

150
offices, including **118** outside France

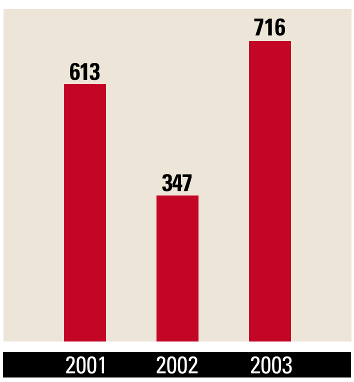
200,000
shareholders (approximately)

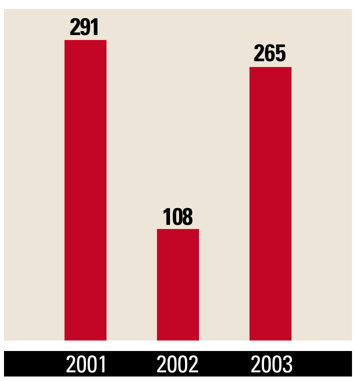
11,935
employees

NET BANKING INCOME
in EUR millions



GROSS OPERATING INCOME
in EUR millions





NET INCOME
in EUR millions

in EUR billions at December 31	2001	2002	2003
Total assets	110.4	133.4	135.9
Regulatory capital *	5.6	5.8	6.0
International capital adequacy ratio	9.8%	10.2%	11.4%
Tier One ratio	7.2%	7.2%	8.1%

* On an extended Cooke basis.

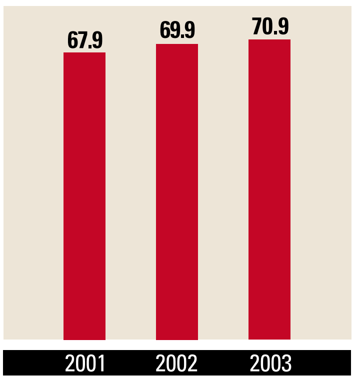
AS OF DECEMBER 31, 2003
LONG-TERM RATINGS

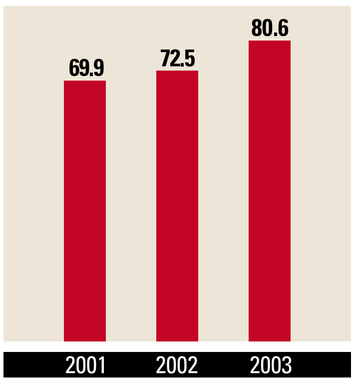
Aa3 Moody's

A+ Standard & Poor's

A+ Fitch Ratings

AVERAGE OUTSTANDING LOANS
in EUR billions





ASSETS UNDER MANAGEMENT AT DECEMBER 31
in EUR billions

NET BANKING INCOME BY CORE BUSINESSES

in EUR millions	2001	2002	2003
Financing	874	881	968
Investment banking	376	194	304
Services	555	569	603
Coface	-	191*	488
Net Banking Income of core business	1,805	1,835	2,362
Other	35	-33	92
Total	1,840	1,802	2,455

* over 6 months.

Profile

Natexis Banques Populaires is the Banque Populaire Group's financing, investment banking and service bank and is also the Group's listed vehicle.

Natexis Banques Populaires stands apart from other banking institutions. Drawing on its expertise in a wide range of complementary areas, it offers not only traditional banking services but also high value-added technology-based services. Natexis Banques Populaires builds long-term domestic and international partnerships with its clientele of large and medium-sized companies, financial institutions and the Banque Populaire Group network.

The bank holds leading positions in each of its core businesses. It is a major player in the financing market, serving substantially all major French companies. Through its subsidiary Coface, it is one of the world's leading providers of credit insurance and credit management services. At the same time, Natexis Banques Populaires is ranked amongst the leaders in private equity and financial engineering, and plays an active role in debt and equity brokerage. It is also the number one provider of high-tech services. A well-known and highly respected player in the bancassurance and asset management sectors, it is the leading employee savings plan manager in France.

"A satisfactory performance"

Philippe Dupont
Chairman

Chairman's message

Natexis Banques Populaires and its subsidiaries turned in satisfactory performances in 2003. Together, they accounted for one-third of the Banque Populaire Group's Net Banking Income and contributed fully to the strong growth in the Group's bottom line.

In a persistently unsettled environment, all of the financing, investment banking and service businesses reported higher earnings, despite the unfavorable dollar effect.

Among our other achievements, we considerably enhanced our security processes and realized substantial productivity gains.

These robust results were obtained without any reduction in our significant investments to grow the business and streamline our organization, testifying to our ability to respond swiftly to changing conditions.

They also represent the payoff from our recent external growth operations, including the acquisitions of Coface, Natexis Bleichroeder and CrédiFrance Factor which have enabled us to expand our service offering. It is a source of great satisfaction to me that these new businesses have been seamlessly integrated in our development strategy.

In light of these good results, at the Annual Shareholders' Meeting we will be recommending a significant increase in the dividend.

Natexis Banques Populaires has a wealth of strengths that can be leveraged to increase the value of its high quality business base. With the backing of a powerful Group, a stable operating framework and a solid capital base, our bank is poised to further expand the service offering, targeting all client categories.

We have recently embarked on a strategic review that will lead to the introduction of a more client-centric organization.

This new focus is expected to deliver numerous benefits in 2004 and subsequent years.

Secure in the knowledge that I can count on the expertise and commitment of our staff, I remain as confident as ever in our bank's ability to achieve further revenue and earnings growth across all of our businesses.

Philippe Dupont
Chairman

“Solid increase in Net Banking Income”

François Ladam
Chief Executive Officer

Chief Executive Officer’s message

For Natexis Banques Populaires, 2003 was a year of strong earnings growth, fueled by a sharp rise in Net Banking Income and tight control over general operating expenses.

All of our businesses contributed to this good overall performance.

The Financing business continued to expand at a brisk pace, driven by Corporate and International Banking which posted improved margins while keeping a tight rein on growth in the loan book. This business line is central to our strategy and its solid performance last year is a source of considerable satisfaction. Specialized Financing revenues also grew, albeit at a slower rate, with advances in lease financing helping to offset a modest downturn in factoring business.

Investment Banking staged a strong recovery, powered by a 60% increase in Capital Markets Net Banking Income, on a comparable structure basis. While the various businesses performed unevenly, we obtained sound results from the energetic action to deal with the remaining problems related to equity derivatives. Private Equity had a good year, posting 43% growth in Net Banking Income while at the same time boosting its stock of unrealized gains.

Services made considerable headway. Banking Services turned in a very satisfactory performance. Financial Services pulled out of certain businesses, leading to a dip in revenues. Asset Management and Insurance revenues expanded 15%, reflecting solid performances by the fund management, employee savings plans and insurance businesses.

Credit Insurance and Credit Management Services was the star performer in terms of business growth. Insurance revenues soared 50% while Service revenues climbed by a very respectable 8%.

All in all, these results are very encouraging, especially given that they were achieved during a period of in-depth reorganization and repositioning of our Capital Markets and Financial Services businesses, as well as of our headquarters functions and risk management structures.

We do not plan to stop there. We believe that we have considerable scope to further improve our performance in 2004 and to put our earnings on a more even keel.

Considering the work undertaken and the results obtained to date, the quality of our teams and our solid skillset, I have every confidence in our bank's development potential. And I know that I can rely on the commitment of all of our people to help us fulfill our goals.

François Ladam
Chief Executive Officer

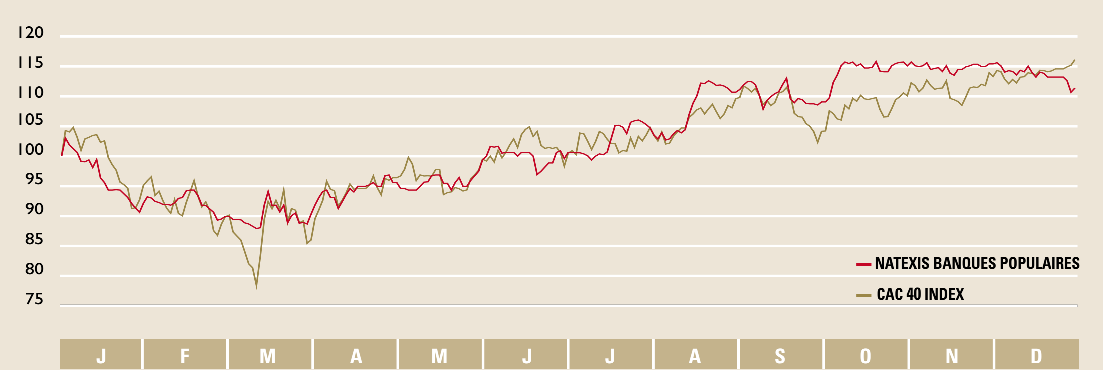
Natexis Banques Populaires
share performance

in EUR	1999	2000	2001	2002	2003
Earnings per share based on average number of shares outstanding	5.40	7.10	6.70	2.40	5.60
Net dividend per share, excluding tax credit	2.20	2.50	2.50	1.50	2.50*
Gross revenue per share, including tax credit	3.30	3.75	3.75	2.25	3.75*
Payout rate	40.7%	35.2%	37.3%	62.5%	44.6%

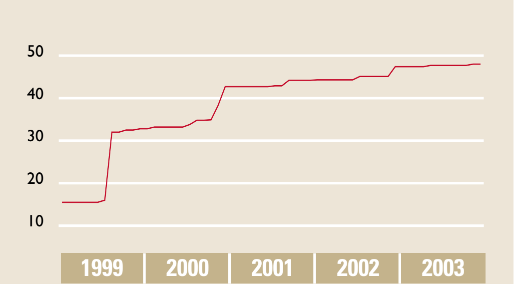
* Dividend recommended at the Annual Shareholders' Meeting of May, 27, 2004.

SHARE PERFORMANCE base 100 as of January 1, 2003

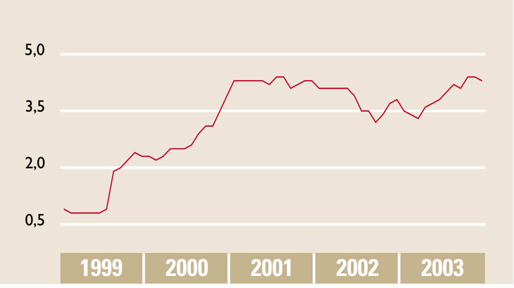
Natexis Banques Populaires shares ended the year at euros 88.55 up 11.4% over the end-2002 price.



NUMBER OF SHARES
in millions



MARKET CAPITALIZATION
in EUR billions



AS OF DECEMBER 31, 2003

Capital stock	EUR768,722,224
Number of shareholders	200,000 approximately
Number of shares	48,045,139
Market capitalization	EUR4.25 billion
Market	Euronext Paris Premier Marché, eligible for "SRD" deferred settlement service
ISIN code	FR0000120685
Index	SBF 120
Reuters code	CNAT.PA
Bloomberg France code	KN
Voting rights	Shares registred in the name of the same holder for at least two years carry double voting rights. As of December 31, 2003, there were 81,794,906 voting rights.

TRADING VOLUME

1st quarter 2003	626,897
2nd quarter 2003	505,675
3rd quarter 2003	573,205
4th quarter 2003	408,083

MAIN SHAREHOLDERS as of December 31, 2003

% interest

Banque Fédérale des Banques Populaires of which Alizé Levier corporate investment plan (2.2%)	75.3%
Public	22.8%
Employees (other corporate mutual funds)	1.9%

Investor relations
Shareholder relations

Tel.: +33 (0) 1 40 39 68 79 - Fax: +33 (0) 1 40 39 63 40

Toll-free number (calls originating in France only): 0 800 600 525

Web site: www.nxbp.banquepopulaire.fr
e-mail: relinvest@nxbp.fr

Registrar service

Tel.: +33 (0) 1 58 32 31 86 - Fax: +33 (0) 1 58 32 29 30
e-mail: emetteurs.charenton@nxbp.fr

Shareholder relations

The Natexis Banques Populaires financial communications team manages all relations with analysts and investors, as well as with individual shareholders. The team places prime importance on regularly issuing high quality, accurate financial information.

The annual and interim results are announced in press releases and presented at meetings with the financial press and buy-side analysts. All financial publications are available in both French and English. Results announcements are also published in the financial press. Whenever a significant event occurs, details are published in a press release and a special meeting is organized with the press and analysts.

Regular roadshow presentations are organized for institutional investors in France and internationally, and information sessions are held for employees of the Banque Populaire regional banks who help to sell Natexis Banques Populaires shares. Additionally, conference calls are arranged to explain the bank's financial statements.

For individual investors, the main communication tool is the Shareholders' Newsletter. This is sent out to all of the bank's identified shareholders, numbering around 200,000. A newsletter is also produced for the approximately 17,000 Banque Populaire Group employees who take part in the employee stock ownership plan launched in June 2001.

Individual shareholders in France can also obtain information throughout the year by dialing the toll-free number 0 800 600 525. All calls are taken by members of the financial communications team in a bid to personalize shareholder relations and ensure that the information provided is of a consistently high quality.

The institutional web site www.nxbp.banquepopulaire.fr includes a Shareholders & Investors section in French and English. Visitors to the site can view webcasts of the Annual Shareholders' Meeting in the weeks that follow the event, as well as downloading all financial communications documents, including Annual Reports, analyst presentations and Shareholder Newsletters. In 2003, a new section was set up, with downloadable versions of all documents filed with the French securities regulator, *Autorité des Marchés Financiers* (AMF).

The Annual Shareholders' Meeting held on May 22, 2003 at *Maison de la Chimie* was the perfect opportunity for management and shareholders to come together and exchange views. As in prior years, it was preceded by a broad-based consultation process to identify the topics of particular interest to shareholders. These included Natexis Banques Populaires' position in the Banque Populaire Group, the bank's businesses and risk management processes, and its share performance.

For the third year running, Natexis Banques Populaires shareholder relations teams met private shareholders at the Actionaria fair held on November 21 and 22, 2003 at the *Palais des Congrès* conference center in Paris.

Participating in the Annual Shareholders' Meeting

The Notice of Meeting

The Notice of Meeting presents the agenda of the Meeting and the resolutions that will be put to the vote. It is sent directly to holders of registered shares who purchased their shares at least one month before the Meeting date. The file also includes a form to apply for an admittance card, for shareholders planning to attend the meeting in person, and a form of proxy and a postal voting form for shareholders who are unable to attend.

Holders of bearer shares can find out about the Meeting by reading the Notice of Meeting published in the *Bulletin des Annonces Légales Obligatoires* (BALO) and the financial press at least 30 days prior to the Meeting date, or by calling the shareholder relations toll-free number (calls originating in France only) or visiting the bank's web site. Copies of the Notice of Meeting and the voting forms can be obtained from the bank or broker that manages their share account.

Legal formalities to be carried out before the Meeting

Registered shares must be recorded in the holder's registered share account or administered registered share account at least five days prior to the Meeting date.

Holders of bearer shares must obtain from the bank or broker that manages their share account a certificate stating that a block has been placed on the shares up to the date of the Meeting (known as a *certificat d'immobilisation*). The certificate must be received by Natexis Banques Populaires at least five days prior to the Meeting date, in order to allow time for an admittance card to be issued and sent to the shareholder.

Attending the Meeting in person

Shareholders will be required to present their admittance card at the door. If they do not receive this card in time, they can still take part in the vote by presenting an official identity document (together with the *certificat d'immobilisation* in the case of holders of bearer shares).

Shareholders will be given an electronic key pad to enable them to vote during the meeting on the ordinary resolutions.

Postal and proxy votes

Shareholders who do not attend the Meeting in person can take part in the vote by:

- giving proxy to the Chairman of the Meeting, by returning the signed form of proxy to the bank, or.
- voting by post, by returning the signed postal voting form after checking the appropriate boxes to indicate their vote on each resolution, or.
- giving proxy to their spouse or another Natexis Banques Populaires shareholder to vote on their behalf.

Financial calendar

January 22, 2004
2003 revenue release

March 4, 2004
2003 earnings release

May 27, 2004
Annual Shareholders' Meeting

July 8, 2004
First-half 2004 revenue release

September 9, 2004
First-half 2004 earnings release

Corporate governance

Executive Management Commitee

As of January 1, 2004

Philippe Dupont
Chairman

François Ladam
Chief Executive Officer

Jean Duhau de Berenx
Private Equity

Jean-Yves Forel
Banking, Financial and Technology Services

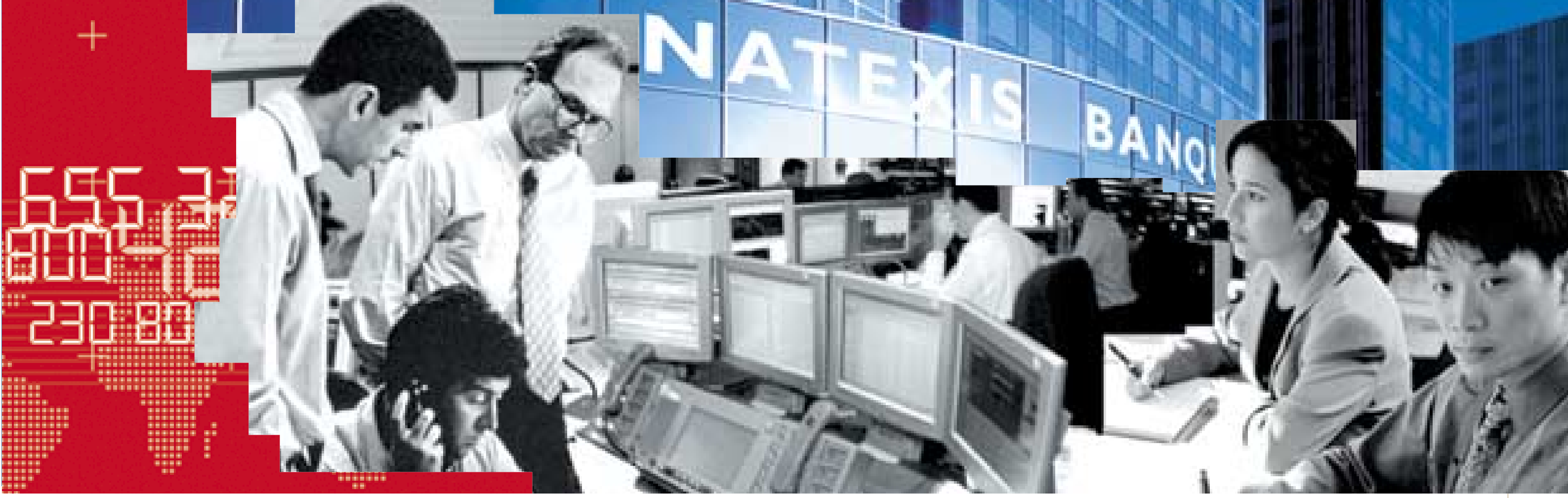
Luc Jarny
Information Systems and Logistics

Erik Lescar
Corporate & International Banking and Specialized Financing

Jean-François Masson
Human Resources

Jean-Pierre Morin
Asset Management and Insurance

Olivier Schatz
Capital Markets



Board of Directors

Chairman, **Philippe Dupont**
Chief Executive Officer, **François Ladam**

Directors

Philippe Dupont, Chairman of Natexis Banques Populaires
Banque Fédérale des Banques Populaires, represented by Christian Hébrard, Honorary Chairman of CASDEN Banque Populaire
Jean-Paul Bechat, Chairman and Chief Executive Officer of Snecma
René Clavaud, Chairman of Banque Populaire Centre Atlantique
Jean-François Comas, Chief Executive Officer of Banque Populaire Côte d'Azur
Claude Cordel, Chairman of Banque Populaire du Midi
Daniel Duquesne, Chief Executive Officer of Banque Populaire Loire et Lyonnais
Steve Gentili, Chairman of BRED Banque Populaire
Alain Jacquier, Chairman of Banque Populaire Bourgogne Franche-Comté
Jean de La Chauvinière
Richard Nalpas, Chief Executive Officer of Banque Populaire Toulouse-Pyrénées
Francis Thibaud, Chief Executive Officer of Banque Populaire du Sud-Ouest
Jean-Louis Tourret, Chairman of Banque Populaire Provençale et Corse
Robert Zolade, Chairman of H.B.M. (Holding Bercy Management)
Jean-Pierre Chavaillard, representing employee-shareholders

Non-voting Director

Michel Goudard, Chief Operating Officer of Banque Fédérale des Banques Populaires

Board Secretary

Jean-René Burel

Auditors

Deloitte-Touche Tohmatsu
RSM Salustro Reydel
Barbier Frinault et Autres

Substitute Auditors

Bernard Boiton
François Chevreux
Aldo Cardoso

Corporate governance rules

Natexis Banques Populaires has been applying corporate governance recommendations for a number of years. In 1996, Committees of the Board were set up and since then, other measures have been taken, reflecting the practices recommended in the Viénot and Bouton corporate governance reports.

We consider that one of the keys to good corporate governance lies in organizing regular meetings of the Board of Directors and giving directors all the information needed to exercise their judgment. A variety of methods are used to ensure that Board members are kept fully informed about the activities of the bank and its subsidiaries.

1 – Membership of the Board of Directors

The list of directorships and executive positions held by the members of the Board in other companies is provided at the end of this section.

There were no changes in the membership of the Board during 2004.

The Board has fifteen members (including one director representing employee-shareholders) and one non-voting director. The Chief Executive Officer does not sit on the Board.

More than half of the directors represent the Banque Populaire Group, the bank's majority shareholder. One fifth of the directors (three directors out of fifteen, not including the director representing employee-shareholders) are qualified as independent.

The three independent directors have no ties with any of the bank's direct or indirect shareholders, they are not members of the bank's management team and they have not sat on the Board for more than 12 years. They do not manage any companies that rely on the bank for a significant proportion of their total revenue.

- One is the Chief Executive of a major French high-tech manufacturing group that is one of the world's leading aircraft engine manufacturers.

- The second is the Chief Executive and co-founder of one of France's top two food services groups.

With their long-standing experience of the manufacturing and service sectors, these two directors provide valuable insight and a different point of view, complementing that of the bankers who represent the majority of Board members.

- The third independent director is a former banker and stockbroker. Now retired, he is completely independent from all financial services groups. He is Chairman of the Compensation Committee and the Financial Statements Review Committee, and also speaks up for the interests of private shareholders.

The employees of Natexis Banques Populaires and its subsidiaries and those of the other Banque Populaire

Group entities hold over 4% of capital. Since the May 2002 Annual Shareholders' Meeting they are represented by a director selected from among three candidates proposed by the corporate mutual funds set up as the vehicle for employee stock ownership plans.

The bank's bylaws stipulate that each director must hold at least 100 Natexis Banques Populaires shares.

The terms of five directors – representing one third of the Board – are due to expire at the forthcoming Annual Shareholders' Meeting.

2 – Senior management structure

The "NRE" corporate governance act requires companies to formally decide whether to combine or separate the functions of Chairman and Chief Executive Officer. The Board of Directors therefore considered these two options at its meeting on January 16, 2002, and decided that the separation of the two functions was more consistent with the general principles underlying the Group's organization structure. Pursuant to this decision, during the same meeting Philippe Dupont – up to then Chairman and Chief Executive Officer – was named Chairman of the Board. On October 23, 2002, François Ladam was appointed Chief Executive Officer effective from November 1, 2002, with all the related powers. François Ladam is not a member of the Board of Directors.

3 – Meetings of the Board of Directors

The Board of Directors met seven times in 2003, with an average attendance rate of 98% at all meetings and for all directors.

Each meeting lasted an average of more than three hours. Several days before each meeting, directors were given a file containing detailed information about each of the agenda items, representing in total several dozen pages

The Board is called on to make decisions about all matters related to the bank's strategy and operations. It receives regular information about business performance, approves the financial statements of the bank and the Group, reviews the budget and various presentations concerning internal control and the determination of exposure limits.

During the year, the heads of the business lines take it in turn to make presentations to the Board covering the position and outlook of their business.

These presentations provide the directors with a detailed overview of developments across the entire business. Presentations are also made to the Board about reorganizations, large-scale internal projects and other developments that materially affect operations.

The Board is responsible for approving in advance planned acquisitions of equity interests in excess of a certain amount (requirement of the bylaws). The limit on the Chief Executive Officer's discretionary authority in this area is particularly low.

External growth transactions planned by subsidiaries are also submitted to the Natexis Banques Populaires Board for approval, to ensure that they are consistent with the Group's overall strategy.

Internal restructuring operations between subsidiaries are also subject to Board approval.

Matters reviewed by the Board in 2003 included the setting of overall limits on market risks, the reorganization of the Capital Markets business line, the new risk management and internal control organization, the proposed preferred stock issue and the IGLOO II synthetic securitization.

To make it easier for directors to exercise their judgment concerning the activities of the bank and its subsidiaries, in 2003 the decision was made to place several Natexis Banques Populaires directors on the Boards of the main subsidiaries.

No formal assessment of the Board's performance has yet been performed.

4 – Committees of the Board

There are three Committees of the Board:

- The Financial Statements Review Committee set up in 1996
- The Audit Committee set up in 2000
- The Compensation Committee set up in 1996.

- The Financial Statements Review Committee has four members, including one independent director: Richard Nalpas, René Clavaud, Jean de La Chauvinière and Francis Thibaud.

The Committee is responsible for reviewing the draft financial statements and related financial disclosures. Where necessary, the Committee obtains explanations about material items before the financial statements are presented to the Board. During its review, the Committee examines the accounting treatment of non-recurring transactions and obtains assurance concerning the appropriateness and consistent application of accounting principles and methods.

As well as meeting before the publication of the interim and annual financial statements, the Committee may also hold other meetings during the year to review any issues that fall within its remit. In 2003, the Committee met twice, with a 75% attendance rate, to review the 2002 annual financial statements and the 2003 interim financial statements, prior to their presentation to the Board. The Auditors attended both meetings and provided all necessary explanations. The Committee focused, in particular, on the cost/income ratio and the impact of the Capital Markets business on the financial statements.

In early 2004, the Financial Statements Review Committee made recommendations concerning the re-appointment of the Auditors to be proposed at the Annual Shareholders' Meeting.

- The Audit Committee also has four members: Daniel Duquesne, Jean-François Comas, Claude Cordel and Jean-Louis Tourret.

The Audit Committee assists the Board of Directors in managing risks. To this end, the Committee analyzes the bank's main areas of risk – other than those concerning the true and fair view provided by the financial statements and financial disclosures – and assesses the effectiveness of the system of internal control. In the same way as the Financial Statements Review Committee, the Audit Committee may review any issues that fall within its remit.

The Committee met four times in 2003, with a 100% attendance rate. During these meetings, the Committee reviewed the internal control report, the information systems convergence project, the results of Banque Fédérale des Banques Populaires' post-acquisition audit of Coface, and the situation of Paris-based Natexis Bleichroeder S.A. and New York-based Natexis Bleichroeder Inc. At each meeting, the Committee made the necessary inquiries of the management or the auditors of the business concerned.

■ The Compensation Committee has four members, two of whom are independent directors: Jean de La Chauvinière, Jean-Paul Bechat, Steve Gentili, Alain Jacquier.

The Compensation Committee reviews and makes recommendations to the Board concerning all matters related the to personal situation of directors, including their fixed and variable compensation and their pension arrangements. It also makes recommendations concerning proposed stock option grants. The Committee met once in 2003, with 100% attendance.

Charters have been drawn up for the Financial Statements Review Committee and the Audit Committee.

Whenever necessary, the Committees of the Board make inquiries of the head of Internal Audit, the Finance Director, the Risks Director, the Auditors, or any other persons in a position to provide the technical information required. Neither the Chairman nor the Chief Executive Officer attend meetings of the Committees. Formal minutes are produced after each meeting and the Committee chairmen report periodically to the Board on their activities and recommendations.

5 – Internal Rules of the Board of Directors and Directors' Charter

The Internal Rules of the Board of Directors and the Directors' Charter were approved by the Board in March 2001. A copy of both of these documents is given to new directors when they join the Board.

The Internal Rules describe the matters falling within the competence of the Board, its rules of procedure – including the requirement to hold at least six meetings per year – and its code of ethics. They also specifically provide for the Board to be assisted by three Committees. Lastly, they describe the rules of conduct to be followed by each individual director.

The Directors' Charter sets out the rights and obligations of Board members. It reiterates the provisions of the bylaws requiring each director to hold at least 100 Natexis Banques Populaires shares. It prohibits directors from trading in the bank's shares in the 30-day period preceding the announcement of the bank's quarterly, half-yearly or annual results, and from carrying out speculative or leveraged transactions in the shares.

The Charter describes the method used to determine the fees paid to each director. These include a small fixed fee (EUR1,525 since 2001) and a variable fee of EUR1,220 per meeting attended by the director during the year. In addition, members of the Committees of the Board are paid a fee of EUR915 per Committee meeting attended.

6 – Compensation paid to the Chairman, the Chief Executive Officer and the directors

Based on the recommendation of the Compensation Committee, the Board decided to set at EUR263,000 the fixed compensation paid to the Chairman of the Board, the same amount as in 2002 and 2001. The Chairman is also entitled to a variable bonus of EUR75,000, paid at the end of the year. The amount of this bonus may be reduced if the bank's results fall short of expectations.

In 2003, Philippe Dupont, the Chairman of the Board, received compensation of EUR359,557 in his capacity as Chairman and Chief Executive officer of Banque Fédérale des Banques Populaires, the controlling shareholder of Natexis Banques Populaires. He did not receive any fees in his capacity as director of certain subsidiaries of the bank.

Based on the recommendation of the Compensation Committee, the Board set at EUR362,000 the fixed compensation paid to François Ladam, Chief Executive Officer, for 2003. The Board also decided to award a variable bonus of EUR100,000 to Mr. Ladam, payable at the end of the year provided that the bank's earnings targets were met. If the bank's results fell short of expectations, the bonus would have been reduced.

François Ladam also has the use of an apartment owned by the bank.

François Ladam did not receive any compensation in 2003 in respect of his functions at the level of Banque Fédérale des Banques Populaires, or in his capacity as director of certain subsidiaries of the bank.

The total fees paid to the fifteen directors and one non-voting director for 2003, determined as explained above, amounted to EUR182,390. This amount breaks down between EUR158,600 in fees for attendance at Board meetings (including EUR24,400 in fixed fees and EUR134,200 in variable, attendance-based fees) and EUR23,790 in fees for attendance at meetings of Committees of the Board.

The director paid the highest total fee received an amount of EUR13,725.

The table on page 21 provides details of the amounts received by each director, as a director of Natexis Banques Populaires and, where applicable as a director of any subsidiaries of the bank and/or of Banque Fédérale des Banques Populaires, the controlling shareholder of Natexis Banques Populaires.

7 – Senior executive stock options

At its meeting on November 19, 2003, the Board of Directors decided to launch a new shareholder-approved senior executive stock option plan. The option grants, which were made in accordance with the applicable regulations and were based on the recommendation of the Compensation Committee, were as follows:

- 6,000 options granted to the Chairman.
- 12,000 options granted to the Chief Executive Officer.
- 42,000 options granted to the other members of the Executive Management Committee.

The option exercise price, determined as specified in the authorization given at the Annual Shareholders' Meeting of May 31, 2001, is EUR83.25.

No senior executive stock options were exercised during 2003.

The Chairman was also granted 6,000 stock options in his capacity as Chairman and Chief Executive Officer of Banque Fédérale des Banques Populaires.

8 – Other executive positions and directorships held by the members of the Board of Directors and the Chief Executive Officer

The list of other executive positions and directorships held by the members of the Board of Directors and the Chief Executive Officer is provided on page 19.

The list has been prepared in accordance with the applicable regulations and covers all the executive positions and directorships held during the year. The information is not sufficiently detailed to assess whether a director complies with the rules concerning multiple directorships, because it does not include details of any capital ties among the various companies concerned.

None of the directors – with the exception of the director representing employee-shareholders – has an employment contract with the bank or any of its subsidiaries.

9 – Auditors

The bank's financial statements are audited by three firms of independent accountants:

- Deloitte Touche Tohmatsu, last re-appointed at the Annual Shareholders' Meeting of June 16, 1998.
- RSM Salustro Reydel, last re-appointed at the Annual Shareholders' Meeting of June 16, 1998.
- Barbier Frinault et Autres, last re-appointed at the Annual

Shareholders' Meeting of June 16, 1998.

The table on page 17 shows the fees paid to the Auditors in 2003 and 2002.

10 – General Shareholders' Meetings and shareholder information

Two Shareholders' Meetings were held in 2003:

- The Annual Shareholders' Meeting was held in May, to approve the 2002 financial statements of the bank and the Group, authorize a share buyback program, re-elect a director and authorize the Board to issue shares and share equivalents. The Meeting also approved the acquisition, in exchange for shares, of Banque Fédérale des Banques Populaires' interest in Banque du Dôme-CrédiFrance Factor. This company, which joined the Banque Populaire Group in connection with the link-up with the Crédit Coopératif Group, was subsequently merged with Natexis Banques Populaires' factoring subsidiary.
- In November, an Extraordinary Shareholders' Meeting was held to approve the acquisition, in exchange for shares, of Banque Fédérale des Banques Populaires' interest in Sopromec Participations. This company, which joined the Banque Populaire Group in connection with the link-up with the Crédit Coopératif Group, has been integrated in the Natexis Banques Populaires Private Equity business line.

Particular care was taken over preparing the proxy documents sent to shareholders in connection with the two meetings, so that individual shareholders were given detailed information, in a single document, about each of the transactions put to the vote.

2002

in EUR thousands	Deloitte-Touche Tohmatsu	%	RSM Salustro Reydel	%	Barbier Frinault et Autres	%
AUDIT SERVICES						
Statutory audit services	1,747	88%	828	97%	496	56%
Audit-related services	27	1%	25	3%	-	-
Sub-total	**1,774**	**89%**	**853**	**100%**	**496**	**56%**
OTHER SERVICES						
Legal and tax advice	189	9%	-	-	4	0%
IT services	-	-	-	-	-	-
Internal audit services	-	-	-	-	367	41%
Other	28	1%	-	-	24	3%
Sub-total	**217**	**11%**	**0**	**0%**	**395**	**44%**
Total	**1,991**	**100%**	**853**	**100%**	**891**	**100%**

2003

in EUR thousands	Deloitte-Touche Tohmatsu	%	RSM Salustro Reydel	%	Barbier Frinault et Autres	%
AUDIT SERVICES						
Statutory audit services	1,755	55%	1,036	91%	749	58%
Audit-related services	1,212 *	38%	15	1%	498 **	38%
Sub-total	**2,967**	**92%**	**1,051**	**92%**	**1,247**	**96%**
OTHER SERVICES						
Legal and tax advice	139	4%	21	2%	6	0%
IT services	1	-	-	-	-	-
Internal audit services	-	-	-	-	46	4%
Other	106	3%	67	6%	-	-
Sub-total	**246**	**8%**	**88**	**8%**	**52**	**4%**
Total	**3,213**	**100%**	**1,139**	**100%**	**1,299**	**100%**

* Mainly assistance in understanding and interpreting IFRS.
** Including assistance in connection with the Basel II project EUR343 thousands.

Members of the Board of Directors (excluding the Chief Executive Officer, who is not a director)

Name	First elected/ appointed	Term expires (AGM called to approve the financial statements for the year indicated)	Main position within the Company	Main position outside the Company
Philippe Dupont	Board meeting of November 25, 1997	2007	Chairman of the Board, Director	Chairman and CEO Banque Fédérale des Banques Populaires
Banque Fédérale des Banques Populaires represented by Christian Hébrard	Board meeting of November 25, 1997	2007	Director	Honorary Chairman CASDEN Banque Populaire
Jean-Paul Bechat	Shareholders' Meeting of November 18, 1998	2003	Director	Chairman and CEO Snecma
René Clavaud	Shareholders' Meeting of May 23, 2002	2005	Director	Chairman Banque Populaire Centre Atlantique
Jean-François Comas	Shareholders' Meeting of May 23, 2002	2003	Director	CEO Banque Populaire Côte d'Azur
Claude Cordel	Shareholders' Meeting of May 23, 2002	2007	Director	Chairman Banque Populaire du Midi
Daniel Duquesne	Shareholders' Meeting of May 23, 2002	2003	Director	CEO Banque Populaire Loire et Lyonnais
Stève Gentili	Shareholders' Meeting of May 23, 2002	2005	Director	Chairman BRED Banque Populaire
Alain Jacquier	Board meeting of November 25, 1997	2007	Director	Chairman Banque Populaire Bourgogne Franche-Comté
Jean de La Chauvinière	Shareholders' Meeting of May 3, 1996	2007	Director	
Richard Nalpas	Shareholders' Meeting of May 23, 2002	2003	Director	CEO Banque Populaire Toulouse-Pyrénées
Francis Thibaud	Shareholders' Meeting of May 23, 2002	2002	Director	CEO Banque Populaire du Sud-Ouest
Jean-Louis Tourret	Shareholders' Meeting of May 23, 2002	2003	Director	Chairman Banque Populaire Provençale et Corse
Robert Zolade	Board meeting of September 22, 1999	2006	Director	Chairman, H.B.M. (Holding Bercy Management)
Michel Goudard	Shareholders' Meeting of May 23, 2002	2004	Non-voting director	Chief Operating Officer Banque Fédérale des Banques Populaires
Jean-Pierre Chavaillard	Shareholders' Meeting of May 23, 2002	2007	Director representing employee shareholders	

Other executive positions and directorships held by members of the Board of Directors in 2003

Philippe Dupont

Chairman and
Chief Executive Officer:
Banque Fédérale
des Banques Populaires

Chairman of the Board of Directors:
Natexis Assurances

François Ladam

Permanent representative of
Natexis Banques Populaires,
director of:
Natexis Altaïr, Natexis Assurances,
Natexis Private Equity

Permanent representative of
Natexis Assurances, member
of the Supervisory Board of:
Assurances BP IARD

Non-voting director:
Banque Fédérale
des Banques Populaires

Christian Hébrard

Chairman of the Board of Directors:
Banque Monétaire et Financière
(BMF)

Vice-Chairman of the Board
of Directors:
Banque Fédérale
des Banques Populaires

Vice-Chairman of the Board
of Directors:
Parnasse MAIF

Director:
Natexis Assurances,
Parnasse Services S.A.,
CASDEN Banque Populaire, Umer

Permanent representative of
CASDEN Banque Populaire,
director of:
Bicec, Parnasse Finance S.A.,
Filial MAIF S.A.

Non-voting director:
Natexis Immo Placement

Jean-Paul Bechat

Chairman and Chief Executive
Officer:
SNECMA

Director:
Alstom, Sogepa,
Messier-Dowty International Ltd

René Clavaud

Chairman of the Board
of Directors:
Banque Populaire Centre Atlantique,
Natexis Lease

Vice-Chairman of the Board of
Directors:
Banque Fédérale
des Banques Populaires

Director:
Coface, Smurfit Limousin

Advisor to:
Banque de France

Jean-François Comas

Chief Executive Officer:
Banque Populaire Côte d'Azur

Director:
Banque Fédérale
des Banques Populaires,
Natexis Assurances,
Natexis Coficiné

Permanent representative
of Banque Populaire Côte d'Azur,
Chairman of:
Foncière Victor Hugo,
Société Méditerranéenne
d'Investissement

Permanent representative
of Natexis Private Banking
Luxembourg S.A., director of:
Fructilux

Permanent representative
of Banque Populaire
Côte d'Azur, manager of:
SCI Domaine de l'Arenas

Director:
Association Banque Populaire
pour la Création d'Entreprise

Chairman:
Fédération Bancaire Française
Banking Committee for the Alpes
Maritimes region

Technical advisor to:
Chambre de Commerce et d'Industrie
de Nice Côte d'Azur

Member of the Supervisory Board:
Cannes TV

Claude Cordel

Chairman of the Board of Directors:
Banque Populaire du Midi

Chairman:
Commission Financière Nationale
de l'Unicem, cellule économique
BTP du Languedoc Roussillon,
SAS CPSL, SAS Holding Clobia

Chairman of the Board of Directors:
Natexis Factorem

Director:
Banque Fédérale
des Banques Populaires,
SAS Dupleix, SNC Hydromons

Daniel Duquesne

Chief Executive Officer:
Banque Populaire Loire et Lyonnais

Director:
Banque Fédérale
des Banques Populaires,
Natexis Asset Management,
Sepel, INSA de Lyon

Member of the Supervisory Board:
Volksbank CZ

Stève Gentili

Chairman of the Board of Directors:
BRED Banque Populaire,
BRED Gestion,
Natexis Pramex International

Director:
Banque Fédérale
des Banques Populaires, Coface,
Cofibred, LFI, BRED Cofilease,
Bercy Gestion Finances +

Vice-Chairman:
Banque Internationale
de Commerce (BIC BRED)

Permanent representative of
BRED Gestion on the Board of:
Vialink

■ **Alain Jacquier**

Chairman of the Board of Directors:
Banque Populaire
Bourgogne Franche-Comté,
Banque Privée Saint Dominique,
SFIH (Société Financière
d'Investissements Hôteliers)

Chairman and
Chief Executive Officer:
SA Central Hôtel,
SIHT (Société d'Investissements
Hôteliers et Touristiques)

Managing partner of:
50 SNC subsidiaries of SFIH
(Villages Hôtel)

Director:
Banque Fédérale
des Banques Populaires,
Natexis Intertitres

Chairman:
Comité Régional du
Tourisme de Bourgogne

Advisor to:
Banque de France à Dijon

Member of the Executive Board
and Chairman of the Promotion and
Development Commission:
Union des Métiers
de l'Industrie Hôtelière

Member of the Board of Directors:
Maison de la France

■ **Jean Dufresne de La Chauvinière**

Director:
Natexis Actions Europe (Sicav),
Natexis Asset Management,
France Entreprises, U.E.B. Monaco,
CIC Obli Moyen Terme

Vice-Chairman:
La Demeure Historique

■ **Richard Nalpas**

Chief Executive Officer:
Banque Populaire Toulouse-Pyrénées

Vice-Chairman of the Board of
Directors:
Banque Fédérale
des Banques Populaires,
Natexis Bleichroeder S.A.

Director:
Natexis Assurances,
Natexis Bleichroeder Inc. (New York)

Permanent representative
of Banque Populaire Toulouse-Pyrénées, director of:
Maison du Commerçant S.A.,
Multi-Croissance S.A.,
Natexis Immo Placement,
Socama 31 (Société Coopérative
de caution mutuelle à capital
variable),
IBP S.A., IRDI S.A.

■ **Francis Thibaud**

Chief Executive Officer:
Banque Populaire du Sud-Ouest

Vice-Chairman of the Board of
Directors:
Natexis Paiements

Director:
Banque Fédérale des Banques
Populaires, Soprolib Sud-Ouest,
Socami Bordeaux region,
Socama Sud-Ouest

■ **Jean-Louis Tourret**

Chairman of the Board of Directors:
Banque Populaire Provençale
et Corse,
Natexis Épargne Entreprise,
Natexis Interépargne, Proclair SAS,
Tourret SAS

Director:
Banque Fédérale
des Banques Populaires,
Lafarge Ciments

Manager:
Tourret Électronique,
Tourret Entreprises,
Proclair Provence

■ **Robert Zolade**

Chairman:
Servinvest 2

Chairman and director:
Éliance, H.B.M.

Director:
Élior Nederland BV, Elior UK Ltd

Director:
Areas SA, Areas Ibericoamericana,
Serunion, Avenance, Ristochef,
I.D.I.A. Participations

Member of the Supervisory Board:
Pragma Capital

Manager:
Servinvest

Co-Managing Partner:
Bercy Participations

Co-Legal representative of
the Co-Managing Partner
Bercy Participations:
Société Élior

Legal representative of the
Co-Managing Partner H.B.M.:
Société Élior

Legal representative of H.B.M.,
Chairman of the Board of Directors:
M.R.C.

Legal representative of the
Managing Partner Éliance:
Éliance Orly Ouest, Éliance Aéroport

■ **Michel Goudard**

Chief Operating Officer:
Banque Fédérale
des Banques Populaires

Chairman:
SAS Guidéo

Vice-Chairman of the Supervisory
Board:
SBE

Director:
Natexis Altaïr,
Natexis Bleichroeder Inc. (New York),

Natexis Bleichroeder S.A.,
Natexis Private Equity

Representative of Banque Fédérale des Banques Populaires on the Board of Directors of:
Natexis Assurances

Chairman of the Board of Directors:
Informatique Banques Populaires

Non-voting director:
Europay France

Member of the Executive Committee:
Confédération Internationale des Banques Populaires

Chairman:
Association des Banques Populaires pour la création d'entreprise

Fees and other compensation paid to directors for 2003 (in euros)

	Fees							For info	
	Variable fee	Fixed fee	Total	Fee for members of the Financial Statements Review Committee	Fee for members of the Compensation Committee	Fee for members of the Audit Committee	**Total amount**	Fees paid by companies controlled by NBP	Fees paid by the company that controls NBP*
Philippe Dupont	8,540	1,525	10,065	-	-	-	10,065	-	11,435
Jean-Paul Bechat	8,540	1,525	10,065	-	915	-	10,980	-	-
Jean de La Chauvinière	8,540	1,525	10,065	1,830	915	-	12,810	-	-
Robert Zolade	6,100	1,525	7,625	-	-	-	7,625	-	-
René Clavaud	8,540	1,525	10,065	-	-	-	10,065	2,440	13,721
Jean-François Comas	8,540	1,525	10,065	-	-	3,660	13,725	-	11,435
Claude Cordel	8,540	1,525	10,065	-	-	3,660	13,725	3,600	14,483
Daniel Duquesne	8,540	1,525	10,065	-	-	3,660	13,725	-	14,483
Stève Gentili	8,540	1,525	10,065	-	915	-	10,980	-	11,435
Alain Jacquier	8,540	1,525	10,065	-	915	-	10,980	3,600	11,435
Richard Nalpas	8,540	1,525	10,065	1,830	-	-	11,895	1,829	15,245
Francis Thibaud	8,540	1,525	10,065	1,830	-	-	11,895	-	15,245
Jean-Louis Tourret	8,540	1,525	10,065	-	-	3,660	13,725	9,929	11,435
Jean-Pierre Chavaillard	8,540	1,525	10,065	-	-	-	10,065	-	-
Banque Fédérale des Banques Populaires, repr. by Christian Hébrard	8,540	1,525	10,065	-	-	-	10,065	-	-
Michel Goudard, non-voting director	8,540	1,525	10,065	-	-	-	10,065	-	-
Total	**134,200**	**24,400**	**158,600**	**5,490**	**3,660**	**14,640**	**182,390**		

* Fees paid in 2003 by BFBP are for attendance at Board Meetings and Committee Meetings held in 2002.

Increased cross-functional integration

In 2003, our headquarters teams completed certain major projects and launched new ones designed to leverage the fundamentals underpinning the bank's leading positions in the Financing, Investment Banking and Services markets. Operating in their own area or joining forces on cross-functional projects, the teams set about optimizing the bank's strategic management, bolstering the organization, upgrading management tools, enhancing risk management processes, fostering employee buy-in, strengthening international operations and unleashing synergies with the Banque Populaire Group and its partners. Together, these initiatives have represented the final building blocks in the drive to create a modern and efficient bank, completely focused on serving clients.

Leveraging strengths

All of the projects pursued or launched in 2003 were designed to enable us to cope with challenging market conditions, fully meet client expectations and develop our Financing, Investment Banking and Service business in accordance with Banque Populaire Group strategy.

Steering the business more effectively

In 2003, we set up a strategic oversight system spanning all of the bank's businesses, in order to tailor growth projects more closely to market developments and the Banque Populaire Group's goals.

The Finance Department, the General Secretariat, the Information Systems teams and all of the business lines made rapid progress in implementing the Basel II and IFRS/IAS projects which will transform the banking industry's regulatory and accounting landscape, leading to sweeping changes in the way the business is managed.

The scope of the Basel II and IFRS/IAS projects has been extended to include enhancements to our business monitoring and management systems. The convergence of production systems is now 90%-complete and in 2003, the decision was made to take the initiative a step further by upgrading accounting, management reporting and risk tracking systems. The aim is to produce standard data for all activities to support a pro-active management approach, through increased cross-functional reporting and the use of Group-wide reporting systems. This strategic project is being led by a steering committee made up of information systems functional architects, and representatives of Risk Management, the Finance Department and their correspondents in the various business lines and subsidiaries. The diverse origins of the committee members will ensure that all aspects of the relationship with each client are taken into account.

A more close-knit organization

One of the highlights of the year was the implementation of a new Capital Markets organization structure. Against a backdrop of far-reaching change in the investment banking environment and deteriorating market conditions, the business line refocused on its core business. For Capital Markets, this meant setting up a combined Fixed Income and Currency salesforce. The decision was also made to reorganize the trading business around four desks, to refocus equity derivatives activities on vanilla derivatives, to establish cross-functional coordination of origination activities and to step up the level of computerization of middle and back office processing operations, in order to manage risks more closely and improve productivity.

Launched in May 2003, the Cap 2005 project has united Financial Services teams behind a common strategy which re-affirms certain core principles, such as efficiency, risk discipline and giving priority to serving the Banque Populaire Group.

Enhancing the value of the Group's real estate holdings was also high on the agenda in 2003, with the launch of construction work on a second building in Charenton-le-Pont. This major office complex on the outskirts of Paris will provide opportunities for facilities rationalization, as well as facilitating communications among the various teams called on to work together.

Upgraded systems

A key objective of 2003 was to enhance the quality of IT operations. The service commitment was strengthened by drafting specific service contracts for each activity. At the same time, significant progress was made in implementing standard incident management practices, with the development of an incident database managed jointly by the IT department and the Natexis Banques Populaires core businesses.

Major applications upgrades were also pursued in 2003. Fund transfer applications were modernized and the bank's electronic banking organization and systems were rationalized in conjunction with the introduction of the new EMV (Europay, Mastercard, Visa) chip card technology.

During 2003, information systems management practices were harmonized. Ongoing work on the Concerto project launched in 2002 to develop standard project management processes, led to the deployment of standard processes for the pre-launch and maintenance phases. Work on the downstream phases (acceptance, qualification, transfer to production) is well underway and should be completed in 2004.

As well as upgrading our systems, we kept up our drive to contain information systems costs. A comparative study of equivalent organizations showed that our bank represents a benchmark in this area. Instead of resting on our laurels, we made further improvements to server management, enhanced the allocation of roles among the various players and made changes that allow us to use IT resources more efficiently.

Strict risk discipline

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

An Internal Control Department reporting to the General Secretariat was also set up during the year, to enhance the independence of the bank's control structures. The new department has some 100 employees, half of whom work at Corporate level and half in the subsidiaries and branches. It is responsible for ensuring that the controls performed by operations personnel and by the heads of the business lines are appropriate and are systematically implemented. The creation of this new structure represents an important milestone in developing a battalion of internal controllers applying the same standards and procedures across all of our businesses.

The responsibilities of the Risk Management Department were extended during the year, to improve control over operational risks. The teams responsible for counterparty risks were strengthened and reorganized, with the formation of groups specialized by geographic area and by type of business.

Our headquarters departments kept up the drive to manage operational risks more tightly. In 2002, contingency plans were developed by the business lines and subsidiaries, addressing the risk of a major incident affecting their facilities or of information systems being put out of action. These plans were tested in 2003 to identify any changes required to keep pace with developments in the bank's activities.

On the technology front, we strengthened our information systems security by upgrading the system of clearances, updating the security charter, setting up a security call center and establishing a network of security officers.

A stronger international presence

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

In 2003, we continued to deepen our international presence, opening two new branches in Algeria – in Oran and Setif – where we have had operations since 1999. Reaping the benefits of the improving Algerian economy and the greater openness to foreign investment observed over the last three years, the aim is to become a banker of choice for Algerian companies and to help French companies establish a foothold in the country. To achieve this goal, we will leverage our excellent reputation, our expertise in the guarantee business and our solid understanding of lending operations.

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

Closer ties with other Banque Populaire Group subsidiaries

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

All of the major projects launched or continued in 2003, such as the Basel II and IFRS/IAS projects, were conducted in close cooperation with Banque Fédérale des Banques Populaires.

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

At their respective Annual Shareholders' Meetings, our main subsidiaries switched from a two-tier management structure, with a Supervisory Board and Management Board, to a single tier structure based on a Board of Directors. At the same time, the membership of their Boards was changed to permit the chief executives of the Banque Populaire regional banks to become more closely involved in these subsidiaries' activities.

Ties with the Banque Populaire Group were also tightened on the technical and technological fronts.

We shared our information systems expertise with the other Group entities, in particular by providing assistance in rolling out the new CRM (customer relationship management) application, Equinoxe, to the Banque Populaire regional banks. i-BP (informatique-Banque Populaire, the information systems platform used by two-thirds of the Banque Populaire regional banks) chose to transfer its hardware to Natexis Altaïr, thereby confirming the role of our facilities management and systems operations subsidiary as a technological lynchpin and cross-functional technical service provider.

Profitable synergies

In 2002, we made several acquisitions in order to respond more effectively to client needs. 2003 was devoted to unleashing synergies with our partners.

The partnership between Natexis Banques Populaires and Deutsche Zentral-Genossenschaftsbank (DZ Bank), which was cemented in 2002 through an increase in our cross-shareholdings, began to take shape in 2003 with the launch of four initiatives. In equity research and brokerage, following an agreement signed in November 2003, our equity brokerage subsidiary, Natexis Bleichroeder, has been using DZ Bank's research since the beginning of the year to strengthen its position as a specialist broker in European equities. In factoring, the joint venture agreement signed with DZ Bank on November 21, 2003 has led to the formation of VR Factorem, a company specialized in offering factoring services to German small and mid-sized businesses. In asset management, our respective subsidiaries – Union Investment and Natexis Asset Management – will step up their ten-year partnership in the Luxembourg fund EuroAction by creating a joint venture (Union Natexis Asset Management) offering a selection of the two groups' Luxembourg funds, to be marketed under the UniNatexis brand. Lastly, in private equity, Natexis Private Equity International and DZ Equity Partner signed a memorandum of understanding in July 2003 concerning the joint financing of a German private equity fund, Buyout Finatem II, that will invest in small and mid-sized businesses.

Following our 2002 acquisition of the brokerage business of New York-based investment firm Arnhold & S. Bleichroeder and the launch of a Global Equities business, during 2003 we began to develop synergies between the French (Natexis Bleichroeder S.A.) and American (Natexis Bleichroeder Inc.) arms of the business. Various development paths have been established to facilitate the distribution of European equities in the United States and of US research and equities in Europe.

Since we acquired Coface in August 2002, we have extended the range of services offered to companies and expanded the international network. Natexis Factorem, our factoring subsidiary, has launched a new credit insurance offer, named Accredia, for self-employed professionals and companies. Developed in partnership with Coface, Accredia combines domestic and export credit insurance in a single policy.

Committed teams

In 2003, we adopted an increasingly centralized and integrated approach to managing human resources, to tap the full potential offered by our 11,935 employees. One illustration of this growing integration is our work on developing a skills database, starting with the drafting of formal job descriptions.

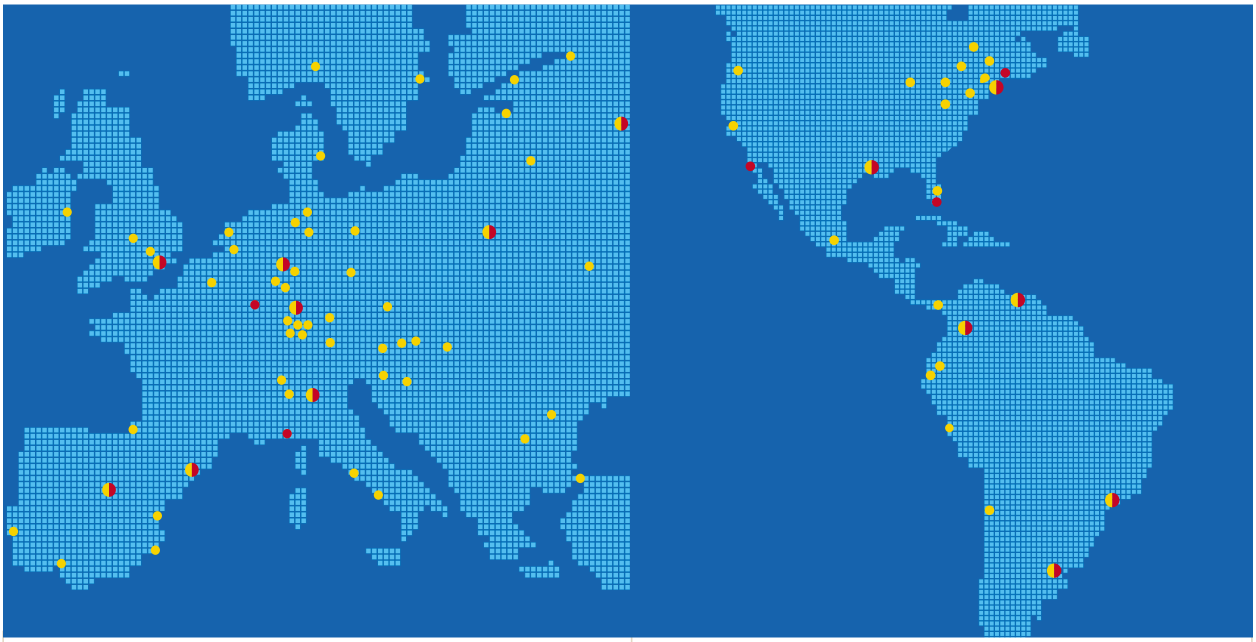
Training was high on the agenda in 2003. With 264 new hires joining the bank during the year, we focused on organizing induction seminars and specific group training courses, as well as drawing up individual training programs, to facilitate the integration process. Training cycles were organized for all employees, in connection with organizational changes or moves to new jobs, and also to boost individual skills. At the same time, the performance review system was improved, to identify more easily employees' hopes and expectations in terms of mobility and training, and provide personalized responses.

To promote experience-sharing among our teams and strengthen the overall skill-base, while also offering our staff motivating career opportunities, increased internal mobility has been made a core objective for 2003 and also for 2004. A project has been launched to make it easier for employees to move from one Group entity to another and we have also taken steps to pinpoint more effectively our bank's needs and the aspirations of our staff. These efforts have been backed up by a drive to better inform, train and support candidates for internal mobility.

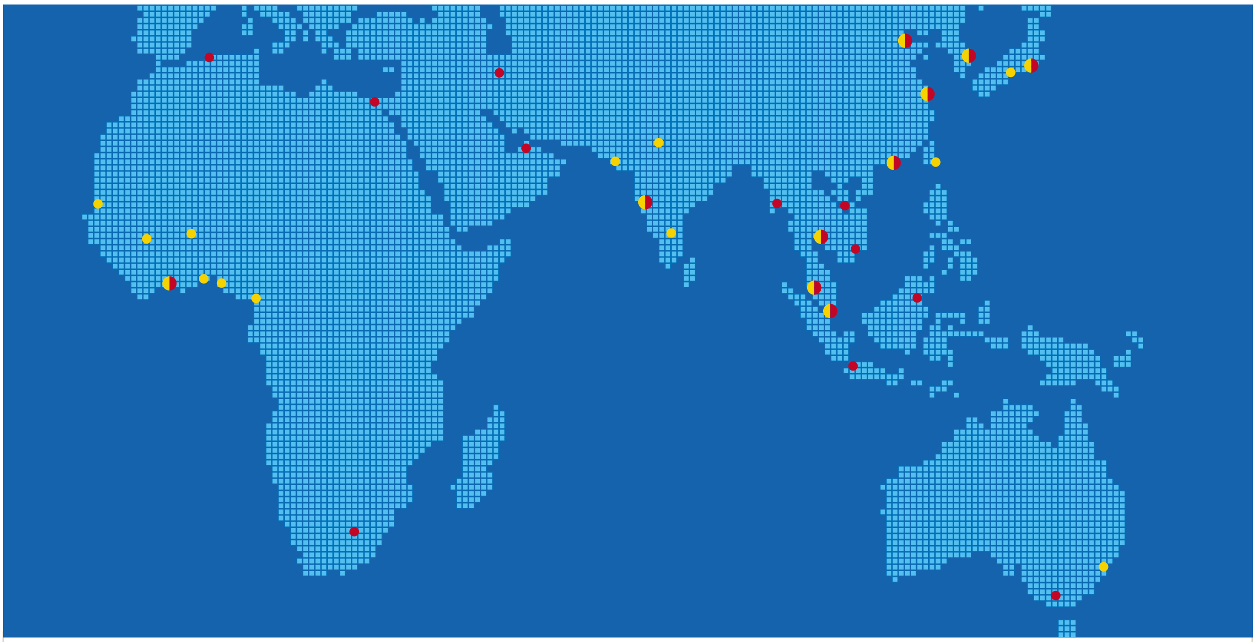
Action was also taken in 2003 to harmonize and upgrade management practices. The Change Management initiative launched in 2001, targeted at local managers, was stepped up with the active participation of all business line directors. The initiative is supported by a comprehensive array of information, communication and training tools, including the Management Rendez-Vous meetings organized throughout the year to update managers on the strategy of the company or business line, and the Managers Club launched in the spring of 2003 to provide managers with the opportunity to exchange views and share experiences in co-development groups. We have also set up our own management institute, Natexis Management. One of the institute's roles is to contribute to the succession planning process, by helping to attract, integrate, develop and retain the best talents. It will also help us to build a genuine Natexis Banques Populaires community, by instilling in senior management a shared vision of our strategies.

Lastly, we stepped up our efforts to identify and nurture potential high flyers in our organization. Natexis Management has been given the task of developing specific programs to enhance their management skills and of actively managing their career paths.

International network



- ALICANTE
- AMSTERDAM
- BARCELONA
- BERLIN
- BIELEFELD
- BIELLA
- BIRMINGHAM
- BONN
- BRATISLAVA
- BREDA
- BREMEN
- BRUSSELS
- BUCHAREST
- BUDAPEST
- COLOGNE
- DUBLIN
- DUSSELDORF
- ESCHBORN
- FRANKFURT
- FREDERIKSBERG
- HAMBURG
- HANOVER
- ISTANBUL
- KARLSRUHE
- KIEV
- LAMPERTHEIM
- LAUSANNE
- LEIPZIG
- LINZ
- LISBON
- LJUBLJANA
- LONDON
- LUXEMBOURG
- MADRID
- MAINZ
- MILAN
- MONACO
- MOSCOW
- MUNICH
- NAPLES
- NUREMBERG
- OSLO
- PRAGUE
- RIGA
- ROME
- SAINT-PETERSBURG
- SAN SEBASTIAN
- SEVILLE
- SOFIA
- STOCKHOLM
- STUTTGART
- TALLINN
- VALENCIA
- WARSAW
- VIENNA
- VILNIUS
- WATFORD
- ZAGREB
- BOCA RATON
- BOGOTA
- BUENOS-AIRES
- CARACAS
- CHICAGO
- EAST WINDSOR
- FAIRFIELD
- GLENDALE
- GREENWICH
- GUAYAQUIL
- HOUSTON
- HUNT VALLEY
- JENKINTOWN
- LIMA
- LOS ANGELES
- MEDINA
- MEXICO CITY
- MIAMI
- NEW HAVEN
- NEW YORK
- PANAMA
- PIERREFONDS
- PORTLAND
- QUITO
- SAN JOSE
- SANTIAGO
- SÃO PAULO



- ABIDJAN
- ALGIERS
- BAMAKO
- COTONOU
- DAKAR
- DOUALA
- DUBAI
- JOHANNESBURG
- CAIRO
- LOME
- OUAGADOUGOU
- TEHRAN

- BANGALORE
- BANGKOK
- BEIJING
- HANOI
- HO CHI MINH CITY
- HONG KONG
- JAKARTA
- KUALA LUMPUR
- LABUAN
- MELBOURNE
- MUMBAI
- NEW DELHI
- OSAKA
- SECUNDERABAD
- SEOUL
- SHANGHAI
- SINGAPORE
- SYDNEY
- TAIPEH
- TOKYO
- YANGON

To find out more:
www.nxbp.banquepopulaire.fr

- Natexis Banques Populaires
- Coface
- Joint network

Simplified corporate structure

As of January 1, 2004

2.4 million member-stakeholders

↓ 100%

21 Banque Populaire regional banks
CASDEN Banque Populaire, Crédit Coopératif

↓ 99.3%

Banque Fédérale des Banques Populaires

↓ 75.3% (2)

Natexis

FINANCING

Corporate and International Banking

- 99.1% **Natexis Pramex International** – Partnering corporate clients in international markets
- 92.5% **Natexis Coficiné** – Finance company (audiovisual sector)
- 100% **Natexis Algérie** – Banking in Algeria
- 100% **Natexis Immo Développement** – Real estate development and refurbishment
- 100% **Natexis Metals Ltd** – Commodities brokerage (London)
- 100% **Natexis Luxembourg S.A.** – Banking in Luxembourg
- 100% **Natexis Moscow** – Banking in Russia

Specialized Financing

- 99.7% **Natexis Factorem** – Factoring
- 100% **Natexis Lease** – Lease Financing

INVESTMENT

Capital Markets

- 100% **Natexis Bleichroeder S.A.** – Investment company (Paris)
- 100% **Natexis Bleichroeder Inc.** – Investment company (New York)
  - 100% **Natexis Bleichroeder UK** – Investment company (London)
- 100% **Natexis ABM Corp.** – Mortgage-backed securities managed in the United States
- 100% **Natexis Arbitrage** – Equities and derivatives arbitrage

Private Equity

- 100% **Natexis Private Equity** – Private Equity
- 100% **Natexis Finance** – Mergers and acquisitions

(1) DZ Bank AG (1.9%) and Arnhold & S. Bleichroeder Holdings (2.9%).
(2) Of which Alizé Levier corporate investment plan (2.2%).

Public, employees and other shareholders (1)

24.7%

Banques Populaires

SERVICES

Banking, Financial, and Technology Services

- 100% **Natexis Paiements** – Electronic banking
- 50.6% **LineBourse** – Online brokerage
- 100% **Slib** – Banking software and facilities management
- 75.6% **Samic** – Banking software

Asset Management and Insurance

- 100% **Natexis Assurances** – Life and non-life insurance, Personal risk insurance
- 100% **Natexis Asset Management** – Fund management
  - 100% **Natexis Asset Square** – Multimanager funds
- 87.8% **Natexis Private Banking Luxembourg S.A.** – International private banking
- 100% **Banque Privée Saint Dominique** – Private banking in France
- 100% **Natexis Interépargne** – Employee savings plans - Accounts keeping and marketing
  - 100% **Natexis Épargne Entreprise** – Employee savings plans, Accounts/financial management
  - 99.9% **Natexis Intertitres** – Service vouchers
- 99.6% **Natexis Immo Placement** – Real estate fund management

Information Systems and Logistics

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

Credit insurance and credit management

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

Natexis Banques Populaires businesses

Organized around three core businesses and six business lines, plus Coface, Natexis Banques Populaires serves a diversified clientele made up of large corporates, mid-sized companies, institutions and the Banque Populaire retail banking network. The three core businesses – Financing, Investment Banking and Services – each comprise two business lines. The business lines conduct their activities either directly or indirectly through dedicated subsidiaries. The Financing business comprises the Corporate & International Banking and Specialized Financing business lines; Investment Banking comprises the Capital Markets and Private Equity lines, and Services includes Banking, Financial & Technology Services and Asset Management & Insurance.
These business lines are supported by four Corporate departments, Human Resources, Information Systems & Logistics, General Secretariat and Finance. The Internal Audit Department completes the structure.

A client-centric strategy

Leveraging our broad array of complementary skills, we offer not only traditional banking products and services but also high value-added technology-based services. Our core mission is to put our expertise to work for our clients by creating products and services tailored to their ever-changing needs.

Corporates, institutions and the local public sector

Through a single and clearly identifiable point of access, Natexis Banques Populaires offers clients solutions covering their entire balance sheet, ranging from day-to-day banking transactions to more complex needs such as equity financing, structured finance, securities services and employee savings solutions. Since the acquisition of Coface in 2002, all of our clients now also have access to the services of one of the world's leading providers of credit insurance and credit management services.

Banking and other financial institutions

This unique client segment, comprising the Banque Populaire regional banks and over 150 non-Group institutions, draws on a broad range of services offered by the Banking, Financial and Technology Services business line, including custody services, securities services, transaction processing, high-tech services covering back office management, market counterparty business and international financing.

Personal banking clients

Natexis Banques Populaires has developed multi-channel products tailored to the general public, which it offers to its direct clients and to the clients of the Banque Populaire regional banks.

More consistent branding

To promote a better understanding of our organization among clients, the markets and our employees, during 2003 we changed the name of most of our subsidiaries. All of the Natexis Banques Populaires companies now have Natexis in their name, followed by a term or business reflecting their specific area of expertise.

The membership of the Banque Populaire Group of all Natexis Banques Populaires entities is highlighted by including the name "Groupe Banque Populaire" on all institutional and marketing documents.

Corporate and International Banking

EUR776
million in Net Banking Income

EUR32.3
billion worth of risk-weighted assets

82
syndicated loan arranger mandates won in 2003

The Corporate and International Banking business line offers a full range of integrated banking services to a clientele of large corporates, mid-sized companies, banking and other financial institutions in France and abroad. It manages the Natexis Banques Populaires domestic and international network, with a view to bolstering the strong position that the bank has carved out for itself in the corporate and international banking arena. Corporate and International Banking is organized around three business areas comprising sixteen business units. The Corporates business area serves as the lynchpin, managing all aspects of client relationships. The Structured Finance area develops a wide range of asset financing, syndication, financial engineering, acquisition financing and LBO financing solutions. The Correspondent Banking area acts as the lynchpin for relationships with financial institutions, as well as offering a wide range of services to clients in France and abroad.

Sustained growth

Sharply higher revenues

For Corporate and International Banking, 2003 was a year of strong growth, with net banking income up 11% despite the unfavorable dollar effect. Natexis Banques Populaires consolidated its position as one of the leading providers of banking services to French companies and a partner of choice of major international banks in Europe, the United States and Asia. In a lackluster economic environment in Europe, the business line kept up its strategy to build the corporate banking business in France and internationally, to strengthen its role as arranger in structured finance deals and to extend its international business base.

Business growth was accompanied by a series of measures to further improve control over risks, including by strengthening

middle office structures. Growth in the loan book was optimized through dynamic asset management processes.

Efforts to reduce operating costs paid off in the shape of a further decline in the cost/income ratio to 41%, representing a 10-point improvement over the last three years.

A leading player in corporate banking

Natexis Banques Populaires provides banking services to 90% of the top 350 French groups and is the fifth largest lender to large corporates and mid-sized companies in France *(source: Banque de France)*. As the lynchpin for all aspects of client relationships, Corporate and International Banking plays a central role in selling the various services offered by the bank.

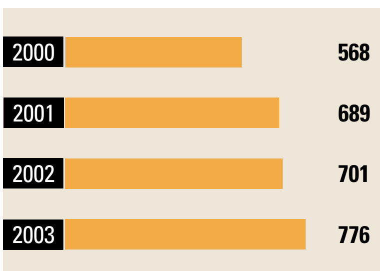
In 2003, its ISO certification was renewed, based on 2000 standards, testifying to quality of its services and the efficiency of its processes. Development initiatives in the area of secure electronic payments, led by the teams of cash management experts, have enabled the bank to meet the emerging needs of clients.

An arranger of structured finance deals

In 2003, the bank further strengthened its position as arranger and underwriter of syndicated loans. The 82 mandates obtained in 2003 represented 74% more than in 2002. Leading French groups such as Arcelor, Casino, Charbonnages de France, Ciments Français, Elior, France Telecom, GMB-Cora, Le Figaro, Rémy Cointreau and Vivendi Universal selected Natexis Banques Populaires for its ability to carry out this type of transaction.

Natexis Banques Populaires was also the world's ninth largest arranger of structured finance for international financial institutions *(source: Dealogic)*. Thanks to their relations with a large number of banks, the teams in Paris, London and Singapore built strong positions in certain regions – India for example –, partnering clients such as Export-Import Bank of India, Afreximbank, Standard Bank

NET BANKING INCOME
in EUR millions



The sixteen business units

- Corporates, Institutions, Europe and Multinationals
- International Trade Finance
- Commodities Financing
- Emerging Markets Corporates
- Natexis Pramex International
- International Banking Support
- International Investment Services
- Financial Institutions
- Aircraft Financing
- Ship and Land Transportation Financing
- Project Finance
- Export Financing
- Real Estate Financing
- Loan Syndications
- Financial Engineering
- LBO and Acquisition Financing

of London, Société Tunisienne de Banque or Bancomext in significant transactions.

The presence of teams in Paris, London and Dusseldorf helped to drive momentum in the acquisition financing business. Natexis Banques Populaires is currently the leading arranger of LBO financing in France, based on the number of transactions *(source: Loanware/Dealogic)*. The bank arranged financing for the buyout of Frans Bonhomme and Loxam, two of the largest French LBOs in 2003. The Partouche Group also selected the Structured Finance team to arrange leveraged financing, to refinance the acquisition of Européenne de Casino, and Saipol chose the team to arrange financing for the acquisition of Lesieur.

The business line's close relations with clients and the good fit between its services and those offered by the Capital Markets business line also led to it being selected by Schneider, TF1 and Electra Partners Europe to lead manage their bond issues.

In 2003, the Commodity Financing business affirmed its position as arranger or co-arranger of structured financing deals, obtaining some thirty mandates during the year for soft commodities, metals and energy deals. The USD1,23 billion facility arranged for the Angolan oil company Sonangol, was the largest pre-financing operation ever carried out in the oil sector. Natexis Banques Populaires confirms its position as a leading player in Trade Finance, ranking among the world's top six arrangers of syndicated loans *(source: Loanware/Dealogic)*.

In aircraft financing, the bank had the opportunity to demonstrate its financial engineering expertise by arranging export credit financing for eight Airbus on behalf of Qatar Airways. The business line also expanded its international presence, arranging financing for Qantas, Iberia, Asa, EasyJet and Middle East Airlines.

EUR 700 million syndicated loan for Publicis

Natexis Banques Populaires was selected by Publicis as mandated lead arranger and agent, alongside BNP Paribas, ABN Amro, Citibank and Bank of America, for a EUR700 million syndicated loan. The bank also acted as facility agent for the transaction, which represented a first for the world's fourth largest communications group. The aim was to set up a close-knit pool of banks to partner Publicis in its development.

Ongoing international development

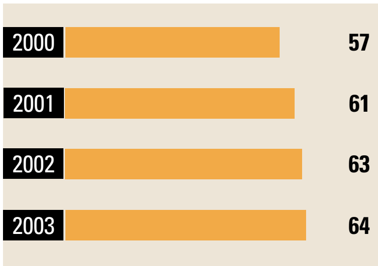
The business line continued its deployment in Algeria, opening two new branches in Setif and Oran, in addition to its existing branch in Algiers. Natexis Banques Populaires is one of the few European banks to have operations in Algeria, serving French and local clients.

The Madrid and Milan branches enjoyed sustained growth. In Spain, the bank participated in financing the second phase of the Barcelona tramway project. In Italy, the local branch was selected as joint arranger of a syndicated facility for Centroleasing, Italy's tenth largest leasing company. In LBO financing, the business line partnered the financing of the Springer Group, the world's second largest publisher of scientific, technical and medical books, as well as that of Avio, Fiat's aerospace subsidiary.

In April 2003, the Shanghai branch obtained a Renmibi (RMB) license enabling it to work in domestic currency and provide banking services to the local subsidiaries of French groups.

Lastly, the New York branch had a good year, helped by the US economic rebound. The leveraged financing business enjoyed sustained growth.

AVERAGE GROSS OUTSTANDING LOANS in EUR billions



Specialized Financing

NATEXIS LEASE

EUR94.4
million in Net Banking Income

EUR1.43
billion in new lease financing

EUR5.3
billion in outstanding financing

NATEXIS FACTOREM

EUR98
million in Net Banking Income

EUR9.66
billion worth of factored receivables

Specialized Financing includes lease financing offered through Natexis Lease and factoring services offered through Natexis Factorem. The bulk of specialized financing business is contributed by the Banque Populaire Group network. Natexis Lease develops and distributes real estate and equipment lease financing products for companies of all sizes. Natexis Factorem offers receivables management outsourcing solutions that help companies optimize their cash position and reduce customer credit risks. Four types of service are offered: receivables management, receivables collection, bad debt guarantees and receivables financing.

Natexis Lease: an enhanced position across all market segments

Corporate capital spending, a critical indicator for the equipment and real estate leasing market, contracted by 2.2% in 2003, on the back of a 2.8% decline in 2002 *(source: Marc Touati press release dated January 15, 2004)*

Continued high business volumes

In this worsening environment, the lease financing market picked up slightly in the first half, but retreated significantly in the second half.

The real estate lease financing market contracted sharply, after five years of double-digit growth.

Natexis Lease held up well in this difficult environment, selling EUR1.43 billion worth of new equipment and real estate lease financing, a decrease of 4.7% on 2002.

Faced with flat demand in its main markets – transportation, public works and machine-tools – coupled with heightened competition following mergers between major players, in equipment lease financing Natexis Lease focused on protecting margins and limiting risk. New equipment lease financing for the year came to EUR921 million, down 2% on 2002.

In real estate lease financing, Natexis Lease outperformed the market. New lease financing totaled EUR462 million, representing a decline of 13% in a market down 14.5% *(source: ASF)*.

These high business volumes were the pay-off from Natexis Lease's policy of geographic and industry diversification. In last year's difficult environment, the company reaped the benefits of its positioning in all customer segments, from SMEs to large corporates.

In lease financing for energy management and environmental projects (the so-called "Sofergie" market), Natexis Lease boosted its production by 23.4% to EUR47 million.

Moving into international markets

As part of the international development strategy launched two years ago, in May 2003 Natexis Lease opened a new branch in Madrid. The branch has got off to a good start, selling just under EUR16 million worth of lease financing in its first year. In the medium-term, Natexis Lease plans to set up operations in other countries of Southern Europe, and also in North Africa.

Good results from new businesses

At the end of 2003, Natexis Lease entered into a partnership with Crédit Maritime Mutuel, one of the newest members of the Banque Populaire Group. The partnership is modeled on those in place for many years with the Banque Populaire regional banks and covers all of the company's products.

Natexis Location Longue Durée Automobile (LLD), the long-term leasing subsidiary, ended its first full year of operation with 893 vehicles on its books. To support sales of these complex products, comprehensive training was given to the Banque Populaire regional banks' sales forces. The business is poised to take off in 2004, with the bolstering of Natexis LLD's teams which will allow the company to bid for a growing number of fleet contracts.

Ambitious goals for 2004

The gradual recovery in corporate capital spending expected in 2004, coupled with the additional business generated by the partnership with Crédit Maritime Mutuel should ensure that Natexis Lease meets its objectives for the current year.

Energeco

Specialized in financing energy management and environmental projects, Energeco has participated actively in financing wind power projects. The company has helped to provide financing for some ten wind farms, generating over 20% of the France's wind power.

Natexis Factorem: new growth drivers

In a factoring market which began to show signs of recovering, Natexis Factorem consolidated its competitive position as France's third ranking factor, and reported net income up 46% to EUR25.1 million.

A stronger marketing drive

In 2003, Natexis Factorem kept up the strategy launched the previous year to win new customers and retain existing ones. This strategy paid off in the shape of new growth drivers.

The relaunch of the product offer in the Banque Populaire retail banking network helped the company to tap more fully the potential offered by the network's clientele of self-employed professionals and small businesses. More efficient marketing drove a significant increase in the number of contracts sold in these client segments, which represent the heart of the Banque Populaire Group's franchise.

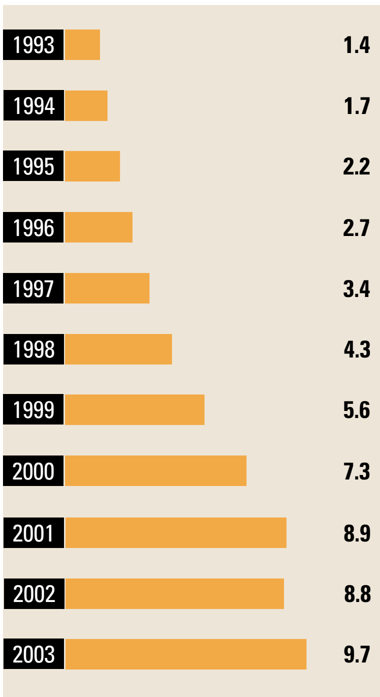
During the spring of 2003, Natexis Factorem combined its receivables financing and receivables management teams, and modified its regional organization, to fit more closely with the organization of the Banque Populaire regional banking network and the needs of companies. These changes paved the way for a more local service and faster response times, leading to higher quality services and increased client satisfaction.

The strategy to win new clients and retain existing ones fueled steady growth in the company's business base throughout the year.

Integrating CrédiFrance Factor

For Natexis Factorem, 2003 was a year not only of organic growth but also external growth, in the shape of the merger with CrédiFrance Factor (CFF), the factoring subsidiary of Crédit Coopératif, which joined the Banque Populaire Group the previous year. The merger has opened up new avenues of growth for Natexis Factorem, through Crédit Coopératif, Crédit Maritime Mutuel and brokers.

NATEXIS FACTOREM REVENUES ON A COMPARABLE STRUCTURE BASIS in EUR billions



Sharing expertise

The partnership with DZ Bank has been given shape by organizing work groups made up of representatives of the two organizations. These work groups provided a forum for exchanges of expertise, paving the way for the creation of a joint venture in Germany at the beginning of 2004.

The merged company has adopted a single-tier management structure and kept the name Natexis Factorem, in keeping with the policy decided by the parent company, Natexis Banques Populaires, for the entire group.

Improved business indicators

In 2003, all of Natexis Factorem's business indicators improved. Revenues grew 9% over 2002 to EUR9.7 billion, including EUR0.5 billion contributed by CFF.

In a factoring market only slightly up on 2002, Natexis Factorem boosted its market share to 13.2% (12.6% excluding CFF) from 12.5% the previous year *(source: ASF)*.

Net Banking Income totaled EUR98 million, an increase of 7%. This strong rise was attributable to the contribution of CFF's contracts and to the growing proportion of business generated in the self-employed professionals market.

The incremental costs resulting from the integration of the CFF portfolio and the merger costs were offset by savings obtained through synergies and tight cost control. Determined action in these areas ensured that CFF was integrated quickly and seamlessly, driving an improvement in the cost/income ratio to 57% from 58% in 2002.

Implementation of additional control procedures backed by a substantial training effort across all departments led to a sharp fall in provision expense to EUR3.7 million.

Stronger growth expected in 2004

In France, enhancement of the product offer and the launch of a new credit insurance business in partnership with Coface will strengthen Natexis Factorem's position in the receivables management market.

In Germany, the operational launch of the joint venture with DZ Bank, in line with the Banque Populaire Group's development strategy, will strengthen the Group's position in the factoring market outside France.

Capital Markets

EUR223
million in Net Banking Income

52
lead manager mandates for bond issues
(source: Bloomberg)

9th
leading Primary Dealer in Government Securities
(source : Agence France Trésor)

In 2003, the Capital Markets business line set up a single sales force offering clients the full range of fixed income, credit and foreign exchange products. At the same time, Natexis Bleichroeder's Global Equities business started to reap the benefits of the synergies among the French, UK and US operations. Corporate control over the entire Capital Markets business has been bolstered by transferring internal control teams to the new Internal Control Department and market risk teams to the Risk Management Department, and by setting up a new Securities Law unit reporting to Legal and Tax Affairs. A new Development Department has also been set up, as part of the drive to ensure that business growth goes hand-in-hand with tight control over risks. The teams responsible for rationalizing and upgrading front and back office systems have been strengthened. The development of Straight Through Processing (STP) continued, helping to reduce and, in some cases, eliminate breaks in the process.

2003 business review

A more transparent capital markets offer

Natexis Banques Populaires has set up a single sales force to sell fixed income, credit and foreign exchange products. The sales force is backed up, for complex products, by a specialist structuring team which is also responsible for monitoring technological developments, and for Government securities, interest rate derivatives, asset-backed securities and convertible bonds, by a team of product specialists. Capital Markets has deepened its European coverage, for both issuers and investors, through its branches in London, Milan and Madrid and also through the partnership with DZ Bank for North European markets. The New York and

Singapore branches continued to grow their capital markets operations, primarily serving corporate clients and specializing mainly in foreign exchange products.

In interest product trading, Natexis Banques Populaires has a strong presence in euro interest rate derivatives and has developed solid expertise in inflation-indexed products. In government securities, the bank is a *Spécialiste en Valeurs du Trésor (SVT)* in France and a Creador in Spain, and is continuing to expand in Southern Europe (Italy, Portugal and Greece). In the government securities repo market, it is one of the leading *Spécialistes en Pension sur Valeurs du Trésor (SPVT)* in France.

The Credit unit expanded its trading volume on the secondary market, thanks to the increased specialization of its credit market-making and research teams. It is also developing expertise in the new products that represent the growth drivers of the future. In asset-backed securities, the bank carried out a new EUR2 billion CLO issue (Igloo II) and stepped up issues by the Elixir Funding multiseller ABS conduit established in 2002. Credit derivatives and convertible bonds represent new growth engines. Convertible bond trading has been boosted by integrating the Natexis Bleichroeder secondary market trading team, providing increased scope to leverage synergies with the asset-swap, origination, credit research and other businesses.

On the primary market, the business line strengthened its position in the corporates, agency and finance company segment. Benchmark mandates were obtained from an increasingly wide range of issuers, including La Poste, Meliorbanca, Hellenic Bank, Schneider Electric, LVMH, Pinault-Printemps-Redoute, Cofiroute, Bayerische Landesbank, Volkswagen, Arcelor, Banco BPI and Landesbank Baden Württemberg. Natexis Banques Populaires was also selected by first-time issuers such as Caja Laboral, TF1, Gecina, Banque Accord and Veneto Banca, who placed a premium on high quality execution of their inaugural issue and on placing capabilities in a wide range of geographic markets. The bank confirmed its leadership in inflation-indexed securities, handling issues for Réseau Ferré de France and CADES, and also strengthened its position in private placement notes/EMTNs, especially for structured products.

In Foreign Exchange, plans are being made to install new trading

New publications

Capital Markets launched two monthly publications in 2003:

- *Objectif Inflation* which analyzes and predicts inflation rates in European Union countries and certain other countries. The publication draws on the experience of dealers specialized in trading in inflation-indexed instruments.
- *Liaisons Atlantiques,* a publication targeted at European clients which analyzes the interaction of economic and stock market trends on the two sides of the Atlantic.

platforms in 2004 for the bank's delegated trading rooms and certain end-clients. These platforms will also be open to Banque Populaire regional banks.

Natexis Banques Populaires regularly raises funds on the financial markets to finance its own lending activities and also those of the Banque Populaire regional banks where appropriate.

The refinancing strategy places considerable emphasis on geographic diversification. In line with this strategy, funds raised on the US market by the New York branch represent a growing proportion of the total.

The bank stepped up the use of its issuing programs, which help to keep down borrowing costs. At end-2003, the USCP program was increased from USD2 billion to USD5 billion, and the EMTN program from EUR5 billion to EUR10 billion.

The Equity Derivatives business focused on outsourcing certain exotic risks and prudently managing outstanding positions, while also boosting monitoring and control resources. The offer was refocused on vanilla equity derivatives and on products meeting the needs of the Banque Populaire Group.

The arbitrage subsidiaries, Natexis ABM Corp. (specialized exclusively in floating rate mortgage bonds) and Natexis Arbitrage (specialized in long short equity, risk arbitrage, convertible bond arbitrage, equity finance and credit arbitrage) both conduct only proprietary transactions. After a satisfactory year, they are starting to diversify their sources of revenue.

Global Equities

One year after the acquisition of Arnhold & S. Bleichroeder Holdings' equity brokerage and the creation of a Global Equities business line, synergies are being unleashed between the French business (Natexis Bleichroeder S.A.), the UK business (Natexis Bleichroeder UK) and the US business (Natexis Bleichroeder Inc.).

The Paris-based research teams now comply with US/UK standards, paving the way for the distribution of European equities in the United States. Singled out by AQ publications for Most Accurate Earnings Forecasts of French Companies two quarters in a row, the research team has built expertise in eight industries: life sciences, financial services, luxury goods, media, food and beverages, telecoms, energy and construction.

Primary equity market: convertible bonds and mid-caps

In France, Natexis Bleichroeder S.A. participated in:

- 4 of the 12 convertible and exchangeable bond ("Oceane") issues carried out in 2003, including 1 as lead manager
- 3 of the 11 mid-cap issues carried out during the year, including 2 as lead manager

Partnership with DZ Bank

Natexis Bleichroeder and DZ Bank have signed an exclusive distribution agreement covering the distribution of DZ Bank research in the United States and the United Kingdom under the Natexis Bleichroeder-DZ Bank Research brand, as well as the distribution of German equities on behalf of DZ Bank. Natexis Bleichroeder also acts as non-exclusive distributor of DZ Bank research and German equities in French-speaking countries. DZ Bank analysts take part in the drive to win new clients in the United States and the DZ Bank sales force in the United Kingdom has been transferred to Natexis Bleichroeder UK (London). Lastly, DZ Bank uses Natexis Bleichroeder S.A. to execute trades in French equities.

Research and sales teams in Paris, London and New York have been strengthened and the Paris teams are providing active support in the drive to sign up US and UK institutions. In France, the quantitative research teams provide backing to the alternative fund sales forces in Europe and the Americas. Sales to corporate clients, mainly SBF 120 companies, rose sharply in 2003, reflecting the marketing momentum achieved by Global Equities and the growing internationalization of distribution.

On the primary market, the extended geographic reach of Global Equities research and the marketing synergies with Natexis Banques Populaires in the United States helped Natexis Bleichroeder Inc. (New York) to expand its business base. Natexis Bleichroeder S.A. (Paris) consolidated its position in the French convertible bond and mid-cap markets, acting as lead manager for the issue by Rallye of bonds exchangeable for Casino shares, and sole lead manager for the Affine equity notes issue and the Oeneo stock and stock warrant issue. With a market share of 9.1% based on number of transactions *(source: AMF)*, Natexis Bleichroeder S.A. remains a significant primary market player.

Natexis Bleichroeder S.A. now carries out all equities lending-borrowing transactions on behalf of Natexis Banques Populaires. This activity is growing in the United States, where it forms part of the Brokerage Services business area.

Synergies between the French and US entities have also yielded benefits in electronic order transmission, by enabling the Banque Populaire Group to offer its clients execution services on markets on both sides of the Atlantic.

Private Equity

EUR82
million in Net Banking Income

EUR1.7
billion in capital under management

EUR258.2
million worth of investments

The Private Equity business, spearheaded by Natexis Private Equity, provides financing at each stage of a company's development, from seed capital to mezzanine finance, bringing it to the point where it is ready to launch an IPO. Natexis Private Equity acquires majority or minority interests, generally in unlisted companies, which it holds for an average of five years. The business is conducted by eleven subsidiaries organized around four business units: Expansion capital, Buy-Out/Buy-In Capital (LBOs), Venture Capital and International Private Equity. The business line also operates in the mergers and acquisitions market, through Natexis Finance and the M&A unit of Natexis Bleichroeder in New York.

A chequered year

For Private Equity, 2003 was a chequered year. After a gloomy first half, Natexis Private Equity's business picked up in the second half, with the completion of several large scale transactions.

However, there were sharp contrasts among the various businesses. While venture capital transactions served mainly to consolidate the portfolio, LBOs (Leveraged Buy-Outs) of SMEs increased, in line with the overall market trend.

During 2003, Natexis Private Equity pursued two goals:

- In France, the company focused on the local expansion capital market, reorganizing its SPEF Développement subsidiary and launching the first two "FIP" local private equity funds.
- Outside France, the offer was strengthened through the creation of unique partnerships whereby the partners retain their independence while at the same time sharing a common management model.

The uneven performances of the different businesses in 2003 gives added justification to the diversification strategy launched by Natexis Private Equity several years ago.

Increased deal flow

Natexis Private Equity invested EUR258.2 million in 2003 compared with EUR235 million in 2002. The total includes EUR81 million for Expansion capital, EUR82.6 million for Buy-Out/Buy-In Capital, EUR39.9 million for Venture Capital and EUR54.7 million for International Private Equity.

The increased deal flow was mainly attributable to sustained investing activity by Natexis Industrie (LBO), Natexis Investissement and SPEF Développement (expansion capital). These entities closed deals that had been in preparation for several months, such as the buyout of Eau Ecarlate (stain removers) or the acquisition of a stake in Alplast (technical plastic parts).

A good balance between proprietary and non-proprietary portfolios

As of December 31, 2003, Natexis Private Equity managed EUR780 million in capital on behalf of third party investors and EUR940 million of its own funds.

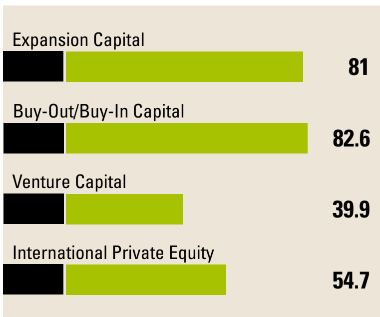
Third party funds are invested mainly in the venture capital portfolios managed by SPEF Venture and Ventech, and in international portfolios requiring the presence of local investors.

Capital raised in 2003 mainly concerned Euromezzanine 4 (Euromezzanine) for EUR427 million, Banque Populaire Innovation 8 (SPEF Venture) and Banque Populaire Proximité Sud-Est/Sud-Ouest (SPEF Développement).

A portfolio of 715 investments

Over 120 private equity specialists, working in 11 specialist subsidiaries, manage a portfolio of 715 investments, mainly in unlisted companies and spanning all sectors of the economy.

BREAKDOWN OF INVESTED CAPITAL in EUR millions at December 31, 2003



Attractive exit opportunities

Major disposals were carried out throughout the year by the French and international subsidiaries (particularly those in Asia). Examples included the sale Orpéa, a private retirement home operator, and Caravelle, an investment company, as well as the IPO of Trevisan, an Italian industrial engineering company.

Net capital gains realized by Natexis Private Equity in 2003 totaled EUR78.2 million.

An extended regional private equity offering

Backed by the teams of its SPEF Développement subsidiary in Paris, Lyon and Toulouse, Natexis Private Equity has strengthened its regional private equity offering by setting up a dedicated investment vehicle, Banque Populaire Développement. The new organization will be deployed progressively across the whole of France, to better meet the new challenge facing SPEF Développement, that of managing "FIP" local investment funds.

Fonds d'Investissement de Proximité ("FIP"), a new regional investment vehicle

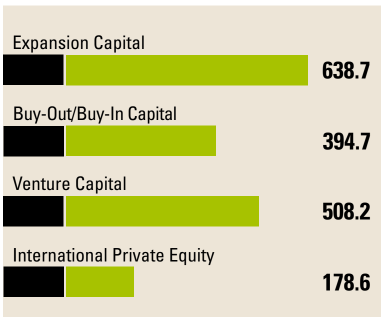
The first two FIP were launched in South West France (Aquitaine, Midi-Pyrénées and Languedoc-Roussillon) and the South East (Rhône-Alpes, PACA and Corsica). This new tax-advantaged product introduced in the Dutreil Act is designed for private investors looking to reduce their income tax bill and companies interested in contributing to the economic development of their region. The two new funds, Banque Populaire Proximité Sud-Ouest and Banque Populaire Proximité Sud-Est, are invested in SMEs which realize a significant proportion of their sales in these regions.

The line-up is scheduled to be completed in 2004, with the launch of six other FIP covering the other regions of France.

Stronger European development

In line with its European growth strategy, Natexis Private Equity plans to bolster its position as a major provider of private equity capital to small and mid-sized

MANAGED CAPITAL in EUR millions at December 31, 2003



A fund invested in energy management and environmental projects

In 2003, Natexis Private Equity decided to invest in a seed capital fund dedicated to the energy management and environment sectors. Investors in Emertec Energie Environnement alongside Natexis Private Equity, include CDC PME, the Atomic Energy Commissariat (AEC) and *Institut Français du Pétrole* (IFP). The fund invests in young companies at the vanguard of innovation in energy management and environmental protection, operating in the areas of new energy sources, pollution reduction, waste processing, recyclable materials, etc.

companies in Germany (Finatem), Italy (Cape) and Spain (MCH). Thanks to the improved economic conditions, Natexis Private Equity expects capital inflows into these structures in 2004 to reach EUR150 million in Germany, EUR100 million in Italy and EUR150 million in Spain. Part of this capital is expected to be raised from third party investors.

Rapid growth in secondary market activities

In 2003, Natexis Private Equity signed its first large scale contract on the secondary market, investing EUR10 million with a consortium of major Norwegian and Swedish investors.

The fund, launched by Four Season Ventures, an Oslo-based venture capital fund manager, will finance the acquisition of SND Invest As, the Norwegian government's venture capital and expansion capital portfolio.

PIPE, an alternative source of financing

Private Investment in Public Equity (PIPE) is a concept whereby private equity firms invest in quoted companies without any plans to take the company private. The market has grown in the recent period of low stock market prices. In 2003, Natexis Equity Management and SPEF Venture carried out several PIPE investments, including in Access Commerce, a publisher of CRM software and components quoted on the *Nouveau Marché*. The EUR3.5 million raised by Access Commerce enabled the company to carry out further external growth operations.

Natexis Finance extends its geographic reach

Following Natexis Banques Populaires' acquisition of Arnhold & S. Bleichroeder, the new subsidiary's M&A team was integrated into that of Natexis Finance, the bank's mergers and acquisitions advisory subsidiary. Natexis Banques Populaires now has a team of 35 M&A specialists, spread between Paris and New York, placing the business on a truly international footing.

Natexis Finance targets mid-sized domestic transactions (in France and the United States) and cross-border transactions, carried out by major groups, mid-sized independent companies and investment funds.

Banking, Financial and Technology Services

EUR363.7
billion worth of assets in custody

EUR2.7
million custody accounts

EUR3.5
million bank cards managed

The Banking, Financial and Technology Services business line covers the entire spectrum of back office processing operations carried out by Natexis Banques Populaires and the Banque Populaire regional banks, related to payments and stock market transactions. For many years now, these services have also been offered to a broad array of clients, including network banks, specialist banks with or without a network and other financial institutions. Securities custody and processing services are provided by the Financial Services unit, while the Banking Services unit offers processing services for electronic banking and payment transactions. The business line also includes a Personal Banking Services unit, which is developing a multi-channel offer.

A watershed year

In 2003, the Banking, Financial and Technology Services business line completed several major projects, with the integration of back-office processing for major new client banks and the reorganization of the business line's structures. The reorganization successfully prepared the business line for anticipated developments and helped it withstand the macro-economic difficulties experienced by the entire French banking industry, especially those activities requiring substantial investment in technology.

The three business units launched large-scale projects to improve productivity and service quality, and to remap their service activities.

Launched in 2002, these projects began to deliver tangible results in 2003. They prepared the three units to partner the Banque Populaire Group's development strategy. They also support the business line's diversification drive, by taking into account all the new regulatory

requirements and the need to adapt to market changes, particularly in terms of technology.

Lastly, during 2003, Banking, Financing and Technology Services launched a series of client satisfaction surveys in order to better understand their clients' needs and expectations.

Banking Services

The Banking Services unit devoted 2003 to completing the integration in Natexis Banques Populaires systems of the transaction flows of two foremost electronic banking players. Processing volume increased significantly, to over one billion transactions, representing 13.5% of total electronic banking transactions in France *(source: GIE CB statistics for 2003).*

Natexis Banques Populaires is the only banking institution in France to handle processing transactions for several leading providers of electronic banking services, testifying to the maturity of its systems.

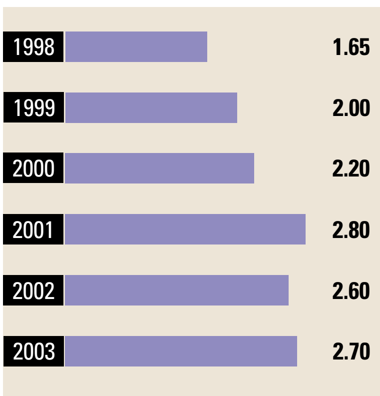
Following the integration of Crédit Coopératif in the Banque Populaire Group and the Group's link-up with Crédit Maritime Mutuel, Banking Services took over SIT *(Système Interbancaire de Télécompensation)* processing for these two banks. This transfer illustrates the consistency of the open approach adopted by the Group in 2003.

In 2004, Banking Services will take over processing of the two banks' electronic banking transactions, as well as continuing to invest in a new domestic and international payment exchange system architecture.

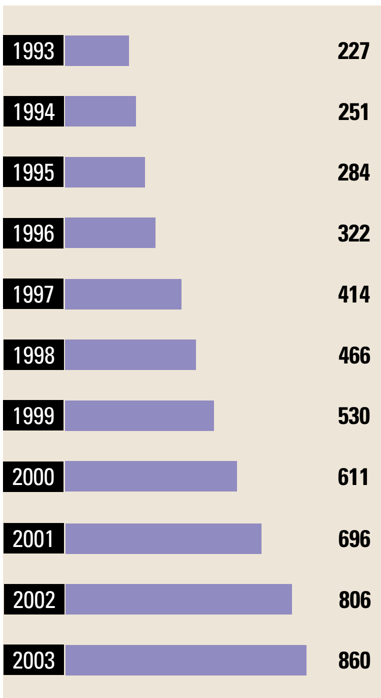
Major initiatives were launched in 2003 to upgrade the Banque Populaire Group's electronic banking system and set up a national Group server platform. In addition, a project was initiated to develop a new data interchange platform. The aim of the project is to prepare the integration of Natexis Banques Populaires applications in the Banque Populaire Group information systems environment, i-BP (informatique-Banque Populaire).

For Natexis Paiements, 2003 was a year rich in innovation. The range of payment instruments offered by the Group to its personal banking clients was extended with the launch of the e-carte bleue service for Internet purchases. In addition, an electronic payments system was offered to healthcare professionals, who are still under-equipped with payment terminals.

NUMBER OF SECURITIES PORTFOLIOS PROCESSED
in millions



BANK CARD TRANSACTION PROCESSING VOLUME
in millions



Systems developments were also launched to prepare for the switch to EMV (Europay, MasterCard, Visa) standards for credit card transactions.

The *Mission Plus* offer was enhanced with the addition of new Internet-based expense claim management functionalities and the success of the Visa Business range was confirmed, in the shape of a 66% increase in sales of corporate cards.

Financial Services

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

The program, dubbed *Cap 2005*, had several components:

- Activities were refocused on the core financial services business and the unit pulled out of unprofitable businesses and businesses carrying risks that were considered as not being inherent in back office operations. In addition, redundant activities were transferred to more appropriate Natexis Banques Populaires business lines, to fully leverage synergies and opportunities for productivity gains.
- A major internal reorganization project was launched to improve efficiency through site specialization and organizational streamlining measures.
- Risk management activities were tightened up and a new contractual framework was drafted, governing relations with all client categories.

Renewed balance was achieved on the sales front, with the renewal for 10 years of one of the largest service contracts and the successful integration of new banking industry technical standards.

These initiatives, which involved all Financial Services staff, led to an immediate return to profit. They will be pursued in the coming years, helping to firmly establish Financial Services as a key component of Natexis Banques Populaires' development strategy.

LineBourse: online quality

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

Financial Services, listening to client needs

In 2003, the Financial Services unit focused on becoming more attentive to clients' needs and expectations. Three satisfaction surveys were carried out, two with the Banque Populaire regional banks and external clients, and one among employees. This initiative forms part of the quality improvement strategy launched during the year.

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

Slib: a European player

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

Samic: new clients

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

Personal Banking Services

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

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

Asset Management and Insurance

4.38
million insurance policies

2.33
million employee savings plan accounts

The Asset Management and Insurance business line comprises four main businesses, insurance, fund management, employee savings plans and private asset management. It offers the clients of the Banque Populaire Group a very broad range of savings, investment and insurance products and services.
The business line has a complement of 1,203 staff, working in ten subsidiaries: Natexis Assurances, Natexis Asset Management, Natexis Asset Square, Axeltis, Natexis Immo Placement, Natexis Interépargne, Natexis Epargne Entreprise, Natexis Intertitres, Banque Privée Saint Dominique and Natexis Private Banking Luxembourg S.A. Together, these subsidiaries offer a comprehensive skill-set tailored to the needs of all clients, including private individuals, self-employed professionals, companies and institutions.

Sustained growth

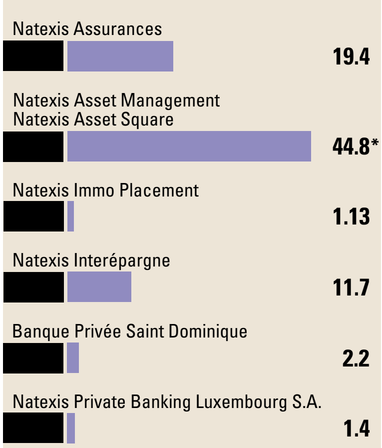
In 2003, there was a perceptible change in the behavior of both private and institutional investors. Large corporates and institutions returned to the stock market while private investors (the general public and high net worth individuals) continued to show a marked preference for guaranteed capital products and diversified investments. The movement picked up speed at the end of the year, following the modification and, in some cases, the withdrawal of certain bank-type savings products. Faced with these developments, the business line focused on adapting all of its offers to the new needs of Group clients.

Growth in assets under management and stable Net Banking Income

In a difficult environment, the Asset Management and Insurance business line recorded 11% growth in total assets under management to EUR80.6 billion, on the back of a more than 4% increase in 2002.

Thanks to the constant drive to offer products closely tailored to market

ASSETS UNDER MANAGEMENT BY ENTITY in EUR billions at December 31, 2003



* excluding insurance.

demand, the business line consolidated and, in some cases, increased its market shares in several segments. Two years after the employee savings plan market was opened up to SMEs and self-employed professionals, and in an environment shaped by new private pensions legislation and regulations requiring the segregation of account management/custody and asset management activities, Natexis Interépargne and Natexis Epargne Entreprise held onto their leadership position.

Natexis Interépargne is France's leading administrator of employee savings plans. In 2003, the company managed 2.3 million employee savings plan accounts for a total of 19,839 companies, an increase of 12% over the previous year.

Natexis Epargne Entreprise is France's leading employee savings plan manager, with a 21% market share *(source: AFG)*.

Natexis Asset Management consolidated its leadership in money market funds, with a 10% market share. In the Europerformance league tables, it was ranked fifth largest distributor of mutual funds in France, with net new money of EUR2.1 billion *(source: Europerformance ranking at December 31, 2003 for distributed funds)*.

Natexis Asset Management's European equity products have been endorsed by Frank Russell, the world's leading multimanager specialist. Its Natexis Asset Square subsidiary was one of the first companies licensed by the French securities regulator, AMF, to market multimanager alternative funds. With over EUR1 billion worth of assets under management, Natexis Asset Square is one of France's foremost multimanager companies.

Natexis Assurances' life insurance business had assets under management of EUR19.4 billion at end-2003. The 9% increase over the year-earlier figure testifies to the quality of its product offer for high net worth individuals and other clients.

Conditions in the business real estate market enabled Natexis Immo Placement, France's fourth largest SCPI manager *(source: Institut de l'Epargne Immobilière et Foncière)*, to expand its market share to 6.26% at December 31, 2003. Net new money totaled EUR78 million, an increase of 13.7% over 2002.

The business line's Net Banking Income amounted to EUR356.6 million.

Integrated expertise and diversified offerings

The subsidiaries kept up their shared policy of diversification and

Integration of Natexis Intertitres

Natexis Intertitres' unique regulated service voucher offering (including meal vouchers, welfare service vouchers, vacation vouchers and gift vouchers), extends Natexis Interépargne's leadership of the employee savings plan market. The integration of Natexis Intertitres is more than just a legal reorganization, it is a demonstration of Natexis Interépargne's commitment to helping companies reconcile their desire to offer employees attractive benefits with their need to manage their financial resources efficiently.

innovation in the areas of insurance, investment funds, real estate management, employee savings plans and private banking.

With the integration of Natexis Intertitres in the business line, alongside Natexis Interépargne and Natexis Assurances, companies and self-employed professionals have access to a unique, comprehensive range of solutions in the areas of employee savings plans and pensions.

The range of products for high net worth individuals has been enhanced. Banque Privée Saint Dominique has added new real estate, investment fund and tax-advantaged products to its line-up, while also extending the offer to include more specific markets. For example, an agreement has recently been signed with a top-ranking partner to make it easier for clients to invest in works of art. Natexis Assurances launched Silona, a savings product based on a system of annuities in which the benefits pass to the surviving subscribers until only one is left. Lastly, Natexis Private Banking Luxembourg S.A. offers numerous investment solutions tailored to the needs of international clients interested in diversifying their portfolios.

Closer ties with the Banque Populaire regional banks

All of the Asset Management and Insurance entities have stepped up their joint marketing activities with the Banque Populaire regional banks.

Natexis Assurances, which operates in all segments of the insurance business, is pursuing a development policy in line with the Banque Populaire Group's bancassurance strategy, with the deployment of new property and casualty offerings (motor, home contents and comprehensive business insurance) and the successful launch of a comprehensive accidental injury policy *(Multirisque des Accidents de la Vie)*.

Natexis Asset Management and its multimanager subsidiary, Natexis Asset Square, marketed an innovative offering throughout 2003, comprising a comprehensive range of guaranteed direct and multimanager funds, BP Obli Corporate, a corporate bond fund, and the BP Développement Durable Monétaire sustainable development fund. Sales of the PEE Fructi Epargne employee savings plan product continued at a brisk pace. As of the end of December 2003, over 10,520 contracts had been signed. Sales of the new ES-PL employee savings plan offer for members of the professions are also promising.

Natexis Assurances launches Multirisque des Accidents de la Vie

Launched in September 2003, *Multirisque des Accidents de la Vie* (MAV) meets family protection needs, by offering coverage of up to EUR1 million for victims of accidents in or outside the home, medical accidents, terrorist attacks or criminal injury. Over 30,000 contracts were sold in the first four months, a figure in line with the company's objective. Developed by Natexis Assurances, this new product testifies to the Banque Populaire Group's commitment to putting people first.

Ongoing international development

The Asset Management and Insurance business line has continued to launch projects with institutions outside France. Since 1997, Natexis Assurances has established footholds in Luxembourg, Italy, Lebanon, Tunisia and Morocco through partnerships with local insurers.

The Italian subsidiary, BancAssurance Popolari (BAP), reported 79% growth in premium income in 2003, to EUR95.7 million.

The partnership between Lebanon's Banque Byblos and Natexis Assurances through a joint subsidiary – ADIR – took shape with the launch of motor insurance, personal risk and pension products. ADIR had premium income of USD8.9 million in 2003.

The partnership between Natexis Assurances and Banque Internationale Arabe de Tunisie (BIAT) is also taking shape. As from 2004, the bancassurance offer developed by the two partners' joint subsidiary, Assurances BIAT, will be marketed through the BIAT banking network. In 2004, Natexis Asset Management will deepen its 10-year partnership with Union Investment (DZ Bank) in the EuroAction Luxembourg fund. The two companies have set up a joint venture, Union Natexis Asset Management (UNAM), to distribute Luxembourg funds.

Axeltis, the London-based subsidiary, obtained a license from the Financial Services Authority in 2003 for the business-to-business distribution of multibrand funds in Europe. Axeltis acts as the central distribution point for all third party funds offered by the Banque Populaire Group, with over 3,300 European funds proposed by 77 management companies on its books.

Winning market share

In 2004, the Asset Management and Insurance business line will continue to focus on expanding its market share in France and abroad. Against the backdrop of pensions reform, Natexis Assurances' expertise will help to underpin the Banque Populaire Group's strategy to win new individual clients, with the launch of a new PERP personal pension offering.

Natexis Assurances and Natexis Interépargne are also developing a pensions offering, for self-employed professionals and companies. In fund management and life insurance, the business line intends to speed up the development of long-term savings products and guaranteed funds.

Coface

EUR488
million contribution to Net Banking Income

EUR32.7
million in net income

With nearly sixty years' experience and an unrivalled international presence, Coface is one of the world's leading credit insurance and credit management service providers. It offers companies solutions to managing, protecting and financing their business transactions, by allowing them to outsource all or part of their receivables/payables management. Alongside its four core businesses – credit insurance, credit information, factoring and receivables management – Coface has developed three related businesses, guarantee insurance, receivables management training and, in France, the management of export credit insurance for very large scale contracts on behalf of the French State. Coface has operations in 57 countries and offers local services in 91 countries, through its partners in the international CreditAlliance network.

Business growth driven by a long-term development strategy

Higher earnings

In 2003, Coface reported revenues of EUR1,084.5 million. This represented an increase of 11.5% over the previous year, including 4.9 points attributable to organic growth and 7.4 points due to changes in structure. Unfavorable exchange rates had a negative impact of just under 1 point. The two businesses contributed to an equivalent extent to the increase, with the Insurance business reporting 13% growth and the Service business 6%. The high volume of sales offset the impact of depressed trading activity in the main European markets, including France where exports fell 2.8% *(source : ministère de l'Economie, des Finances et de l'Industrie)*.

2003 saw an improvement in claims expenses, corresponding to paid claims plus the change in reserves for outstanding reported and incurred but not reported claims.

The loss ratio fell to an historic low of 52.2% (40.6% excluding the effect of adjustments to align reserving methods). General expenses were kept tightly under control, leading to a further reduction in the expense ratio to 45.7% from 46.7% in 2002 and 48% in 2001. Lastly, net investment income totaled EUR8.1 million.

Economic income was also sharply higher, at EUR99 million (excluding the effect of adjustments to align reserving methods) compared with income of EUR7 million in 2002, a EUR52.5 million loss in 2001 and income of EUR128.1 million in 2000. These figures include the Insurance business underwriting result (net of reinsurance), the Service business's operating margin and net investment income.

Net income likewise improved considerably, helped by the gain on the sale of the Coface headquarters building which also significantly reduced the company's exposure to real estate risks. At the same time, the bottom-line contribution of underwriting income was partly offset by a EUR63.4 million transfer to the claims equalization reserve.

A long-term development strategy

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

Coface has built its expertise and reputation on providing credit insurance for French exporters. The company's brand equity is such that the name "Coface" is used as a verb in French. From this solid base, Coface has developed its business in two directions.

Since the early 1990s, the company has steadily expanded its service offer in a multitude of countries, in order to achieve economies of scale, penetrate buoyant markets and offer a better service to international clients. In 2003, Coface had operations in 57 countries and generated 61% of revenues outside France.

In parallel, over the last ten years or so, Coface has been extending its receivables management, protection and financing offering. The service line-up now includes credit information and company ratings, receivables management, credit insurance and guarantees,

Coface business lines

1 – **Credit insurance**
- Domestic
- Export
- Excess of loss
- Political and single risk

2 – **Information**
- Marketing
- Credit
- @rating

3 – **Factoring**
- Domestic
- Export

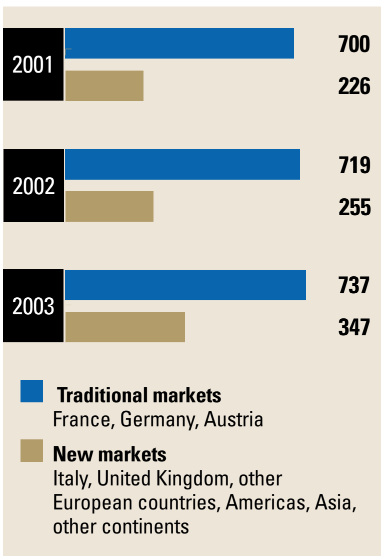
4 – **Receivables management**
- Receivables management
- Debt recovery

5 – **Guarantee insurance**

6 – **Public procedures management**
- Market survey cover
- Medium and long-term export credit insurance
- Exchange risk cover
- Foreign investment cover

7 – **Receivables management training**

REVENUES BY COUNTRY
in EUR millions



and factoring. This approach has also delivered economies of scale and improved client service, through a gradual shift from piecemeal product offers to the marketing of complete solutions for the outsourcing of services or risks.

In October 2001, faced with the fourth cyclical credit crisis in forty years, Coface launched the New Impulse program to improve control over costs and risks, strengthen the organization's international integration and prepare for a new phase in its development once the crisis was over.

In August 2002, Coface's acquisition by Natexis Banques Populaires paved the way for partnerships with the Banque Populaire regional banking network, based on a strong concept – devising and developing products for the Banque Populaire banks and other banks.

On-target performance

In 2003, the risk management business returned to profit, with the loss ratio restored to a very satisfactory level across all insurance classes and in all countries, including Germany which experienced a sharp escalation of claims in 2001 and 2002. Coface's investment in risk management paid off well, in the shape of a faster and more pronounced recovery in underwriting results compared with the periods following the previous cyclical credit crises.

In the United States, Coface acquired a credit insurance portfolio and obtained a license to write insurance in the US market, providing the platform needed to compete effectively in the world's largest credit management services market. Integration of local teams and portfolios was completed in record time.

In Europe, the integration of the recently-acquired Dutch and Danish credit insurance portfolios also went smoothly. The factoring offer was successfully deployed in Germany, in partnership with Natexis Factorem, and is now scheduled to be introduced in the United Kingdom. Sales of credit management services in Central Europe continued to grow and plans are currently being made to roll out a credit insurance offering in these countries, starting in Poland where the first credit insurance branch was opened in October 2003.

In October 2003, Coface extended its competitive lead in Asia by

Local service throughout the world

With 3,752 employees in 57 countries, Coface offers its clients a local service with a personal touch. In each of these countries, clients deal directly with Coface staff, obtaining a reliable and personalized service. This local service is important for companies that want to do business throughout the world, with full knowledge of the related risks and with adequate protection. It is also important for Coface, which uses the intelligence obtained through these regular contacts to tailor its cover and services more effectively to the needs of its 85,000 clients.

setting up the first Chinese domestic credit insurance policy with our local partner, Ping An, a private multi-line insurer.

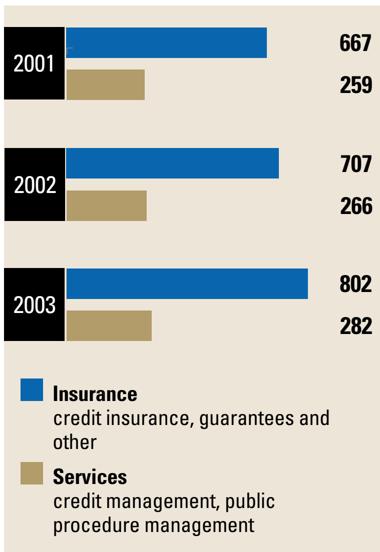
In France, steps have been taken to boost sales of combined insurance and service solutions by merging the two business's direct salesforces. This reorganization has been a big success, as evidenced by last year's growth in sales of all three product lines, credit insurance, credit information and receivables management. Partnerships with the Banque Populaire regional banking network have started to pay off, with the launch of a private label credit information product and preparation of a private label insurance product for the network. Coface also consolidated its partnership strategy by entering into a major agreement with Axa, France's leading insurer, and acquiring a 40% interest in Axa's credit insurance subsidiary, Assurcrédit. Lastly, Coface's role as manager of State guarantees for exporters was confirmed with the renewal of the agreement with the *ministère des Finances* for a further three-year period (2003-2006).

2004 will be devoted to pursuing the integration drive under the New Impulse program and leveraging the global economic recovery to build profitable sales.

Coface's businesses generally perform well in the aftermath of an economic crisis, because companies looking to increase their sales still remember the payment problems and credit risks that were a feature of the crisis years.

The figures for Coface presented in this section correspond to Coface's contribution to Natexis Banques Populaires' consolidated accounts.

REVENUES BY BUSINESS
in EUR millions



Sustainable Development

Given its history and its membership of the Banque Populaire Group, for Natexis Banques Populaires, sustainable development and corporate social responsibility are integral to its way of doing business. We have established rules and standards applicable to all employees and stepped up the system designed to guarantee the bank's integrity. We have also adopted a dynamic employment management policy, backed by an attractive compensation and benefits policy. Social development has always been a key consideration and we are also committed to widespread internal and external communications. We adopt environmentally friendly practices and have expanded our range of ethical products. We also participate in the Banque Populaire Group's active corporate philanthropy policy.

Increased emphasis on ethics

Natexis Banques Populaires is committed to meeting high standards of social, economic and environmental responsibility. This commitment is reflected in our business philosophy, our operating rules, our management methods, our human resources management, our high standards of integrity, our transparent internal and external communications, and the development of ethical products for our clients.

A Group ethic

Sustainable development and socially responsible practices come naturally to Natexis Banques Populaires, considering its background and its membership of the Banque Populaire Group. The Group's values closely reflect the underpinning principles of sustainable development. Its capital is held by its 2.4 million member-stakeholders, and since its formation in 1917, the Group has consistently abided by the principles of the cooperative movement. All Group entities share a common set of values: putting people first, maintaining a strong local presence, promoting entrepreneurship, and cultivating long-term relationships, in order to strike the right balance between the interests of clients, member-stakeholders, shareholders and employees.

Shared rules and values

To help ensure that the same practices are followed by all the business lines and subsidiaries, in 2003 we drafted and distributed a manual setting out the organization principles applicable throughout our bank, in the areas of risk management, security, ethics, control, information systems and communications. Updated annually, this set of rules serves as a reference for all of our employees, clarifying certain fundamental principles and contributing to more fluid operations.

During the year, we also launched a collective review of our values. The Human Resources Department established a work group to identify the values that most accurately reflect our bank's personality.

At the same time, middle managers were invited to undertake the same exercise within the framework of the Change Management project. Their respective conclusions will be compared, leading to the creation in 2004 of a community of employees united by common values. By putting these values into practice, day after day, managers will facilitate employee buy-in and their application to all internal or external actions by our bank.

Giving priority to compliance

Exercising the increased powers vested in him in 2002, our Compliance Officer launched a series of initiatives in 2003 to guarantee our bank's integrity. The ethical rules applicable to employees in sensitive positions were tightened up and a major project was launched to standardize the measures applicable to the various businesses. The Compliance Officer worked closely with the correspondent compliance officers appointed in the various Natexis Banques Populaires entities.

He also worked with the new Internal Control Department to define control procedures covering compliance issues to be implemented on a regular basis.

In 2003, we further improved our anti-money laundering procedures. The team responsible for these procedures, which now reports directly to the General Secretariat, was bolstered and its remit was extended to cover the broader issue of preventing financial crime. The team also drew up a plan to ensure that all of our employees are given training to raise their awareness of these risks before the end of 2004. Other initiatives conducted by the team included strengthening Know Your Client procedures to be followed before accepting new clients or arranging certain financial transactions. In addition, computer applications were developed for Tracfin reporting and the management of international terrorist lists.

Lastly, in line with the obligations imposed by the French banking authorities *(Comité de la Réglementation Bancaire et Financière)* concerning the supervision of foreign checks, control procedures over these checks were stepped up in January 2003.

Actively managing jobs and careers

In 2003, we continued to actively manage jobs and careers in order to strengthen our skills base and extend our areas of expertise, refresh the age pyramid and prepare management successions.

Our recruitment policy helped us to rebalance the age pyramid, while at the same time raising the overall level of qualifications. During 2003, 264 new hires were taken on by the parent company, raising to one-third the proportion of the company's employees who have joined the bank in the last five years *(see table 1)*.

We also put the finishing touches to the system to promote and support internal mobility, as well as raising competence levels through a determined training policy focusing in particular on management skills, personal development and change management. In 2003, a total of 100,000 hours training were given, representing the equivalent of three days training on average per employee.

An attractive compensation and benefits policy

Recognizing that our ability to successfully grow the business and implement our development projects depends to a large extent on the commitment of our teams, in 2003 we continued to apply an attractive compensation and benefits policy. The profit-sharing and incentive bonus agreements between the parent company and employee representatives were renewed during the year, giving employees the opportunity to share in the growth of our bank's earnings and overall profitability, as well as in our productivity gains *(see table 2 and 3)*.

We also pay the management costs of the employee savings plan set up in March 2001 and make matching payments in respect of employees' voluntary contributions to the plan.

A solid commitment to social development

Natexis Banques Populaires has always maintained a solid commitment to promoting social development. We maintain a constructive dialogue with employee representatives, based on regular free and frank exchanges of views based on mutual consideration. Since 2000, the consultation process has led to the signature of some fifty agreements on topics ranging from the alignment of employment terms and conditions following the merger

Table 1 – Natexis Banques Populaires employee numbers (*)

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000
Permanent and fixed-term employees	11,935	11,832	7,810	7,239
Corporate and International Banking	2,007	1,992	1,938	1,816
Specialized Financing	639	651	592	533
Capital Markets	933	953	739	665
Private Equity	219	194	183	159
Banking, Financial and Technology Services	1,448	1,518	1,554	1,482
Asset Management and Insurance	1,203	1,145	1,148	1,061
Coface	3,752	3,690		
Information Systems and Logistics	1,072	1,081	1,048	917
Other	662	608	608	607

(*) full time equivalents

The above table shows employee numbers for the companies included in the Natexis Banques Populaires consolidated financial statements. Coface, Bleichroeder Inc. and CrédiFrance Factor are included as from 2002.

In 2003, the total number of employees increased by 103 persons. On a comparable structure basis, the number decreased slightly. The average number of employees, which also includes temporary staff and the employees of service companies, also remained more or less flat compared with 2002. Data taken from the 2003 corporate report to be published in the second quater of 2004.

Table 2 – Profit-sharing and incentive bonuses paid out since Natexis Banques Populaires was formed

in EUR millions	2003	2002	2001	2000
Profit sharing	4.4	2.1	4.3	4.6
Incentive bonuses	8	3.3	9	7.5

Allocations to the statutory profit-sharing reserve take into account gross operating income, while total incentive bonuses are based solely on net income. Sixty percent of the amount to be distributed is allocated ratably based on each individual's salary and the other 40% is allocated by reference to the individual's period of presence within the company during the reference year.

Table 3 – Matching payments to the employee savings plan:

in EUR millions	2003	2002	2001	2000
	4.9	5.8	4.3	2.1

and the implementation of the 35-hour week legislation to incentive bonus schemes, pensions and benefits.

We employ a total of 83 disabled people and maintain close relations with numerous training establishments, taking on around 40 young people each year under apprenticeship or qualification contracts. These figures place us high in the rankings of financial institutions in terms of our contribution to facilitating entry into professional life.

Widespread internal and external communications

In 2003, our employees received regular information through our internal newsletter, *Trait d'union,* our in-house magazine, *Horizons,* available in printed and electronic versions, and the *Cont@cts* intranet base. This base, which has already won acclaim for the wealth of information available, is gradually being made accessible to all employees and its search functions are in the process of being improved.

In the area of external communications, we maintain a constant dialogue with our shareholders, paying close attention to the quality, accuracy and timeliness of our financial information.
Since 2002, external communications are organized around the publication of annual and interim reports and press releases, meetings with financial journalists and analysts, the Shareholder Newsletter, the institutional website, the Annual Shareholders' Meeting and participation in various investor events.

Environmentally friendly practices

In 2003, we continued to actively manage the environmental impact of our operations, through a broad array of programs including waste sorting, recycling of computer workstations (around 4,000 per year), programs to reduce paper consumption, and energy consumption monitoring.

In keeping with this policy, our new Charenton-Le-Pont building now under construction complies with certain High Environmental Quality (HQE) objectives, in terms mainly of energy performance, climate control and sound insulation.

Ethical products

Our asset management subsidiary Natexis Asset Management launched two sustainable development products in 2002, BP Développement Durable Actions, an equity fund, and BP Développement Durable Taux, a bond fund. The managers of both funds apply ethical principles, by selecting investments based in part on social and environmental criteria. The funds, which are offered to employees, institutional investors (mainly pension institutions and mutual insurers) and the personal banking clients of the Banque Populaire regional banks, have achieved promising performances. In the period to September 2003, the value of units in BP Développement Durable Actions gained 8.97% (versus a 7.28% rise in the benchmark index, MSCI Europe) and that of units in BP Développement Durable Taux gained 5.28% (versus 5.27% for the Lehman Euro Aggregate Credit index).

In October 2003, we extended our expertise to all asset classes by launching BP Développement Durable Monétaire. The product is designed for all investor categories, including institutions and associations looking for sustainable development investments offering the steady performance of a money market investment.
With BP Développement Durable Actions, BP Développement Durable Taux and BP Développement

Durable Monétaire, we now have a comprehensive range of funds offering good yields, positioned at the cross-roads between traditional and ethical funds.

An active policy of corporate philanthropy

The Banque Populaire Group Foundation carries the Group's colours and contributes to the sustainable development drive. Alongside Natexis Banques Populaires, which established the original foundation some ten years ago, and Banque Fédérale des Banques Populaires, all of the Banque Populaire regional banks contribute funding and also propose projects.

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

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

In October 2003, the Foundation appointed the jury responsible for selecting projects to be funded. Made up of representatives from Ifremer, a water agency, the *Conservatoire de l'Espace Littoral et des Rivages Lacustres,* Crédit Maritime Mutuel – a bank affiliated with Banque Fédérale des Banques Populaires – and academia, as well as other specialists, the jury will present its initial selections during 2004.

The Foundation continued to assist the disabled by supporting 19 individual projects in the areas of professional training, business start-ups, higher education, participation in handisports and in artistic activities.

The Foundation has been supporting talented young musicians for many years, some of whom are now moving to center stage, including prize winners at last year's *Victoires de la Musique*. In 2003, it will support 17 new young musicians, including pianists, string quartets, double base players, violinists, alto-violinists, saxophonists, guitarists and composers.

In September 2003, the Group signed a partnership agreement with *Association Eric Tabarly,* to help finance the maintenance and sailing of his famous boats. A means for the Group to preserve the history of ocean racing and uphold the spirit of innovation.

2003
Financial information

2003 Management report

1 – Group structure

The principal changes in group structure in relation to fiscal year 2002 relate to the entry of new subsidiaries in the scope of consolidation: Crédifrance Factor, merged with Natexis Factorem; Natexis Bleichroeder Inc., acquired on December 6, 2002 and consolidated, solely, at the balance sheet level last year; various subsidiary investment capital companies of Natexis Private Equity; Natexis Intertitres, subsidiary of Natexis Interépargne; and E.Market, subsidiary of Slib.

To facilitate comparison, the 2002 results of Natexis Banques Populaires were accounted for on a "Coface" pro forma basis as presented in Note 2 A to the consolidated financial statements, added to which was the management data of Crédifrance Factor and Natexis Bleichroeder Inc.

2 – Overview of activities and results

in EUR millions	2003	2002	Change
Net Banking Income	2,454.7	2,082.8	+ 18%
General operating expenses, depreciation and amortization	(1,738.4)	(1,714.7)	+ 1%
Gross operating income	716.3	368.1	+ 95%
Provisions for loan losses and country risks	(211.4)	(196.1)	+ 8%
Net gains on disposals of fixed assets	13.9	53.0	- 74%
Income from companies accounted for by the equity method	9.6	4.5	+ 117%
Income before exceptional items and tax	528.4	229.5	+ 130%
Exceptional items	12.9	(16.0)	- 181%
Corporate income tax	(153.8)	(22.4)	nm
Goodwill amortization	(64.0)	(40.6)	+ 58%
Net reversal from Fund for General Banking Risks (FGBR)	0	20.9	nm
Minority interests	(58.0)	(59.0)	- 2%
Net income	**265.5**	**112.4**	**+ 136%**

The year 2003 was sluggish: revival of growth in the United States (+ 3%), at the cost of significant gaps in public financing and the balance of payments; first signs of recovery in Japan (+ 2%), and accelerated development in China. Conversely, there was virtual stagnation in the Eurozone (+ 0.6% for the year), with France recording the worst year since the 1993 recession, its GDP growth limited to 0.2%. However, fourth quarter GDP growth in France (+ 0.5%) would seem to announce a slight recovery for 2004, which should be true for the Eurozone as a whole.

In terms of the financial markets, 2003 will be seen as the year of the rebound, following three years of decline and a particularly difficult first quarter. Equity markets were up almost throughout the world, sustained by a turnaround in company results and improved growth prospects. The French CAC index rose by 16% over the year, closing at 3,557 points.

The third significant event to mark the 2003 economic and financial situation was the sharp depreciation of the US dollar, with a parity of EUR0.79 to EUR0.95 at the end of 2002. This will undoubtedly continue to represent a significant element of uncertainty in 2004.

Considering this context, Natexis Banques Populaires had a very positive year, with solid performance growth for all the core businesses:

- Net Banking Income (NBI) stood at EUR2,455 million, up 18% over last year and up 22% based on a constant dollar exchange rate; the core businesses reported Net Banking Income of EUR2,362 million, up 11% on last year;
- the increase in operating expenses was limited to EUR1,738 million or 1.4%;
- consequently, Gross operating income amounted to EUR716 million, a 95% increase compared to 2002;
- Provisions for loan losses and country risks increased slightly (+ 8%) to EUR211 million, due to provisions raised for European Corporate banking activities. They represented 0.4% of the weighted outstandings of Natexis Banques Populaires;

■ Net income before exceptional items and tax, after taking into account gains on disposals of fixed assets and income from equity affiliates, amounted to EUR528 million, compared to EUR230 million in 2002;

■ Net income stood at EUR265 million, compared to EUR112 million last year. The figure takes into account exceptional income, goodwill amortization, which includes the results of the impairment tests performed, a substantial corporate income tax charge, and minority interests.

3 – Income statement review

Net Banking Income by core business

Net Banking Income increased for all core businesses:

NET BANKING INCOME BY CORE BUSINESS

in EUR millions	2003	2002	Change
Financing	967.9	891.8	+ 9%
Investment Banking	304.5	280.6	+ 9%
Services	602.4	568.5	+ 6%
Coface	487.6	395.9	+ 23%
Total	**2,362.4**	**2,136.8**	**+ 11%**

FINANCING

With NBI of EUR 968 million, the financing businesses again experienced substantial growth (+ 9%), representing 41% of overall NBI for the Natexis Banques Populaires core businesses.

in EUR millions	2003	2002	Change
Corporate and International Banking	775.6	701.1	+ 11%
Specialized Financing	192.3	190.7	+ 1%
Financing NBI	**967.9**	**891.8**	**+ 9%**

Corporate and International Banking

in EUR billions	2003	2002	Change
Companies	41.6	41.8	-
Asset financing	12.7	13.3	-
External commerce and trading	9.4	7.9	-
Corporate and International Banking average outstandings	**63.7**	**63.0**	**+ 1%**

Average outstandings increased 1% (6.6% excluding the US dollar exchange rate impact), to reach EUR63.7 billion.

Natexis Banques Populaires pursued its commercial policy during the year, privileging the risk/return ratio, with a slight increase in the margin rate on last year, while retaining substantial diversification of outstandings both at the industry and geographical level, as shown in the risk management tables (see below).

New production in 2003 totaled EUR11.5 billion, up 1% year-on-year. It breaks down as follows:

- EUR6.1 billion – Corporate financing,
- EUR4.4 billion – Asset financing and acquisitions,
- the balance in International commerce and trading.

Corporate and International Banking Cooke outstandings, contrary to average outstandings, fell 13% to EUR32.3 billion at the end of the period. This fall, which would have been 8% if the partial impact of US dollar exchange rate fluctuations is excluded, forms part of a weighted risk management policy specifically relying on securitization and syndication transactions.

in EUR millions	2003	2002	Change
Companies	363.8	368.5	- 1%
Structured finance	229.2	168.6	+ 36%
International commerce and trading	182.6	164.0	+ 11%
Corporate and International Banking NBI	**775.6**	**701.1**	**+ 11%**

Corporate and International Banking growth surged, with an 11% increase in NBI. Adjusted for the USD impact of EUR43 million, growth would have risen by 17%. This overall performance covers contrasting trends according to the activities:

- Corporate activities (France, Europe and multinational) reported NBI growth of EUR364 million, which is stable, compared to 2002. The NBI generated by financing operations rose significantly (+ 4%), as a result of an increase in average margin rates and substantially higher commissions related to new transactions. Conversely, income from cash inflows and services declined by 8% due to a decrease in cash balances and interest-free deposits, in a context of low interest rates.
- Structured finance activities, on the other hand, were up sharply in relation to 2002 (NBI of EUR229 million or + 36%). The main contributing business lines were LBO and acquisition financing (NBI of EUR87.3 million compared to EUR34.7 million in 2002), Natexis Banques Populaires is now number one in France for LBO debt financing in terms of the number of mandates and third in overall amount, all banks considered; syndications (EUR15.7 million, up 58%); corporate real estate (EUR36 million); project financing (EUR31 million); aircraft, ship and rolling stock financing (EUR29 million); and financial arrangements (EUR19 million).
- International commerce and trading activities generated NBI of EUR183 million in 2003, compared to EUR164 million last year, primarily fed by the development of commodity financing activities (EUR85 million, + 28%), which generated a surge in arrangement fees whereas, conversely, trade financing activities declined by 9% over the period.

Specialized Financing

The Specialized Financing sector, which encompasses the activities of the lease financing (Natexis Lease), and factoring (Natexis Factorem) subsidiaries, reported NBI of EUR192 million, relatively stable (+ 1%) in relation to 2002.

in EUR millions	2003	2002	Change
Lease financing	94.3	88.7	+ 6%
Factoring	98.0	102.0	- 4%
Specialized Financing NBI	**192.3**	**190.7**	**+ 1%**

■ In the lease financing sector, Natexis Lease is one of the top five players in the French market. In an unfavorable economic climate, new production totaled EUR1.43 billion in 2003, down 5% year-on-year. Of this amount, EUR921 million is attributable to equipment lease financing (down 2% on 2002), EUR462 million to real estate lease financing (down 13%) and EUR47 million to Sofergie financing.

The regional Banque Populaire banks network remains the leading prescriber with 62% of the new production, the contribution of Natexis Banques Populaires amounting to 15%.

Average lease financing outstandings totaled EUR5.3 billion, up 2% on last year.

The 6% growth in NBI for 2003 (EUR94 million) was primarily the net result of:

– 5% growth in "current" NBI (EUR86.5 million), essentially in the real estate lease financing sector,

– a decrease in capital gains on disposals (EUR10.7 million compared to EUR11.7 million in 2002),

– steady losses, the cost of which is deducted directly from NBI (- EUR4.6 million in 2003).

Natexis Lease growth relies on the diversification of its business provider network (partnerships forged with Société Centrale de Crédit Maritime or industrial groups), the intensification of international activity (pursuit of development initiated in the Maghreb and in Spain, and establishment of partnerships in Germany, Italy and Eastern European countries) and, finally, the expansion of its product range.

■ In the factoring sector, fiscal year 2003 was marked by the merger-absorption of Crédifrance Factor, a subsidiary of Crédit Coopératif, by Natexis Factorem. For the second consecutive year, the market grew at a moderate rate (+ 3.2%). Natexis Factorem, in its new configuration, increased its market share (13.2% compared to 12.5% in 2002), thus remaining the number three operator in France.

Factoring inflows are similar to last year (EUR9.7 billion), but potential inflows from new contracts fell slightly to EUR2.95 billion from EUR3.07 billion in 2002. This setback, following several years of uninterrupted growth, is due to the slumping performance of the Crédifrance Factor portfolio and a weak economy.

In this context, factoring activity NBI fell 4% in 2003 to EUR98 million:

– Factoring commissions fell 2% to EUR60 million, despite steady factored revenues year-on-year. The French market has witnessed a gradual erosion in commission rates charged for a number of years now;

– Financing commissions fell 6% to EUR44 million, due to a decrease in income from demand deposits.

Natexis Factorem will continue its development by expanding its product range towards credit insurance (Accrédia offering) and pursuing its commercial efforts with the Banques Populaires, Crédit Coopératif and Crédit Maritime networks, as well as with other prescribers. International development will be realized in Germany with the launch of the "VR Factorem" subsidiary in partnership with the DZ Bank group.

INVESTMENT BANKING

The Investment Banking business line, encompassing Capital Markets and Private Equity activities, was heavily hit by the weakness and volatility of the equity markets in 2002 and, more generally, the fall in company values. In a more favorable context, the 2003 performance was satisfactory, even though results were mixed for the business lines. NBI stood at EUR305 million, up 9% in relation to 2002, and accounted for 13% of total Natexis Banques Populaires core business NBI.

in EUR millions	2003	2002	Change
Capital Markets	222.6	223.2	-
Private Equity	81.9	57.4	+ 43%
Investment Banking NBI	**304.5**	**280.6**	**+ 9%**

Capital Markets

Capital Markets activities recorded NBI of EUR223 million, steady in relation to last year, even though performances varied in quality:

in EUR millions	2003	2002	Change
Capital markets	110.4	73.7	+ 50%
Brokerage and market origination	78.4	125.2	- 37%
Subsidiary activities	33.8	24.2	+ 40%
Capital Markets NBI	**222.6**	**223.1**	**-**

■ Capital Markets NBI is EUR110 million, compared to EUR74 million last year. The financial markets crisis of 2002 triggered heavy losses in equity derivative activities, due to the inadequacy of certain valuation models in a situation of exceptionally volatile equity markets. Fiscal year 2003 was a year of major restructuring for this activity, with priority being given to the overhaul of risk management procedures and a more active management of positions. The latter were significantly reduced for the most complex products by capitalizing on more favorable market conditions in the second half. This strategy will again result in net losses for 2003, but will stabilize the situation for 2004.

The other capital market activities held up well in 2003, whether Treasury (NBI of EUR73 million compared to EUR56 million in 2002), which was able to benefit from opportunities created by the favorable trend in interest rates, Interest Rate activity (EUR32 million compared to EUR27 million), or Credit activity (stable at EUR59 million) for which substantial development on the primary market – 43 bond mandates on behalf of diversified issuers such as LVMH, Réseau Ferré de France, TFI, Veneto Banca or Bayerische Landesbank – offset the reduction in investment portfolio outstandings in connection with the restricted use of own funds. Foreign Exchange (EUR27.5 million compared to EUR32.7 million) was affected by the dollar's significant depreciation, although the Foreign Exchange Options activity posted growth.

■ The brokerage and market origination activity of Natexis Banques Populaires is based on two pivotal entities, Natexis Bleichroeder S.A., which carries out business in the Eurozone, and Natexis Bleichroeder Inc., which covers North America and Asia, with the search for complementarity and synergies whenever possible. Natexis Bleichroeder S.A., with NBI of EUR31 million compared to EUR41 million at the end of 2002, felt the brunt of difficult market conditions, due to the average CAC 40 index dropping to 3,116 points at the end of December, down 17.9% year-on-year. This resulted in a 16.3% decline in average capital trade volumes over the same period. Conversely, Natexis Bleichroeder S.A. consolidated its position on the convertible bond primary market, obtaining mandates from Rallye, Affine and Oeneo. At the same time, the company reinforced its position as a major player in the French public offering market, with a market share of nearly 9% in terms of the number of transactions, compared to 8% the previous year.

The performances of Natexis Bleichroeder Inc. are also down (NBI of EUR47 million compared to EUR84 million one year earlier). Activity over the first half was violently disrupted by international events affecting the US market, but the success of primary market operations, due in particular to a reputation for shrewdness in the media sector, sparked an improvement for the second half results. Synergies, which are limited to commercial operations for the time being, should have a significant impact on revenues in the future.

■ Subsidiary activities, focusing on arbitrage business lines, rendered a solid performance with NBI up by 40% in relation to 2002 (EUR34 million compared to EUR24 million). This overall contribution conceals contrasting trends: significant drop in ABM Corp. NBI (EUR7 million compared to EUR16 million), whose mortgaged debt portfolio arbitrage activities were penalized by loan renegotiations provoked by the historic fall in long-term interest rates in the United States, a decrease in Dupont-Denant Contrepartie NBI to EUR7 million (financial and foreign index arbitrage), an excellent performance for Natexis Arbitrage (EUR13 million compared to a loss of EUR8 million), with respect to risk arbitrage and convertible bond trading and, lastly, a slight NBI decline for

Natexis Metals, a company specializing in commodities trading and broking (NBI of EUR6.5 million compared to EUR7.6 million in 2002).

Private Equity

The Private Equity division posted NBI of EUR82 million as of December 31, 2003, a 43% increase over 2002.

■ Private Equity activities remained steady with new investments of EUR258 million, compared to EUR235 million in 2002. Divestments generated revenues of EUR229 million, compared to EUR223 million in 2002. Investments for the year rose by 10% in accordance with the mid-term plan objectives. There was greater uniformity in the breakdown by activity as opposed to last year, in which Growth and International were predominant. The dynamism of LBO investments in 2003 demonstrates the effectiveness of the growth strategy for the LBO/Mid-Caps market:

Activity-growth	EUR81 million	(32%)
Activity-venture capital	EUR40 million	(15%)
Activity-LBO	EUR82 million	(32%)
International	EUR55 million	(21%)

Capital under management increased 11% to EUR1.72 billion, including 55% held in third-party portfolios. They break down as follows:

Activity-growth	EUR639 million	(37%)
Activity–venture capital	EUR508 million	(30%)
Activity-LBO	EUR395 million	(23%)
International	EUR179 million	(10%)

in EUR millions	2003	2002	Change
Own funds	65.0	39.0	+ 66%
Fund management	10.5	10.6	-
Mergers/Acquisitions	6.4	7.8	- 18%
Private Equity NBI	**81.9**	**57.4**	**+ 43%**

– At EUR65 million, NBI for the own funds activity represents 79% of the total for the division. The increase recorded in 2003 (+ 66%) is primarily attributable to the reduction in risk charges (down by 56%), rather than net capital gains realized (31% lower than 2002 levels).
Unrealized capital gains rose 37%, amounting to EUR203 million. The breakdown by activity demonstrates the growth of LBO and that of International activities particularly for Asia and Germany.

– NBI generated by asset management activities totaled EUR10.5 million. This is attributable to the commissions received for the management of 33 funds entrusted by third parties, bringing total assets under management to EUR952 million.

■ The Merger/Acquisition activities of Natexis Banques Populaires are now the responsibility of specialists in Paris (Natexis Finance) and New York (Natexis Bleichroeder Inc.). The targeted market is domestic and international medium-sized transactions conducted for major groups, independent companies or investment funds. In 2003, this business line was confronted with a lackluster market where the first signs of recovery were only felt late in the year. NBI was EUR6.4 million, compared to EUR7.8 million last year.

SERVICES

The total contribution of service businesses to Natexis Banques Populaires NBI increased 6% to EUR602 million, or 25% of the NBI of the Natexis Banques Populaires core businesses.

in EUR millions	2003	2002	Change
Banking, Financial and Technology Services	245.8	258.0	- 5%
Asset Management and Insurance	356.6	310.5	+ 15%
Services NBI	**602.4**	**568.5**	**+ 6%**

Banking, Financial and Technology Services

NBI of the Banking, Financial and Technology Services division declined from EUR258 million in 2002 to EUR246 million in 2003.

in EUR millions	2003	2002	Change
Banking services	75.1	67.4	+ 11%
Financial services	152.9	172.0	- 11%
Services to private individuals	17.8	18.6	- 4%
Banking, Financial and Technology Services NBI	**245.8**	**258.0**	**- 5%**

■ The Banking services segment reported NBI of EUR75 million, up 11% on 2002. The 33% growth in revenues from automated payment services more than offset the 3% fall in NBI generated by check processing and exchange system activities. Services to Banque Populaire regional banks declined overall by 3%, while NBI from activities with non Banque Populaire Group customers rose sharply to EUR24 million (+ 36%).

Activity indicators clearly reflect payment method trends in 2003, both with respect to the customer base and the organization of the financial market: the card pool increased 6%, the number of card transactions 7%, ITS transactions 8% (mainly due to the launch of check truncation), and the number of significant transactions 4%. Conversely, the number of checks processed fell 58% for national checks and 15% for international checks.

■ The Financial services segment is closely linked to the stock market. As such, the 16.3% decrease in average capital traded contributed to the lower NBI for 2003. The latter stood at EUR153 million, compared to EUR172 million at the end of 2002.

This downturn is partly attributable to Xeod Services' order-flow activities, which reported a drop in NBI from EUR15 million to EUR8 million, due to a significant decline in the number of orders processed (38% decrease in on-line broker orders, which represent close to 44% of Xeod Services' activities). The divestments of certain activities (multiple clearing etc.) and the departure of @.brokers clients also contributed.

NBI of financial production activities decreased to EUR119 million, compared to EUR129 million last year, despite the solid performance of custody (assets under custody up 13%), accounting services (net assets up 17%) and depository (outstandings up 10%) activities with, however, a decline in accounting services for mutual funds (5% decrease in mutual funds). Certain non-profitable activities were terminated in 2003 (maintenance of non-resident institutions, etc.).

The contribution of subsidiary activities also declined, with NBI of EUR25 million (down 10%). LineBourse, an online broker with over 31,000 open accounts, reported NBI of EUR4 million, compared to EUR3 million last year. However, Samic, the IT services company which specializes in software for private asset management banks, reported NBI of EUR6.7 million, a 21% fall on 2002.

Asset Management and Insurance

In 2003, assets under management and NBI for Asset Management and Insurance increased by 11% and 15% respectively. Excluding changes in group structure relating to the acquisition of 100% of the Natexis Intertitres subsidiary in the Natexis Interépargne division, the change in NBI would stand at + 12%.

in EUR billions	2003	2002	Change
Fund management	44.8	40.4	+ 11%
Private asset management	2.2	2.0	+ 6%
Employee savings plans	11.7	10.0	+ 18%
Insurance	19.4	17.8	+ 9%
Estate planning	1.4	1.2	+ 19%
Real estate asset management	1.1	1.1	-
Total assets under management at the year-end	**80.6**	**72.5**	**+ 11%**

in EUR millions	2003	2002	Change
Fund management	83	72	+ 15%
Private asset management	20	24	- 18%
Employee savings plans	72	58	+ 24%
Insurance	152	129	+ 17%
Estate planning	21	19	+ 10%
Real estate asset management	9	8	+ 13%
Total NBI for Asset Management and Insurance at the year-end	**357**	**310**	**+ 15%**

The contribution of the different business lines to this total was as follows:

■ Fund management

Mutual fund outstandings managed by Natexis Asset Management (NAM) increased significantly by 10% to reach EUR63 billion at the end of 2003. As a result, NAM's market share stayed at 6.4%, thus consolidating its position in the short-term mutual fund market (market share of 10%) and gaining some ground in the long-term mutual fund market (market share of 3.1%).

Fund management NBI was up 15% on 2002 to stand at EUR83 million.

■ Employee savings plans

In 2003, Intertitres entered the Interépargne group structure. Intertitres is active in the "luncheon, employment service, and holiday voucher" sector and offers promising commercial synergy opportunities. With over thirty million vouchers issued in 2003, Natexis Intertitres is fourth in the restaurant voucher market, with a 7% market share. Its development focuses on small businesses, backed up by the regional Banque Populaire banks network.

The 55 management companies belonging to the French Asset Management Association represented EUR57 billion in employee savings assets at the end of December 31, 2003. Natexis Interépargne is the leader with EUR11.7 billion (+ 18%) distributed across 506 funds. At the same time, Natexis Interépargne has improved its market share by a slight margin (21% compared to 20.7% in 2002) and increased the number of its corporate clients by 31% (19,839), as a result, in particular, to the success of the *Fructi-Epargne* product in connection with the Fabius Act.

Accordingly, NBI for the Natexis Interépargne division stood at EUR72 million, up 24% over last year. Excluding the Natexis Intertitres group structure impact, the increase would have been reduced to 9%.

■ Insurance

Natexis Assurances outstandings under management rose 9% (+ 7.9% in France, + 70% abroad), to reach EUR19.4 billion, due to net collections on individual life insurance policies (+ 6%) and substantial development of activity in the personal risk insurance sector (+ 21%). The resounding success of *Multirisque des Accidents de la Vie* (multi-risk accident life insurance) bears mentioning. The target of 30,000 new contracts was reached at the end of 2003. Launched on a gradual basis in September 2003 via the Banques Populaires network, this product was met favorably by customers who are increasingly conscious of the need for protection against potential accidents in daily life.

Natexis Assurances NBI totaled EUR152 million, compared to EUR129 million in 2002 (+ 17%). Of this income, 64% comprises remuneration on life-insurance assets under management, which increased 24% over the period.

■ Private asset management

Assets under management increased by EUR120 million (EUR2.15 billion compared to EUR2.03 billion in 2002), due to a revaluation of the equity portfolios (+ 13%).

At EUR19.6 million, Banque Privée Saint Dominique NBI is down 18% compared to 2002, due to a reduction in both management and movement commissions.

■ Estate planning

While outstandings under management by Natexis Private Banking Luxembourg, which specializes in estate planning, increased significantly to EUR1.4 billion (up 19%), NBI growth was more restrained (up 8%) at EUR20.9 million, compared to EUR19.4 million at the end of 2002.

■ Real estate asset management

Real estate assets managed by Natexis Immo Placement declined slightly (- 3%) to EUR1.08 billion, while NBI increased (+ 13%) to EUR9.1 million.

COFACE

The NBI equivalent of Coface stood at EUR487.6 million at the end of 2003, an increase of 23% over 2002. It accounted for 21% of the NBI of the Natexis Banques Populaires core businesses.

This growth is 50% attributable to Insurance and 8% attributable to Services. It stems in part from a group structure impact, related to the acquisition of portfolios from C.N.A. and Gerling for the Insurance activities and to the consolidation of Kompass as of July 2003 for Services activities.

The solid performance for both Insurance and Services is particularly due to substantial activity growth in Germany (+ 13%).

■ Insurance

Insurance revenues totaled EUR802 million (+ 13%), three quarters of which was generated in France, Germany and Italy (EUR258 million, EUR224 million and EUR102 million, respectively).

Losses for these activities stood at EUR313 million, compared to EUR496 million the previous year, a decrease of 37%. These solid results are due:

– for EUR90 million, to the impact resulting from the harmonization of provision calculation methods for the losses of certain subsidiaries, particularly AK Coface in Germany; the purpose of this harmonization is to standardize, for all group entities, the ultimate loss valuation, which is to say the calculation of the final amount of losses to be settled after the extinction of risk and any recovery measures. After taking into account the equalization provision, the impact on results arising from the convergence of provisioning calculation methods is immaterial;

– for EUR93 million, to the measures undertaken over the last 18 months (termination of contracts, more selective affiliations, quantified loss ratio objective, etc.).

The "Losses on premiums" ratio was 40% at the end of 2003, compared to 70.9% at the end of 2002. Excluding the impact of harmonizing the provisioning calculation methods, it would have stood at 52.2%.

Brokerage fees and business provider commissions increased over the period to EUR73 million (up 19%), demonstrating the group's commercial drive to boost revenues.

Given these solid performances, the impact of the two technical amortization mechanisms represented by reinsurance and the equalization provision is highly significant for the year: respectively, - EUR122 million (compared to + EUR4 million in 2002) and - EUR48 million (+ EUR16 million the previous year), for a total of - EUR170 million.

Taking into account net income from investments in the amount of + EUR8 million and technical charges (similar to banking charges) for - EUR10 million, NBI for the Insurance business lines totaled EUR217.2 million, compared to EUR144.6 million in 2002.

■ Services

Services activity showed a greater contrast, generating NBI of EUR270.4 million, compared to EUR251.3 million at the end of 2002.

Services related to Insurance grew by 8% to EUR96 million, while information services for the Coface division generated NBI of EUR113 million, compared to EUR102 million, an increase of 11%. Finally, Public procedures management NBI was stable at EUR62 million.

NON-DIVISIONAL ACTIVITIES

Non-divisional NBI stood at EUR92 million compared to - EUR54 million in 2002, for an increase of EUR146 million.

■ Information systems and logistics activities reported NBI of EUR36 million, primarily generated by Natexis Altaïr, which recorded a 47% increase in NBI from own customer activities.

■ Institutional activities, encompassing a range of activities performed on behalf of the French State under a mandate initially carried out by Crédit National and BFCE, generated NBI of EUR12 million, compared to EUR16.8 million last year.

■ The real estate subsidiaries reported NBI of EUR14.8 million, compared to EUR10.5 million last year.

■ Finally, other items (NBI of EUR30 million) include corporate treasury and banking income and expenses not attributable to specific activities. The contribution of this heading increased significantly in 2003, primarily due to capital gains and the reversal of provisions recorded against the own fund investment portfolio (positive NBI of EUR34 million compared to negative NBI of EUR60 million as of December 31, 2002).

Operating expenses

OPERATING EXPENSES

Natexis Banques Populaires operating expenses stood at EUR1,738 million compared to EUR1,715 million in 2002, the increase being limited to 1.4%. Adjusted for group structure impacts (- EUR43 million) regarding Natexis Banques Populaires (Natexis Intertitres and E.Market) and the expansion of Coface (CNA, Gerling and Kompass), operating expenses would have dropped 1%. Of the total amount, EUR980.7 million (56%) is attributable to personnel costs and EUR757.8 million (44 %) to other operating expenses, including EUR87.8 million in depreciation, amortization and provisions for impairment of property and equipment and intangible assets.

Employee numbers

There were an additional 103 Natexis Banques Populaires full-time equivalent (FTE) employees (fixed-term and permanent contracts), bringing the number to 11,935 as of December 31, 2003 (up 1%), compared to 11,832 employees the previous year. Excluding changes in group structure (198 FTE), there would have been 11,737 employees.

The stabilization of employee numbers at the year-end was accompanied by the implementation of a policy to reduce the use of external employees, with notably the completion of a certain number of IT convergence programs. External employees (in FTE average) were thus reduced from 1,223 to 1,035 in one year.

The average number of Natexis Banques Populaires FTE employees (internal and external) totaled 12,912, compared to 13,100 in 2002 (188 fewer employees).

The trend breaks down as follows by activity sector:

■ four divisions had an increase in employee numbers: Coface (+ 62 FTE including a change in group structure of + 122 FTE), Asset Management and Insurance (+ 58 including 41 from a change in the Intertitres group structure), Private Equity (+ 25 including 12 related to changes in group structure) and Corporate and International Banking (+ 15);

■ four divisions had a decrease in employee numbers: Banking, Financial and Technology Services (- 70, implementation of CAP 2005), Capital Markets (- 20), Specialized Financing (- 10) and Information Systems and Logistics (- 9).

Personnel costs

The increase in personnel costs (+ 5.2%) is due to:

■ the carry-forward effect of the increase in employee numbers and salary measures taken in 2002 and 2003; charges resulting from an adjustment to employee-related liabilities; the impact of group structure changes (Intertitres, E.Market, Private Equity divisions and Coface/CNA, Gerling and Kompass), and the increase in charges relating to profit-sharing and incentives;

■ partially offset by the reduction in the average number of employees and variable compensation components.

Other operating expenses

Other operating expenses have declined 3.2% despite an acceleration in market-related projects (IAS, McDonough etc.). The elements that contributed significantly to the reduction are a 10% decrease in the use of external personnel, a 6% drop in IT charges, and a group of charges (communication/advertising, financial database subscriptions, etc.) that were subject to optimization measures.

COST/INCOME RATIO

The virtual stability of operating expenses is part of the significant growth in NBI, which automatically triggered a noticeable improvement in the cost/income ratio, standing at 70.8%, for a gain of 11.5 points over the year. Excluding Coface, the cost/income ratio stood at 67.5%, compared to 79.6% the previous year.

Net income

Risk hedging policy

The charge to Provisions for loan losses and country risks totaled EUR211 million, compared to EUR196 million in 2002 (+8%). It encompasses net charges of EUR148 million to provisions for specific credit risks and charges of EUR63 million to provisions for industry and country risks.

The Natexis Banques Populaires risk hedging policy focuses on three areas:

- provisions for specific credit risks cover 59.5% of non-performing loans used to calculate the solvency ratio. The net charge for the period of EUR148 million is down 33% year-on-year.
- provisions for industry and country risks are recorded in respect of performing loans, in activity sectors or geographical areas requiring particular vigilance. Total provisions amounted to EUR392 million as of December 31, 2003.
- furthermore, the FGBR was maintained at EUR242 million, its December 31, 2002 level. Added to provisions for industry and country risks, it represents a loan loss and country risk provision rate of 1.31% of Cooke outstandings.

Industry and country provisions

Provisions for country risks totaled EUR139 million. A net amount of EUR3 million was reversed from these provisions, essentially due to the reduction in outstandings.

Purely industry provisions represent 26% of total provisions, or EUR100 million. Net reversals to these provisions totaled EUR7 million in 2003, due to the decrease in outstandings. Other provisions for industry and country risks were subject to a EUR17 million reversal due to the USD foreign exchange impact.

Finally, provisions for industry and country risks were increased by EUR90 million to take into account potential unknown risks for major European financial market dossiers.

Charges to these provisions totaled EUR63 million in 2003.

Specific provisions

The net charge for the period decreased from EUR221 million to EUR 148 million (down 33%). There was a sharp decrease in new non-performing loans. In 2003, specific credit risk was concentrated on 10 dossiers representing half of the net charge, i.e. EUR73 million. The 43 dossiers exceeding EUR1 million represented a EUR138 million charge to loan loss provisions out of a total of EUR148 million.

Divisional analysis of the net charge to provisions for specific credit risk:

in EUR millions	2003	2002
Corporate and International Banking	(117)	(180)
Specialized Financing	(11)	(18)
Capital Markets	(13)	(10)
Private Equity	1	5
Banking, Financial and Technology Services	(2)	(28)
Asset Management and Insurance	(1)	(1)
Real estate investments	0	3
Other provisions	(5)	8
Net charge to provisions for specific credit risk	**(148)**	**(221)**

Charges to loan loss provisions for Corporate and International Banking activities decreased sharply by 35%, standing at EUR117 million, compared to EUR180 million in 2002. The decrease is primarily attributable to the significant provision level in 2002 (EUR42 million) for the CDO portfolio of the US subsidiary Natexis Investment Corp, as a result of last year's economic slump. In 2003, the portfolio's value stabilized, and a EUR4 million reversal was recorded.

Capital Markets: charges to provisions cover debt securities held for investment that present counterparty risks.

There was a significant yet atypical loss for Banking, Financial and Technology Services in 2002 related to the activity of Xeod. This was fully provided for during the year and had no impact on 2003.

The other divisions did not record any major changes. As already indicated, provisions for loan losses in respect of certain of these activities are also deducted from NBI.

Geographical analysis of the net charge to provisions for specific credit risk:

in EUR millions	2003	2002
Africa	(5)	(2)
Central and Latin America	(18)	(41)
North America	(18)	(67)
Asia	(3)	4
Eastern Europe	(1)	1
Western Europe	(103)	(114)
Other	-	(2)
Net charge to provisions for specific credit risk	**(148)**	**(221)**

Charges to provisions for specific credit risk recorded in 2003 concern three main geographical areas:

- Western Europe (EUR103 million, 70% of the total), where the economic recovery remains moderate.
- the United States (EUR18 million, 12% of the total), down sharply due to the aforementioned reasons.
- Central and Latin America (EUR18 million, 12% of the total), also down, due to the significant charges in 2002 for Argentina and Cuba (EUR35 million).

Net charge to provisions for overall credit risk

Divisional analysis of the net charge to provisions for overall credit risk:

in EUR millions	2003	2002
Corporate and International Banking	(177)	(165)
Specialized Financing	(11)	(18)
Capital Markets	(16)	(14)
Private Equity	1	5
Banking, Financial and Technology Services	(2)	(28)
Asset Management and Insurance	(1)	(1)
Real estate investments	(1)	3
Other provisions	(6)	22
Net charge to provisions for overall credit risk	**(211)**	**(196)**

Corporate and International Banking activities: these encompass most of the specific credit risk, which declined significantly in 2003 (EUR117 million compared to EUR180 million). At the same time, a EUR90 million prudential provision was raised for the major European financial market dossiers.

A net reversal of EUR30 million was recorded for the country and industry risk provisions, due to the decrease in euro outstandings.

Capital Markets: other than the specific provisions already mentioned, a net reversal of EUR2 million was recorded for the country and industry risk provisions, due to the decrease in country and industry outstandings.

Other items

■ Net gains on disposals of fixed assets total EUR14 million, compared to EUR53 million as of December 31, 2002. They primarily comprise:

– capital gains on disposals of investments in affiliates of EUR22 million,

– capital losses on debt securities held for investment of EUR7 million.

■ Income from companies accounted for by the equity method increased from EUR5 million to EUR10 million in 2003, primarily due to the increase of the BP general insurance (formerly Fructimaaf) contribution (up EUR3 million) and the profits of ADIR, the Lebanese company consolidated in 2003, amounting to EUR1 million.

■ The combination of these factors produced Income before exceptional items and tax of EUR528 million, compared to EUR230 million, a 130% increase.

■ Exceptional income totaled EUR13 million, compared to an exceptional expense of EUR16 million in 2002. In 2003, they included EUR30 million in VAT adjustment charges for fund management fees with respect to fiscal years 1999 to 2001, and EUR24 million in income from VAT and payroll tax cuts with respect to Treasury operations as part of consolidation agreements for the former BFCE. They also included a EUR30 million financial subsidy granted by Banque Fédérale des Banques Populaires to bolster the Tier One capital of its subsidiary as part of the action plan. Other exceptional expenses of EUR10 million correspond to the prior results of subsidiaries that entered the scope of consolidation in 2003.

■ The tax charge increased significantly for the year, totaling EUR154 million, compared to EUR22 million in 2003. The change is primarily due to a substantial increase in consolidated net income before tax, goodwill amortization and the income of companies consolidated by the equity method, which represents the theoretical base taxable at the standard rate. The EUR318 million increase in itself explains, if the 35.43% theoretical French tax rate is applied, the additional tax charge of EUR112 million. In addition, the long-term net capital gains, up EUR65 million in relation to 2002, generated an additional tax charge of EUR13 million.

■ Goodwill amortization increased due to charges for the subsidiaries acquired in 2003, including Coface (EUR3 million), Adir (EUR1 million) and Natexis Intertitres (EUR1 million), and an exceptional EUR18 million charge related to the revaluation of goodwill, including EUR12 million from "impairment tests" conducted for all the business lines at the end of 2003.

Analysis of Income before exceptional items and tax by core business

There was a significant turnaround in Income before exceptional items and tax by core business in 2003.

in EUR millions	2003	2002	Change
Financing	382	280	+ 36%
Investment Banking	(47)	(77)	+ 39%
Services	150	60	+ 150%
Coface	81	27	x 3
Total contribution to Income before exceptional items and tax	**566**	**290**	**+ 95%**

Financing

Corporate and International Banking activities generated Income before exceptional items and tax of EUR297 million, up 41% on last year. This increase was primarily due to an improvement in Gross operating income (EUR455 million, up 21%), attributable in turn to tight control over costs (down 1%), and substantial growth in NBI (up 11%). The strengthening of operating break-evens enabled the absorption of a relative deterioration in loan loss provisions (up 7%) relating to the recognition of provisions for industry and country risks for major for European financial market dossiers. The 2003 cost/income ratio of the division is 41.4%.

Specialized Financing generated Income before exceptional items and tax of EUR86 million, up 24%. Three elements account for the increase: the slight increase in NBI (+ 1%); major cost-cutting (- 6%), an improvement in provisions for loan losses and country risks (- 39%), Natexis Factorem having not recorded a "member" incident in 2003, which was not the case last year. Consequently, the management ratios of these activities remain very favorable (cost/income ratio of 31.6% for lease financing and 57% for factoring).

Investment Banking

Capital Markets generated a loss of EUR58 million, compared to a loss of EUR65 million the previous year. The change is not attributable to NBI, which was stable over the period, but rather to a tight control over operating expenses, resulting in a 4% decrease in relation to 2002. The half-yearly analysis of Income before exceptional items and tax confirmed a significant improvement in performances (second half of 2002: - EUR103 million, first half of 2003: - EUR46 million, and second half of 2003: - EUR12 million).

Private Equity activities generated income before exceptional items and tax of EUR12 million, related to NBI growth of 43% and a reduction in the risk charge over last year. Operating expenses rose sharply (+ 10%) due to the changes in group structure recorded over the period.

Services

Banking, Financial and Technology services which were loss-making last year (- EUR25 million) recorded positive income before exceptional items and tax of EUR22 million in 2003. The noteworthy improvement in the performance of these activities is the result of a major reduction in operating expenses (down EUR28 million or 11%) related to the implementation of the CAP 2005 plan and the absence of major losses in 2003 - provisions for loan losses and country risks of EUR2.2 million compared to EUR27.5 million in 2002.

Asset Management and Insurance generated Income before exceptional items and tax of EUR128 million (compared to EUR85 million in 2002) in a slightly more favorable situation for the business lines. NBI increased by 15% and operating expenses by 6%. The latter include a group structure impact (Natexis Intertitres) for 4%.

Coface

There was substantial improvement in 2003, with Income before exceptional items and tax up 197% to EUR81 million. The performance stems from overall risk control in an environment that continued to impede the generation of revenues. The Coface objectives for 2003 were a return to positive underwriting income, improvement of the Services' contribution, and an effective investment management to reduce market risk exposure.

The resulting Income before exceptional items and tax is testament to the realization of this triple objective. Thanks to measures covering subscriptions, rate reviews and risk selectivity, there has been a noticeable improvement in Coface losses. The dynamism of factoring activity in Germany enabled a significantly higher contribution from Services. In addition, the financial portfolio was readjusted to accommodate a lower risk profile.

4 – Risk management

General system and principles

The risk control system of Natexis Banques Populaires was implemented in accordance with French Banking regulations and the corporate governance principles of the Banque Populaire Group of which it is a member. There are three control levels that are coordinated by Executive Management: internal checks, level two controls, and the level three control performed by Internal Audit. The main level two control units, which act independently of the operating divisions, are Risk Management, the Ethics Department, the Information System Security Department and the Internal Control division, created in October 2003 and attached to the General Secretariat. Chaired by Executive Management, the Control Function Coordinating Committee, created in 2003, coordinates the various players.

The risk management system is structured around the Large Exposures Committee and various risk management committees.

Under its chairman, the Large Exposures Committee, which includes the Operating Directors, Risk Management, Internal Control and Internal Audit, monitors the major risks to which the bank is exposed, measures the changes and takes preventive measures. The Large Exposures Committee assesses the quality of the security systems set up in each division, as well as the risk monitoring tools. In 2003, its work covered country risks, implementation of the Mc Donough ratio, and the Banking, Financial and Technology Services division.

In terms of day-to-day operations and with a greater frequency, the risk management committees set up in the principal divisions assemble the Operating Directors, Risk Management, and Internal Audit. This involves:

- the Credit Committee of the Corporate and International Banking division and its associated subsidiaries;
- the Risk Management Committees of the Capital Markets division and its associated subsidiaries;
- the Risk Management Committees of the Specialized Financing division (Natexis Factorem and Natexis Lease);
- the Risk Management Committee of the Banking, Financial and Technology Services division;
- the Investment Committees of the Private Equity division;
- the Risk Management Committee of the Asset Management and Insurance division;
- various Overrun Committees.

The purpose of the Operating Risks Committee is to appraise, on a transversal basis, all Natexis Banques Populaires operating risks.

Risk management organization

Risk Management is organized into five departments:

- counterparty / country risks,
- capital market risks,
- risk management / control / reporting,
- operating risks,
- insurable risks.

Risk Management sets the delegation rules for the operating divisions. Natexis Banques Populaires has retained a highly centralized delegation system. Accordingly, the Risk Management division issues an opinion on all Natexis Banques Populaires counterparty risks when new risks are accepted or existing facilities renewed. In 2003, the analysts examined nearly 10,000 files for Corporate and International Banking alone.

Implementation of the new prudential solvency ratio

In order to ensure the uniformity of methods and tools within the Banque Populaire Group, the project to modify the solvency ratio (Basle II) is being coordinated by Banque Fédérale des Banques Populaires. The Group wishes to apply the internal rating method, and Natexis Banques Populaires is working in project mode to contribute to the preparation of new rating tools and meet the priorities and deadlines set by the Banque Populaire Group.

At Natexis Banques Populaires, this involves several sub-projects (ratings, defaults, management of guarantees received, information systems, ratio calculation), with the active participation of Financial Management, Risk Management and the IT division. IT tools have been set up to improve the statistical monitoring of defaults and loss rates and enable back-testing of the rating models. The defaults and losses database was thus rolled out at the end of 2003.

Risk Management controls the internal rating system. With a view to the future solvency ratio, rating tools were set up in 2003 to assess the probability of default for our corporate counterparties. The underlying statistical modes were developed in conjunction with Banque Fédérale des Banques Populaires. The rating procedure was thus reviewed and a new rating rid was implemented. In 2003, the new counterparty rating grid, according to the new standards, was practically finalized for corporate customers, the most significant segment for Natexis Banques Populaires. The rating grid for interbank customers is in the final phase of deployment.

Credit risks

Management data on corporate customer average loan outstandings in 2003 (on and off-balance sheet):

- Corporate and International Banking: EUR64 billion
  - Companies: EUR42 billion
  - Asset financing: EUR13 billion
  - International commerce: EUR9 billion
- Specialized Financing: EUR7 billion
  - Lease financing: EUR5 billion
  - Factoring: EUR2 billion

Breakdown of outstandings by internal rating as of December 31, 2003

Since 2003, the rating system has undergone a major overhaul in conjunction with the work conducted within the Banque Populaire Group. There are now 16 rating scales for sound counterparties (1 being the highest rating). Because of the new rating grid and its 2003 implementation, comparisons with the 2002 results become a tricky matter. Nevertheless, risk quality has remained relatively stable with, moreover, an improvement in corporate risks with respect to external ratings.

For information purposes, the breakdown of commitments as of December 31, 2003 was as follows:

Equivalent Investment Grade	77.5%
Equivalent Non-Investment Grade	22.0%
Not rated, balance	0.5%
Total	**100.0 %**

Breakdown of outstandings as of December 31, 2003

1 – FOR CORPORATE AND INTERNATIONAL BANKING BY ACTIVITY SECTOR AND GEOGRAPHICAL AREA

Food sector	5.1%
Building industry	5.9%
Consumer goods	3.1%
Distribution, commerce	5.8%
Energy	7.8%
Finance, insurance	7.4%
Holding companies and conglomerates	8.2%
Tourism, hotel trade, leisure	1.8%
Real estate	6.0%
Communications	7.0%
Primary industries	4.6%
Mechanical and electrical construction	7.0%
International commodity trading	3.3%
Pharmaceuticals, healthcare	2.5%
Services	11.3%
Technology	6.5%
Utilities	2.7%
Public authorities	3.7%
Miscellaneous	0.3%
Total	**100.0%**

France	66.7%
Other European Economic Area countries	14.8%
Other European countries	3.4%
North America	8.5%
Latin America	2.2%
Africa/Middle East	1.8%
Japan	0.1%
Asia and Australasia	2.5%
Total	**100.0%**

In relation to 2002, Natexis Banques Populaires risk by activity sector has remained diversified. Outstandings for emerging countries are also under control.

2 – BY MAJOR CLASS OF COUNTERPARTY

Risk category	% Category/loan outstandings	% of top 10
Central government authorities and central banks	5.6%	83.8%
Interbank	22.4%	42.9%
Other financial institutions	9.1%	38.5%
Local authorities	2.7%	38.2%
Companies	60.0%	9.8%
Professions	0.1%	68.0%
Private individuals	0.1%	55.3%
Total	**100.0%**	

Breakdown of the charge to provisions for loan losses and country risks by geographical area as of December 31, 2003

in EUR millions	Specific credit risks	Country risks	Industry risks	Total
France	(59)	-	(76)	(135)
Other Western European countries	(44)	-	(7)	(51)
Eastern European countries	(1)	3	1	3
North America	(18)	-	12	(6)
Central and Latin America	(18)	16	3	1
Africa and the Middle East	(5)	(13)	-	(18)
Japan	-	-	1	1
Asia and Australasia	(3)	(3)	-	(6)
Balance	-	(1)	1	0
Total	**(148)**	**2**	**(65)**	**(211)**

Breakdown of risks and provisions by geographical area as of December 31, 2003

in EUR millions	Specific credit risks	Country risks (net basis)	Total risks	Specific credit risk provisions	Country risk provisions	Industry risk provisions	Total provisions
France	1,060	-	1,060	670	-	139	809
Other Western European countries	232	280	512	132	-	24	156
Eastern European countries	39	218	257	24	-	7	31
North America	157	-	157	55	-	62	117
Central and Latin America	120	575	695	75	56	10	141
Africa and the Middle East	113	616	730	56	67	5	129
Japan	-	-	-	-	-	-	-
Asia and Australasia	91	1,131	1,222	52	15	6	73
Balance	13	-	13	13	-	-	13
Risk and coverage	**1,826**	**2,820**	**4,646**	**1,077**	**139**	**253**	**1,469**

Capital market risk

ORGANIZATION OF THE CAPITAL MARKET RISK CONTROL SYSTEM

The capital market risk control function operates at several levels:

- level one control is performed by the Middle Offices of each entity. These are responsible for designing the capital market risk appraisal system and the capital market risk authorization and limits system, as well as for the daily monitoring of capital market risks and the control of market data.
- level two control is performed by the Internal Control departments of each entity. These carry out occasional compliance tests (regulatory and accounting standards and internal procedures) and ongoing controls of general (regulatory, accounting) and specific risks generated by the activities of the entities.
- level three control is performed by the Risk Management division, which is responsible, on behalf of the entire Natexis Banques Populaires group, for defining, in conjunction with the entities concerned, methods of quantifying capital market risks applicable to the group, ensuring the reliability of the models used, formulating crisis scenarii and assisting Executive Management with the allocation of capital market limits by entity.

The risk control organizational structure is completed by capital markets risk management committee meetings, which bring together on a monthly basis the various control managers and Front Office managers. The committee, chaired by the head of Capital Markets activities, validates any new limits, proposes changes to limits and reviews the various overruns identified.

The bank's Board of Directors validates the overall risk limits for all entities.

In addition, the Internal Audit departments of Natexis Banques Populaires and Banque Fédérale des Banques Populaires intervene occasionally as part of specific audit assignments.

RISK MEASUREMENT METHODOLOGY

Natexis Banques Populaires Capital Markets risks are controlled using a system which measures the capital market risks to which the different group entities are exposed. The current methodology consists of a number of standard indicators, although Natexis Banques Populaires is developing an internal model based on VaR.

1 – Standard indicators

The main standard indicators used are:

- sensitivity to a change in interest rates of +/- 1% (global indicator and indicators by maturity),
- foreign exchange position,
- exposure to the equity markets,
- sensitivity to a change of +/- 1% in equity, foreign exchange and interest rate market implicit volatility (global indicators and indicators by maturity and strike price),
- change in the delta for a change in the underlying (equity, interest rate or foreign exchange rate),
- sensitivity to a change in dividend levels,
- sensitivity to a change in the government security/swap spread,
- sensitivity to a change in the issuer spread,
- monthly and annual loss alert.

2 – VaR

In parallel to these standard indicators, Natexis Banques Populaires performs global VaR calculations. The Natexis Banques Populaires group uses an historical VaR determined with the Riskmetrics Riskmanager tool. It seeks to quantify, based on prudent assumptions, the potential loss risk to which capital market activities are exposed. The measure is defined based on:

- historical data covering one year;
- a one-day potential loss horizon;
- a confidence interval of 99%.

VaR as of December 31, 2003
in millions of EUR

Interest rate risk	4.45
Foreign exchange risk	2.48
Equity risk	7.44
Commodities risk	0.18
Diversification	(2.63)
Total	**11.91**

The US subsidiary, ABM Corp., which operates in the securitized mortgaged debt market, is monitored individually on a stress scenario basis which simulates a uniform movement in the interest rate curve of plus or minus 100 base points and takes account of specific market characteristics (early repayments, volatility, etc.). As of December 31, 2003, the most unfavorable scenario provokes a reduction in the portfolio value of USD16.15 million.

CAPITAL MARKET RISK CONTROL SYSTEM

1 – Improvements to the system

The Natexis Banques Populaires capital market risk control system covers the capital markets activity of Natexis Banques Populaires and its subsidiaries. Furthering the work initiated as of 2002, significant work was carried out in 2003 in regard to two areas of improvement:

- strengthening of the current system: Throughout the year, Natexis Banques Populaires has sought to implement new limits in order to fine-tune the current system. This strengthening has led to the introduction of new quantitative and qualitative limits.
- the statistical calibration of risk measurement methods: This approach is part of the search for enhanced risk quantification using methods that are statistically calibrated. New measurement methodologies were thus introduced in 2003 for foreign exchange risk and issuer spread risk.

2 – Limits system

The maximum sensitivity of interest rate schedules to a +/-1% translation of the interest rate curve is EUR100 million. This limit also applies to a point-for-point deviation of the interest rate curve.

The foreign exchange limit is EUR3 million, with a one-day potential loss horizon and a confidence interval of 99%.

The maximum sensitivity to a change in the issuer spread for a secondary bond market trading portfolio is EUR8 million, with a one-day potential loss horizon and a confidence interval of 99%.

Volatility risk limits for interest rate, foreign exchange and equity optional transactions are:

- EUR1.5 million, for a 1% change in interest rate volatility,
- EUR2.5 million, for a 1% change in equity volatility,
- EUR0.4875 million to EUR0.975 million for a 1% change in foreign exchange volatility.

The global indicators are accompanied by more precise indicators by underlying, maturity and strike price.

GLOBAL INTEREST RATE, LIQUIDITY AND FOREIGN EXCHANGE

The ALM Committee, chaired by the Chief Executive Officer and comprising members from the Capital Markets, Financial Management and Risk Management divisions, defines the general thrust of asset and liability management, liquidity and own fund investment activities.

Since 2000, interest rate, foreign exchange and liquidity risks have been centralized at Natexis Banques Populaires. These risks are monitored and managed by the Capital Markets division.

1 – Global interest rate risk

The maximum sensitivity of interest rate schedules to a +/-1% translation of the interest rate curve is EUR100 million. This limit also applies to a point-for-point deviation of the interest rate curve. Sub-limits for short-term and long-term treasury were set at EUR20 million and EUR30 million, respectively.

in EUR millions	Limit as of 12/31/2003
Global	100
of which short-term treasury	*20*
of which long-term treasury	*30*

2 – Liquidity risk

In terms of liquidity risks, the Capital Markets division refinances the needs generated by the activities of Natexis Banques Populaires, rebilling the liquidity cost.

This centralization enables the optimized management of liquidity transformation risk thanks to a precise understanding of the different gaps. Observation ratios were approved by the ALM Committee. In conjunction with Financial Management, the Capital Markets division also monitors regulatory limits (short-term liquidity ratio and permanent resources ratio) and internal prudential ratios validated by the ALM Committee.

The authorized liquidity gap and transformation limits are monitored and reviewed by the ALM Committee.

Minimum liquidity gap coverage levels are as follows:

	Ratio
10 days	85%
1 month	80%
2 months	75%
3 months	70%
4 months	65%
5 months	60%
6 months	55%
7 months	55%
8 months	55%
9 months	55%
10 months	55%
11 months	55%
1 year	55%
2 years	45%
3 years	35%
4 years	30%
5 years	25%
6 years	25%
7 years	20%
8 years	15%
9 years	10%
10 years	5%

3 – Foreign exchange risk

There are two elements to foreign exchange risk:

- the foreign exchange operational risk generated by trading activity. The potential loss limit is EUR3 million. This risk is monitored by the Capital Markets Risk Management Committee and the ALM Committee;
- foreign exchange structural risk. This risk is monitored by the ALM Committee.

4 – Credit derivatives

Aside from securitization transactions, Natexis Banques Populaires portfolio credit derivatives are of little significance (on the order of EUR100 million in hedge purchases as in hedge sales at the end of December 2003). As to the Natexis Arbitrage division, its credit and convertible bond activity was hedged by purchases of approximately EUR300 million.

Operating risks

These risks have been monitored for several years by the Operating Risks Committee, which met on five occasions in 2003. Its work specifically covered:

- crisis management,
- information system security,
- business line disaster recovery plans,
- fraud attempts.

Operating risk management was strengthened in 2003 with the creation of an Operating Risk Management Department within the Natexis Banques Populaires Risk Management division. This procedure follows the Basle Committee recommendations and is part of the new regulatory requirements concerning the treatment of operating risk in the solvency ratio, to be implemented in 2006.

The definition retained for operating risk is that of the Basle Committee: the risk of loss due to the inadequacy or failure of processes, personnel, and systems or to external events.

The system, which was defined in 2003 and will be rolled out beginning in 2004, is based on an analysis of the main causes of problems as observed in the categories stipulated by the Basle Committees (procedures, systems, persons and external events) in order to prepare action plans to reduce future risks, and on an evaluation of financial and non-financial impacts to measure the consequences of operating incidents.

The capital needed to hedge operating risk was assessed according to the standard method.

Insurable risks

The Risk Management division's Insurance Department is responsible for the insurance plans of Natexis Banques Populaires and its subsidiaries: definition of insurable risks, search for coverage and market placement.

In a market that remains difficult, the cost of the 2003 Natexis Banques Populaires insurance plans again increased (overall budget of slightly over EUR4 million) with marginal restrictions on guarantees (limitations or exclusions).

The coverage levels of Natexis Banques Populaires remain appropriate to its risks.

General risks and risks specific to the activity are covered as follows:

- Operating buildings and their content including IT equipment are insured for amounts corresponding to their reinstatement value or replacement value.
- Losses from banking or operating activities are subject to specific coverage that complements operating continuity plans set up at Natexis Banques Populaires and its subsidiaries. It covers the consequences of an accidental stoppage of operations (fire, etc.) until back-up mechanisms are implemented. The amounts guaranteed vary according to the importance of the operating sites (EUR75 million maximum).
- The various civil liabilities are insured for differing amounts based on the type of risks (operating, vehicle, professional, company officers, specific business lines, etc.).
- The exposure of Natexis Banques Populaires and its subsidiaries to "Securities theft and fraud" risks is covered by a common insurance policy set up by the Banque Fédérale des Banques Populaires for the entire Banque Populaire Group.

During 2003, no "significant claim" was filed with the insurers of Natexis Banques Populaires.

Legal risks

Natexis Banques Populaires is currently involved in a limited number of civil liability suits. Following a review and based on its knowledge of the current proceedings and related facts, the bank considers that these issues are not likely to significantly impact either its results or financial structure. The potential consequences have been reasonably provided for and are included in the financial statements for the period ended December 31, 2003. The same is true for tax issues.

5 – Financial structure and regulatory ratios

Review of the consolidated balance sheet

Assets

in EUR billions	December 31, 2003	December 31, 2002
Interbank and money market assets	18.3	18.8
Customer loans	32.5	34.0
Reverse repurchase agreements	35.1	27.7
Security transactions	16.4	19.1
Insurance company investment portfolios	20.9	19.2
Other assets	11.1	12.9
Fixed assets and equity affiliates	1.6	1.7
Total assets	**135.9**	**133.4**

Liabilities and shareholders' equity

in EUR billions	December 31, 2003	December 31, 2002
Interbank and money market liabilities	17.7	25.6
Customer deposits	10.4	9.5
Repurchase agreements	37.4	33.9
Debt securities and subordinated debt	30.2	25.8
Insurance company technical reserves	20.6	19.0
Other liabilities and provisions	14.7	14.9
Shareholders' equity and FGBR	5.0	4.7
Total liabilities and shareholders' equity	**135.9**	**133.4**

Total consolidated assets as of December 31, 2003 amounted to EUR135.9 billion, compared to EUR133.4 billion one year previously.

Assets

Customer loans, including lease financing outstandings, total EUR32.5 billion, down 4% on last year due to the marked drop in the US dollar/euro exchange rate in 2003 and tight control over outstandings.

Reverse repurchase agreements, which primarily concern government securities, continue to increase at EUR35.1 billion following the development of this activity created in 2001. On the liabilities side these assets are financed by repurchase agreements.

Security transaction outstandings fell by 15% to stand at EUR16.3 billion.

On the asset side, insurance company investment portfolios, essentially life insurance, increased slightly to EUR20.9 billion. The same is true for Insurance company technical reserves on the liabilities side, representing commitments vis-à-vis insurees, standing at EUR20.6 billion.

Interbank and money market liabilities remained stable at EUR18.3 billion.

Liabilities

Interbank liabilities, demand and time deposits and fixed and overnight borrowings with other credit institutions decreased sharply to EUR17.7 billion, while customer deposits and debt securities increased substantially to EUR40.6 billion, compared to EUR35.3 billion one year previously.

Shareholders' equity and regulatory ratios

Common stock

In 2003, the common stock was increased by 218,559 shares in connection with the contribution of Crédifrance Factor shares, the contribution of 336,647 Sopromec shares, and the 47,096 shares issued under existing employee savings mutual funds and on the exercise of share subscription options.

Overall, these operations increased the common stock to EUR768,722,224, comprised of 48,045,139 shares with a par value of EUR16 each as of December 31, 2003.

Shareholders' equity and the international solvency ratio

As of December 31, 2003, Natexis Banques Populaires consolidated regulatory capital for international solvency ratio purposes, extended to include capital market risks, amounted to EUR6.04 billion, compared to EUR5.82 billion as of December 31, 2002.

Tier One capital amounted to EUR4.3 billion as of December 31, 2003, compared to EUR4.1 billion as of December 31, 2002. The increase is primarily attributable to a new issue of preferred shares for USD200 million. This issue, placed with private asset management networks in Europe, Asia and the Middle East, benefits from a favorable prudential treatment in Tier One capital, since there is no step-up after a ten-year period.

Tier Two and other capital remained stable following the issue of EUR400 million redeemable subordinated securities in 2003, serving to cover previous share issue redemptions, and the deduction of new shares representing the "first losses" of the Igloo II securitization.

Weighted assets, at EUR53.1 billion, declined sharply by EUR4.1 billion. The decrease is the result of the lower dollar and the measures undertaken in 2003 to free up regulatory capital for the Corporate and International Banking and Capital Markets portfolios. A new portfolio synthetic securitization transaction (i.e., without transfer of legal ownership of loans and without a change in the customer relationship), known as Igloo II, was carried out for EUR2 billion. It comprised medium and long-term bank loans to essentially European corporate and commercial customers. Regulated market risk, moreover, was held in check during the year.

The actions carried out for Tier One capital and weighted risk translated into an international solvency ratio of 11.4%, of which 8.1% for Tier One capital, as of December 31, 2003, compared to 10.2% and 7.2%, respectively, as of December 31, 2002, thus strengthening the financial structure of Natexis Banques Populaires considerably.

Capital adequacy ratio

Since 1996, French financial institutions have been required to measure and comply at all times with global regulatory capital levels covering both counterparty risks and capital market risks (interest rate, or foreign exchange, for example).

These risks are measured by the relationship between available capital and the level of capital required to cover counterparty and capital market risks.

Regulatory requirements state that this ratio must exceed 100%. As of December 31, 2003, the capital adequacy ratio was 154%, compared to 135% as of December 31, 2002.

Other regulatory ratios

The liquidity ratio confirms that cash balances available within less than one month at least cover balances falling due within the same period. This ratio is equal to the relationship between assets and liabilities maturing within less than one month.

Regulatory requirements state that this ratio must exceed 100%. It stood at 208% as of December 31, 2003.

The purpose of the equity capital and permanent resources ratio is to ensure the level of long-term resources, by fixing a minimum coverage level of 60% for assets with a residual duration of more than 5 years by liabilities of an identical maturity.

As of December 31, 2003, this ratio stands at 78% for Natexis Banques Populaires, a slight increase over the December 31, 2002 ratio of 75%.

Natexis Banques Populaires complies with prudential rules for large exposures.

Under banking regulations, no single loan or advance may exceed 25% of capital, and the sum of risks exceeding 10% of capital may not exceed eight times equity capital.

Refinancing

Natexis Banques Populaires ensures the financing of its activities and, on a marginal basis, those of the regional Banque Populaire banks, through regular recourse to the financial markets.

The international structuring of its treasury has facilitated the geographical diversification of fund collection: the share of capital raised on the US domestic market has risen sharply.

Generally speaking, the growing globalization of its debt placement has enabled Natexis Banques Populaires to further secure its refinancing and optimize the cost.

Of the 2003 "benchmark" issues, a clear majority was placed outside of France.

To meet the needs of increasingly diverse and numerous investors, the amount of the USCP issue program has been raised from USD2 billion to USD5 billion and that of the EMTN issue program from EUR5 billion to EUR10 billion.

Natexis Banques Populaires issues in 2003 (equivalent in EUR millions, except USCP in USD millions)

	CD	USCP	ECP	EMTN	BMTN	BOND ISSUE
Total issues during the year	133,724	6,146	4,576	2,066	905	2,632
Outstandings as of December 31, 2003	6,294	1,490	1,137	4,811	1,573	6,839

In terms of debt borrowings taking the form of bonds, negotiable debt securities and commercial paper: senior (bonds, EMTN, ECP, USCP, negotiable debt securities) or subordinated borrowings (redeemable subordinated securities), the principal clauses are as follows:

- **Senior debt:**

(i) Debt contracted in connection with issue programs:

The EMTN program contains a standard guarantee clause consisting in a pledge to maintain the borrowing rank ("Negative Pledge"). No financial covenant or covenant related to the Natexis Banques Populaires rating is anticipated.

Early redemptions for the EMTN program are subject to a cross-default clause limited to the issuer, together with a trigger threshold of EUR30 million.

The USCP (securities issued by NBP US Finance Company LLC and guaranteed by Natexis Banques Populaires) and ECP programs of Natexis Banques Populaires are not bound by any covenant, as is the case with the issue of negotiable debt securities.

(ii) Debt contracted outside of issue programs:

The bonds issued in France (under the domestic format) contain a negative pledge clause similar to that of the EMTN program.

In addition to the negative pledge, international bond issues (international format) contain a cross-default clause, which is the same as the clause contained in the EMTN program.

- **Subordinated debt:**

Redeemable subordinated securities are not bound by any specific covenants.

Information on the parent company Natexis Banques Populaires

In 2003, NBI increased by 12%, to EUR132 million, despite a significant decrease of EUR75 million (- 31%) in income from variable income securities, representing, for the most part, holding activity revenue.

Control over operating expenses continued in 2003 (1% decrease in expenses).

Gross operating income, at EUR390 million, increased by 59% compared to 2002 (EUR246 million). The cost/income ratio stood at 66.9%. The charge to Provisions for loan losses (EUR231 million) increased substantially over 2002 (EUR121 million). The increase is attributable to the following elements:

In 2003, Natexis Banques Populaires granted a EUR29 million debt waiver to its US subsidiary Natexis Investment Corp, which had incurred significant losses on its CDO portfolio in 2002.

Excluding this element, the net charge to provisions for specific credit risk is down 14% (EUR144 million, compared to EUR168 million), thus demonstrating the improvement in 2003 for all risk sectors, including the US.

Charges to Industry and country risk provisions have also risen substantially: net charge of EUR65 million in 2003, compared to a net reversal of EUR44 million in 2002. General provisions were increased by EUR90 million for the major European financial market dossiers and country provisions were maintained, excluding foreign exchange, at the December 31, 2002 level.

Net income stood at EUR201 million, compared to EUR206 million for 2002.

Total assets as of December 31, 2003 stood at EUR98,414 million, compared to EUR99,723 million one year previously.

Proposed distribution of company net income

The Natexis Banques Populaires company financial statements for the year ended December 31, 2003 reported a net income of EUR200,728,250.83.

The third resolution to be presented to the Annual General Meeting of May 27, 2004 asks shareholders to decrease this net income by the retained earnings of the prior year, i.e. EUR9,304,835.82, and to transfer an amount of EUR9,571,170.75 to the legal reserve, giving distributable earnings of EUR181,852,244.26. The Annual General Meeting will propose the following appropriation of distributable earnings: dividend distribution of EUR120,112,847.50, transfer of EUR52,300,034.64 to the long-term capital gains tax-driven reserve, transfer of EUR9,400,000 to the general reserve, and allocation of the remaining balance of EUR39,362.12 to retained earnings.

IFRS international accounting standards

Following the example of other European listed groups, Natexis Banques Populaires is preparing the first-time publication of the June 30, 2005 consolidated financial statements in accordance with the IAS/IFRS primary basis of accounting.

Launched in September 2002, immediately after publication of the European regulation, the project is now in its implementation phase, following a pre-assessment phase and a detailed impact analysis phase.

The two analysis phases enabled:

- the preparation, by business line, of an inventory listing the differences between French GAAP and the IAS/IFRS primary basis of accounting;
- the definition of a scenario for the preparation of the financial statements in IAS format and the impacts on the Natexis Banques Populaires accounting information system;
- the determination of the general IT specifications and the evaluation of the development cost for each area.

The IT development phase has been carefully planned to guarantee the success of the IAS accounting roll-out as of January 1, 2005. The milestones have been set for the finalization of three major stages:

- systems implementation;
- acceptances;
- accounting switchover (transfer of accounting balances).

In parallel to the IT implementation work for 2004:

- the training program for the various Natexis Banques Populaires group populations directly or indirectly concerned by IAS will be intensified;
- the January 1, 2004 opening balance sheet and the June 30, 2004 pro forma financial statements will be prepared;
- the impact analyses will continue in the area of macro-hedging and for the insurance business line, as the standards covering these two issues have yet to be finalized. Likewise, analysis will continue for the final version of IAS 32 and 39 and the 14 recently revised standards (IAS 1, 2, 8, 10, 15, 16, 17, 21, 24, 27, 28, 31, 33, and 40), published only recently in December 2003.

In general, the uncertainty of the new accounting framework in terms of organizational issues has hindered completion of the project.

In addition, to enhance its responsiveness to changes in the standards, Financial Management, the project manager, has opted to hire the services of a firm for the comprehension and interpretation of the standards.

In terms of the project's organization and management, Natexis Banques Populaires has also called upon the expertise of a consulting firm.

All project work has been conducted in conjunction with the Banque Populaire Group.

The main sources of divergence identified to date between the current and IFRS frameworks, in terms of the Natexis Banques Populaires group structure, are the following:

- customer loans: abandonment of face value recognition for recognition at amortized cost (actuarial spreading over the life of the loan of the costs and income directly related to the loan's inception);
- securities portfolio: breakdown of the securities portfolio according to the four IAS categories: "Financial asset at fair value through profit or loss," "Loans and receivables," "Available-for-sale financial assets," and "Held-to-maturity investments;"
- lease financing transactions (as lessor): conservation of a financial accounting presentation with, as is the case for customer loans, an actuarial spreading of the costs directly attributable to the contract's inception;
- futures and options transactions performed on Natexis Banques Populaires' own account: these derivative instruments are recorded systematically on the balance sheet at their fair value in lieu of an off-balance sheet recognition at the notional amount. Micro-hedging instruments are valued at fair value in the amount of the micro-hedged component;
- property and equipment: accounting by component approach. The depreciation schedule for each asset will be determined by taking into account the residual value, subject to periodic review;
- intangible assets: development costs for software generated internally must be capitalized under IFRS;
- goodwill: goodwill will be tested for impairment to determine whether or not to recognize a write-down in net income. It will no longer be systematically amortized according to a pre-determined schedule;
- negative goodwill: at the time of the IFRS transition, goodwill will be reclassified in shareholders' equity. Under IFRS, negative goodwill will be fully recognized in income at the time of the acquisition;
- Fund for General Banking Risks (FGBR), as this type of provision is not admissible under IFRS, the Fund for General Banking Risks will be reclassified in shareholders' equity;

- scope of consolidation: consolidation of dedicated mutual funds held by the insurance subsidiaries (which previously was not mandatory); consolidation of majority interests held by the Natexis Banques Populaires group investment capital companies, if the IASB Board maintains its position despite the intense European lobbying on this issue.

The finalization of the detailed analysis work, developments regarding the standards or the positions adopted by the IASB Board, as well as certain financial market positions could reveal new divergences between current and IFRS principles or modify those divergences already identified.

Adjustments in respect of the first-time application of IFRS (of a retroactive nature unless otherwise determined by applicable measures) will be made to shareholders' equity in the opening balance sheet.

The various aforementioned assessment elements for the management of the Natexis Banques Populaires IFRS transition project have not been audited.

6 – Corporate and environmental information

Corporate information

The following information concerns the parent company, Natexis Banques Populaires.

Hirings
In 2003, a total of 264 new employees joined the Company, breaking down into 185 permanent employees and 79 fixed-term employees.

Difficulties could be encountered for the recruitment of certain rare expert profiles.

Dismissals
There were 77 dismissals in 2003.

These dismissals were motivated by disciplinary reasons or professional inadequacy.

Overtime hours
There were a total of 13,817 overtime hours in 2003.

Information regarding employee reduction and job protection plans, rehiring and assistance measures
Not applicable.

Organization of work time, length of work time for full-time and part-time employees, absenteeism and reasons

On an annual basis, the average weekly work time was 35 hours.

The collective weekly work time is 38 hours, with additional make-up days being granted to employees paid on an hourly basis.

Autonomous managers are paid on the basis of 208 days worked per full year of activity.

Employees working part-time, based on a 50, 60, 70, 80 or 90% schedule, constitute 9.3% of the total work force. In addition, 1.4% of the autonomous managers work according to a reduced schedule based on lump-sum timetables of 104, 125, 146, 166 or 187 days.

Absenteeism accounted for a total 212,437 calendar days (reasons: paid holidays, family leave, maternity leave, post-maternity leave, sick leave, other leave).

Professional equality for men and women
As of December 31, 2003, women represented 48% of total employees. Of the 264 employees recruited in 2003, 43% were women.

Health and safety conditions
A disaster recovery plan was set up in 2003 for each bank activity. It will be pursued in 2004 with an operational maintenance phase.

In concert with the CHSCT members, a single document covering occupational risk was prepared for all the operating buildings.

The document identifies the risks to which the Company could be exposed and the necessary prevention measures.

Created in 2001, the CHSCT commission mandate to examine issues regarding stress and psychological harassment was renewed in 2003, and special training has been provided to commission members.

Employment and integration of disabled workers
Sheltered workshops and centers for assistance through work are called upon for various services: processing of job application response letters, maintenance of green spaces and various printing work *(refer to 2003 report on employee-related issues)*.

Company benefit schemes
In 2003, Natexis Banques Populaires created a single mutual insurance scheme to replace the five prior health cost coverage plans.

Importance of sub-contracting and manner in which the Company ensures that its sub-contractors and subsidiaries comply with

thefundamental conventions of the International Labor Organization
Sub-contracting can concern activities that are not specific to banking.

The Company ensures that its suppliers, with whom sub-contracting agreements are signed, apply the regulations governing personnel management.

Use of temporary staff has been reduced.

In addition, there is no outsourcing of bank processes in developing countries.

Manner in which the Company takes into account the territorial impact of its activities in terms of employment and regional development
Not applicable.

Relations with student placement associations and educational establishments
Natexis Banques Populaires maintains and develops relations with certain establishments of higher education, chosen on the basis of the Company's business lines. More than 350 trainees from various schools were welcomed to numerous areas of bank activity in 2003.

The Company has forged privileged relations with a number of apprentice schools enabling the placement of young people through apprenticeship contracts at the baccalaureate +2 to +5 level.

The Company also contributes to the education of young people under qualification contracts.

Manner in which the Company's foreign subsidiaries take into account the impact of their activities on regional development and local populations
Not applicable.

Environmental information

Consumption of water resources
Consumption has remained stable over the least three years, despite an increase in group real estate assets at the end of 2002 (operation of a new building in Paris).

Drinking water (central operating buildings in the Paris region):

– 2001: 49,036 m^3
– 2002: 51,520 m^3
– 2003: 50,079 m^3 (48,715 m^3 excluding group structure impact)

Use of raw materials
White paper: consumption has dropped sharply in two years. The reduction is due to the optimization of photocopying and desktop publishing, and the dematerialization of numerous information media.

– 2001: 730 tons
– 2002: 684 tons
– 2003: 642 tons

Energy consumption
Energy consumption is stable and tightly controlled, particularly due to high-performance technical equipment and optimized configurations.

Electricity and hot/cold energy consumption (central operating buildings in the Paris region):

– 2001: 31,046 MWh
– 2002: 32,990 MWh
– 2003: 34,518 MWh (32, 461 MWh excluding group structure impact)

Measures undertaken to improve energy efficiency
Generalization of centralized technical management systems to optimize energy flows.

Use of renewable energies
None.

Conditions governing the use of soil
Not applicable, given the nature of the activity.

Water, air, or soil pollution
Data unavailable.

Auditory or olfactory annoyance
Non-material data given the nature of the activity.

Waste treatment
Selective waste sorting was introduced in 2002 at a Paris site (Rives de Seine).

Measures undertaken to limit damage to the ecological balance
Asbestos removal operations.

Elimination or replacement of automatic halon fire extinguishers.

Generalization of centralized technical management systems to optimize energy consumption.

Measures undertaken to ensure the activity's compliance with the legislative provisions
Logistics management is responsible for normative monitoring. It ensures that the operating building

management system complies with the legal and regulatory provisions.

Expenses incurred to prevent environmental impacts
Data unavailable and non-material given the nature of the activity.

Existence of internal environmental management departments
None.

Training and information provided to employees
No specific training given the nature of the activity.

Resources devoted to the reduction of environmental risks
Data unavailable.

Organization set up to handle pollution accidents outside the perimeter of Company establishments
No specific organization given the nature of the activity.

Amount of provisions and guarantees covering environmental risks
Not applicable.

Amount of compensation paid subsequent to court environmental rulings
Not applicable.

Information on the objectives assigned to subsidiaries in foreign countries
This information is unavailable.

7 – Recent developments and outlook for the future

During its meeting on March 3, 2004, the Natexis Banques Populaires Board of Directors decided to initiate a simplified takeover followed by a squeeze-out for the remaining shares of Coface. Natexis Banques Populaires already held 98.01% of the common stock and 98.6% of the voting rights. The bid will be subject to the approval of the *Autorité des Marchés Financiers* (AMF), the French Securities Regulator.

When Natexis Banques Populaires presented its results on March 4, 2004, it announced its plans for an organizational restructuring in order to develop its principal customer bases. The intent of the first phase, scheduled to be operational in the summer of 2004, is to create two major divisions:

- a corporate and institutional division, via a merger of Corporate and International Banking and Capital Markets. It will be headed by Olivier Schatz, who is currently responsible for Capital Markets.
- a division grouping Private Equity and Private Asset Management to be headed by Jean Duhau de Berenx, who is currently responsible for Private Equity.

Financial information

Comparative consolidated balance sheets

At December 31,

Assets

in EUR millions	note	2003	2002	2001
Interbank and money market assets	3	46,987	42,084	22,757
of which institutional activities		421	1,379	1,267
Customer loans	4	33,467	33,021	34,204
of which institutional activities		1,099	96	251
Lease financing	4	5,434	5,404	5,204
Bonds, equities and other fixed and variable income securities	5	16,351	19,166	19,498
Insurance company investment portfolios	6	20,943	19,181	17,302
Investments in affiliates and associated undertakings and other securities held for investment	7	1,585	1,686	489
Property and equipment and intangible assets	8	977	971	529
Goodwill	9	375	429	238
Accrued income, prepaid expenses and other assets	10	9,790	11,458	10,133
of which institutional activities		-	-	1
Total assets		**135.909**	**133.400**	**110.354**
of which institutional activities		1,520	1,475	1,519

Liabilities & shareholders' equity

in EUR millions	note	2003	2002	2001
Interbank and money market liabilities	11	36,100	46,184	35,624
of which institutional activities		515	1,453	1,279
Customer deposits	12	29,389	22,820	14,264
of which institutional activities		1,137	106	36
Debt securities	13	27,819	23,621	23,411
of which institutional activities		-	-	305
Insurance company technical reserves	6	20,614	18,997	17,254
Deferred income, accrued charges and other liabilities	14	13,693	13,956	12,366
of which institutional activities		98	108	106
Negative goodwill	9	76	89	103
Provisions for contingencies and losses	15	811	796	758
Long-term subordinated debt	16	2,417	2,209	2,023
Fund for General Banking Risks	17	242	242	263
Minority interests	17	835	726	620
Shareholders' equity		3,913	3,760	3,668
Common stock	17	769	759	709
Additional paid-in capital	17	1,791	1,750	1,579
Retained earnings	17	1,088	1,143	1,089
Net income for the year	17	265	108	291
Total liabilities & shareholders' equity		**135,909**	**133,400**	**110,354**
of which institutional activities		1,750	1,667	1,726

Comparative consolidated off-balance sheet items

At December 31,

in EUR millions	2003	2002	2001
COMMITMENTS GIVEN			
Banking operations	**34,432**	**37,086**	**35,630**
Financing commitments given in favor of:	21,892	21,386	19,774
financial institutions	2,317	3,614	3,503
customers	19,575	17,772	16,271
of which institutional activities	-	-	13
Guarantees given on behalf of:	12,211	15,237	15,237
financial institutions	1,514	1,687	1,480
customers	10,697	13,550	13,757
of which institutional activities	5	9	28
Commitments on securities	329	463	619
of which securities acquired with repurchase options	-	-	-
COMMITMENTS RECEIVED			
Banking operations	**8,512**	**4,899**	**4,142**
Financing commitments received from financial institutions	3,931	964	1,665
Guarantees received from financial institutions	3,985	3,499	2,195
Commitments on securities	596	436	282
of which securities sold with repurchase options	-	-	-

Comparative consolidated income statements

Year ended December 31

in EUR millions	note	2003	2002	2001
Interest income	21	4,110	5,748	5,272
Interest expense	22	(3,445)	(5,056)	(5,096)
Income from variable income securities	23	42	40	48
Net fee and commission income	24	561	499	549
Net gains/(losses) on trading account securities	25	121	(59)	396
Net gains on securities held for sale	26	126	4	293
Other banking revenues and expenses		76	114	115
Gross margin on insurance operations	27	694	395	204
Other net banking income	28	170	108	59
Net Banking Income	34	**2,455**	**1,793**	**1,840**
General operating expenses	29	(1,651)	(1,379)	(1,184)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets		(88)	(67)	(43)
Gross operating income		**716**	**347**	**613**
Provisions for loan losses and country risks	30	(211)	(193)	(184)
Net operating income		**505**	**154**	**429**
Income from companies accounted for by the equity method		10	3	13
Net gains/(losses) on disposals of fixed assets	31	13	53	3
Income before exceptional items and tax	34	**528**	**210**	**445**
Exceptional items	32	13	(16)	3
Corporate income tax	33	(154)	(13)	(79)
Goodwill amortization		(64)	(38)	(20)
Net reversal of/(charge to) FGBR		-	21	-
Minority interests		(58)	(56)	(58)
Net income		**265**	**108**	**291**
Earnings per share Consolidated net income per share, based on the average number of shares outstanding during the year		5.57	2.42	6.73
Diluted earnings per share Consolidated net income per share, based on the number of shares outstanding at the year-end		5.53	2.28	6.57

Notes to the consolidated financial statements

1 – Consolidation methods and principles

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and the accounting rules and methods laid down in French accounting regulations and, in particular, CRC Regulation No. 99-07 regarding consolidation rules and CRC Regulation No. 2000-04 regarding summarized consolidated documents.

1.1. – Scope of consolidation

The Natexis Banques Populaires consolidated financial statements include the financial statements of Natexis Banques Populaires and its main subsidiaries.

Only those subsidiaries providing a material contribution are consolidated. The materiality of a subsidiary is not determined with respect to numerical thresholds but based on a qualitative appraisal of the relevance of its contribution to the group financial statements. As such, IT logistic subsidiaries are included in the scope of consolidation due to their material impact on the split of consolidated general expenses between payroll costs and other operating expenses.

The main changes during the fiscal year were as follows:

- removal from the scope of consolidation of SAS Montmartre 1 and Sofinnova, as their activity is no longer considered material at group level;
- removal from the scope of consolidation of SCI Cogestimmo, following its disposal. This real estate company owned the building housing the Coface registered office;
- entry into the scope of consolidation of Assurcredit, Coface North America Insurance, Kompass Holding and its subsidiaries, which were consolidated as part of the Coface sub-group;
- entry into the scope of consolidation of Adir, a Lebanese life, personal risk and asset damage insurance company;
- entry into the scope of consolidation of Natexis Bleichroeder UK, a subsidiary of Natexis Bleichroeder Inc. which specializes in the same brokerage activities as its parent company;
- entry into the scope of consolidation of the international risk capital investment companies, Finatem (Germany), Natexis Cape (Italy), Natexis Inversiones (Spain), Mercosul (Brazil), Natexis Investment Asia (NIA) and Natexis Venture Sélection, as well as Financière Natexis Singapore, an intermediate entity that holds the NIA funds;
- entry into the scope of consolidation of Natexis Banques Populaires Preferred Capital III, a Natexis Banques Populaires subsidiary set up to manage the issue of the fourth tranche of preferred shares;
- entry into the scope of consolidation of E-market, a Slib subsidiary, which specializes in IT services;
- entry into the scope of consolidation of Natexis Intertitres, a Natexis Interépargne subsidiary, which specializes in meal voucher management;
- entry into the scope of consolidation of Sopromec Participations, an Natexis Private Equity investment capital subsidiary;
- merger of the funds Natexis Actions Avenir and Natexis Actions Nouveau Marché into a new mutual fund, Natexis Actions Capital Structurant;
- merger of Sud-Est Croissance and IDF Nord Croissance with +X Développement, the corporate name of which is now BP Développement;
- acquisition of 95.5% of the shares of Banque du Dôme-Crédifrance Factor, which specializes in factoring transactions, and its merger with Natexis Factorem;
- Coface: this company was accounted for by the equity method up to June 30, 2002; since July 1, 2002, the Coface sub-group has been fully consolidated following the public exchange offer in July 2002.

Special-purpose entities: special-purpose entities encompass three types of transactions:

A – SECURITIZATION

Own account trading

– Since 2000, Natexis Banques Populaires has performed five synthetic securitization transactions for its own account, the principle behind which is described in Note 2.3. The purpose of these transactions is to transfer a significant portion of the counterparty risk arising from some loan (Collateralized Loan Obligation) or security (Collateralized Bond Obligation) portfolios using credit (Credit Default Swaps) or market (Credit Linked Notes) derivatives.

These transactions totaled EUR4.1 billion as of December 31, 2003, with a weighted risk total of EUR3.3 billion, which is presented in the table below:

in EUR million equivalent value as of December 31, 2003

Entities	Currency	Creation	Maturity	Gross amount securitized	Weighted risks securitized	Outstanding weighted risks	Initial losses incurred by NBP
IGLOO	€	2000	2005	1,721	1,282	493	33
IGLOO II	€	2003	2007	1,770	1,394	336	110
NATIX	$ (initial losses in €)	2000	2011	222	222	40	3
PARIS I & II	$	2000	2011	396	396	18	8
Total				**4,109**	**3,294**	**887**	**154**

Trading on behalf of customers

– In 2002, using Elixir Funding, a multi-seller structure, Natexis Banques Populaires performed a securitization transaction on behalf of customers to refinance their loan portfolios on the commercial paper market. Natexis Banques Populaires acted as arranger, depository, underwriter, cash provider, and letter of credit guarantor for this transaction.

Of the three criteria used to assess control of the vehicle, the sole determinant criterion is the "majority of risks": Initially, Natexis Banques Populaires intends to syndicate the majority of risks within one year; once in full development, the syndication of over 50% of credit lines and the letter of credit shall be effective at all times. Under these conditions, Elixir Funding is excluded from the scope of consolidation.

Liquidity lines for commercial paper issued by Elixir Funding were opened, in addition to a letter of credit, in the following amounts:

in EUR millions	2003
Authorized amount	408.0
NBP liquidity line	204.6
NBP letter of credit	9.8

B – TAX ARRANGEMENTS

These cover the financing of assets (planes, boats, hotel complexes, technological centers, etc.) on behalf of customers using tax transparent structures (EIGs, real estate investment companies, limited liability companies treated as a single tax group) in which Natexis Banques Populaires is the sole shareholder or where control is shared with other banks. Under these arrangements, Natexis Banques Populaires acts as lender and vendor of tax positions. As regards the consolidation of these structures, Natexis Banques Populaires has the power of decision over ordinary activities as trustee, which it exercises in the interest of its customers. The savings generated by these arrangements are equivalent to asset management income where Natexis Banques Populaires does not control the entity, as defined in Section 10052 of CRC Regulation No. 99-07. These arrangements are therefore not consolidated.

C – REAL ESTATE ARRANGEMENTS

These cover the financing of real-estate assets (car parks, offices, corporate headquarters, etc.) on behalf of customers, using real estate investment companies as holders of finance leases set up by Natexis Banques Populaires finance lease subsidiaries or finance lease companies themselves. As for tax arrangements, Natexis Banques Populaires group acts as trustee at the request of its customers without exercising control as defined by the three criteria set forth in Section 10052 of CRC Regulation No. 99-07.

1.2 – Presentation of the financial statements

1.21 – CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are presented in EUR millions, with comparative figures covering three years.

Due to the full consolidation of Coface in 2003 and the second half of 2002, and its recording under the equity method in the first half of 2002, the balance sheets and income statements of these years are not comparable on a uniform basis.

1.22 – ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

To provide meaningful comparisons between fiscal years 2003 and 2002, Note 2 A presents the financial statements with full consolidation of Coface at each year-end.

1.23 – INSTITUTIONAL ACTIVITIES

The assets, liabilities and commitments of the bank resulting from its institutional activities are identified in the balance sheet and off-balance sheet items under each heading concerned by procedures managed by Natexis Banques Populaires on behalf of the State.

Article 84 of the 2001 amended Finance Act (No. 2001-1276 of December 28, 2001) extends until December 31, 2005, the mandate entrusted to Natexis Banques Populaires and companies under its control to manage, on behalf of the State, certain fund-raising and other institutional activities relating to the public purse. Transactions performed pursuant to this mandate are recorded separately in the accounts and certain of them may be guaranteed by the State. These arrangements constitute Natexis Banques Populaires's net assets that are allocated to institutional activities relating to the public purse, to which the State and other related creditors are specifically entitled.

Insurance transactions managed by Coface on behalf of the State are not recorded in the balance sheet, off-balance sheet items or the income statement. Only management fees received are recorded in the income statement under Net fee and commission income.

1.3 – Consolidation methods

Companies under exclusive control are fully consolidated. Jointly controlled companies are accounted for by the proportional method.

Companies in which Natexis Banques Populaires owns a direct or indirect interest of 20% to 50% of the common stock (giving it a significant influence over such companies) are accounted for using the equity method.

1.4 – Basis of consolidation

The consolidated financial statements are based on the financial statements of group companies at December 31.

1.5 – Goodwill

When a company is consolidated for the first time, the difference between the acquisition cost of the investment and the total value of identified assets and liabilities as of the acquisition date is recorded as goodwill and amortized in an appropriate manner taking account of the objectives and characteristics of the acquisition. Goodwill and negative goodwill is amortized on a straight-line basis over periods not exceeding ten years. Balances of less than EUR1 million are amortized over one year.

Goodwill is revalued periodically in order to revise, where necessary, the amortization schedule. Accordingly, exceptional amortization of EUR17.8 million was recorded in fiscal year 2003.

On the partial disposal of securities, the residual unamortized goodwill (or negative goodwill) is reversed pro rata to the securities sold.

The derogation method permitted by Section 215 of CRC Regulation No. 99-07 was applied to the Natexis Bleichroeder Inc. acquisition, and the related goodwill deducted from shareholders' equity.

Further information on goodwill and negative goodwill is presented in Note 9.

1.6 – Foreign currency translation

The balance sheets of foreign subsidiaries and branches are translated into euro at year-end rates of exchange (as published by the *Banque de France*) except for capital, reserves and charges to capital which are translated at historical rates. The resulting translation gains or losses are taken directly to shareholders' equity.

Income statement items are translated at average annual rates of exchange (as published by the *Banque de France*) and the resulting differences (closing versus average rate) are taken directly to Translation reserves in shareholders' equity.

1.7 – Lease financing

Lease financing transactions entered into by Natexis Banques Populaires subsidiaries which specialize in this sector are recorded separately and valued in accordance with financial accounting policies. Deferred tax is calculated on the full amount of the financial reserve.

1.8 — Lease financing – lessee

Natexis Banques Populaires elected from December 31, 2000 to account for financing transactions where it is the lessee using the preferred method. Operating assets purchased under lease finance contracts (lessee) are recorded in property and equipment in the consolidated balance sheet where material and depreciated over the expected useful life of assets of the same category.

1.9 – Adjustments and inter-company transactions

Prior to consolidation, the statutory financial statements of companies included in the scope of consolidation are restated to bring them into line with the group accounting policies described below.

Inter-company balances and gains and losses arising on inter-company transactions are eliminated on consolidation.

Accounting policies and valuation rules specific to non-banking activities are retained in the consolidated financial statements, in particular those applicable to insurance subsidiary accounts. However, eliminating transactions between these subsidiaries and the banking subsidiaries cancels the matching of investments and technical reserves in the insurance companies' balance sheet. As a result, technical reserves are covered by insurance and banking assets.

1.10 – Other provisions of a reserve nature

The special revaluation reserve and the provision for investments, which are purely tax-driven, are incorporated within consolidated reserves. Annual movements in these provisions are reversed in the income statement.

1.11 – Full consolidation of insurance companies

Since the application as of January 1, 2001 of CRC Regulation No. 2000-05 on the consolidation of insurance companies, the following rules are applied for the consolidation of insurance subsidiary financial statements:

- income and expenses are classified by nature in accordance with banking accounting policy and not by destination;
- balance sheet and off-balance sheet items are presented using the same headings already existing under the banking format.

Items specific to insurance activities are grouped together in the following headings:

- insurance company investment portfolios in assets and insurance company technical reserves in liabilities;
- "Gross margin on insurance operations" in the income statement.

Life and personal risk insurance company capitalization reserves are adjusted against 2001 opening shareholders' equity, net of an amount representing an adverse movement in the interest rate curve impacting reserve liability securities. This adjustment results in the recognition of deferred profit-sharing in the amount of the calculated risk.

The equalization provision for these companies (life and personal risk insurance) is eliminated and reclassified in consolidated reserves, except for that part included in the calculation of underwriting profits paid under contract to business providers.

Movements during the year in the capitalization reserve and equalization provision are reversed from consolidated net income and result in movements in deferred profit-sharing and deferred tax balances.

Until December 31, 2000, the capitalization reserve and equalization provision were recorded in full within technical reserves.

Conversely, the equalization provision recorded by Coface was maintained in technical reserves in liabilities, insofar as this provision covers a macro-economic risk of fluctuations in incident probabilities over several fiscal years.

The impact of Decree No. 2003-1236 of December 22, 2003, amending Article R.331-5-1 of the Insurance Code on the recording of a provision for enforceability risk were treated in accordance with Opinion No. 2004-B issued by the Urgent Issues Taskforce of the French National Accounting Council. Given that this reserve relates to a risk not covered elsewhere, Natexis Banques Populaires decided to recognize all such provisions partially recorded by the insurance subsidiaries in its consolidated financial statements. The transition from partial provisioning, as recorded as of December 31, 2002 in agreement with the Insurance Audit Commission, to full provisioning is a change in accounting method, for which the pre-tax amounts totaling EUR148.5 million were deducted from shareholders' equity as of January 1, 2003, and EUR95.9 million, net of deferred tax totaling EUR52.6 million. No such reserve was recorded as of December 31, 2003 following favorable market trends in 2003, and as such, this amount was reversed back into closing shareholders' equity.

1.12 – Notes to the financial statements

Unless otherwise stated, the figures shown in the Notes are in EUR millions.

2 – Accounting policies and valuation methods

2.1 – Customer loans

Loans are recorded in the balance sheet at face value. Undrawn amounts on loans already committed and agreed are included in off-balance sheet items under the heading Financing commitments given.

2.2 – Provisions

Since fiscal year 2000, Natexis Banques Populaires focuses its risk coverage policy on three provision levels:

A – SPECIFIC PROVISIONS

Principal recovery risk

Where there is a risk of partial or total non-recovery of loans or non-compliance with loan conditions or covenants, loan loss allowances or other provisions for risk are raised and the charge taken to the income statement within Provisions for loan losses and country risks. Provisions are valued quarterly on a case-by-case and country-by-country basis, taking into account an appraisal of risks and security available. As regards lease financing transactions, capital gains and losses on disposal and charges to and reversals of provisions (leased assets and assets temporarily not leased) are recorded in Net Banking Income. Termination compensation is recorded within Interest income. Only the capital portion of doubtful lease installments is provided within Provisions for loan losses and country risks.

Interest recovery risk

In accordance with banking regulations:

- unpaid accrued interest on loans to borrowers subject to bankruptcy proceedings is deducted from the interest account in which it was initially recorded. If this interest is subsequently recovered, it is credited to income through this same account on receipt;
- doubtful loan interest, where customer repayments are overdue three, or, if the case arises, six or nine months, is also fully provided by deduction from the interest account in which it was initially recorded;
- under the contamination principle, all loan outstandings of these customers are classified as non-performing, even if the risk appraisal does not call for provision of principal recovery risks;
- this similarly applies to assets leased under lease financing arrangements, where a loan loss allowance is raised for the amount outstanding, as soon as a lease installment or ancillary costs are overdue more than three (equipment) or six (real estate) months.

Adjustment of former BFCE sovereign risks

In 1991 and 1992, sovereign risks in respect of former BFCE assets were subject to a number of adjustments. These fell into two categories, defeasance-based (removal from the balance sheet) and put option-based. Accordingly, two structures were set up, Edval for the defeasance operation and Worledge for the put option, and consolidated for the first time as of December 31, 2002. The consolidation of these companies, pursuant to Section 10052 of CRC Regulation No. 99-07 on special-purpose entities, required a review of the level of provisions covering loans at risk underlying the put option.

In assets in the consolidated balance sheet, the net loan outstandings underlying the options are covered by zero-coupon securities held by these entities. Changes in net income of these entities are solely due to increases in the value of the zero-coupon securities until their redemption date and the end of the arrangement in 2014. Over this period, the increase in value of these securities exactly offsets the full provision of these loans underlying the options to ensure the complete neutrality of net income and the cash necessary to refinance these transactions.

Consequently, the net income from the consolidation of these subsidiaries (EUR4.8 million) was allocated, in full, to an additional charge to provisions for country risks to maintain the balance between provision charges and entity income.

As of December 31, 2003, net loan outstandings underlying the options totaled EUR69 million (gross EUR146 million, provisions of EUR77 million), while the defeasance loan portfolio was sold in full on the secondary market.

B – INDUSTRY AND COUNTRY RISK PROVISIONS

Industry and country risk provisions cover certain Natexis Banques Populaires activity sectors presenting potential future but unknown risks.

These sectors are reviewed quarterly, and can, where necessary, be included in the provision base of known risks for countries or sectors with a potentially difficult economic situation. During these quarterly reviews, the country and sector provision rates are adjusted depending on Natexis Banques Populaires's perception of negative or positive trends in these areas. In 2003, Natexis Banques Populaires increased these provisions by EUR90 million to cover potential risks arising from major European stock market transactions.

C – FUND FOR GENERAL BANKING RISKS (FGBR)

In order to complete the range of general risk coverage, Natexis Banques Populaires maintains a Fund for General Banking Risks out of post-tax income.

2.3 – Securitization transactions

Securitization transactions in progress transfer credit risk without disposing of the reference portfolios. Such transactions are credit-derivative based synthetic securitization transactions entered into with third-party banks jointly with special-purpose entities. The credit derivatives are equivalent in principle to credit insurance and provide protection against the signature risk (bankruptcy, restructuring of the terms and conditions of a reference asset and inability to pay) of debtors making up the portfolio. The special-purpose entities are not consolidated, as their financial statements merely reflect the protection provided to Natexis Banques Populaires and its hedging on the market, the residual risk being insured by the investors who finance the entities.

2.4 – Receivables, payables and off-balance sheet commitments denominated in a foreign currency

Receivables, payables and off-balance sheet commitments denominated in a foreign currency are translated into euro at exchange rates prevailing at the year-end. Resulting unrealized exchange gains or losses are taken directly to income.

Conversely, unrealized exchange gains or losses arising upon translation of borrowings covered by an exchange rate guarantee from the French State or attributable to Institutional activities are carried forward under Accruals, Deferrals and Miscellaneous Assets & Liabilities.

2.5 – Securities portfolio

A – SECURITIES TRANSACTIONS (TRADING ACCOUNT SECURITIES, SECURITIES HELD FOR SALE, DEBT SECURITIES HELD FOR INVESTMENT)

The following rules apply irrespective of the legal form of the security (equity, bonds and notes, treasury bills, certificates of deposit, negotiable instruments, money market securities, etc.) and depend solely on the purpose of the transaction:

- trading account securities: these securities, which are acquired or sold with the original intention of reselling or repurchasing them after a short period, are traded on markets with guaranteed liquidity. Such securities are recorded at transaction value (including expenses and any accrued interest). At the balance sheet date, they are marked to market, and the aggregate net amount of differences arising is taken to the income statement. If these securities are held for more than six months, they are reclassified as securities held for sale at their estimated value on the date of reclassification;
- securities held for sale: these securities are acquired with the intention of holding them for a period of more than six months, and are valued individually at the year-end at the lower of cost or estimated current value. Unrealized losses are provided; unrealized gains are not recognized. Any premium or discount between the acquisition cost (excluding purchased interest) and redemption value is deferred and amortized to income over the remaining period to maturity;
- debt securities held for investment: these are Fixed Income securities, acquired with the original intention of holding them as permanent investments and are either specifically funded or appropriately hedged with respect to interest rate risk. They are recorded at acquisition cost (excluding purchased interest), and any premium or discount between acquisition cost and redemption value is deferred and amortized to income over the remaining period to maturity.

In accordance with French banking regulations, unrealized losses on such securities are not provided, except where there is an intention to dispose of the securities in the short term, in which case the provision covers market risks, and the charge is recorded in Net gains/(losses) on disposals of fixed assets, or there is a risk of counterparty failure, in which case the charge is recorded within Provisions for loan losses and country risks;

■ treasury shares: own shares are purchased for four purposes: the regularization of the stock market price by trading against market trends, as part of stock market interventions, to accompany external growth operations and for allotment to Group employees under share purchase option schemes or via corporate savings schemes. Accordingly, the number of treasury shares held as of December 31, 2003 totaled 1,423,843 with a total value of EUR126 million, recorded in Trading account securities.

B – UNCONSOLIDATED INVESTMENTS IN AFFILIATES AND EQUITY SECURITIES HELD FOR INVESTMENT

■ Unconsolidated investments in affiliates are stated individually at the lower of fair value at December 31 and cost. Fair value at year-end is determined according to criteria such as revalued net worth and profitability.

■ Equity securities held for investment are securities acquired in an entity which is to be managed with the aim of increasing its value and obtaining the highest possible capital gain in the long term. Where necessary, a provision is raised to ensure that the net book value does not exceed the estimated value (recent transaction value, value based on profitability, market value for listed securities or other valuation method used at the time of acquisition).

2.6 – Income, adjustments in value and gains or losses on securities

■ Income from variable income securities is recorded on a receipts basis.

■ Income from Fixed Income securities is recorded on an accruals basis.

■ Gains or losses on sales of securities and adjustments in value appear under different headings depending on the nature of the transaction:

– trading account securities, securities held for sale and equity securities held for investment: The appropriate Gains/(losses) heading in Net Banking Income;

– debt securities held for investment: Provisions for loan losses and country risks where the gains or losses reflect counterparty risk and Net gains/(losses) on disposals of fixed assets where the gains or losses reflect a market risk or are the result of a disposal;

– investments in affiliates and other long-term equity investments: Net gains/(losses) on disposals of fixed assets.

2.7 – Property and equipment and intangible assets

A – OPERATING PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

■ Former Crédit National assets purchased prior to December 31, 1976 are stated at the value resulting from the 1976 statutory revaluation. Purchases since this date are stated at acquisition cost.

The former BFCE assets are recorded in the group consolidated financial statements at their fair value attributed on the acquisition of BFCE by Crédit National.

Caisse Centrale des Banques Populaires fixed assets were transferred in at net book value following the partial asset transfer.

■ Property and equipment are depreciated, generally on a straight-line basis, over their estimated useful lives as follows:

Buildings used for operations	25 to 40 years
Other property and equipment	5 to 10 years

■ Intangible assets mainly comprise Coface group network assets, valued based on 40% of net sales for insurance companies, and a multi-criteria valuation analysis (discounted net cash flows, PER multiple, net sales multiple) for service companies (information and loan management).

These network assets are not amortized on an annual basis but are subject to an annual impairment test. The valuation of Coface group network assets is described in Note 9.

B – NON-OPERATING PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Non-operating property and equipment and intangible assets are depreciated over their estimated useful lives (30 to 40 years).

In accordance with the letter issued by the General Secretariat of the Banking Commission dated October 21, 1997, non-operating real estate assets, whether occupied or leased-out, have been provided on a case-by-case basis to cover all risks of unrealized capital loss.

The majority of Natexis Banques Populaires group occupied and leased-out buildings are recorded in the balance sheets of real estate companies, which, as detailed in Note 1.3, are fully consolidated as under the exclusive control of the group.

C – BUILDINGS UNDER LEASE FINANCING ARRANGEMENTS

In accordance with the aforementioned October 21, 1997 letter, a provision is raised in respect of leased buildings where their accounting value exceeds their estimated market value and where there is a probable or certain risk that the building which is the subject of the lease contract will remain, on termination, the property of the lessor.

D – COMPUTER SOFTWARE AND HARDWARE

Computer hardware is depreciated on a declining balance basis over five years.

Purchased software is amortized on a straight-line basis over one year.

Computer program internal development costs are expensed in the year incurred, where the computer program is intended for internal use; where it is intended for commercialization, costs are capitalized and amortized over an appropriate period of use.

2.8 – Perpetual and fixed-term subordinated notes

The group has perpetual and fixed-term subordinated notes in circulation, the redemption of which, in the case of liquidation, ranks after the satisfaction of all other creditors.

Where perpetual subordinated notes are treated as equivalent to debt instruments repayable as to principal, each coupon payable is apportioned between effective repayment of principal and an effective interest cost, which is included in the income statement under Interest expense.

2.9 – Participating securities

Debt service costs in respect of participating securities are considered equivalent to an interest cost and expensed in the income statement on a time-apportioned basis.

2.10 – Interest, premiums, fees and commission

Interest, together with premiums, fees and commission considered as equivalent to interest income are recorded in the income statement on a time-apportioned basis. Other commission is recognized on a receipts basis.

2.11 – Interest rate review charges and early repayment penalties

Interest rate review charges and early repayment penalties are considered as unearned interest income and are amortized to income over the life of the loan, allocated to each year in proportion to the loss of interest income for the year according to the loan repayment schedule.

2.12 – Loan and capital issuance costs

■ For all transactions performed post January 1, 1994, Natexis Banques Populaires has elected to spread loan issuance costs over the life of the related loan, as permitted by tax legislation (Law of August 8, 1994) and in line with changes in the nature of loan issuance costs, which essentially represent an additional financing cost.

■ Expenses relating to issues of parent company common stock are offset, net of tax, against the issue premium. Expenses relating to issues by subsidiaries are charged against income for the year.

2.13 – Financial instrument transactions performed on Natexis Banques Populaires' own account

The nominal amount of these instruments is recorded off-balance sheet for internal monitoring and regulatory purposes, but is not included within published off-balance sheet commitments. Further details concerning these instruments can be found in the Notes to the consolidated financial statements.

The accounting treatment applied differs according to the instrument involved and the purpose of the contract entered into (hedging or trading).

A – INTEREST RATE SWAPS

These transactions are performed for one of four purposes:

- micro-hedging (transaction-specific),
- macro-hedging (overall balance sheet management),
- speculative position-taking,
- specialized management of a trading portfolio.

■ Hedging transactions belonging to the first two categories are treated for income statement purposes as equivalent to lending/borrowing transactions and amounts received and paid are taken to income on a time-apportioned basis.

■ The accounting treatment of speculative positions is identical as regards interest flows; however, capital losses arising on the period-end mark-to-market are provided for via a charge to income, unlike hedging transactions.

■ The last category is marked to market on an individual instrument basis. Movements in value from one period-end to the next are taken immediately to the income statement. Valuations are corrected for counterparty risks and the discounted present value of future management charges under the contracts.

B – CURRENCY SWAPS

- Open spot swap transactions are valued at closing rates at the period-end.
- Forward currency hedging transactions are taken to income on a time-apportioned basis, either as premiums and discounts where the transactions form part of commercial activities, or as accrued interest where they are intended to hedge long-term foreign currency denominated assets and liabilities.

C – INTEREST RATE, CURRENCY AND STOCK OPTIONS AND FORWARD CONTRACTS

The nominal value of the underlying instrument covered by the option or forward contract is recorded off-balance sheet, with hedging and trading transactions separately identified.

Revenues or expenses relating to hedging transactions are matched against those relating to the hedged item.

Where trading transactions are concerned, positions in a class of option or forward contract are marked to market. For instruments listed on an organized or equivalent market, movements in value are taken directly to the income statement. For instruments traded over the counter, any net position losses are taken to the income statement via a charge to a provision against financial instruments. Net unrealized gains are not recognized.

D – INSTITUTIONAL ACTIVITIES

Commitments, which by their nature may be deemed to fall within this category, given to banks granting foreign currency export credits, in order to guarantee the exchange rate of the funding, are not disclosed in the published off-balance sheet statement. Income and expenses in respect of Institutional activities (swaps and exchange rate guarantees) are charged or credited to the French Treasury, in accordance with agreed terms and conditions.

2.14 – Exceptional items

Exceptional income and expense items are determined by reference to the materiality of their amount, the extent to which they fall outside the ordinary activities of the company and the low probability of recurrence of the events concerned.

2.15 – Corporate income tax

The current tax charge includes:

- taxes payable by French companies included in the consolidation, at a rate of 35.43%, and at the local prevailing rate for foreign companies and branches;
- deferred tax resulting from timing differences in the statutory accounts and from consolidation adjustments calculated using the liability method.

Deferred tax assets and liabilities are offset within the same tax entity. The tax entity consists of either the entity itself or the tax group where one exists. Prudence requires that deferred tax assets only be recognized where they can be effectively used in the future to reduce the overall tax charge. Accordingly, tax losses carried forward are not recognized, and it is assumed that future tax savings will not be recovered if the tax entity has reported tax losses in the last two fiscal years.

Accordingly, in the interests of prudence, deferred tax assets totaling EUR317 million were not recognized as of December 31, 2003.

Account is taken of all timing differences, irrespective of the recovery or due date.

The net deferred tax balance is recorded within Accrued income, prepaid expenses and other assets.

2.16 – Employee-related liabilities and retirement benefit commitments

Employee-related liabilities mainly comprise commitments in respect of:

- retirement termination payments;
- early-retirement and supplementary pension contributions;
- payments for the cessation of salaried employee activity;
- employer contributions payable to private health insurance companies in respect of retired employees and employees having accepted early retirement;
- long-service medals.

These commitments were calculated taking account of:

- vested benefit entitlement;
- PV discounting rates of 4.75% to 5%;
- life-expectancy table: TV 88/90;
- most recent salaries, including employer social security contributions;
- historical staff turnover rates.

In accordance with opinion No. 2000-C issued by the Urgent Issues Taskforce, retirement benefit commitments were provided in full, as per the preferred method identified in CRC Regulation No. 99-07, by deduction from fiscal year 2000 opening shareholders' equity.

Following the harmonization of long-service medal schemes within the different Natexis Banques Populaires entities, an identical treatment was adopted for these commitments during fiscal year 2001.

In accordance with Opinion No. 2004-A issued by the Urgent Issues Taskforce of the French National Accounting Council, the impacts of the law of August 21, 2003 on retirement reforms amending employee retirement conditions are considered as pension plan amendments, the effects of which are spread over the residual period of activity of employees. Accordingly, EUR0.5 million was expensed in the financial statements in respect of fiscal year 2003.

The amount to be spread over future fiscal years amounts to EUR10.7 million.

2.17 – Changes in accounting method

CRC Regulation No. 2000-06 regarding liabilities was applied for the first time on January 1, 2002. This regulation lays down the terms and conditions for recognition of provisions for contingencies and losses not directly relating to banking or associated activities and defines a liability as "an obligation of the company to a third party which is probable or certain to lead to an outflow of resources, without an expected consideration at least equivalent in amount from this third party." Application of this new regulation did not impact the consolidated financial statements for the year ended December 31, 2002 or the amount of provisions for contingencies and losses recorded in the 2002 opening consolidated balance sheet.

CRC Regulation No. 2002-03 regarding classification of non-performing loans and the accounting treatment of restructured loans at non-market conditions is applicable from January 1, 2003. After identifying the loans impacted by this regulation, the difference in future interest between the rate granted upon restructuring and the market rate was discounted and totaled EUR11 million. As this concerns loans restructured in previous fiscal years, the discount was deducted from fiscal year 2003 opening shareholders' equity and recorded as Interest income for the year in the amount of EUR1.8 million.

CRC Regulation No. 2002-10 regarding the depreciation and impairment of assets is applicable from January 1, 2005. Natexis Banques Populaires opted against early application of this regulation. This regulation contains transitional provisions applicable from January 1, 2003 regarding expenses arising from multi-annual major repair or revision programs and renewal expenses. Accordingly, a provision for major repairs totaling EUR1 million, of which EUR0.7 million was deducted from opening shareholders' equity, was recorded in fiscal year 2003.

Pursuant to the recommendation of the *Autorité des Marchés Financiers* (AMF), the French Securities Regulator, on the monitoring of intangible asset and goodwill value, Natexis Banques Populaires reviewed such items, as described in Note 9, for the year ended December 31, 2003.

2 A – Comparative consolidated financial statements excluding the impact of full consolidation of Coface

The financial statements were prepared with the full consolidation of Coface for both periods.

Comparative consolidated balance sheets with the full consolidation of Coface

Assets

in EUR millions	2003	2002
Interbank and money market assets	46,987	42,073
of which institutional activities	421	1,379
Customer loans	33,467	33,021
of which institutional activities	1,099	96
Lease financing	5,434	5,404
Bonds, equities and other fixed and variable income securities	16,351	19,166
Insurance company investment portfolios	20,943	19,176
Investments in affiliates and associated undertakings and other securities held for investment	1,585	1,685
Property and equipment and intangible assets	977	971
Goodwill	375	418
Accrued income, prepaid expenses and other assets	9,790	11,474
of which institutional activities	-	-
Total assets	**135,909**	**133,388**
of which institutional activities	1,520	1,475

Liabilities and shareholders' equity

in EUR millions	2003	2002
Interbank and money market liabilities	36,100	46,184
of which institutional activities	515	1,453
Customer deposits	29,389	22,821
of which institutional activities	1,137	106
Debt securities	27,819	23,621
of which institutional activities	-	-
Insurance company technical reserves	20,614	18,997
Deferred income, accrued charges and other liabilities	13,693	13,951
of which institutional activities	98	108
Negative goodwill	76	89
Provisions for contingencies and losses	811	796
Long-term subordinated debt	2,417	2,209
Fund for General Banking Risks	242	242
Minority interests	835	726
Shareholders' equity	3,913	3,752
Common stock	769	759
Additional paid-in capital	1,791	1,750
Retained earnings	1,088	1,136
Net income for the year	265	107
Total liabilities and shareholders' equity	**135,909**	**133,388**
of which institutional activities	1,750	1,667

Comparative consolidated off-balance sheet items with the full consolidation of Coface

in EUR millions	2003	2002
COMMITMENTS GIVEN		
Banking operations	**34,432**	**37,086**
Financing commitments given in favor of:	21,892	21,386
financial institutions	2,317	3,614
customers	19,575	17,772
of which institutional activities	-	-
Guarantees given on behalf of:	12,211	15,237
financial institutions	1,514	1,687
customers	10,697	13,550
of which institutional activities	5	9
Commitments on securities	329	463
of which securities with repurchase options	-	-
COMMITMENTS RECEIVED		
Banking operations	**8,512**	**4,899**
Financing commitments received from financial institutions	3,931	964
Guarantees received from financial institutions	3,985	3,499
Commitments on securities	596	436
of which securities sold with repurchase options	-	-

Comparative consolidated income statements with the full consolidation of Coface

in EUR millions	2003	2002
Interest income	4,110	5,747
Interest expense	(3,445)	(5,068)
Income from variable income securities	42	40
Net fee and commission income	561	501
Net gains/(losses) on trading account securities	121	(59)
Net gains on securities held for sale	126	4
Other banking revenues and expenses	76	116
Gross margin on insurance operations	694	555
Other net banking income	170	150
Net Banking Income	**2,455**	**1,986**
General operating expenses	(1,651)	(1,556)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets	(88)	(75)
Gross operating income	**716**	**355**
Provisions for loan losses and country risks	(211)	(193)
Operating income	**505**	**162**
Income from companies accounted for by the equity method	10	4
Net gains/(losses) on disposals of fixed assets	13	53
Income before exceptional items and tax	**528**	**219**
Exceptional items	13	(16)
Corporate income tax	(154)	(17)
Goodwill amortization	(64)	(41)
Net reversal of/(charge to) FGBR	-	21
Minority interests	(58)	(59)
Net income	**265**	**107**
Earnings per share Consolidated net income per share, based on the average number of shares outstanding during the year	5.57	2.39
Diluted earnings per share Consolidated net income per share, based on the number of shares outstanding at the year-end.	5.53	2.25

3 – Interbank and money market assets

in EUR millions	2003	2002	2001
Cash, central banks and post office banks	125	223	233
Government securities and equivalent (1)	4,093	4,893	5,851
Trading account securities	1,799	1,113	1,571
Securities held for sale	1,772	2,769	3,471
Debt securities held for investment (2)	443	881	646
Accrued interest receivable (3)	79	130	163
Loans and advances to banks (4) (5)	42,769	36,968	16,673
Demand deposits	2,545	3,656	4,122
Time deposits	39,883	32,713	12,380
Non-performing loans	86	90	79
Accrued interest receivable	314	571	147
Provisions for loan losses	(59)	(62)	(55)
Total	**46,987**	**42,084**	**22,757**
(1) After provisions of:	(8)	(9)	(12)
securities held for sale	(8)	(9)	(12)
debt securities held for investment	-	-	-
(2) Including sold before maturity:	(17)	(199)	(1,182)
(3) Including accrued interest receivable on:	79	130	163
securities held for sale	66	117	143
debt securities held for investment	13	13	20
(4) Including subordinated debts:	120	18	18
performing	114	15	15
non-performing	-	-	-
accrued interest receivable	6	3	3
(5) Including restructured loans at non-market conditions:	26	27	-
gross	35	37	-
discount	(9)	(10)	-

Breakdown by geographical area

in EUR millions	France	Western Europe	Eastern Europe	North America	Latin America	Africa & Middle East	Asia Oceania	Not broken down	Total
Loans and advances to banks	30,705	8,113	195	330	431	586	1,986	423	42,769
	71.8%	19.0%	0.5%	0.8%	1.0%	1.4%	4.6%	1.0%	100%

4 – Customer loans and lease financing

in EUR millions	2003	2002	2001
Current accounts in debit	4,768	3,679	3,424
Commercial loans	624	651	751
Factoring	1,937	1,705	1,804
Other loans to customers	25,270	26,199	27,436
Accrued interest receivable and amounts not allocated	426	274	302
Non-performing loans	1,106	1,176	1,173
Provisions for loan losses	(664)	(663)	(686)
Customer loans (1)	**33,467**	**33,021**	**34,204**
Lease financing and operating leases	5,538	5,482	5,267
Accrued interest receivable	70	98	113
Provisions for loan losses	(174)	(176)	(176)
Lease financing (1)	**5,434**	**5,404**	**5,204**
(1) Including restructured loans at non-market conditions:	2	1	-
gross	2	2	-
discount	(1)	(1)	-

Breakdown by geographical area

in EUR millions	France	Western Europe	Eastern Europe	North America	Latin America	Africa & Middle East	Asia Oceania	Not broken down	Total
Customer loans	16,995	4,325	659	7,959	931	1,176	898	524	33,467
Lease financing	5,420	14	-	-	-	-	-	-	5,434
	57.6 %	11.2%	1.7%	20.5%	2.4%	3.0%	2.3%	1.3%	100%

4.1 – Other loans to customers

in EUR millions	2003	2002	2001
Cash loans and consumer credit	9,837	10,807	11,641
Equipment loans	2,679	3,232	3,712
Export credits	1,164	1,412	1,897
Home purchase loans	103	152	180
Reverse repos	6,369	4,406	3,017
Subordinated loans	196	230	464
Other loans	4,922	5,960	6,525
Other loans to customers	**25,270**	**26,199**	**27,436**

4.2 – Lease financing

in EUR millions	2003	2002	2001
Real estate lease financing	**3,367**	**3,411**	**3,375**
Outstandings	3,207	3,214	3,206
Assets temporarily not leased and non-performing loans	238	253	215
Accrued interest receivable	66	94	110
Provisions for asset impairment	(13)	(16)	(19)
Provisions for loan losses	(131)	(134)	(137)
Equipment lease financing	**1,491**	**1,404**	**1,267**
Outstandings	1,451	1,400	1,264
Assets temporarily not leased and non-performing loans	64	24	18
Accrued interest receivable	3	3	2
Provisions for asset impairment	(12)	(12)	(8)
Provisions for loan losses	(15)	(11)	(9)
Operating leases	**576**	**589**	**562**
Outstandings	569	588	561
Assets temporarily not leased and non-performing loans	9	3	3
Accrued interest receivable	1	1	1
Provisions for asset impairment	(1)	(1)	-
Provisions for loan losses	(2)	(2)	(3)
Total	**5,434**	**5,404**	**5,204**

4.3 – Non-performing, irrecoverable loans and provisions for loan losses

in EUR millions	2003	2002	2001
Non-performing loans and advances to banks	28	27	24
Gross non-performing loans	3	37	79
Provisions for non-performing loans	-	(20)	(55)
Gross irrecoverable loans	83	53	-
Provisions for irrecoverable loans	(59)	(42)	-
Non-performing customer loans	442	512	487
Gross non-performing loans	276	398	1,173
Provisions for non-performing loans	(105)	(138)	(686)
Gross irrecoverable loans	830	778	-
Provisions for irrecoverable loans	(559)	(525)	-
Non-performing lease financing	137	104	60
Gross non-performing loans	77	47	236
Provisions for non-performing loans	(40)	(34)	(176)
Gross irrecoverable loans	234	233	-
Provisions for irrecoverable loans	(134)	(142)	-
Coverage:			
Provisions for loan losses against gross non-performing loans	41%	40%	62%
Provisions for irrecoverable loan losses against gross irrecoverable loans	66%	67%	-
Provisions for total non-performing loans against total gross non-performing loans	60%	58%	62%

Irrecoverable outstandings and provisions for irrecoverable outstanding losses were identified for the years ended December 31, 2003 and December 31, 2002 only.

5 – Bonds, equities and other fixed and variable income securities

in EUR millions	2003	2002	2001
Trading account securities (1)	3,672	3,009	2,968
Equities and other variable income securities	476	360	227
Bonds and other fixed income securities	3,196	2,649	2,741
Securities held for sale (2)	4,959	6,785	6,598
Equities and other variable income securities	547	1,017	862
Bonds and other fixed income securities	4,412	5,768	5,736
Debt securities held for investment (3)	6,712	8,426	8,988
Equity securities held for investment (5)	890	795	791
Accrued interest receivable (4)	118	151	153
Total	**16,351**	**19,166**	**19,498**
(1) Of which:			
receivables representing securities loaned	89	281	716
transferred to securities held for sale	-	-	(5,430)
treasury shares	126	73	-
(2) Of which:			
listed	1,230	5,320	5,219
receivables representing securities loaned	-	-	-
transferred from trading account securities	-	-	5,430
transferred to/from debt securities held for investment	-	18	1,678
subordinated	48	51	105
issued by public institutions	67	71	-
treasury shares	-	-	47
unrealized capital gains (excess of market value over cost)	29	38	12
unrealized capital losses provided in the balance sheet	(125)	(103)	(92)
(3) Of which:			
listed	3,362	5,451	7,231
transferred to/from securities held for sale	-	(18)	(1,678)
subordinated	-	-	5
issued by public institutions	55	742	776
doubtful securities	143	92	106
provisions	(75)	(50)	(48)
disposals before maturity	(347)	(1,104)	(1,346)
(4) Net of provisions of:	(5)	(3)	(1)
(5) Of which:			
listed	29	22	189
net of provisions of	(212)	(210)	(150)

ESTIMATED VALUE OF EQUITY SECURITIES HELD FOR INVESTMENT:

	2003		2002		2001	
in EUR millions	Net book value	Estimated value	Net book value	Estimated value	Net book value	Estimated value
Portfolio valuation basis:						
market price	29	45	22	31	188	194
other	861	1,077	773	909	603	771
Total (5)	**890**	**1,122**	**795**	**940**	**791**	**965**

5.1 – Non-performing securities, irrecoverable securities and impairment provisions

in EUR millions	2003	2002	2001
Securities held for sale - net of provisions	11	6	0
Non-performing securities - gross	19	26	37
Provisions for non-performing securities	(14)	(24)	(37)
Irrecoverable securities - gross	29	49	-
Provisions for irrecoverable securities	(23)	(45)	-
Debt securities held for investments - net of provisions	63	43	59
Non-performing securities - gross	53	48	107
Provisions for non-performing securities	(20)	(32)	(47)
Irrecoverable securities - gross	76	47	-
Provisions for irrecoverable securities	(46)	(20)	-
Coverage:			
provisions for non-performing securities against gross non-performing securities	47%	76%	59%
provisions for irrecoverable securities against gross irrecoverable securities	66%	68%	-
provisions for non-performing securities against gross non-performing securities – all securities	58%	71%	59%

Irrecoverable securities and provisions for impairment of irrecoverable securities were identified for the fiscal years ended December 31, 2003 and December 31, 2002 only.

6 – Insurance company transactions

ASSETS – INSURANCE COMPANY INVESTMENT PORTFOLIOS AND OTHER ASSETS

in EUR millions	2003	2002	2001
Insurance company investment portfolios			
Land and buildings	513	613	383
Unconsolidated investments in affiliates	31	39	-
Other investments	17,127	15,756	13,633
Amounts receivable on grantor company deposits	2	2	-
Assets representative of unit of account contracts	3,270	2,771	3,286
Subtotal insurance company investment portfolios	**20,943**	**19,181**	**17,302**
Accrued income, prepaid expenses and other assets	9,790	11,458	10,133
Reinsurers' shares of technical reserves			
Life contracts	2,289	2,300	2,289
Non-life contracts	286	341	2
Subtotal reinsurers' shares of technical reserves	**2,575**	**2,641**	**2,291**
Total	**23,518**	**21,822**	**19,593**

As of December 31, 2002, reinsurers' shares of technical reserves were transferred from Insurance company investment portfolios to Accrued income, prepaid expenses and other assets, while amounts receivable on deposits with grantor companies were transferred from Accrued income, prepaid expenses and other assets to Insurance company investment portfolios. The account balances as of December 31, 2001 were adjusted accordingly for this reclassification to enable year-on-year comparison, in the amount of EUR2,291 for fiscal year 2001.

Insurance investments consisting of resources issued by other Group entities are eliminated as inter-company transactions.

LIABILITIES - INSURANCE COMPANY TECHNICAL RESERVES

in EUR millions	2003	2002	2001
Mathematical provisions	19,506	17,884	17,032
of which: ■ life insurance	16,037	14,935	13,684
■ non-life insurance	160	128	6
■ representative of unit of account contracts	3,309	2,821	3,342
Claims provisions	798	833	88
Profit-sharing provisions	144	91	134
Other technical reserves	31	101	-
Capitalization reserves (1)	-	-	-
Equalization provisions (1)	135	88	-
Total	**20,614**	**18,997**	**17,254**

(1) The accounting treatment of these provisions is presented in Note 1.11.

7 – Investments in affiliates and associated undertakings and other securities held for investment

in EUR millions	2003	2002	2001
Equity affiliates			
Venture capital activities	28	27	31
BP Développement (formerly +X Développement)	28	12	13
IDF Nord Croissance	-	6	7
Sofinnova	-	2	3
Sud-est Croissance	-	7	8
Other	-	-	-
of which Share in net income/(loss)	-	-	3
Real estate activities	0	0	0
of which Share in net income/(loss)	-	-	-
Insurance activities	35	28	97
COFACE division (1)	15	15	86
Natexis Assurances division (formerly Assurances BP)	20	13	11
of which Share in net income/(loss)	9	4	10
Financial service activities	7	6	7
OFIVM	7	7	7
of which Share in net income/(loss)	-	(1)	-
Other activities	1	1	1
of which Share in net income/(loss)	-	-	-
Subtotal	**71**	**62**	**136**
of which Share in net income/(loss)	9	3	13
Other investments in affiliates and associated undertakings and other securities held for investment			
Investments in affiliates (2) (3)	341	358	329
Related receivables (4)	1,173	1,266	24
Subtotal	**1,514**	**1,624**	**353**
Total	**1,585**	**1,686**	**489**
After provisions of	**(111)**	**(98)**	**(94)**
(1) COFACE SA shares equity accounted in 2001 COFACE consolidated group shares equity accounted in 2002 and 2003			
(2) Including unconsolidated investments in financial institution affiliates	52	56	65
(3) Including listed securities	49	56	81
(4) Including EUR1,250 million shareholder advance to Ecrinvest 4 as part of the temporary holding of Vivendi Universal Publishing securities in 2002 and EUR1,165 million in 2003			

7.1 – Investments in unconsolidated subsidiaries and affiliates

in EUR millions	2003	2002	2001
Main shareholdings:			
Soparind	43	43	43
SCI Colomb Magellan	22	21	38
Sicovam Holding	30	30	30
IKB Deutsche Industriebank	29	29	29
Athlon Groep	23	23	-
Finantia	15	15	15
Euronext (SBF)	-	-	15
Other investments:	179	197	159
Total	**341**	**358**	**329**

8 – Property and equipment and intangible assets

in EUR millions	2003			2002			2001		
	Gross book value	Deprec., amort., provs.	Net book value	Gross book value	Deprec., amort., provs.	Net book value	Gross book value	Deprec., amort., provs.	Net book value
Operating property and equipment and intangible assets									
Intangible assets	586	(151)	435	560	(126)	434	139	(86)	53
Property and equipment	711	(308)	403	692	(300)	392	526	(208)	318
Subtotal	**1,297**	**(459)**	**838**	**1,252**	**(426)**	**826**	**665**	**(294)**	**371**
Non-operating assets	27	(5)	22	29	(5)	24	30	(5)	25
Assets leased out under non-financial operating leases	227	(110)	117	226	(105)	121	256	(123)	133
Total property and equipment and intangible assets	**1,551**	**(574)**	**977**	**1,507**	**(536)**	**971**	**951**	**(422)**	**529**

in EUR millions	2002	Additions	Disposals	Changes in group structure	Other	2003
Gross book value						
Operating intangible assets	560	32	(9)	7	(4)	586
Purchased goodwill	388	-	(3)	1	-	386
Software	155	22	(6)	6	-	177
Other intangible assets	17	10	-	-	(4)	23
Operating property and equipment	692	71	(45)	4	(11)	711
Operating land and buildings	349	43	(1)	2	(3)	390
Other operating property and equipment	343	28	(44)	2	(8)	321
Non-operating property and equipment	29	0	(2)	0	0	27
Non-operating land and buildings	26	-	(2)	-	-	24
Other non-operating property and equipment	3	-	-	-	-	3
Assets leased out under non-financial operating leases	226	1	-	-	-	227
Total	**1,507**	**104**	**(56)**	**11**	**(15)**	**1,551**

in EUR millions	2002	Charge/ (reversal)	Disposals	Changes in group structure	Other	2003
Depreciation, amortization and provisions						
Operating intangible assets	(126)	(29)	7	(6)	3	(151)
Purchased goodwill	(4)	(1)	-	(2)	-	(7)
Software	(119)	(27)	6	(4)	4	(140)
Other intangible assets	(3)	(1)	1	-	(1)	(4)
Operating property and equipment	(300)	(47)	37	0	2	(308)
Operating land and buildings	(98)	(11)	1	-	(2)	(110)
Other operating property and equipment	(202)	(36)	36	-	4	(198)
Non-operating property and equipment	(5)	(1)	1	0	0	(5)
Non-operating land and buildings	(5)	(1)	1	-	-	(5)
Other non-operating property and equipment	-	-	-	-	-	-
Charge to depreciation, amortization and provisions	-	-	-	-	-	-
Assets leased out under non-financial operating leases	(105)	(12)	7	-	-	(110)
Total	**(536)**	**(89)**	**52**	**(6)**	**5**	**(574)**

9 – Goodwill and negative goodwill

Goodwill

in EUR millions	2003 New goodwill	Amortization charges	Removals	Net	2002 Net	2001 Net
Natexis Assurances and subsidiaries	3	(18)	-	99	114	130
Natexis Private Equity and subsidiaries	1	(4)	-	18	21	17
Natexis Interépargne	-	(4)	-	31	35	7
Natexis Asset Management	-	(13)	-	106	119	-
Coface	(2)	(8)	-	56	66	-
Other	21	(30)	-	65	74	84
Total	**23**	**(77)**	**0**	**375**	**429**	**238**

Negative goodwill

in EUR millions	2003 New negative goodwill	Amortization reversals	Removals	Net	2002 Net	2001 Net
Natexis Lease and subsidiaries	-	(5)	-	28	33	38
Natexis Assurances and subsidiaries	-	(3)	-	17	20	23
Other	-	(5)	-	31	36	42
Total	**0**	**(13)**	**0**	**76**	**89**	**103**

For purposes of drawing up the financial statements for the year ended December 31, 2003, Natexis Banques Populaires valued its intangible assets and goodwill/negative goodwill recorded in its balance sheet.

The valuation covered material intangible assets and goodwill/negative goodwill exceeding EUR4 million and was based on the appraisal of an independent expert.

Valuation was based on the net present value of future cash flows. However, the market value was used when the goodwill/negative goodwill could be based on the market value of certain tangible assets such as real estate assets or the securities portfolio.

The net present value of future cash flows method is based on the business plans drawn up by the management of the main divisions and validated by Natexis Banques Populaires Executive Management.

The discount rate of the future cash flows was calculated for each subsidiary, based on the following:
- the average OAT (French government bond) 10-year yield;
- the risk premium in the subsidiary's market;
- a beta value based on a sample of comparable companies.

The results of this method were validated using standard market comparisons, revalued net worth method, etc.

These procedures indicated the need to write down the goodwill of certain subsidiaries by EUR17.8 million, for which the return to profit is only expected in the mid-term.

The net present value of future cash flows method was applied to the Coface group under the same conditions as for the other subsidiaries. The result of this method confirms the valuation of the Coface group in the Natexis Banques Populaires books and does not question the valuation methods applied to network assets for the acquisition in July 2002, notably: 40% of average net sales over 3 years for the intangible assets of the insurance companies, and a multi-criteria valuation analysis for information and loan management companies.

10 – Accrued income, prepaid expenses and other assets

in EUR millions	2003	2002	2001
Reinsurers' shares of technical reserves	2,575	2,641	2,291
Miscellaneous receivables	1,986	2,630	1,953
Contingent instruments purchased	1,057	2,174	742
Income receivable	826	635	587
Checks and notes presented for collection, settlement accounts in respect of security transactions	562	1,112	401
Specific insurance accounts	401	369	113
Technical adjustments	344	312	911
Deferred tax	150	139	63
Receipts accounts	32	44	514
Other	1,857	1,402	2,558
Total	**9,790**	**11,458**	**10,133**

As of December 31, 2002, reinsurers' shares of technical reserves were transferred from Insurance company investment portfolios to Accrued income, prepaid expenses and other assets, while amounts receivable on deposits with grantor companies were transferred from Accrued income, prepaid expenses and other assets to Insurance company investment portfolios. The account balances as of December 31, 2001 were adjusted accordingly for this reclassification to enable year-on-year comparison, in the amount of EUR2,291 million for fiscal year 2001.

11 – Interbank and money market liabilities

in EUR millions	2003	2002	2001
Central banks and post office banks	1	3	143
Interbank liabilities	35,611	45,697	35,176
Demand deposits	9,047	12,960	13,452
Time deposits	26,564	32,737	21,724
Other amounts due	340	106	111
Accrued interest payable	148	378	194
Total	**36,100**	**46,184**	**35,624**

12 – Customer deposits

in EUR millions	2003	2002	2001
Accounts and borrowings	10,177	8,966	7,363
Demand deposits	6,685	4,629	5,268
Time deposits	3,492	4,337	2,095
Securities delivered under repurchase agreements	18,949	13,551	6,607
Guarantee deposits	149	89	27
Other amounts due	49	125	248
Accrued interest payable	65	89	19
Total	**29,389**	**22,820**	**14,264**

13 – Debt securities

in EUR millions	2003	2002	2001
Interbank market and money market securities	21,418	17,827	15,450
Debenture loans (1)	5,462	4,804	6,771
Treasury notes and savings certificates	9	6	9
Other commercial paper	677	672	777
Accrued interest payable	253	312	404
Total (2)	**27,819**	**23,621**	**23,411**

(1) Convertible bonds
In 1993, Natexis SA issued 1,781,000 bonds, for a total amount of FRF 1.3 billion, convertible into shares at a rate of 1 share for 1 bond and redeemable in full on January 1, 2001.
As of December 31, 2001, all bonds had been redeemed.

(2) Issued directly by:

in EUR millions	2003	2002	2001
Natexis Banques Populaires	26,514	22,432	22,206
Natexis Factorem	677	672	777
Val A	129	152	181
Natexis Private Banking Luxembourg S.A.	141	139	135
Coface	250	120	-
Interfinance Natexis N.V.	99	99	99
Other	9	7	13
Total	**27,819**	**23,621**	**23,411**

14 – Deferred income, accrued charges and other liabilities

in EUR millions	2003	2002	2001
Trading account securities – liabilities on borrowed securities	2,872	2,339	2,478
Specific insurance accounts	2,472	2,441	2,331
Miscellaneous payables	2,249	1,980	1,404
Unearned income (1)	1,320	1,413	187
Contingent instruments sold	1,044	2,449	573
Accrued charges	1,016	805	747
Settlement accounts in respect of security transactions	559	641	447
Technical adjustments	420	213	928
Deferred tax	140	133	103
Payment accounts	98	94	424
Other	1,503	1,448	2,744
Total	**13,693**	**13,956**	**12,366**

(1) Including unearned income of EUR1,166 and 1,247 million, respectively, received in respect of the temporary holding of Vivendi Universal Publishing securities as of December 31, 2003 and December 31, 2002.

15 – Provisions for contingencies and losses

in EUR millions	2003	2002	2001
Provision for country risks	259	287	333
Provision for industry risks	200	137	145
Provision for specific credit risks	72	84	71
Provision for litigation (1)	15	16	21
Provision for off-balance sheet commitments	11	11	8
Provisions for employee-related liabilities (2)	156	143	92
Provision for major repairs	1	-	-
Provisions for future losses on index-based contracts	8	12	-
Provisions for forward financial instruments	9	19	9
Provisions for real estate promotion risks	5	6	5
Other provisions (3)	75	81	75
Total	**811**	**796**	**758**

(1) Provisions for litigation cover the risk of the bank compensating damages to a third party. When a third party invokes the liability of the bank during legal proceedings, the bank's legal department reviews the admissibility of the case by the courts and, where admissible, assesses potential damages. The provision is adjusted according to the progress of the legal proceedings (first instance, appeal, etc.).
Provisions for litigation recorded in the bank's financial statements cover most of the claims (repayment of damages, action for damages for unfair support or unjustified contract termination, etc.) instigated by customers or legal representatives.
In **2002,** the provisions for litigation were recorded under Specific credit risk provisions totaling EUR16 million. In 2001, litigation was covered by general provisions recorded under Provisions for industry risks (EUR13 million) and Provisions for specific risks (EUR8 million). The 2001 and 2002 figures were adjusted to facilitate the comparison.

(2) In **2001,** in accordance with Opinion n° 2001-G issued by the French National Accounting Institute Urgent Issues Taskforce, policies covering employee-related liabilities taken out by group companies with group insurance companies are eliminated on consolidation in the amount of premiums paid and the value of these contracts transferred from Mathematical provisions to Provisions for contingencies and losses – employee-related liabilities in the consolidated balance sheet. A total of EUR15 million was transferred in this way.

(2) In **2002,** the increase in employee-related liabilities (+EUR51 million) was due to changes in group structure with the full consolidation of Coface (+EUR34 million), an additional charge to provisions in respect of the Natexis Employment Assistance Plan (+EUR10 million), a charge to provisions in respect of the Early Cessation of Salaried Employment contracts (+EUR3 million) and miscellaneous adjustments (+EUR4 million).

(3) Movements in other provisions between 2001 and 2002 are due to changes group structure with the full consolidation of Coface in the amount of EUR5 million.

CHANGES IN PROVISIONS FOR CONTINGENCIES AND LOSSES

in EUR millions	**2002**	Charge	Utilization	Release	Other (1)	**2003**
Provision for country risks	287	16	(2)	(19)	(23)	259
Provision for industry risks	137	70	-	(1)	(5)	200
Provision for specific credit risks	84	41	(1)	(61)	9	72
Provision for litigation	16	3	(1)	(3)	-	15
Provision for off-balance sheet commitments	11	7	-	(3)	(3)	11
Provision for employee-related liabilities	143	24	(13)	-	2	156
Provision for major repairs	-	-	-	-	1	1
Provision for future losses on index-based contracts	12	2	-	(7)	-	8
Provisions for forward financial instruments	19	17	(12)	(15)	-	9
Provisions for real estate promotion risks	6	1	(2)	-	-	5
Other provisions	82	46	(48)	(2)	(4)	75
Total	**796**	**228**	**(79)**	**(110)**	**(24)**	**811**

(1) Translation adjustments and inter-account reclassifications.

16 – Long-term subordinated debt

in EUR millions	2003	2002	2001
Fixed-term subordinated debt (1)			
Subordinated securities	1,472	1,185	1,016
Subordinated loans	685	709	538
Subtotal	**2,157**	**1,894**	**1,554**
Perpetual subordinated debt			
Subordinated securities (2)	106	127	258
Subordinated loans	115	158	167
Subtotal	**221**	**285**	**425**
Total	**2,378**	**2,179**	**1,979**
Mutual guarantee deposits	3	3	4
Related liabilities	36	27	40
Total long-term subordinated debt (3)	**2,417**	**2,209**	**2,023**

(1) Redeemable subordinated notes and subordinated loans

Maturity	Currency	2003	2002	2001
2013	EUR	550	150	-
2012	EUR	334	334	14
2011	EUR	39	39	39
2010	FRF	9	9	9
2010	EUR	312	312	312
2009	FRF	56	56	56
2009	EUR	98	98	98
2008	FRF	2	2	2
2007	FRF	101	101	101
2006	FRF	186	154	154
2005	USD	246	297	353
2005	FRF	45	45	45
2004	FRF	31	31	31
2004	LUF	148	151	151
2003	LUF	-	50	50
2003	FRF	-	65	65
2002	LUF	-	-	74
Total		**2,157**	**1,894**	**1,554**

(2) Perpetual subordinated debt:

- of USD100 million at a post-swap rate of 12.7% and with an effective maturity date of February 25, 2004, treated as debt repayable as to capital in the accounts (see Note 2.8).

in EUR millions	2003	2002	2001
- amount in USD million	*7*	*20*	*31*
- euro equivalent	6	19	36
- convertible into Natexis Banques Populaires share, issued in May 1996 of USD150 million issued in December 1996 of USD100 million issued in February 1997	-	1	115
- Non-redeemable participating securities issued in 1985 by BFCE, where the remuneration comprises a fixed-dividend component payable at TAM x 45% (benchmark money market rate for variable issues) and a variable component linked to the year-on-year increase in consolidated net income	100	107	107
Total	**106**	**127**	**258**

(3) Borrowings by:			
Natexis Banques Populaires	2,246	2,009	1,800
ABP Vie	79	85	85
Interfinance	9	19	36
Natexis Factorem	33	33	33
Natexis Lease	16	16	16
Fructicomi	4	11	11
Natexis Private Banking Luxembourg S.A .	10	10	10
Natexis Arbitrage	10	10	10
Natexis Metals	-	-	5
Sofingest	5	5	5
Natexis Coficiné	2	2	2
Fructibail	-	2	2
SBFI	-	2	2
La Prospérité	-	2	2
Total	**2,414**	**2,206**	**2,019**

17 – Movements in equity and equivalents (per proposed appropriation of income)

in EUR millions	Common stock	Additional paid-in capital	Retained earnings (1)	Shareholders' equity before FGBR	FGBR	Total shareholders' equity	Minority interests
Equity and equivalents at 12/31/2001 after appropriation	**709**	**1,579**	**1,269**	**3,557**	**263**	**3,820**	**566**
Common stock issues	50	170	-	220	-	220	-
Currency translation adjustments	-	-	(74)	(74)	-	(74)	(64)
Changes in method (2)	-	-	1	1	-	1	-
Changes in group structure (3)	-	-	(54)	(54)	-	(54)	169
Other movements	-	-	1	1	(21)	(20)	-
Equity and equivalents at 12/31/2002 before appropriation	759	1,750	1,143	3,651	242	3,893	671
2002 Net income	-	-	108	108	-	108	56
Dividend distribution	-	-	(69)	(69)	-	(69)	(54)
Equity and equivalents at 12/31/2002 after appropriation	**759**	**1,750**	**1,182**	**3,691**	**242**	**3,933**	**673**
Common stock issues	10	41	-	51	-	51	-
Currency translation adjustments	-	-	(83)	(83)	-	(83)	(86)
Changes in method (4)	-	-	(7)	(7)	-	(7)	-
Changes in group structure (5)	-	-	-	-	-	-	190
Other movements (6)	-	-	(4)	(4)	-	(4)	-
Equity and equivalents at 12/31/2003 before appropriation	769	1,791	1,088	3,648	242	3,890	777
2003 Net income	-	-	265	265	-	265	58
Proposed dividend distribution	-	-	(120)	(120)	-	(120)	(51)
Equity and equivalents at 12/31/2003 after appropriation (7)	**769**	**1,791**	**1,233**	**3,793**	**242**	**4,035**	**784**

(1) Reserves, retained earnings, consolidation differences, revaluation reserves, translation reserves and consolidated net income attributable to the group.

(2)	Change in method regarding the amortization of the difference between the purchase and redemption price of inflation-indexed bonds	1
(3)	Of which: Natexis Bleichroeder Inc. goodwill	(107)
	Revaluation of the historical holding in Coface	53
	Total	**(54)**
(4)	Of which: Change in accounting method for net deferred tax assets regarding the first-time application of CRC regulation No. 2002-03	(7)
	Change in accounting method for net deferred tax assets regarding the provision for enforceability risks of insurance companies according to the terms and conditions of Decree No. 2003-1236 and Opinion No. 2004-B issued by the Urgent Issues Taskforce of the French National Accounting Council	(96)
	Reversal of the provision for enforceability risks in 2003 recognized in shareholders' equity within the limit of the opening adjustment	96
	Total	**(7)**
(5)	Of which: Natexis Preferred Capital III	170
	Sopromec	9
	LineBourse	8
	Other movements	4
	Total	**191**
(6)	Cancellation of treasury shares recorded under Long-term investments	(4)

(7) Minority interests in subsidiaries having issued preferred shares total EUR740 million

18 – Information concerning counterparty risk on derivatives

in EUR millions	2003	2002	2001
Breakdown of weighted risk equivalent by type of counterparty (net of collateral)			
Bankers	547	572	461
Customers	278	256	115

19 – Information concerning off-balance sheet outstandings (derivatives)

in EUR millions	2003	2002	2001
Off-balance sheet outstandings (nominal) on derivatives	**805,131**	**643,850**	**592,701**
Hedging transactions (micro and macro hedging)	286,299	247,368	145,767
Management of trading positions	518,832	396,482	446,934
	805,131	**643,850**	**592,701**
Transactions traded over-the-counter	681,804	563,322	544,708
Transactions on organized or equivalent markets	123,327	80,528	47,993
	805,131	**643,850**	**592,701**
Firm transactions	634,238	472,278	525,518
Contingent transactions	170,893	171,572	67,183
	805,131	**643,850**	**592,701**
Type of market			
Interest rate	539,155	404,194	459,029
Foreign exchange	197,240	180,924	96,512
Other	68,736	58,732	37,160
	805,131	**643,850**	**592,701**
Type of product			
Swaps	141,360	108,127	371,600
FRAs	274,728	207,394	26,427
Futures	96,164	59,128	42,942
Interest rate caps, floors and options	46,691	42,942	40,268
Other options	102,435	104,820	17,011
Forward currency transactions	121,967	97,503	84,543
Other	21,786	23,936	9,910
	805,131	**643,850**	**592,701**
Commitments on over-the-counter markets by period to maturity			
0 to 1 year	479,225	383,730	394,696
1 to 5 years	132,769	117,840	98,672
5 + years	69,810	61,752	51,340
Commitments on organized and equivalent markets by period to maturity			
0 to 1 year	110,728	78,316	47,407
1 to 5 years	2,819	872	415
5 + years	9,780	1,340	171
	805,131	**643,850**	**592,701**
Balance sheet outstandings related to derivatives			
Contingent instruments purchased	1,057	2,174	742
Contingent instruments sold	1,044	2,449	573

20 – Foreign currency transactions

NET POSITIONS ON- AND OFF-BALANCE SHEET

in EUR millions		2003		2002		2001	
Currency	Country of issue	Long	Short	Long	Short	Long	Short
USD	USA	-	(97)	177	-	-	(169)
GBP	UK	-	(60)	63	-	-	(10)
CAD	Canada	1	-	-	-	5	-
NOK	Norway	-	-	-	-	-	(2)
DKK	Denmark	-	(1)	2	-	-	(2)
JPY	Japan	9	-	-	(85)	1	-
CHF	Switzerland	-	(6)	-	-	-	-
Other		6	(5)	2	(26)	32	(13)
Total		**(153)**		**133**		**(158)**	

21 – Interest income

in EUR millions	2003	2002	2001
Interbank transactions	1,884	2,328	1,488
Customer transactions	1,120	1,977	2,354
Lease financing and equivalent	289	304	339
Bonds and other fixed income securities	814	1,136	1,085
Macro-hedging transactions	3	3	6
Total	**4,110**	**5,748**	**5,272**

22 – Interest expense

in EUR millions	2003	2002	2001
Interbank transactions	(1,816)	(2,456)	(2,457)
Customer transactions	(496)	(1,259)	(1,037)
Lease financing and equivalent	(3)	(4)	(4)
Bonds and other fixed income securities	(1,127)	(1,331)	(1,582)
Macro-hedging transactions	(3)	(6)	(16)
Other interest expenses	-	-	-
Total	**(3,445)**	**(5,056)**	**(5,096)**

23 – Income from variable income securities

in EUR millions	2003	2002	2001
Securities held for sale	5	7	4
Equity securities held for investment	16	18	21
Investments in affiliates	21	15	23
Total	**42**	**40**	**48**

24 – Net fee and commission income

in EUR millions	2003	2002	2001
Fee and commission income from:			
Customer transactions	355	274	236
Other financial services	331	224	204
Securities transactions	191	171	232
Other commitments given	4	161	151
Payment services	138	121	116
Financing commitments	40	32	23
Forward financial instruments	20	23	24
Guarantee commitments	11	9	8
Foreign exchange transactions	2	2	2
Interbank transactions	2	1	5
Total	**1,094**	**1,018**	**1,001**
Fee and commission expenses on:			
Insurance activities	(235)	(175)	(114)
Other financial services	(155)	(182)	(180)
Securities transactions	(43)	(49)	(68)
Payment services	(40)	(39)	(38)
Interbank transactions	(25)	(24)	(28)
Forward financial instruments	(24)	(25)	(18)
Other commitments received	(8)	(12)	(4)
Guarantee commitments	(3)	(1)	(1)
Customer transactions	0	(12)	(1)
Total	**(533)**	**(519)**	**(452)**
Net fee and commission income	**561**	**499**	**549**

25 – Net gains/(losses) on trading account securities

in EUR millions	2003	2002	2001
Net gains/(losses) on trading account securities	126	(11)	(222)
Net gains/(losses) on foreign exchange transactions	(2)	40	5
Net gains/(losses) on forward financial instruments	(3)	(88)	613
Total	**121**	**(59)**	**396**

26 – Net gains on securities held for sale

in EUR millions	2003	2002	2001
Securities held for sale			
Gains on disposal	88	58	266
Losses on disposal	(14)	(8)	(11)
Charges to provisions	(119)	(115)	(96)
Reversals from provisions	118	70	51
Purchase costs	-	-	-
Subtotal	**73**	**5**	**210**
Equity securities held for investment			
Gains on disposal	88	136	236
Losses on disposal	(22)	(73)	(137)
Charges to provisions	(85)	(112)	(65)
Reversals from provisions	73	51	50
Equity securities held for investment disposal costs	(1)	(3)	(1)
Subtotal	**53**	**(1)**	**83**
Net gains	**126**	**4**	**293**

27 – Gross margin on insurance operations

in EUR millions	2003	2002	2001
Life insurance premiums	2,218	2,098	1,996
Non-life insurance premiums	703	335	48
Net income from financial investments	965	151	358
Service costs	(2,210)	(2,040)	(1,694)
Net charge to technical reserves	(982)	(149)	(504)
Total	**694**	**395**	**204**

28 – Other net banking income

in EUR millions	2003	2002	2001
Real estate sales and rental income recorded by real estate subsidiaries	16	18	11
IT services	61	46	42
Credit management services (information and debt management)	85	41	-
Other	8	3	6
Total	**170**	**108**	**59**

29 – General operating expenses

in EUR millions	2003	2002	2001
Personnel costs			
Wages and salaries	632	500	420
Social security contributions (1)	274	224	184
Profit-sharing and incentive schemes	38	21	30
Payroll taxes	48	40	35
Recharged costs	(11)	(9)	(19)
Subtotal	**981**	**776**	**650**
Other administrative costs			
Taxes other than corporate income tax	67	67	64
External services	624	565	510
Recharged costs	(21)	(29)	(40)
Subtotal	**670**	**603**	**534**
General operating expenses	**1,651**	**1,379**	**1,184**
Average number of employees (full time equivalent)	11,877	9,875	7,458
(1) Including retirement costs	86	70	51

30 – Provisions for loan losses and country risks

in EUR millions	2003	2002	2001
On loans	**(139)**	**(166)**	**(162)**
Charges to provisions	(187)	(204)	(220)
Reversals from provisions	168	165	174
Losses covered	(128)	(125)	(114)
Losses not covered	(9)	(8)	(9)
Recoveries on debts already provided	17	6	6
On securities	**(29)**	**(45)**	**(20)**
Charges to provisions	(42)	(62)	(31)
Reversals from provisions	13	17	11
Net charge against assets	**(168)**	**(211)**	**(182)**
On contingencies and off-balance sheet commitments			
Charges	(129)	(134)	(151)
to provisions for contingencies	(124)	(130)	(146)
to provisions for signature commitments	(5)	(4)	(5)
Reversals	85	152	149
from provisions for contingencies	81	147	141
from provisions for signature commitments	4	5	8
Net charge against liabilities	**(43)**	**18**	**(2)**
Total	**(211)**	**(193)**	**(184)**

in EUR millions	2002	Charges	Reversals	NBI*	Other**	2003
Movements in provisions						
Non-performing loans & debtors	728	187	(168)	-	(21)	726
Non-performing securities	121	42	(13)	2	(49)	103
Country and industry risks (liabilities)	424	86	(21)	-	(28)	460
Specific credit risks (liabilities)	111	43	(64)	(2)	11	98
Total	**1,383**	**358**	**(266)**	**0**	**(88)**	**1,387**

*Provisions for unpaid interest are recorded within NBI.
**Other primarily consists of translation differences and inter-account reclassifications.

31 – Net gains/(losses) on disposals of fixed assets

in EUR millions	2003	2002	2001
Long-term investments			
Gains			
Investments in affiliates and other securities held for investment	34	51	23
Debt securities held for investment	1	1	1
Losses			
Investments in affiliates and other securities held for investment	(9)	(17)	(20)
Debt securities held for investment	(16)	(5)	(15)
Charges to provisions			
Investments in affiliates and other securities held for investment	(21)	(10)	(15)
Debt securities held for investment	-	-	-
Reversals from provisions			
Investments in affiliates and other securities held for investment	16	24	20
Debt securities held for investment	7	-	-
Subtotal	**12**	**44**	**(6)**
Property and equipment and intangible assets	**1**	**9**	**9**
Total	**13**	**53**	**3**

32 – Exceptional items

in EUR millions	2003	2002	2001
Restructuring costs			
Charge to the provision	-	-	-
Exceptional charges	-	-	(11)
Reversal of the provision	-	-	11
Personnel costs			
Charge to the provision	-	(15)	-
Exceptional charges	(5)	-	(4)
Reversal of the provision	5	-	4
IT convergence and euro costs			
Charge to the provision	-	-	-
Exceptional charges	-	-	(17)
Reversal of the provision	-	-	17
Other exceptional items			
Other exceptional charges (1)	(31)	(1)	-
Other exceptional income (2)	54	1	6
Net income of defeasance and put-option structures			
Charge to country risk provisions for loans hedged by options	-	(6)	-
Exceptional income from first consolidation of Edval and Worledge structures	-	6	-
Net loss from the first-time consolidation of companies in the scope of consolidation	(10)	-	-
Market guarantee funds	-	(1)	(3)
Total	**13**	**(16)**	**3**

(1) Of which mainly revised VAT assessment expense.

(2) Of which an accrued subsidy from the parent company totaling EUR30 million and income from VAT and payroll tax abatement totaling EUR24 million.

33 – Corporate income tax

in EUR millions	2003	2002	2001
Current tax charge	(137)	(44)	(62)
Tax group	(108)	(23)	(28)
Other French subsidiaries	(13)	(16)	(14)
Foreign subsidiaries	(3)	2	(9)
Foreign branches	(14)	(7)	(11)
Deferred tax	(17)	31	(17)
Total	**(154)**	**(13)**	**(79)**

33.1 – Reconciliation of the tax charge per the financial statements and the theoretical tax charge

in EUR millions	2003	2002	2001
plus:			
Net income	265	108	291
Minority interests	58	55	58
Corporate income tax charge	154	13	79
Goodwill amortization	64	38	20
less:			
Income from companies accounted for by the equity method	(10)	(3)	(13)
= Consolidated accounting net income before tax, goodwill amortization, and income from companies accounted for by the equity method	532	211	435
plus/minus permanent timing differences (1)	(194)	(209)	(185)
= Consolidated tax income	338	2	250
x Standard tax rate	33.33%	33.33%	33.33%
= Theoretical tax charge	(113)	(1)	(83)
plus:			
Contributions and minimum annual tax charges	(8)	(3)	(7)
Income taxed at reduced rates	(29)	(16)	(2)
Losses of the period restricted in the interests of prudence (2)	(13)	(25)	-
Impact of tax grouping	23	21	6
Impact of foreign subsidiary income taxed at different rates	(2)	(4)	1
Revised tax assessments	(31)	6	(16)
Tax credits	7	11	15
Other	13	(2)	7
= Corporate income tax charge for the year	(154)	(13)	(79)

(1) The main deductions in respect of permanent timing differences concern the tax-exempt net income of venture capital subsidiaries and subsidiaries which have issued preferred shares, the dividends of which are treated as interest expenses for tax purposes.

(2) In 2001, losses restricted in the interest of prudence were included in "Other" as immaterial in amount.

34 – Income statement analysis by activity sector

in EUR millions	Financing	Investment Banking	Services	Coface	Other	Total
Net Banking Income	**968**	**304**	**603**	**488**	**92**	**2,455**
General operating expenses, depreciation, amortization and provisions	(406)	(305)	(447)	(410)	(171)	(1,739)
Gross operating income/(loss)	**562**	**(1)**	**156**	**78**	**(79)**	**716**
Provisions for loan losses and country risks	(188)	(15)	(3)	-	(5)	(211)
Operating income/(loss)	**374**	**(16)**	**153**	**78**	**(84)**	**505**
Income/(loss) before exceptional items and tax	**382**	**(46)**	**149**	**81**	**(38)**	**528**

34.1 – Contribution of fully consolidated non-banking companies to consolidated net income

The principal fully consolidated companies belong to the Natexis Assurances business line (Natexis Life, ABP Prévoyance, ABP Vie, La Prosperité, Vitalia Vie and Bancassurance Popolari), and the Coface consolidated group.

	2003		2002		2001	
in EUR millions	Contrib. to consolidated net income	Insurance underwriting income	Contrib. to consolidated net income	Insurance underwriting income	Contrib. to consolidated net income	Insurance underwriting income
Interest margin	(11)	(5)	-	-	11	11
Net fee and commission income	(128)	(234)	(112)	(157)	(90)	(91)
Net gains/(losses) on securities held for sale	-	-	(3)	-	-	-
Gross margin on insurance operations	694	718	395	385	204	186
Other net banking income	85	-	41	-	-	-
Net Banking Income	**640**	**479**	**321**	**228**	**125**	**106**
General operating expenses	(444)	(339)	(231)	(169)	(53)	(42)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets	(24)	(16)	(9)	(10)	(1)	(1)
Gross operating income	**172**	**124**	**81**	**49**	**71**	**63**
Provisions for loan losses and country risks	-	-	-	-	-	-
Operating income	**172**	**124**	**81**	**49**	**71**	**63**
Income from companies accounted for by the equity method	4	-	-	-	-	-
Net gains/(losses) on disposals of fixed assets	-	-	2	-	-	-
Income before exceptional items and tax	**176**	**124**	**83**	**49**	**71**	**63**
Exceptional items	(4)	-	(1)	-	-	-
Underwriting income	**-**	**124**	**-**	**49**	**-**	**63**
Corporate income tax	(66)		(28)		(17)	
Goodwill amortization	(3)		-		-	
Minority interests	(3)		-		-	
Net income	**100**		**54**		**54**	

35 – Management compensation

in EUR	2003	2002	2001
Natexis Banques Populaires Directors (1)	182,390	210,145	188,185
Executive Management (2)	2,870,304	3,749,423	3,169,501

(1) In 2003, as in previous years, Directors' fees paid to Board members included a fixed portion (EUR1,525 per year and per Director) and a variable portion (EUR1,220 per Board meeting and per Director).
Members of the Financial Statements Review Committee, the Audit Committee and the Compensation Committee received in addition EUR915 per meeting and per Director.
This compensation is paid in full at the end of the year.

(2) Total gross compensation paid to members of the Natexis Banques Populaires Executive Management Committee during their term of office during the period, including to the Chairman, the Chief Executive Officer and the Deputy Chief Operating Officer (see Note 35 A).
Number of Executive Management Committee members: 9 in 2003; 11 in 2002; 12 in 2001.

35 A – Executive officer compensation

Total gross compensation paid to executive officers was as follows:

in EUR	2003	2002	2001
Chairman	338,000	293,002	306,000
Chief Executive Officer (01/01/2002 to 10/31/2002)	-	373,334	459,000
Chief Executive Officer, former Deputy Chief Operating Officer (10/15/2001 to 12/31/2001)	509,286	331,273	80,912

The number of share subscription options allotted in respect of offices held in the issuing company and associated undertakings was as follows:

in number	2003	2002	2001
Chairman	12,000	11,000	20,000
Chief Executive Officer (01/01/2002 to 10/31/2002)	-	11,000	20,000
Chief Executive Officer, former Deputy Chief Operating Officer (10/15/2001 to 12/31/2001)	12,000	5,500	4,500

36 – Comparative balance sheet - institutional activities

Assets

in EUR millions	2003	2002	2001
Interbank and money market assets	421	1,379	1,267
Customer loans	1,099	96	251
Accrued income, prepaid expenses and other assets	-	-	1
Total assets	**1,520**	**1,475**	**1,519**

Liabilities

in EUR millions	2003	2002	2001
Interbank and money market liabilities	515	1,453	1,279
Customer deposits	1,137	106	36
Debt securities	-	-	305
Deferred income, accrued charges and other liabilities	98	108	106
Total liabilities	**1,750**	**1,667**	**1,726**

in EUR millions	2003	2002	2001
COMMITMENTS GIVEN			
Banking operations	**5**	**9**	**41**
Financing commitments given	-	-	13
Guarantees given	5	9	28

37 – Debt maturity analysis

December 31, 2003 in EUR millions	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Perpetual	Total
Assets						
Loans and advances to banks	9,470	23,390	8,234	2,811	-	43,905
Customer loans	10,772	3,636	6,285	3,762	-	24,455
Lease financing	292	849	2,820	1,266	-	5,227
Bonds and other fixed income securities	4,074	2,021	5,175	2,995	-	14,265
Total	**24,608**	**29,896**	**22,514**	**10,834**	**0**	**87,852**
Liabilities						
Loans and advances from banks	3,671	18,666	3,700	526	-	26,563
Customer deposits	17,582	1,292	104	434	-	19,412
Debt securities	11,621	7,585	7,819	540	-	27,565
Long-term subordinated debt	12	167	580	1,398	221	2,378
Total	**32,886**	**27,710**	**12,203**	**2,898**	**221**	**75,918**

38 - Companies included in the scope of consolidation in 2001, 2002 and 2003

		2003 %		2002 %		2001 %	
	Activity	control	interest**	control	interest**	control	interest**
Consolidated subsidiaries							
ADG COFACE ALLGEMEINE DEBITOREN GESELLSCHAFT	Information and debt management services	75	74	75	74	(2)	(2)
AK COFACE FINANZ GMBH (formerly ALLGEMEINE KREDIT FINANZ SERVICE AKFS)	Factoring company	100	98	100	98	(2)	(2)
AK COFACE HOLDING (formerly COFACE VERMÖGENSVERWALTUNG GMBH)	Holding company	100	98	100	98	(2)	(2)
ALLGEMEINE KREDIT COFACE INFORMATIONS GMBH (AKI)	Information and debt management services	100	98	100	98	(2)	(2)
ALLGEMEINE KREDIT COFACE (AK COFACE)	Credit insurance and services	100	98	100	98	(2)	(2)
ASSET BACKED MANAGEMENT CORPORATION	Securitized security arbitrage	100	100	100	100	100	100
ASSURANCES BANQUE POPULAIRE PREVOYANCE (formerly Fructiprévoyance)	Personal Risk Insurance	100	100	100	100	100	100
ASSURANCES BANQUE POPULAIRE VIE (formerly Fructivie)	Life Insurance	100	100	100	100	100	100
ASSURCREDIT*	Credit insurance and services	40	39	-	-	-	-

	Activity	2003 % control	2003 % interest **	2002 % control	2002 % interest **	2001 % control	2001 % interest**
AUXILIAIRE ANTIN	Real estate company	100	100	100	100	100	100
AXELTIS LTD (Asset Square London)	Mutual fund distribution	100	100	100	100	-	-
BAIL EXPANSION	Lease financing	100	100	100	100	100	100
BANCASSURANCE POPOLARI	Life Insurance	51	51	51	51	51	51
BANQUE PRIVEE ST DOMINIQUE	Private asset management	100	100	100	100	100	100
BPSD GESTION	Private asset management	100	100	100	100	100	100
CFJPE	Private equity	(17)	(17)	(17)	(17)	(17)	50
CIMCO SYSTEMS LTD	Information and debt management services	100	98	100	98	(2)	(2)
CITA	Private equity	(1)	(1)	(1)	(1)	25	25
CO-ASSUR	Insurance broker	100	100	100	100	100	100
COFACE	Credit insurance and services	98	98	98	98	(2)	(2)
COFACE CREDIT MANAGEMENT SERVICES	Information and debt management services	100	98	100	98	-	-
COFACE DEBT PURCHASE	Information and debt management services	100	98	100	98	(2)	(2)
COFACE EXPERT	Training services	100	98	100	98	(2)	(2)
COFACE HOLDING NORTH AMERICA	Holding company	100	98	100	98	(2)	(2)
COFACE INSURANCE NORTH AMERICA	Credit insurance and services	100	98	-	-	-	-
COFACE INTERCREDIT BULGARIA	Information and debt management services	100	73	65	48	(2)	(2)
COFACE INTERCREDIT HRATSKA (CROATIA)	Information and debt management services	100	73	100	73	(2)	(2)
COFACE INTERCREDIT CZECHIA	Information and debt management services	97	71	97	71	(2)	(2)
COFACE INTERCREDIT HUNGARY	Information and debt management services	100	73	100	73	(2)	(2)
COFACE INTERCREDIT HOLDING AG	Holding company	75	73	75	73	(2)	(2)
COFACE INTERCREDIT POLAND	Information and debt management services	97	71	97	71	(2)	(2)
COFACE INTERCREDIT ROMANIA	Information and debt management services	60	44	60	44	(2)	(2)
COFACE INTERCREDIT SLOVAKIA	Information et gestion de créances	100	73	100	73	(2)	(2)
COFACE INTERCREDIT SLOVENIA	Information and debt management services	60	44	60	44	(2)	(2)
COFACE ITALIA	Holding company	100	98	100	98	(2)	(2)
COFACE MOPE	Information and debt management services	100	98	100	98	(2)	(2)
COFACE NORTH AMERICA	Credit insurance and services	100	98	100	98	(2)	(2)
COFACE RECEIVABLE MANAGEMENT (formerly VERITAS BRAZIL)	Information and debt management services	(12)	(12)	100	98	(2)	(2)
COFACE SCRL	Information and debt management services	(21)	(21)	100	98	(2)	(2)
COFACE SCRL (formerly Coface Scrl Participations)	Information and debt management services	100	98	100	98	(2)	(2)
COFACE SERVICE (formerly La Viscontea Servizi)	Information and debt management services	100	98	100	98	(2)	(2)
COFACE SERVICE ECUADOR (formerly VERITAS ANDINA)	Information and debt management services	100	98	100	98	(2)	(2)

	Activity	2003 % control	interest**	2002 % control	interest**	2001 % control	interest**
COFACE SERVICES COLOMBIA (formerly VERITAS COLOMBIA)	Information and debt management services	100	98	100	98	(2)	(2)
COFACE SERVICES NORTH AMERICA GROUP (formerly VERITAS SOUTH AMERICAN CORPORATION)	Holding company	100	98	100	98	(2)	(2)
(COFACE SERVICES PERU (formerly VERITAS PERU)	Information and debt management services	100	98	100	98	(2)	(2)
COFACE SERVICES VENEZUELA (formerly VERITAS VENEZUELA)	Information and debt management services	100	98	100	98	(2)	(2)
COFACE SERVICIOS (formerly VERITAS CHILE)	Information and debt management services	100	98	100	98	(2)	(2)
COFACE SERVICIOS MEXICO SA DE CV (formerly Informes Veritas)	Information and debt management services	100	98	100	98	(2)	(2)
COFACE UK (formerly London Bridge Finance Group)	Holding company	100	98	100	98	(2)	(2)
(COFACE UK SERVICES LTD (formerly Cofacerating.uk)	Information and debt management services	100	98	100	98	(2)	(2)
COFACERATING HOLDING	Information and debt management services	100	98	100	98	(2)	(2)
COFACERATING.AT	Information and debt management services	(13)	(13)	100	92	(2)	(2)
COFACERATING.COM	Information and debt management services	100	98	100	98	(2)	(2)
COFACERATING.DE	Information and debt management services	100	98	100	98	(2)	(2)
COFACERATING.FR	Information and debt management services	100	98	100	98	(2)	(2)
COFACERATING.IT	Information and debt management services	100	98	100	98	(2)	(2)
COFACERATING.SP	Information and debt management services	100	98	-	-	-	-
COFACERATING.US	Information and debt management services	(12)	(12)	100	98	(2)	(2)
COFINPAR	Credit insurance and services	100	98	100	98	(2)	(2)
COGERI	Information and debt management services	100	98	100	98	(2)	(2)
COGESTIMMO	Real estate company	(1)	(1)	100	98	(2)	(2)
COMPAGNIE FONCIERE NATEXIS	Real estate investment	100	100	100	100	100	100
CREDICO LTD (formerly Cimco Ltd)	Information and debt management services	100	98	100	98	(2)	(2)
CREDITORS GROUP HOLDING LTD	Information and debt management services	100	98	100	98	(2)	(2)
CREDITORS GROUP LTD	Information and debt management services	100	98	100	98	(2)	(2)
CRISTAL NEGOCIATIONS	Realtor	100	100	100	100	100	100
DOMIMUR	Rental of professional premises	100	100	100	100	100	100
DUPONT-DENANT CONTREPARTIE	Investment company	50	50	50	50	50	50
ECRINVEST 6 (formerly IMMOBILIERE NATEXIS)	Real estate investment	100	100	100	100	100	100
EDVAL C INVESTMENTS Ltd	Country risk defeasance structure	100	100	100	100	-	-
E-MARKET	IT Services	100	100	-	-	-	-
ENERGECO	Equipment lease financing	100	100	100	100	100	100
FCPR NATEXIS INDUSTRIE	Growth capital	100	100	-	-	-	-

	Activity	2003 % control	2003 % interest**	2002 % control	2002 % interest**	2001 % control	2001 % interest**
FIMIPAR	Debt purchase	100	98	100	98	(2)	(2)
FINANCIERE CLADEL	Investment company	100	100	100	100	100	100
FINANCIERE NATEXIS SINGAPOUR	International investment fund holding company	100	100	-	-	-	-
FINATEM	International investment fund	90	90	-	-	-	-
FONCIERE KUPKA	Real estate investment	100	100	100	100	100	100
FRUCTIBAIL	Real estate lease financing	100	100	100	100	100	100
FRUCTICOMI	Real estate lease financing	100	100	100	100	100	100
FRUCTIGESTION	Holding company	(11)	(11)	100	100	100	100
INITIATIVE ET FINANCE INVESTISSEMENT	Buy-out/Buy-in financing	92	77	92	77	92	75
INTERFINANCE NATEXIS N.V.	International loan issues	100	100	100	100	100	100
JI INTERNATIONAL	Information and debt management services	(12)	(12)	100	98	(2)	(2)
KOMPASS BILGI	Marketing and other services	70	69	-	-	-	-
KOMPASS CZECH REPUBLIC	Marketing and other services	93	91	-	-	-	-
KOMPASS HOLDING (Sub-group)	Holding company	100	98	-	-	-	-
KOMPASS INTERNATIONAL NEUENSCHWANDER	Holding company	100	98	100	98	-	-
KOMPASS JAPAN	Marketing and other services	100	98	-	-	-	-
KOMPASS POLAND	Marketing and other services	100	98	-	-	-	-
KOMPASS SOUTH EAST ASIA	Marketing and other services	100	98	-	-	-	-
KOMPASS UNITED STATES	Marketing and other services	100	98	-	-	-	-
LA PROSPERITE (14)	Life Insurance	(14)	(14)	82	82	82	82
LBF LTD (formerly The Creditors Information Co Ltd)	Information and debt management services	100	98	100	98	(2)	(2)
LINEBOURSE (15)	On-line broking	51	51	100	100	100	100
MERCOSUL	International investment fund	100	100	-	-	-	-
NATEXIS ACTIONS AVENIR (4)	Growth capital	75	74	79	77	80	78
NATEXIS ACTIONS CAPITAL STRUCTURANT	Growth capital	74	72	-	-	-	-
NATEXIS ACTIONS NOUVEAUX MARCHES (4)	Growth capital	80	77	81	77	81	77
NATEXIS ALGERIE (formerly AL AMANA BANQUE)	Bank	100	100	100	100	100	100
NATEXIS ALTAIR (formerly +X Altaïr)	IT services	100	100	100	100	100	100
NATEXIS AMBS	Preferred share issues	51	34	50	20	50	17
NATEXIS ARBITRAGE (formerly SPAFIN)	Share and derivative arbitrage	100	100	100	100	100	100
NATEXIS ASSET MANAGEMENT (formerly B.P.A.M.) (6)	Management of Collective Savings Schemes	100	100	100	100	70	70
NATEXIS ASSET SQUARE (formerly Asset Square)	Mutual fund distribution	100	100	100	100	100	100

	Activity	2003 % control	2003 % interest**	2002 % control	2002 % interest**	2001 % control	2001 % interest**
NATEXIS ASSURANCES (formerly Assurances Banque Populaire)	Insurance company holding company	100	100	100	100	100	100
NATEXIS BAIL	Real estate lease financing	100	100	100	100	100	100
NATEXIS BLEICHROEDER INC	Investment company	100	100	100	100	-	-
NATEXIS BLEICHROEDER SA (formerly NATEXIS CAPITAL)	Investment company	100	100	100	100	100	100
NATEXIS BLEICHROEDER UK	Investment company	100	100	-	-	-	-
NATEXIS CAPE	International investment fund	99	85	-	-	-	-
NATEXIS COFICINE (formerly Coficiné)	Financial company (audio-visual)	93	93	93	93	93	93
NATEXIS EPARGNE ENTREPRISE (5)	Employee savings management company	100	100	100	100	-	-
NATEXIS FACTOREM (formerly Factorem)	Factoring company	100	100	100	100	100	100
NATEXIS FINANCE	Merger advisory services	100	100	100	100	100	100
NATEXIS IMMO DEVELOPPEMENT (formerly SOFEP)	Real estate construction and renovation company	100	100	100	100	100	100
NATEXIS IMMO EXPLOITATION (formerly INVEST SIGMA)	Real estate company	100	100	100	100	100	100
NATEXIS IMMO PLACEMENT (formerly Fructiger) (3)	Real estate management	100	100	100	100	90	90
NATEXIS INDUSTRIE	Growth capital	100	100	100	90	100	93
NATEXIS INTEREPARGNE (formerly Interépargne) (6)	Employee savings management company	100	100	100	100	50	50
NATEXIS INTERTITRES	Service voucher management	100	100	-	-	-	-
NATEXIS INVERSIONES	International investment fund	100	100	-	-	-	-
NATEXIS INVESTISSEMENT (formerly SOFININDEX)	Growth capital	99	90	99	93	99	93
NATEXIS INVESTMENT ASIA	International investment fund	100	100	-	-	-	-
NATEXIS INVESTMENT CORP.	Portfolio management	100	100	100	100	100	100
NATEXIS LEASE (formerly Bail Banque Populaire)	Equipment lease financing	100	100	100	100	100	100
NATEXIS LIFE (formerly Fructilife)	Life Insurance	100	96	100	96	100	96
NATEXIS LUXEMBOURG	Bank	100	100	100	100	100	100
NATEXIS METALS (formerly SOGEMIN) (16)	Precious metal broker	100	100	80	80	80	80
NATEXIS PAIEMENTS (formerly BPL)	Banking services	100	100	100	100	100	100
NATEXIS PRAMEX ASIA LTD	International commerce promotion and operations	100	99	100	99	-	-
NATEXIS PRAMEX DEUTSCHLAND	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX France	International commerce promotion and operations	100	99	-	-	-	-
NATEXIS PRAMEX IBERICA SA	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX INTERNATIONAL (formerly Pramex International)	International commerce promotion and operations	99	99	99	99	99	99

	Activity	2003 % control	2003 % interest**	2002 % control	2002 % interest**	2001 % control	2001 % interest**
NATEXIS PRAMEX NORTH AMERICA CORP.	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX POLSKA	International commerce promotion and operations	100	99	100	99	-	-
NATEXIS PRAMEX UK LTD	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRIVATE BANKING LUXEMBOURG SA (formerly BP LUXEMBOURG)	International asset management	88	88	88	88	88	88
NATEXIS PRIVATE EQUITY (formerly FNBP)	Private equity	100	100	100	100	100	100
NATEXIS PRIVATE EQUITY ASIA	Management company (private equity)	(1)	(1)	100	100	100	100
NATEXIS PRIVATE EQUITY INTERNATIONAL	Private equity	100	100	100	100	100	100
NATEXIS VENTURE SELECTION	Investment fund	100	100	-	-	-	-
NBP INVEST	Mutual funds	100	100	100	100	100	100
NBP PREFERRED CAPITAL I (formerly Natexis preferred shares)**	Preferred share issues	100	100	100	100	100	100
NBP PREFERRED CAPITAL II**	Preferred share issues	100	100	100	100	-	-
NBP PREFERRED CAPITAL III**	Preferred share issues	100	100	-	-	-	-
NEM 2	Management company (private equity)	88	88	88	88	88	88
NXBP1 (formerly NATEXIS GESTION)	Holding company	100	100	100	100	100	100
OKV KREDITINFORMATIONS GMBH (OKI)	Information and debt management services	100	92	100	92	(2)	(2)
OSTERREICHISCHE KREDITVERSICHERUNGS COFACE (OKV COFACE)	Credit insurance and services	94	92	94	92	(2)	(2)
PRAMEX ITALIA SRL	International commerce promotion and operations	100	51	100	51	100	49
PROXIGMA (formerly SPATITRES) (19)	IT services	100	100	100	100	100	100
REACOMEX	Credit insurance and services	(1)	(1)	100	98	(2)	(2)
S.A.G.P	Investment company	100	100	100	100	100	100
S.A.S. MONTMARTRE 1	Recovery of mutual fund assets	(1)	(1)	100	100	100	100
S.C.I. ALTAIR 1 (20)	Real estate company	100	100	70	70	70	70
S.C.I. ALTAIR 2 (20)	Real estate company	100	100	70	70	70	70
S.C.I. VALMY COUPOLE	Real estate company	100	100	100	100	100	100
SAMIC	IT services	76	76	70	70	70	70
SEGEX	Investment company	100	100	100	100	100	100
SEPIA	Portfolio company	100	100	100	100	100	100
SLIB	IT services	100	100	100	100	100	100
SOCIETE DE BANQUE FRANCAISE ET INTERNATIONALE	Bank	100	100	100	100	100	100

		2003		2002		2001	
		%		%		%	
	Activity	control	interest**	control	interest**	control	interest**
SOCIETE FINANCIERE DE LA BFCE	Portfolio company	100	100	100	100	100	100
SOCIETE IMMOBILIERE A.B.C. (10)	Real estate company	(10)	(10)	100	100	100	100
SODETO	Portfolio company	100	100	100	100	100	100
SOFINGEST	Secondary debt market operator	100	100	100	100	100	100
SOGAFI	Bond company	100	100	100	100	100	100
SOPRANE ASSURANCES	Private asset management	100	100	100	100	100	100
SOPROMEC	Private equity	78	78	-	-	-	-
SPAFICA	Real estate investment	100	100	100	100	100	100
SPEF	Private equity	(7)	(7)	(7)	(7)	100	100
SPEF DEVELOPPEMENT (8)	Venture capital mutual investment fund manager	100	100	100	100	100	100
SPEF LBO (9)	Venture capital mutual investment fund manager	100	100	100	100	-	-
SPEF VENTURE (formerly SOPAGEST)	Innovation mutual investment fund manager	100	100	100	100	100	100
UNISTRAT ASSURANCES	Credit insurance and services	50	49	50	49	(2)	(2)
VAL A	Investment Portfolio Management	98	98	98	98	98	98
VERITAS ARGENTINA	Information and debt management services	100	98	100	98	(2)	(2)
VERITAS BUSINESS INFORMATION	Information and debt management services	(12)	(12)	100	98	(2)	(2)
VERITAS CARIBBEAN CORPORATION	Information and debt management services	(12)	(12)	100	98	(2)	(2)
VERITAS CREDIT CORPORATION	Information and debt management services	(12)	(12)	100	98	(2)	(2)
VERITAS DE CENTRO AMERICA	Information and debt management services	100	98	100	98	(2)	(2)
VERITAS PUERTO RICO CORP.	Information and debt management services	100	98	100	98	(2)	(2)
VILLCOMM	Real estate investment	(1)	(1)	(1)	(1)	100	100
VISCONTEA COFACE	Credit insurance and services	100	98	100	98	(2)	(2)
VITALIA VIE	Life Insurance	100	100	100	100	100	100
WORLEDGE A INVESTMENTS Ltd	Country risk put-option structure	100	100	100	100	-	-
ZAO NATEXIS BANQUES POPULAIRES	Foreign bank	100	100	100	100	-	-
Companies accounted for by the equity method							
ADIR	Asset damage insurance	34	34	-	-	-	-
ASSURANCES BANQUE POPULAIRE IARD (formerly Fructi-maaf)	Asset damage insurance	50	50	50	50	50	50
BP DEVELOPPEMENT (formely +X DEVELOPPEMENT)	Venture capital	28	28	33	33	33	33
CODINF SERVICES	Information and debt management services	30	29	30	29	(2)	(2)

	Activity	2003 % control	interest**	2002 % control	interest**	2001 % control	interest**
COFACE SA (2)	Credit insurance	-	-	19	19	19	19
COFACREDIT	Credit insurance and services	36	35	36	35	(2)	(2)
GRAYDON HOLDING	Information and debt management services	28	27	28	27	(2)	(2)
IDF NORD CROISSANCE	Private equity	(18)	(18)	33	33	33	33
IFCIC	Cinema and audio-visual sector guarantees	20	20	20	20	20	20
OFIVM	Custody and broking	34	34	34	34	34	34
SOCECA	Insurance broker	25	25	25	25	25	25
SOFINNOVA	Venture capital	(1)	(1)	24	23	24	24
SUD EST CROISSANCE	Private equity	(18)	(18)	25	25	25	25

* Consolidated on a proportional basis.

** In earnings: For those companies with share classes conferring different rights to earnings, the percentages indicated represent the group portion of their earnings; for those companies no longer within the scope of consolidation, the percentage indicated is that existing on the date of removal from scope. For companies with preferred shares, net income/(loss) is comprised of the company's net income/(loss) after payment of the preferred dividend to holders of preferred shares.

(1) Company removed from the scope of consolidation.
(2) Coface SA is accounted for by the equity method in December 2001 and for the first half of 2002. The Coface group is fully consolidated in the second half of 2002.
(3) Buy-out of minority interests (10%) bringing the group interest to 100%.
(4) Liquidated and transferred to Natexis Actions Capital Structurant on September 1, 2003.
(5) As a result of the spin-off of Natexis Interépargne.
(6) Buy-out of minority interests in 2002 increasing the group interest's to 100%.
(7) Merged with Natexis Private Equity (formerly FNBP) in 2002.
(8) After transfer of venture capital mutual investment fund manager and venture capital subsidiary activities of Spef and Spef Venture.
(9) After transfer of venture capital mutual investment fund manager activities of Spef Venture.
(10) After a partial asset transfer to Invest Sigma, the real estate company ABC was absorbed by Natexis Banques Populaires on March 31, 2002.
(11) Fructigestion was absorbed by Natexis Banques Populaires on November 25, 2002.
(12) Merger with Coface Services North America on May 1, 2003.
(13) Merger with OKV Kreditinformations during the first half of 2003.
(14) Merger with ABP Vie on September 8, 2003.
(15) Dilution following exercise of redeemable bonds by Banques Populaires in 2003.
(16) Buy-out of minority interests (20%) increasing the group's interest to 100%.
(17) Company sold outside the group on June 29, 2001.The 2001 consolidated income statement includes 50% of first-half income and expenses.
(18) Absorbed by +X Développement now BP Développement.
(19) Transfer of all assets and liabilities to Natexis Banques Populaires on June 29, 2003.
(20) Buy-out by Natexis Altaïr of shares held by Casden increasing the group's interest to 100%.
(21) Merger with Coface SCRL Participations in the second half of 2003, renamed Coface SCRL.

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' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion 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 caption or on information taken outside of the consolidated financial statements. Such report, together with the statutory auditors report addressing financial reporting in the Chairman of the Board of Directors report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

Dear Shareholders,

In accordance with our appointment as auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Natexis Banques Populaires, for the year ended December 31, 2003. The consolidated financial statements have been approved by the Board of Directors. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the group as of December 31, 2003 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the opinion expressed above, we draw your attention to Note 2.17 to the consolidated financial statements, which describes the changes in accounting methods made during the year, arising from the first-time application of CRC Regulation No. 2002-03 on the accounting treatment of credit risks in companies falling within the scope of the French Banking and Financial Regulation Committee and CRC Regulation No. 2002-10 on the depreciation and impairment of assets.

II – Justification of our assessments

Pursuant to Article L.225-235 of the French Commercial Code governing the justification of our assessments, as introduced by the French Financial Security Act of August 1, 2003, which applies for the first time this year, we hereby report on the following:

- your group records provisions to cover the risks arising from the performance of its activities. As part of our assessment of the significant estimates made by management to prepare the financial statements, we reviewed the control mechanism for monitoring credit risk, the assessment of risks of non-recovery and their coverage by both individual, as well as industry and country risk provisions;
- in addition, Note 2.17 to the consolidated financial statements describes a change in accounting method for non-performing loans pursuant to CRC Regulation No. 2002-03. As this concerns loans restructured in previous fiscal years at non-market conditions, the discount was deducted from shareholders' equity in the amount of EUR11 million. This change in method is justified by the application of the new regulation and the compliance of the accounting translation with current policies;
- as indicated in Note 9 to the Notes to the financial statements, and pursuant to the recommendation of the *Autorité des Marchés Financiers* (AMF), the French Securities Regulator, your Company, for the preparation of its financial statements for the year ended December 31, 2003 has valued intangible assets and goodwill recorded in the consolidated balance sheet based on an independent expert appraisal for the most material investments. As part of our assessment of the significant estimates made by management to prepare the financial statements, we familiarized ourselves with the conclusions of the independent expert and verified their inclusion in the consolidated balance sheet as of December 31, 2003.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the unqualified opinion in the first part of this report.

III. Specific procedures and disclosures

We have also verified the financial information contained in the group management report. We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

The Statutory Auditors,
March 29, 2004

DELOITTE TOUCHE TOHMATSU	RSM SALUSTRO REYDEL	BARBIER FRINAULT & AUTRES
Philippe Vassor	Michel Savioz	Richard Olivier / Olivier Durand

Auditors' report
on related party transactions

For the year ended December 31, 2003

In accordance with our appointment as auditors of your Company, we are required to report on related party transactions which have been brought to our attention.

Pursuant to Article L225-40 of the French Commercial Code, we hereby inform you that an agreement approved by your Board of Directors has been brought to our attention.

The terms of our engagement do not require us to identify any other such agreements, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article 92 of the Decree of March 23, 1967, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

We conducted our procedures in accordance with professional standards applicable in France. Those standards require that we agree the information provided to us with the relevant source documents.

With Banque Fédérale des Banques Populaires, a Company shareholder

Nature and purpose

Banque Fédérale des Banques Populaires granted the Company a financial subsidy in the amount of EUR30 million.

Terms and conditions

This transaction was authorized at the Board of Directors'meeting of November 19, 2003.

With Banque Privée Saint Dominique

Person involved: Mr. Alain Jacquier, Director.

Nature and purpose

The Company granted Banque Privée Saint Dominique a subsidy in the amount of EUR1.5 million.

Terms and conditions

This transaction was authorized at the Board of Directors' meeting of November 19, 2003.

The Statutory Auditors,

March 29, 2004

DELOITTE TOUCHE TOHMATSU	RSM SALUSTRO REYDEL	BARBIER FRINAULT & AUTRES
Philippe Vassor	Michel Savioz	Richard Olivier
		Olivier Durand

It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

Comparative parent company balance sheets

At December 31,

Assets

in EUR millions	note	2003	2002	2001
Cash, central banks and post office banks	1	15	77	194
Government securities and equivalent	1	4,088	4,874	6,125
Loans and advances to banks	1	48,331	41,718	21,666
of which institutional activities	16	421	1,379	1,267
Customer loans	2	25,964	29,449	33,085
of which institutional activities	16	1,099	96	251
Bonds and other fixed income securities	3	9,505	10,543	10,235
Equities and other variable income securities	3	785	1,277	1,536
Investments in affiliates and other securities held for investments	4	174	179	209
Investments in associated undertakings	4	3,989	3,926	2,659
Finance lease	2	7	-	-
Operating lease	2	7	-	-
Intangible assets	5	39	39	34
Property and equipment	5	94	103	97
Common stock subscribed not paid in		-	-	-
Treasury shares	4	130	73	47
Other assets	6	2,345	5,192	2,939
Accrued income and prepaid expenses	6	2,941	2,273	4,567
of which institutional activities	16	-	-	1
Total assets		**98,414**	**99,723**	**83,393**

Off-balance sheet items

in EUR millions	note	2003	2002	2001
Financing commitments	31	2,185	1,047	1,666
Commitments received from financial institutions		1,643	897	1,601
Commitments received from customers		542	150	65
Guarantee commitments	31	3,783	4,863	4,441
Guarantees received from financial institutions		1,692	1,771	645
Guarantees received from customers		2,091	3,092	3,796
of which institutional activities	*16*	*450*	*646*	*992*
Commitments on securities	31	674	335	152
Other commitments received	31	1,287	904	1,149

Liabilities & shareholders' equity

in EUR millions	note	2003	2002	2001
Cash, central banks and post office banks	*7*	1	3	143
Loans and advances from banks	*7*	35,930	45,640	32,379
of which institutional activities	*16*	515	1,453	1,279
Customer deposits	*8*	20,199	16,105	13,298
of which institutional activities	*16*	1,137	106	36
Debt securities	*9*	26,955	22,932	22,683
of which institutional activities	*16*	-	-	305
Other liabilities	*10*	5,338	5,846	4,001
Deferred income and accrued charges	*10*	2,829	2,561	4,900
of which institutional activities	*16*	-	4	12
Provisions for contingencies and losses	*11*	831	839	836
Long-term subordinated debt	*12*	2,770	2,391	2,044
Fund for General Banking Risks	*13*	236	245	274
Shareholders' equity		3,325	3,161	2,835
Common stock subscribed	*14*	769	759	709
Additional paid-in capital	*14*	1,786	1,746	1,579
Reserves	*14*	470	335	371
Revaluation difference	-	-	-	-
Tax-driven provisions & investment grants	*13A*	108	114	102
of which institutional activities	*16*	*98*	*104*	*94*
Retained earnings	*14*	(9)	1	-
Net income for the year	*14*	201	206	74
Total liabilities & shareholders' equity		**98,414**	**99,723**	**83,393**

Off-balance sheet items

in EUR millions	note	2003	2002	2001
Financing commitments	*31*	21,144	20,618	19,217
Commitments given in favor of financial institutions		2,330	3,619	3,507
Commitments given in favor of customers		18,814	16,999	15,710
of which institutional activities	*16*	-	-	*13*
Guarantee commitments	*31*	16,628	15,669	15,598
Commitments given on behalf of financial institutions		1,344	1,859	1,465
Commitments given on behalf of customers		15,284	13,810	14,133
of which institutional activities	*16*	*5*	*9*	*28*
Commitments on securities	*31*	53	271	563
Other commitments given	*31*	14	25	28

Comparative parent company income statements

Year ended December 31,

in EUR millions	note	2003	2002	2001
Interest income	17	3,874	5,452	5,121
Transactions with financial institutions		2,051	2,568	1,740
Customer transactions		1,114	1,944	2,397
Finance lease transactions		1	-	-
Operating lease transactions		1	-	-
Bonds and other fixed income securities		492	673	915
Other interest income		215	267	69
Interest expenses	18	(3,372)	(4,914)	(4,926)
Transactions with financial institutions		(1,878)	(2,430)	(2,653)
Customer transactions		(479)	(1,207)	(701)
Finance lease transactions		(1)	-	-
Operating lease transactions		(1)	-	-
Bonds and other fixed income securities		(714)	(857)	(1,149)
Other interest expenses		(299)	(420)	(423)
Income from variable income securities	19	163	238	130
Fee and commission income	20	576	651	542
Fee and commission expense		(201)	(289)	(307)
Net gains/(losses) on trading account securities	21	35	(93)	142
Net gains/(losses) on trading account securities		43	(33)	(388)
Net foreign exchange gains/(losses)		3	38	6
Net gains/(losses) on financial instruments		(11)	(98)	524
Net gains/(losses) on securities held for sale	22	73	(21)	191
Net gains/(losses) on debt securities held for investment		-	-	-
Other bank operating income	23	74	54	201
Other bank operating expenses	23	(43)	(31)	(39)
Net Banking Income		**1,179**	**1,047**	**1,055**
General operating expenses	24	(763)	(772)	(783)
Personnel costs		(439)	(415)	(418)
Other administrative costs		(324)	(357)	(365)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets	24	(26)	(29)	(24)
Gross operating income		**390**	**246**	**248**
Provisions for loan losses and country risks	25	(231)	(121)	(162)
Operating income		**159**	**125**	**86**
Net gains/(losses) on disposals of fixed assets	26	(18)	34	(46)
Income before exceptional items and tax		**141**	**159**	**40**
Exceptional items	27	31	(15)	(3)
Corporate income tax	28	30	45	40
Net charge to/(release of) Fund for General Banking Risks	13	(1)	17	(3)
Net income/(loss)		**201**	**206**	**74**

Notes to the company financial statements

1 – Accounting policies and valuation methods

The Natexis Banques Populaires financial statements have been prepared in accordance with generally accepted accounting principles applicable to credit institutions and, in particular, CRC Regulation No. 2000-03 regarding the presentation of financial statements.

1.1 – Customer loans

Loans are recorded in the balance sheet at face value. Undrawn amounts on loans already committed and agreed are included in off-balance sheet items under the heading Financing commitments.

1.2 – Provisions

Since fiscal year 2000, Natexis Banques Populaires focuses its risk coverage policy on three provision levels:

1.21 – SPECIFIC PROVISIONS

Principal recovery risk

Where there is a risk of partial or total non-recovery of loans or non-compliance with loan conditions or covenants, loan loss allowances or other provisions for risk are raised and the charge taken to the income statement within Provisions for loan losses and country risks. Provisions are valued quarterly on a case-by-case and country-by-country basis, taking into account an appraisal of risks and security available. As regards lease financing transactions, capital gains and losses on disposal and charges to and reversals of provisions (leased assets and assets temporarily not leased) are recorded in Net Banking Income. Termination compensation is recorded within Interest income. Only the capital portion of doubtful lease installments is provided within Provisions for loan losses and country risks.

Interest recovery risk

In accordance with banking regulations:

- unpaid accrued interest on loans to borrowers subject to bankruptcy proceedings is deducted from the interest account in which it was initially recorded. If this interest is subsequently recovered, it is credited to income through this same account on receipt;
- doubtful loan interest, where customer repayments are overdue three, or, if the case arises, six or nine months, is also fully provided by deduction from the interest account in which it was initially recorded;
- under the contamination principle, all loan outstandings of these customers are classified as non-performing, even if the risk appraisal does not call for provision of principal recovery risks;
- this similarly applies to assets leased under lease financing arrangements, where a loan loss allowance is raised for the amount outstanding, as soon as a lease installment or ancillary costs are overdue more than three (equipment) or six (real estate) months.

Adjustment of former BFCE sovereign risks

In 1991 and 1992, sovereign risks in respect of former BFCE assets were subject to a number of adjustments. These fell into two categories, defeasance-based (removal from the balance sheet) and put option-based. Accordingly, two structures were set up, Edval for the defeasance operation and Worledge for the put option, and consolidated for the first time as of December 31, 2002. The consolidation of these companies, pursuant to Section 10052 of CRC Regulation No. 99-07 on special-purpose entities, required a review of the level of provisions covering loans at risk underlying the put option.

In assets in the balance sheet, the net loan outstandings underlying the options are covered by zero-coupon securities held by these entities. Changes in net income of these entities are solely due to increases in the value of the zero-coupon securities until their redemption date and the end of the arrangement in 2014. Over this period, the increase in value of these securities exactly offsets the full provision of these loans underlying the options to ensure the complete neutrality of net income and the cash necessary to refinance these operations.

1.22 – INDUSTRY AND COUNTRY RISKS

Industry and country risk provisions cover certain Natexis Banques Populaires activity sectors presenting potential future but unknown risks.

The sectors are reviewed quarterly, and can, where necessary, be included in the provision base of known risks for countries or sectors with a potentially difficult economic situation. During these quarterly reviews, the country and sector provision rates are adjusted depending on Natexis Banques Populaires perception of negative or positive trends in these areas. In 2003, Natexis Banques Populaires increased these provisions by EUR90 million to cover potential risks arising from major European stock market transactions.

1.23 – FUND FOR GENERAL BANKING RISKS (FGBR)

In order to complete the range of general risk coverage, Natexis Banques Populaires maintains a Fund for General Banking Risks out of post-tax income.

1.3 – Securitization transactions

Securitization transactions in progress transfer credit risk without disposing of the reference portfolios. Such transactions are credit-derivative based synthetic securitization transactions entered into with third-party banks jointly with special-purpose entities. The credit derivatives are equivalent in principle to credit insurance and provide protection against the signature risk (bankruptcy, restructuring of the terms and conditions of a reference asset and inability to pay) of debtors making up the portfolio.

1.4 – Receivables, payables and off-balance sheet commitments denominated in a foreign currency

Receivables, payables and off-balance sheet commitment denominated in a foreign currency are translated into euro at exchange rates prevailing at the year-end. Resulting unrealized exchange gains or losses are taken directly to income.

Conversely, unrealized exchange gains or losses arising upon translation of borrowings covered by an exchange rate guarantee from the French State or attributable to Institutional activities are carried forward under Accruals, Deferrals and Miscellaneous Assets & Liabilities.

1.5 – Securities portfolio

1.51 – SECURITIES TRANSACTIONS (TRADING ACCOUNT SECURITIES, SECURITIES HELD FOR SALE, DEBT SECURITIES HELD FOR INVESTMENT)

The following rules apply irrespective of the legal form of the security (equity, bonds and notes, treasury bills, certificates of deposit, negotiable instruments, money market securities, etc.) and depend solely on the purpose of the transaction:

- trading account securities: these securities, which are acquired or sold with the original intention of reselling or repurchasing them after a short period, are traded on markets with guaranteed liquidity. Such securities are recorded at transaction value (including expenses and any accrued interest). At the balance sheet date, they are marked to market, and the aggregate net amount of differences arising is taken to the income statement. If these securities are held for more than six months, they are reclassified as securities held for sale at their estimated value on the date of reclassification;
- securities held for sale: these securities are acquired with the intention of holding them for a period of more than six months, and are valued individually at the year-end at the lower of cost or estimated value. Unrealized losses are provided; unrealized gains are not recognized. Any premium or discount between the acquisition cost (excluding purchased interest) and redemption value is deferred and amortized to income over the remaining period to maturity;
- debt securities held for investment: these are Fixed Income securities, acquired with the original intention of holding them as permanent investments and are either specifically funded or appropriately hedged with respect to interest rate risk. They are recorded at acquisition cost (excluding purchased interest), and any premium or discount between acquisition cost and redemption value is deferred and amortized to income over the remaining period to maturity;

In accordance with French banking regulations, unrealized losses on such securities are not provided, except where there is an intention to dispose of the securities in the short term, in which case the provision covers market risks, and the charge is recorded in Net gains/(losses) on disposals of fixed assets, or there is a risk of counterparty failure, in which case the charge is recorded within Provisions for loan losses and country risks;

- treasury shares: own shares are purchased for four purposes: the regularization of the stock market price by trading against market trends, as part of stock market interventions, to accompany external growth operations and for allotment to Group employees under share purchase option schemes or via corporate savings schemes. Accordingly, the number of treasury shares held as of December 31, 2003 totaled 1,423,843 with a total value of EUR126 million, recorded as trading account securities.

1.52 – INVESTMENTS IN AFFILIATES AND EQUITY SECURITIES HELD FOR INVESTMENT

- Consolidated investments in affiliates: Natexis Banques Populaires valued its consolidated investments in affiliates as part of the preparation of the financial statements for the year ended December 31, 2003. The most material investments were valued by an independent expert.

The net present value of future cash flows was used to calculate the value of these investments. This method is based on the business plans drawn up by the management of the main subsidiaries and validated by Natexis Banques Populaires Executive Management.

The discount rate of the future cash flows was calculated for each subsidiary based on the following:

– the average OAT (French government bond) 10-year yield;

– the risk premium in the subsidiary's market;

– a beta value based on a sample of comparable companies.

The results of this method were validated using normal market comparisons or the revalued net worth method.

■ Unconsolidated investments in affiliates are stated individually at the lower of fair value at December 31 and cost. Fair value at year-end is determined according to criteria such as revalued net worth and profitability.

■ Equity securities held for investment are securities acquired in an entity which is to be managed with the aim of increasing its value and obtaining the highest possible capital gain in the long term. Where necessary, a provision is raised to ensure that the net value does not exceed the estimated current value (recent transaction value, value based on profitability, market value for listed securities or other valuation method used at the time of acquisition).

1.6 – Income, adjustments in value and gains or losses on securities

■ Income from variable income securities is recorded on a receipts basis.

■ Income from Fixed Income securities is recorded on an accruals basis.

■ Gains or losses on sales of securities and adjustments in value appear under different headings depending on the nature of the transaction:

– trading account securities, securities held for sale and equity securities held for investment: The appropriate Gains/(losses) heading in Net Banking Income;

– debt securities held for investment: Provisions for loan losses and country risks where the gains or losses reflect counterparty risk and Net gains/(losses) on disposals of fixed assets where the gains or losses reflect a market risk or are the result of a disposal;

– investments in affiliates and other long-term equity investments: Net gains/(losses) on disposals of fixed assets.

1.7 – Property and equipment and intangible assets

1.71 – OPERATING PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

■ Former Crédit National assets purchased prior to December 31, 1976 are stated at the value resulting from the 1976 statutory revaluation. Purchases since this date are stated at acquisition cost.

The former BFCE assets are recorded in the Natexis Banques Populaires financial statements at their fair value attributed on the acquisition of BFCE by Crédit National.

Caisse Centrale des Banques Populaires fixed assets were transferred in at net book value following the partial asset transfer.

■ Property and equipment are depreciated, generally on a straight-line basis, over their estimated useful lives as follows:

Buildings used for operations	25 to 40 years
Other property and equipment	5 to 10 years

1.72 – NON-OPERATING PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Non-operating property and equipment and intangible assets are depreciated over their estimated useful lives (30 to 40 years).

In accordance with the letter issued by the General Secretariat of the Banking Commission dated October 21, 1997, non-operating real estate assets, whether occupied or leased-out, have been provided on a case-by-case basis to cover all risks of unrealized capital loss.

1.73 – COMPUTER SOFTWARE AND HARDWARE

Computer hardware is depreciated on a declining balance basis over five years.

Purchased software is amortized on a straight-line basis over one year.

Computer program internal development costs are expensed in the year incurred, where the computer program is intended for internal use; where it is intended for commercialization, costs are capitalized and amortized over an appropriate period of use.

1.8 – Perpetual and fixed-term subordinated notes

Natexis Banques Populaires has perpetual and fixed-term subordinated notes in circulation, the redemption of which, in the case of liquidation, ranks after the satisfaction of all other creditors.

Where perpetual subordinated notes are treated as equivalent to debt instruments repayable as to principal, each coupon payable is apportioned between effective repayment of principal and an effective interest cost, which is included in the income statement under Interest expense.

1.9 – Participating securities

Debt service costs in respect of participating securities are considered equivalent to an interest cost and expensed in the income statement on a time-apportioned basis.

1.10 – Interest, premiums, fees and commission

Interest, together with premiums, fees and commission considered as equivalent to interest income are recorded in the income statement on a time-apportioned basis. Other commission is recognized on a receipts basis.

1.11 – Interest rate review charges and early repayment penalties

Interest rate review charges and early repayment penalties are considered as unearned interest income and are amortized to income over the life of the loan, allocated to each year in proportion to the loss of interest income for the year according to the loan repayment schedule.

1.12 – Loan and capital issuance costs

For all transactions performed post January 1, 1994, Natexis Banques Populaires has elected to spread loan issuance costs over the life of the related loan, as permitted by tax legislation (Law of August 8, 1994) and in line with changes in the nature of loan issuance costs, which essentially represent an additional financing cost.

1.13 – Financial instrument transactions performed on Natexis Banques Populaires' own account

The nominal amount of these instruments is recorded off-balance sheet for internal monitoring and regulatory purposes, but is not included within published off-balance sheet commitments. Further details concerning these instruments can be found in the Notes to the financial statements.

The accounting treatment applied differs according to the instrument involved and the purpose of the contract entered into (hedging or trading).

1.131 – INTEREST RATE SWAPS

These transactions are performed for one of four purposes:

– micro-hedging (transaction-specific);

– macro-hedging (overall balance sheet management);

– speculative position-taking;

– specialized management of a trading portfolio.

■ Hedging transactions belonging to the first two categories are treated for income statement purposes as equivalent to lending/borrowing transactions and amounts received and paid are taken to income on a time-apportioned basis.

■ The accounting treatment of speculative positions is identical as regards interest flows; however, capital losses arising on the period-end mark-to-market are provided for via a charge to income, unlike hedging transactions.

■ The last category is marked to market on an individual instrument basis. Movements in value from one period-end to the next are taken immediately to the income statement. Valuations are corrected for counterparty risks and the discounted present value of future management charges under the contracts.

1.132 – CURRENCY SWAPS:

■ Open spot swap transactions are valued at closing rates at the period-end.

■ Forward currency hedging transactions are taken to income on a time-apportioned basis, either as premiums and discounts where the transactions form part of commercial activities, or as accrued interest where they are intended to hedge long-term foreign currency denominated assets and liabilities.

1.133 – INTEREST RATE, CURRENCY AND STOCK OPTIONS AND FORWARD CONTRACTS:

The nominal value of the underlying instrument covered by the option or forward contract is recorded off-balance sheet, with hedging and trading transactions separately identified.

Revenues or expenses relating to hedging transactions are matched against those relating to the hedged item.

Where trading transactions are concerned, positions in a class of option or forward contract are marked to market. For instruments listed on an organized or equivalent market, movements in value are taken directly to the income statement. For instruments traded over the counter, any net position losses are taken to the income statement via a charge to a provision against financial instruments. Net unrealized gains are not recognized.

1.134 – INSTITUTIONAL ACTIVITIES:

Commitments, which by their nature may be deemed to fall within this category, given to banks granting foreign currency export credits, in order to guarantee the exchange rate of the funding, are not disclosed in the published off-balance sheet statement. Income and expenses in respect of Institutional activities (swaps and exchange rate guarantees) are charged or credited to the French Treasury, in accordance with agreed terms and conditions.

1.14 – Exceptional items

Exceptional income and expense items are determined by reference to the materiality of their amount, the extent to which they fall outside the ordinary activities of the company and the low probability of recurrence of the events concerned.

1.15 – Corporate income

The current tax charge corresponds to the taxes payable in France, at a rate of 35.43%, and at the local prevailing rate for foreign branches.

1.16 – Employee-related liabilities and retirement benefit commitments

Employee-related liabilities mainly comprise commitments in respect of:

- retirement termination payments;
- early-retirement and supplementary pension contributions;
- payments for the cessation of salaried employee activity;
- employer contributions payable to private health insurance companies in respect of retired employees;
- long-service medals.

These commitments were calculated taking account of:

- vested benefit entitlement;
- PV discounting rates of 4.75% to 5%;
- life-expectancy table: TV 88/90;
- most recent salaries, including employer social security contributions;
- historical staff turnover rates.

In accordance with Opinion No. 2000-C issued by the Urgent Issues Taskforce of the French National Accounting Concil, retirement benefit commitments were provided in full, as per the preferred method identified in CRC Regulation No. 99-07, by deduction from fiscal year 2000 opening shareholders' equity.

Following the harmonization of long-service medal schemes within the different Natexis Banques Populaires entities, an identical treatment was adopted for these commitments during fiscal year 2001.

In accordance with Opinion No. 2004-A issued by the Urgent Issues Taskforce of the French National Accounting Council, the impacts of the law of August 21, 2003 on retirement reforms amending employee retirement conditions are considered as pension plan amendments, the effects of which are spread over the residual period of activity of employees.

1.17 – Changes in accounting method

CRC Regulation No. 2000-06 regarding liabilities was applied for the first time on January 1, 2002. This regulation lays down the terms and conditions for recognition of provisions for contingencies and losses not directly relating to banking or associated activities and defines a liability as "an obligation of the company to a third party which is probable or certain to lead to an outflow of resources, without an expected consideration at least equivalent in amount from this third party."

Application of this new regulation did not impact the financial statements for the year ended December 31, 2002 or the amount of provisions for contingencies and losses recorded in the 2002 opening balance sheet.

CRC Regulation No. 2002-03 regarding classification of non-performing loans and the accounting treatment of restructured loans at non-market conditions is applicable from January 1, 2003. After identifying the loans impacted by this regulation, the difference in future interest between the rate granted upon restructuring and the market rate was discounted and totaled EUR11 million. As this concerns loans restructured in previous fiscal years, the discount was deducted from fiscal year 2003 opening shareholders' equity and recorded as Interest income for the year in the amount of EUR1.8 million.

CRC Regulation No. 2002-10 regarding the depreciation and impairment of assets is applicable from January 1, 2005. Natexis Banques Populaires opted against early application of this regulation. This regulation contains transitional provisions applicable from January 1, 2003 regarding expenses arising from multi-annual major repair or revision programs and renewal expenses. Accordingly, a provision for major repairs totaling EUR1 million, of which EUR0.7 million was deducted from opening shareholders' equity, was recorded in fiscal year 2003.

1.18 – Notes to the financial statements

Unless otherwise stated, the figures shown in the Notes are in EUR millions.

Note 1 – Interbank and money market assets

in EUR millions	2003	2002	2001
Cash, central banks and post office banks	15	77	194
Government securities and equivalent	4,088	4,874	6,125
Trading account securities	1,798	1,113	1,845
Securities held for sale	1,833	2,867	3,615
of which accrued interest receivable	*66*	*117*	*143*
of which impairment provisions	*(8)*	*(9)*	*(13)*
Debt securities held for investment	457	894	665
of which accrued interest receivable	*13*	*13*	*20*
Loans and advances to banks	48,331	41,718	21,666
Demand deposits	2,793	4,089	5,012
of which accrued interest receivable	*3*	*3*	*3*
of which non-performing loans	*1*	*1*	*2*
of which provisions for loan losses	-	-	*(2)*
Time deposits (*)	45,538	37,629	16,654
of which accrued interest receivable	*315*	*579*	*149*
of which non-performing loans	*85*	*89*	*76*
of which provisions for loan losses	*(59)*	*(62)*	*(52)*
Interbank and money market assets **	**52,434**	**46,669**	**27,985**
(*) Including subordinated debts:	119	17	18
performing	*117*	*17*	*17*
non-performing	-	-	-
accrued interest receivable	*2*	-	*1*
Including securities received under repurchase agreements:	28,719	23,332	2,524
of which accrued interest receivable	*196*	*454*	-
(**) Including restructured loans at non-market conditions:	26	27	-
gross	*35*	*37*	-
discount	*(9)*	*(10)*	-

Note 2 – Customer loans and lease financing

in EUR millions	2003	2002	2001
Current accounts in debit	**4,235**	**3,505**	**3,961**
of which accrued interest receivable	13	14	15
of which non-performing loans	124	89	59
of which provisions for loan losses	(78)	(40)	(30)
Commercial loans	**625**	**644**	**751**
of which accrued interest receivable	-	-	1
of which non-performing loans	16	14	13
of which provisions for loan losses	(9)	(10)	(9)
Other loans to customers	**21,104**	**25,300**	**28,373**
Cash loans and consumer credit	10,296	11,206	11,609
of which accrued interest receivable	47	52	66
Equipment loans	2,714	3,254	3,741
of which accrued interest receivable	12	20	30
Export credits	1,135	1,403	1,917
of which accrued interest receivable	9	13	20
Home purchase loans	123	219	258
of which accrued interest receivable	-	1	1
Reverse repos	1,012	1,902	3,045
of which accrued interest receivable	7	2	28
Subordinated loans	441	494	559
of which accrued interest receivable	7	2	7
of which non-performing loans	-	1	2
of which provisions for loan losses	-	(1)	(1)
Other loans	5,383	6,822	7,244
of which accrued interest receivable	27	34	41
of which non-performing loans	817	953	999
of which provisions for loan losses	(503)	(561)	(601)
Customer loans*	**25,964**	**29,449**	**33,085**
Equipment lease financing	7	-	-
Outstandings	7	-	-
Assets temporarily not leased and non-performing loans	-	-	-
Accrued interest receivable	-	-	-
Provisions for asset impairment	-	-	-
Provisions for loan losses	-	-	-
Operating leases	7	-	-
Outstandings	7	-	-
Assets temporarily not leased and non-performing loans	-	-	-
Accrued interest receivable	-	-	-
Provisions for asset impairment	-	-	-
Provisions for loan losses	-	-	-
Lease financing	**14**	**-**	**-**
(*) Including restructured loans at non-market conditions:	2	1	-
gross	*2*	*2*	-
discount	*(1)*	*(1)*	-

Note 3 – Bonds, equities and other fixed and variable income securities

in EUR millions	2003	2002	2001
Bonds and other fixed income securities	9,505	10,543	10,235
Trading account securities	2,373	946	633
Securities held for sale	1,299	2,101	1,625
Debt securities held for investment	5,777	7,459	7,917
Non-performing securities	56	37	60
of which non-performing loans	*120*	*75*	*102*
of which provisions for loan losses	*(64)*	*(38)*	*(42)*
Bonds and other fixed income securities	**9,505**	**10,543**	**10,235**
Equities and other variable income securities	785	1,277	1,536
Trading account securities	506	765	1,025
Securities held for sale	279	508	511
Non-performing securities	-	4	-
of which non-performing loans	*5*	*44*	*37*
of which provisions for loan losses	*(5)*	*(40)*	*(37)*
Equities and other variable income securities	**785**	**1,277**	**1,536**

Note 3 A – Non-performing, irrecoverable outstandings and provisions

	2003		2002	
in EUR millions	Recoverable non-performing	Irrecoverable non-performing	Recoverable non-performing	Irrecoverable non-performing
Financial institutions	3	24	16	12
Loans	3	83	37	53
Provisions	-	(59)	(21)	(41)
Customers	113	254	208	237
Loans	179	778	310	747
Provisions	(66)	(524)	(102)	(510)
Fixed income securities	38	18	6	31
Loans	63	57	20	55
Provisions	(25)	(39)	(14)	(24)
Non-performing, irrecoverable outstandings, net	**154**	**296**	**230**	**280**

Note 4 – Investments in affiliates and associated undertakings, other securities held for investment and treasury shares

in EUR millions	2003	2002	2001
Investments in affiliates	143	145	176
Outstandings	158	159	188
Current account advances	-	-	-
Currency translation adjustments	1	-	-
Provisions	(16)	(14)	(12)
Securities on loan	-	-	-
Other securities held for investment	31	34	33
Outstandings	73	80	71
Current account advances	-	-	-
Currency translation adjustments	-	-	-
Provisions	(42)	(46)	(38)
Securities on loan	-	-	-
Accrued interest receivable	0	0	0
Investments in affiliates and other securities held for investment	**174**	**179**	**209**
Investments in associated undertakings			
Outstandings	4,029	3,985	2,734
Current account advances	14	9	-
Currency translation adjustments	38	4	(1)
Provisions	(92)	(72)	(74)
Securities on loan	-	-	-
Accrued interest receivable	0	0	0
Investments in associated undertakings	**3,989**	**3,926**	**2,659**
Treasury shares			
Trading account securities	126	73	47
Securities on loan	-	-	-
Long-term investments	4	-	-
Treasury shares	**130**	**73**	**47**

Note 4.1 – Investment portofolio as of December 31, 2003

	Number of shares	Carrying value (in EUR)
I – Investments in affiliates and other securities held for investment		
A) Banking and credit institutions		
NATEXIS LEASE (formerly Bail BP)	16,670,495	399,595,080.57
NATEXIS FACTOREM (formerly Factorem)	1,494,855	127,459,135.75
NATEXIS PRIVATE BANKING LUXEMBOURG S.A. (formerly BP du Luxembourg)	10,097	47,471,418.97
NATEXIS LUXEMBOURG S.A. (formerly Natexis Banques Populaires Luxembourg)	399,999	40,636,720.29
NATEXIS COFICINE (formerly Coficiné)	109,098	30,316,762.45
BANQUE PRIVEE SAINT DOMINIQUE	1,637,100	26,821,341.85
NATEXIS PAIEMENTS (formerly Banque pour les Paiements On Line)	2,399,988	21,886,766.70
NATEXIS ALGERIE (formerly Natexis Al Amana Banque)	1,360,056	10,932,911.14
SBFI - Sté de Bque Française et Internationale	53,556	6,103,425.26
CFDI - Caisse Française de Développement Industriel	29,994	4,572,555.82
SOFINGEST	170,128	3,880,947.56
INTERFINANCE NATEXIS NV	29,997	24,644.13
B) Financial institutions		
NATEXIS PRIVATE EQUITY	17,470,554	465,121,188.48
ARNHOLD & BLEICHROEDER Inc	100	224,630,601.53
NATEXIS AMBS Ordin. (New York)	281,150,000	222,606,000.00
NATEXIS ASSET MANAGEMENT (formerly BPAM)	1,802,751	157,877,881.78
SOCIETE FINANCIERE BFCE	6,052,993	92,950,992.79
NATEXIS INTEREPARGNE	555,653	81,837,556.38
NATEXIS BLEICHROEDER (formerly Natexis Capital)	671,169	75,419,129.54
SPAFICA	42,823	58,435,554.31
NATEXIS METALS Ltd	20,000,000	23,626,433.94
NATEXIS MOSCOW (formerly Zao Natexis Banques Populaires)	37,908	15,767,290.18
NATEXIS ASSET-BACKED MANAGEMENT CORPORATION	100	10,028,858.60
Natexis Banques Populaires Preferred Capital 3 (New York)	11,500,000	9,106,000.00
Natexis Banques Populaires Preferred Capital 2 (New York)	10,000,000	7,918,000.00
NATEXIS MERCOSUL FUND	45	7,556,581.52
INVESTIMA 6	690,922	6,562,719.00
NATEXIS INVESTMENT CORP	3,217	2,552,930.38
NATEXIS FINANCE	162,005	1,814,738.02
SOGAFI – Financial guarantee company	49,994	1,807,862.41
SPAFIC	2,494	651,221.92
IFCIC	37,708	574,854.75
LUGDUNUM GESTION	7,995	289,653.21
COMPAGNIE FINANCIERE EUROPEENNE ABS	7,647	116,577.76
CRENINVEST 1	4,994	76,133.04
NATEXIS US FINANCE CORPORATION (New York)	65,000	49,000.00
INVESTIMA 1	3,850	38,500.00
INVESTIMA 11	3,850	38,500.00
INVESTIMA 5	3,850	38,500.00
INVESTIMA 7	3,850	38,500.00
SAINT DOMINIQUE RADIO	3,850	38,500.00
CONTANGO TRADING SA (formerly Ecrinvest 2)	3,844	38,440.00
INVESTIMA 12	3,700	37,000.00

	Number of shares	Carrying value (in EUR)
IINVESTIMA 13	3,700	37,000.00
INVESTIMA 14	3,700	37,000.00
INVESTIMA 3	3,850	19,250.00
INVESTIMA 8	3,850	19,250.00
INVESTIMA 9	3,850	19,250.00
OMNIUM NATEXIS GIE (formerly Natexis Marché Primaire)	1,250	19,056.13
SAGP	990	15,092.45
C) Other		
COFACE	12,790,197	641,219,903.49
NATEXIS ASSURANCES (formerly Assurances BP)	5,246,967	496,842,974.06
VAL "A"	1,640,000	276,872,875.00
NATEXIS IMMO EXPLOITATION (formerly Invest Sigma)	7,674,468	124,002,112.22
AUXILIAIRE ANTIN	8,338,449	118,893,164.53
NATEXIS ARBITRAGE	4,019,841	60,614,531.11
NATEXIS ALTAIR (formerly +X Altair)	6,274,985	14,445,332.68
LINEBOURSE	1,636,109	11,794,080.58
FINANCIERE CLADEL	607,891	10,099,256.51
NATEXIS IMMO DEVELOPPEMENT (formerly SOFEP)	92,674	6,775,627.22
SCI ALTAIR 1	120	6,276,887.28
SLIB	323,693	5,896,571.07
SCI HAUSSMANN 90	1,809	2,757,802.72
SAMIC "sté anonyme Monaco Internat Com"	756	2,040,718.40
NATEXIS IMMO PLACEMENT (formerly Fructiger)	89,612	1,241,182.69
CRISTAL NEGOCIATIONS	14,994	436,302.34
CO-ASSUR	2,494	282,570.47
SCI ANTIN HAUSSMANN	18	274,408.23
INVEST ALPHA	14,994	228,582.06
INVEST DELTA	14,994	228,582.06
BANCOSYS	9,996	152,439.00
TURBO SA	8,165	126,847.48
CLADEL MARITIME	4,590	69,974.09
VALMY LIBERTE CONSEIL	2,476	67,104.78
COMAVAM	399	59,850.00
NATEXIS FORMATION	3,494	55,904.00
NXBP 1 (formerly Natexis Gestion)	2,590	39,484.30
VAL "B"	2,494	38,416.68
CRENINVEST 7	2,494	38,020.78
SDGP 38	2,493	37,893.60
SDGP 41	2,493	37,893.60
SDGP 43	2,493	37,893.60
SDGP 45	2,493	37,893.60
SAS MONTMARTRE 1	2,500	34,166.83
INVEST GAMMA	2,494	32,807.63
INVEST OMEGA	2,494	25,744.43
SEMA ENGHIEN LES BAINS	1,500	22,867.35
GIE RESTAUPRISE	14,740	22,470.99
D) Investments with a carrying value equal to or less than EUR15,000	-	**43,062.14**

	Number of shares	Carrying value (in EUR)
E) Current account advances		
NATEXIS INVESTMENT ASIA (Singapore)	-	17,494,000.00
SPAFIC	-	2,141,592.06
FINANCIERE CLADEL	-	45,091.07
F) Securities on loan	-	**102,591.18**
G) Accrued interest receivable	-	**166,773.94**
II - Investments in associated undertakings		
A) Banking and financial institutions		
I.K.B	2,200,000	29,430,369.72
BANCO FINANTIA	11,404,890	15,119,614.38
W.G.Z. BANK	290	650,545.87
B.P. DI NOVARA	14,400	231,696.78
PARNASSIENNE DE CREDIT	100	76,224.51
SEBADOUR	4,680	75,151.27
BANQUE GABONAISE DE DEVELOPPEMENT	16,200	67,077.57
B) Financial institutions		
SICOVAM HOLDING	3,694	30,417,099.22
OFIVM	679,999	11,333,327.33
MEDIAFINANCE	255,000	4,047,120.84
PROPARCO	267,300	4,017,739.19
SOFARIS	133,372	3,242,831.92
MAGHREB PRIVATE EQUITY FUND LTD	995	914,127.46
AFH -AFRICAN FINANCIAL HOLDING	6,186	742,958.95
VIETNAM INTERNATIONAL LEASING CIE	850,000	681,793.93
SOFIPROTEOL	17,501	243,163.03
UNIGRAINS	5,467	186,978.50
FIARO	29,166	97,508.98
PARIS TITRISATION	3,999	86,356.02
AL WASSIT - INTERMEDIATION ET CONSEIL FINANCIER	9,375	68,683.09
VAL "E"	2,494	38,020.80
NATEXIS BANQUES POPULAIRES IMAGES 5	15	15,000.00
C) Other		
SOPARIND	36,956	25,887,797.52
EMBRAER	273,120	10,492,370.08
CABLECOM (London)	-	6,638,000.00
PAI EUROPE 3 FCPR	625,200	5,106,600.00
LUCIA	186,000	3,965,687.02
PATRIMOINE EUROPE (SCPI)	2,941	2,767,864.37
GIE SPRING RAIN	17,599,140	2,682,971.60
SYSTRA	7,300	1,779,789.65
JACQUET SA	142,141	1,625,282.10
BANQUE INTERNATIONALE ARABE DE TUNISIE	160,000	1,568,576.07
IMMOBILIERE PRIVEE	8,040	1,295,816.64
SAINT AUBIN CHIMIE GIE	7,617,500	1,161,280.39
AXELTIS	627,000	1,025,777.75

	Number of shares	Carrying value (in EUR)
EUROMEZZANINE 2 .SCA.	460,000	701,265.48
EUROPAY France	9,802	685,291.03
GIE FIRST SNOW	396,086,798	603,830.43
NATEXIS PRAMEX INTERNATIONAL	33,984	506,977.56
SOCIETE CONCESSIONNAIRE DU GRAND LOUVRE	16,009	457,361.32
SOFRANTEM	15,002	388,822.74
EUROPOLIS INVEST	32,399	383,721.29
GIE VULCAIN ENERGIE	24,446	372,676.87
LES JEUNES BOIS GIE	251,540	251,534.70
SRITHAI SUPERWARE (Singapore)	5,641,466	245,000.00
GIE STAR TROIS	149,902,077	228,524.24
LOXLEY PUBLIC Co Ltd (Singapore)	1,615,000	183,000.00
VEV	1,316,566	182,870.33
ECICs (Singapore)	250,000	140,000.00
ASSURANCES BANQUE POPULAIRE IARD (formerly Fructi-MAAF)	44	132,000.00
SEPIA	14,099	107,468.93
PARNASSE IMMO	300	78,128.30
E.A.D.S. France	7,365	75,561.89
I.D.P.C.	375	57,168.38
ECONOCOM GROUP	13,252	56,031.24
SOGEMAC habitat	3,580	47,213.07
UNICEREALES	2,750	41,923.48
NAM GERANCE (formerly BPAM GERANCE)	2,496	38,370.63
DEVELOPPEMENT DE L'HORLOGERIE (Sté)	2,400	36,587.76
ATIS-REAL (formerly Expertim)	11,946	36,423.12
SNPE	500	36,206.64
SWIFT	353	34,326.77
SOFIMAC	221	33,521.89
O.G.I.F. - Omnium de gestion Financière de l'Ile de France	77,350	31,556.95
MARCHES DE TITRES - France	305,555	28,947.30
SOMIVAL	1,750	26,678.58
EUROMEZZANINE.SCA	12,500	25,918.38
EUROPE OBLIGATIONS	1,872	23,572.76
SOFREAVIA	3,750	17,150.51
TRANSVALOR	1,069	16,754.15
CAISSE DE GARANTIE IMMOBILIERE " C.G.I.F.N.B."	2,000	15,244.90
CLEMET	1,000	15,244.90
SADEPAR	100	15,244.90
D) Investments with a carrying value equal to or less than EUR15,000	-	**131,427.74**
E) Current account advances		
SAS SFPMEI	-	710.00
F) Securities on loan	-	**17,178.48**
G) Accrued interest receivable	-	**829.63**

III - Treasury shares

NATEXIS BANQUES POPULAIRES	1,470,103	129,872,104.65
Total securities portfolio as of December 31, 2003		**4,293,829,130.93**

Note 4.2– Disclosure of significant shareholdings in French companies:

The following information is provided pursuant to Article L247-1 of the French Commercial Code.

Additions	%	Number of shares
Acquisitions, subscriptions and asset transfers:		
Immobilière Privée France Pierre	3.34%	8,040
Natexis Asset Management	95.88%	1,802,751
Val E	99.79%	2,494
Sales, transfers	**-**	**-**

Disposals	%	Number of shares
Creninvest 3	-	-
E Market	-	-
Proxigma	-	-

Note 4.3 – Information concerning subsidiaries and investments in affiliates

Pursuant to Article L233 - 15 of the French Commercial Code

Company or group of companies	Common stock	Reserves	Percentage interest at December 31, 2003
A - Investments with a carrying value in excess of 1% of the common stock of the reporting undertaking	('000)	('000)	
Subsidiaries and investments in affiliates (holdings in excess of 10%)			
NATEXIS ALTAIR *4, rue Charles Gounod - 77185 LOGNES*	10,040 EUR	6,858 EUR	99.99%
NATEXIS ASSET BACKED MANAGEMENT CORPORATION *712 Fifth Avenue - NY 10019 - NEW YORK*	10,000 USD	46,192 USD	100.00%
NATEXIS ASSURANCES *27, boulevard Bourbon - 75004 PARIS*	40,034 EUR	296,484 EUR	100.00%
AUXILIAIRE ANTIN *18, rue de la Chaussée d'Antin - 75009 PARIS*	127,578 EUR	(8,686) EUR	100.00%
NATEXIS LEASE *115, rue Montmartre - 75002 PARIS*	266,728 EUR	134,640 EUR	99.99%
NATEXIS ASSET MANAGEMENT *68-76, quai de la Rapée - 75012 PARIS*	29,143 EUR	1,862 EUR	86.88%
NATEXIS PRIVATE BANKING LUXEMBOURG S.A. *47, boulevard Royal - L 2449 LUXEMBOURG*	28,750 EUR	891 EUR	87.80%
NATEXIS PAIEMENTS *115, rue Montmartre - 75002 PARIS*	22,800 EUR	57 EUR	100.00%
BANQUE PRIVEE SAINT DOMINIQUE *12-14, rond point des Champs Elysées - 75008 PARIS*	20,464 EUR	1,586 EUR	99.99%
COFACE *12, cours Michelet - La Défense 10 - 92800 PUTEAUX*	49,736 EUR	378,759 EUR	98.04%
NATEXIS COFICINE *26, rue de Montévidéo - 75016 PARIS*	5,897 EUR	4,203 EUR	92.50%
CRISTAL NEGOCIATIONS *45, rue Saint-Dominique - 75007 PARIS*	240 EUR	3,234 EUR	99.96%
NATEXIS FACTOREM *4, place de la Coupole - 94600 CHARENTON LE PONT*	12,000 EUR	124,544 EUR	99.99%
FINANCIERE CLADEL *115, rue Montmartre - 75002 PARIS*	9,727 EUR	895 EUR	100.00%
NATEXIS IMMO EXPLOITATION *45, rue Saint-Dominique - 75007 PARIS*	117,036 EUR	7,503 EUR	100.00%
LINEBOURSE *45, rue Saint-Dominique - 75007 PARIS*	32,335 EUR	(15,077) EUR	100.00%
NATEXIS AMBS *645 Fifth Avenue - NY 10022 - NEW YORK*	556,150 USD	5,325 USD	100.00%
NATEXIS ALGERIE *62 chemin Mohamed Drareni - Hydra - ALGER*	1,000,000 DZD	91,766 DZD	87.18%
NATEXIS ARBITRAGE *115, rue Montmartre - 75002 PARIS*	60,298 EUR	(19,398) EUR	100.00%
NATEXIS LUXEMBOURG S.A. *28, avenue Marie-Thérèse - L2131 LUXEMBOURG*	40,000 EUR	12,127 EUR	100.00%
NATEXIS BLEICHROEDER INC. *1345 avenue of the Americas - NY 10105 - NEW YORK*	151,503 USD	(740) USD	100.00%
NATEXIS BLEICHROEDER S.A. *100, rue Réaumur - 75002 PARIS*	73,377 EUR	(11,351) EUR	99.99%
NATEXIS INTEREPARGNE *16-18, rue Jules César - 75012 PARIS*	8,891 EUR	21,028 EUR	99.99%
NATEXIS METALS *47-53, Cannon Street - LONDON EC4M 5SH*	20,000 GBP	(7,652) GBP	100.00%
NATEXIS PRIVATE EQUITY *5-7, rue de Monttessuy - 75007 PARIS*	438,456 EUR	141,481 EUR	91.35%
NBP PREFERRED CAPITAL 2 *1251, avenue of the Americas - NEW YORK 10020*	160,000 USD	(190) USD	100.00%
NBP PREFERRED CAPITAL 3 *1251, avenue of the Americas - NEW YORK 10020*	211,500 USD	-	100.00%
OFIVM *1, rue Vernier - 75017 PARIS*	20,000 EUR	(720) EUR	34.00%
SAMIC *24, avenue Fontvieille - 98000 MONACO*	160 EUR	2,543 EUR	75.60%
SBFI *45, rue Saint-Dominique - 75007 PARIS*	8,623 EUR	(2,293) EUR	94.69%
SOCIETE FINANCIERE BFCE *5-7 rue de Monttessuy - 75007 PARIS*	92,308 EUR	52,254 EUR	99.99%
SPAFICA *115, rue Montmartre - 75002 PARIS*	685 EUR	62,843 EUR	99.98%
VAL A *115, rue Montmartre - 75002 PARIS*	167,200 EUR	134,426 EUR	100.00%
NATEXIS MOSCOW *Business Center Parus, 1th Tverskaya - YANSKAYA STR.23/1 - 125047 MOSCOU - RUSSIA*	379,080 RUR	61,278 RUR	100.00%
B - Other interests			
Subsidiaries and investments in affiliates not included under A			
21 - France (in aggregate)			
22 - Other (in aggregate)			

* Figures taken from accounting documents at December 31, 2003.

(1) For these securities, the book value is greater than the gross value as a result of a positive foreign exchange impact.

Book value of securities held Gross	Net	Oustanding loans and advances at December 31, 2003	Guarantees given by the company	Total revenues in last reported period	Net income/(loss) of last reported period	Dividends received during 2003	Observ.
(EUR'000)	(EUR'000)	(EUR'000)	(EUR'000)	('000)	('000)	(EUR'000)	
14,445	14,445	-	-	76,100 EUR	4,525 EUR	2,008	*
7,918	10,029	332,542		7,851 USD	2,035 USD	2,144	* (1)
496,843	496,843	38,000	-	(4,147) EUR	(4,369) EUR	-	*
127,119	118,893	-	-	2,758 EUR	2,710 EUR	-	*
399,595	399,595	1,514,685	74,034	14,905 EUR	(374) EUR	37,009	*
157,878	157,878	-	-	86,434 EUR	24,719 EUR	11,537	*
47,471	47,471	-	77,392	21,023 EUR	1,825 EUR	-	*
21,887	21,887	36,130	-	57,842 EUR	1,018 EUR	-	*
26,821	26,821	-	-	17,895 EUR	(237) EUR	1,604	*
641,220	641,220	60,000	20,000	702,078 EUR	77,633 EUR	-	*
30,317	30,317	140,000	-	13,425 EUR	3,904 EUR	2,837	*
35,259	436	-	-	658 EUR	(318) EUR	-	*
127,459	127,459	195,000	-	97,955 EUR	25,105 EUR	13,750	*
10,099	10,099	3,369	-	1,707 EUR	5,437 EUR	4,559	*
124,002	124,002	-	-	49,407 EUR	729 EUR	1,535	*
24,544	11,794	-	-	3,866 EUR	(3,137) EUR	-	*
222,606	222,606	-	-	17,265 USD	17,265 USD	-	*
10,933	10,933	-	-	310,378 DZD	51,401 DZD	-	*
60,614	60,614	222,990	103,859	13,395 EUR	4,175 EUR	-	*
40,637	40,637	409,520	252,548	8,423 EUR	2,643 EUR	-	*
201,900	224,631	39,588	4,000	53,894 USD	(9,674) USD	-	* (1)
75,419	75,419	-	-	31,928 EUR	(11,786) EUR	-	*
81,838	81,838	-	-	48,368 EUR	2,703 EUR	3,601	*
20,348	23,626	522,421	-	9,037 GBP	922 GBP	-	* (1)
465,121	465,121	70,000	-	70,934 EUR	41,965 EUR	32,139	*
7,918	7,918	-	-	9,855 USD	9,855 USD	-	*
9,106	9,106	-	-	2,632 USD	2,582 USD	-	*
11,333	11,333	-	-	-	-	-	*
17,288	2,041	-	-	9,619 EUR	(3) EUR	-	*
8,644	6,103	1,500	-	429 EUR	439 EUR	-	*
92,951	92,951	-	-	5,165 EUR	4,353 EUR	-	*
63,473	58,435	6,098	-	4,925 EUR	5,289 EUR	17,785	*
276,873	276,873	-	-	24,580 EUR	14,774 EUR	-	*
10,798	15,767	72,147	36,936	125,681 RUR	17,493 RUR	-	* (1)
203,531	196,759	3,070,852	574,078			28,173	
98,213	41,762	-	-			-	

Note 4.4 – Treasury shares - Assets

	Quantity purchased	Purchase price	Average price	Quantity sold	Sales price	Average price	% of common stock	Final stock
At January 1, 2003	914,187	80,037,771.74	87.55	-	-	-	1.93%	-
Share price regularization	555,407	43,749,547.80	78.77	25,921	1,823,340.17	70.34		
Alizé	26,430	2,163,512.00	81.86	-	-	-	-	-
Subtotal	581,837	45,913,059.80	78.91	25,921	1,823,340.17	70.34	-	-
At December 31, 2003	**1,496,024**	**125,950,831.54**	**84.19**	**25,921**	**1,823,340.17**	**70.34**	**3.11%**	**1,470,103**

Note 5 – Property and equipment and intangible assets

in EUR millions	2003 Gross book value	2003 Deprec., amort. provs.	2003 Net book value	2002 Gross book value	2002 Deprec., amort. provs.	2002 Net book value	2001 Gross book value	2001 Deprec., amort. provs.	2001 Net book value
Operating property and equipment and intangible assets	**269**	**(145)**	**124**	**268**	**(136)**	**132**	**238**	**(118)**	**120**
Intangible assets	79	(40)	39	74	(35)	39	68	(34)	34
Property and equipment	190	(105)	85	194	(101)	93	170	(84)	86
Non-operating assets	**12**	**(3)**	**9**	**14**	**(4)**	**10**	**15**	**(4)**	**11**
Intangible assets	-	-	-	-	-	-	-	-	-
Property and equipment	12	(3)	9	14	(4)	10	15	(4)	11
Intangible assets	**79**	**(40)**	**39**	**74**	**(35)**	**39**	**68**	**(34)**	**34**
Property and equipment	**202**	**(108)**	**94**	**208**	**(105)**	**103**	**185**	**(88)**	**97**

in EUR millions	2002	Additions	Disposals	Other	2003
Gross book value					
Operating intangible assets	74	7	(1)	(2)	78
Purchased goodwill	23	-	-	-	23
Software	32	5	(1)	-	36
Other intangible assets	19	2	-	(2)	19
Operating property and equipment	194	15	(16)	(3)	190
Operating land and buildings	53	-	(1)	-	52
Other operating property and equipment	141	15	(15)	(3)	138
Non-operating property and equipment	14	0	(2)	0	12
Non-operating land and buildings	9	-	(2)	-	7
Other non-operating property and equipment	5	-	-	-	5
Total	**282**	**22**	**(19)**	**(5)**	**280**

in EUR millions	2002	Charge/ (reversal)	Disposals	Other	2003
Depreciation, amortization and provisions					
Operating intangible assets	35	6	(1)	(1)	39
Purchased goodwill	-	-	-	-	-
Software	26	4	(1)	-	29
Other intangible assets	9	2	-	(1)	10
Operating property and equipment	101	19	(13)	(2)	105
Operating land and buildings	16	1	-	-	17
Other operating property and equipment	85	18	(13)	(2)	88
Non-operating property and equipment	4	0	(1)	0	3
Non-operating land and buildings	4	-	(1)	-	3
Other non-operating property and equipment	-	-	-	-	-
Total	**140**	**25**	**(15)**	**(3)**	**147**

Note 6 – Accrued income, prepaid expenses and other assets

in EUR millions	2003	2002	2001
Contingent instruments	1,043	2,189	1,550
Settlement accounts	355	982	277
Miscellaneous receivables	946	2,021	1,112
Inventory accounts	1	-	-
Other assets	**2,345**	**5,192**	**2,939**
Receipts accounts	10	21	495
Adjustment accounts	363	334	913
Financial instrument transaction loss accounts	2	4	35
Deferred charge or prepayment accounts	101	188	145
Accrued income	778	595	537
Miscellaneous prepayments and accrued income	1,687	1,131	2,442
Prepayments and accrued income	**2,941**	**2,273**	**4,567**

Note 7 – Interbank and money market liabilities

in EUR millions	2003	2002	2001
Central banks and post office banks	1	3	143
Interbank liabilities	35,930	45,640	32,379
Demand deposits	9,626	13,133	14,127
of which accrued interest payable	*3*	*5*	*4*
of which other amounts due	*340*	*106*	*110*
Time deposits (*)	26,304	32,507	18,252
of which accrued interest payable	*131*	*355*	*47*
Interbank and money market liabilities	**35,931**	**45,643**	**32,522**
(*) Including securities delivered under repurchase agreements:	18,411	20,013	3,304
of which accrued interest payable	*81*	*247*	*30*

Note 8 – Customer deposits

in EUR millions	2003	2002	2001
Special savings accounts	53	50	55
Other liabilities	20,146	16,055	13,243
Demand deposits	6,138	4,321	5,250
of which accrued interest payable	*2*	*3*	*3*
of which other amounts due	*25*	*100*	*208*
Time deposits (*)	14,008	11,734	7,993
of which accrued interest payable	*64*	*86*	*16*
of which guarantee deposits	*129*	*81*	-
Customer deposits	**20,199**	**16,105**	**13,298**
(*) Including securities delivered under repurchase agreements:	11,172	7,978	6,608
of which accrued interest payable	*49*	*67*	*1*

Note 9 – Debt securities

in EUR millions	2003	2002	2001
Interbank market and money market securities	21,990	18,464	16,097
of which accrued interest payable	154	172	206
Debenture loans	4,964	4,468	6,583
of which accrued interest payable	100	140	195
Treasury notes and savings certificates	1	-	3
of which accrued interest payable	-	-	-
Debt securities	**26,955**	**22,932**	**22,683**

Note 10 – Deferred income, accrued charges and other liabilities

in EUR millions	2003	2002	2001
Miscellaneous payables	1,308	1,033	608
Security transactions	2,695	1,980	1,734
of which trading account securities	-	48	44
of which trading account securities liabilities	2,694	1,933	1,690
of which accrued interest payable	-	-	-
Contingent instruments sold	1,027	2,439	1,372
Settlement accounts in respect of security transactions	308	394	287
Other liabilities	**5,338**	**5,846**	**4,001**
Unavailable accounts	81	77	409
Adjustment and difference accounts	384	277	1,033
Financial instrument transaction gain accounts	1	2	3
Deferred income accounts	62	65	109
Accrued charges	880	711	630
Miscellaneous accrued charges and deferred income	1,421	1,429	2,716
Accrued charges and deferred income	**2,829**	**2,561**	**4,900**

Note 11 – Provisions for contingencies and losses

in EUR millions	Off- balance sheet (signature commitments)	Country risks	Specific credit risks	Provisions for litigation	Industry risks	Tax-driven provisions	Fin. instr. risks	Misc. risks	Total
At January 1, 2002	17	333	36	17	152	188	56	3	836
Charges	3	13	77	-	30	46	63	3	259
Reversals	(4)	(47)	(48)	(3)	(40)	(21)	(45)	(3)	(224)
Currency translation adjustments	-	(23)	-	(1)	(6)	(2)	-	-	(32)
Other changes	-	-	-	-	-	-	-	-	-
Movements in 2002	(1)	(57)	29	(4)	(16)	23	18	-	3
Balance at December 31, 2002	**16**	**276**	**65**	**13**	**136**	**211**	**74**	**3**	**839**
At January 1, 2003	16	276	65	13	136	211	74	3	839
Charges	6	85	37	2	70	54	34	8	313
Reversals	(4)	(90)	(54)	(3)	-	(61)	(65)	(3)	(291)
Currency translation adjustments	-	(23)	(1)	-	(6)	(1)	-	-	(31)
Other changes	-	-	-	-	-	-	-	1	1
Movements in 2003	2	(28)	(18)	(1)	64	(8)	(31)	6	(8)
Balance at December 31, 2003	**18**	**248**	**47**	**12**	**200**	**203**	**43**	**9***	**831**

(*) Of which provisions for major repairs: 1
Of which risks in Investments in affiliates and associated undertakings: 5

Note 12 – Long-term subordinated debt

in EUR millions	2003	2002	2001
Fixed-term subordinated debt	2,343	1,957	1,471
Subordinated securities	1,691	1,249	928
Subordinated loans	652	708	543
Perpetual subordinated debt	382	397	527
Participating loans	107	107	107
Subordinated securities	200	201	315
Subordinated loans	75	89	105
Related liabilities	45	37	46
Long-term subordinated debt	**2,770**	**2,391**	**2,044**

Note 13 – Fund for General Banking Risks

in EUR millions	Euro FGBR	Currency FGBR	Currency provision	Total
At January 1, 2001	208	32	29	269
Charges	1	-	-	1
Reversals	-	-	-	0
Currency translation adjustments	-	2	2	4
Other changes	-	-	-	0
Movements in 2001	1	2	2	5
Balance at December 31, 2001	**209**	**34**	**31**	**274**
At January 1, 2002	209	34	31	274
Charges	-	-	-	0
Reversals	(19)	-	-	(19)
Currency translation adjustments	-	(5)	(5)	(10)
Other changes	-	-	-	0
Movements in 2002	(19)	(5)	(5)	(29)
Balance at December 31, 2002	**190**	**29**	**26**	**245**
At January 1, 2003	190	29	26	245
Charges	-	-	-	0
Reversals	-	-	-	0
Currency translation adjustments	-	(5)	(4)	(9)
Other changes	-	-	-	0
Movements in 2003	0	(5)	(4)	(9)
Balance at December 31, 2003	**190**	**24**	**22**	**236**

Note 13 A – Tax-driven provisions

in EUR millions	Revaluation reserve for depreciable assets	Provisions for investment	Accelerated depreciation	Total
At January 1, 2001	0	6	0	6
Charges	-	2	-	2
Reversals	-	-	-	0
Currency translation adjustments	-	-	-	0
Other changes	-	-	-	0
Movements in 2001	0	2	0	2
Balance at December 31, 2001	**0**	**8**	**0**	**8**
At January 1, 2002	0	8	0	8
Charges	-	2	-	2
Reversals	-	-	-	0
Currency translation adjustments	-	-	-	0
Other changes	-	-	-	0
Movements in 2002	0	2	0	2
Balance at December 31, 2002	**0**	**10**	**0**	**10**
At January 1, 2003	0	10	0	10
Charges	-	1	-	1
Reversals	-	(1)	-	(1)
Currency translation adjustments	-	-	-	0
Other changes	-	-	-	0
Movements in 2003	0	0	0	0
Balance at December 31, 2003	**0**	**10**	**0**	**10**

Note 14 – Common stock, additional paid-in capital, reserves and retained earnings

in EUR millions	Common stock	Additional paid-in capital	Legal reserve	General reserve	Long-term capital gains tax-driven reserve	Other reserves	Retained earnings	Total
At January 1, 2001	684	1,706	40	287	140	11	0	2,868
Appropriation of 2000 income	-	(231)	-	-	-	-	-	(231)
Dividends paid in 2001	-	-	-	(107)	-	-	-	(107)
Alizé Action common stock increase	3	10	-	-	-	-	-	13
Alizé Levier common stock increase	18	71	-	-	-	-	-	89
Natexis Capital merger surplus	-	7	-	-	-	-	-	7
Conversion of perpetual subordinated securities convertible into shares	4	13	-	-	-	-	-	17
Other movements in equity	-	3	-	-	-	-	-	3
Movements in 2001	25	(127)	0	(107)	0	0	0	(209)
Balance at December 31, 2001	**709**	**1,579**	**40**	**180**	**140**	**11**	**0**	**2,659**
At January 1, 2002	709	1,579	40	180	140	11	0	2,659
Appropriation of 2001 income	-	-	3	-	-	-	71	74
Dividends paid in 2002	-	-	-	(39)	-	-	(71)	(110)
Arnhold & S. Bleichroeder acquisition	22	83	-	-	-	-	-	105
Conversion of perpetual subordinated securities convertible into shares	28	86	-	-	-	-	-	114
Other movements in equity	-	(2)	-	-	-	-	1	(1)
Movements in 2002	50	167	3	(39)	0	0	1	182
Balance at December 31, 2002	**759**	**1,746**	**43**	**141**	**140**	**11**	**1**	**2,841**
At January 1, 2003	759	1,746	43	141	140	11	1	2,841
Appropriation of 2002 income	-	-	10	125	-	-	71	206
Dividends paid in 2003	-	-	-	-	-	-	(71)	(71)
Contribution of Crédifrance Factor securities	4	15	-	-	-	-		19
Contribution of Sopromec securities	6	25	-	-	-	-		31
Deduction for changes in accounting methods	-	-	-	-	-	-	(10)	(10)
Movements in 2003	10	40	10	125	0	0	(10)	175
Balance at December 31, 2003	**769**	**1,786**	**53**	**266**	**140**	**11**	**(9)**	**3,016**

Note 15 – Transactions with associated undertakings

Assets

in EUR millions	2003	2002	2001
Loans and advances to banks	9,206	7,560	5,937
Customer loans	1,207	4,323	4,137
Bonds and other fixed income securities	192	1,504	1,427
Equities and other variable income securities	397	-	-

Liabilities

in EUR millions	2003	2002	2001
Loans and advances from banks	7,270	1,531	2,027
Customer deposits	412	351	382
Debt securities	441	948	935
Long-term subordinated debt	315	958	643

Off-balance sheet

in EUR millions	2003	2002	2001
Financing commitments given in favor of:			
Financial institutions	687	904	153
Customers	20	924	66
Guarantees given on behalf of:			
Financial institutions	368	598	600
Customers	635	357	506

Note 16 – Comparative balance sheet - institutional activities

in EUR millions	2003	2002	2001
Interbank and money market assets	421	1,379	1,267
Customer loans	1,099	96	251
Accrued income, prepaid expenses and other assets	0	0	1
Total assets	**1,520**	**1,475**	**1,519**

in EUR millions	2003	2002	2001
Interbank and money market assets	515	1,453	1,279
Customer loans	1,137	106	36
Debt securities	0	0	305
Accrued income, prepaid expenses and other assets	98	108	106
Total liabilities	**1,750**	**1,667**	**1,726**

in EUR millions	2003	2002	2001
Commitments given			
Financing commitments given	0	0	13
Guarantees given	5	9	28
Total commitments given	**5**	**9**	**41**

in EUR millions	2003	2002	2001
Commitments received			
Financing commitments received	0	0	0
Guarantee commitments received	450	646	992
Total commitments received	**450**	**646**	**992**

Note 17 – Interest income

in EUR millions	2003	2002	2001
Interbank transactions	2,051	2,568	1,740
Customer transactions	1,114	1,944	2,397
Finance lease transactions	1	-	-
Operating lease transactions	1	-	-
Bonds and other fixed income securities	492	673	915
Interest income	215	267	69
Total	**3,874**	**5,452**	**5,121**

Note 18 – Interest expense

in EUR millions	2003	2002	2001
Interbank transactions	(1,878)	(2,430)	(2,653)
Customer transactions	(478)	(1,207)	(701)
Finance lease transactions	(1)	-	-
Operating lease transactions	(1)	-	-
Bonds and other fixed income securities	(715)	(857)	(1,149)
Interest income	(299)	(420)	(423)
Total	**(3,372)**	**(4,914)**	**(4,926)**

Note 19 – Income from variable income securities

in EUR millions	2003	2002	2001
Investments in affiliates	-	7	11
Investments in associated undertakings	159	224	115
Securities held for sale	4	6	3
Securities held for investment	-	1	1
Total	**163**	**238**	**130**

Note 20 – Net fee and commission income

in EUR millions	2003	2002	2001
Net fee and commission income			
Customer transactions	100	80	74
Security transactions	2	2	7
Off-balance sheet items:			
Forward financial instruments	(10)	(12)	(5)
Financing commitments	33	25	19
Guarantee commitments	11	7	7
Other commitments given	(4)	153	151
Other	1	3	2
Foreign exchange transactions	-	-	-
Other financial services	44	(81)	(72)
Payment services	23	21	22
Ancillary income (1)	130	141	1
Other	45	23	29
Total	**375**	**362**	**235**

in EUR millions	2003	2002	2001
Fee and commission income from:			
Customer transactions	103	87	82
Security transactions	24	39	58
Off-balance sheet items:			
Forward financial instruments	8	7	11
Financing commitments	33	25	19
Guarantee commitments	13	7	7
Other commitments given	(4)	153	151
Other	2	3	2
Foreign exchange transactions	1	1	1
Other financial services	173	122	139
Payment services	48	43	42
Ancillary income (1)	130	141	1
Other	45	23	29
Total	**576**	**651**	**542**

Fee and commission expenses on:

Customer transactions	(3)	(7)	(8)
Security transactions	(22)	(37)	(51)
Off-balance sheet items:			
Forward financial instruments	(18)	(19)	(16)
Guarantee commitments	(2)	-	-
Other	(1)	-	-
Foreign exchange transactions	(1)	(1)	(1)
Other financial services	(129)	(203)	(211)
Payment services	(25)	(22)	(20)
Total	**(201)**	**(289)**	**(307)**

(1) Ancillary income was recorded under Other net banking income in 2001

Note 21 – Net gains/(losses) on trading account securities

in EUR millions	2003	2002	2001
Net gains/(losses) on trading account securities	43	(33)	(388)
Net gains/(losses) on foreign exchange transactions	3	38	6
Net gains/(losses) on forward financial instruments	(11)	(98)	524
Total	**35**	**(93)**	**142**

Note 22 – Net gains/(losses) on securities held for sale

in EUR millions	2003	2002	2001
Gains on disposal	73	35	248
Losses on disposal	(8)	(4)	(6)
Charges to provisions	(111)	(120)	(94)
Reversals from provisions	118	68	43
Total	**72**	**(21)**	**191**

Note 23 – Other net banking income

in EUR millions	2003	2002	2001
Expenses on commitments	(17)	(14)	(18)
Expenses on retroceded income	(21)	(11)	(11)
Ancillary income (1)	3	5	148
Share in joint banking operations	14	(4)	(7)
Transfer of bank operating expenses	42	47	48
Other	10	0	2
Total	**31**	**23**	**162**

(1) Since 2002, ancillary income has been recorded under Commission income

Note 24 – General operating expenses

in EUR millions	2003	2002	2001
Personnel costs			
Wages and salaries	(273)	(269)	(280)
Social security contributions (1)	(132)	(127)	(125)
Profit-sharing and incentive schemes	(13)	(5)	(14)
Payroll taxes	(29)	(26)	(26)
Recharged costs	16	10	27
C & L charge (pension commitments)	(8)	2	-
Subtotal	**(439)**	**(415)**	**(418)**
Other administrative costs			
Finance leases	(11)	(8)	(1)
Taxes other than corporate income tax	(29)	(33)	(35)
External services	(295)	(330)	(355)
Recharged costs	11	14	26
Subtotal	**(324)**	**(357)**	**(365)**
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets			
Charges	(26)	(30)	(24)
Total	**(763)**	**(772)**	**(783)**
(1) Including pension costs	(42)	(44)	(36)

Note 25 – Provisions for loan losses and country risks

in EUR millions	2003	2002	2001
Loss provisions against assets			
On non-performing loans:	(145)	(125)	(140)
Charges to provisions	(149)	(265)	(308)
Reversals from provisions	129	243	268
Losses covered	(129)	(102)	(101)
Losses not covered	(8)	(5)	-
Recoveries on debts already provided	12	4	1
On securities:	(33)	(14)	(10)
Charges to provisions	(35)	(18)	(10)
Reversals from provisions	2	7	-
Losses covered	-	(3)	-
Losses not covered	-	-	-
Recoveries on debts already provided	-	-	-
Net charge against assets	**(178)**	**(139)**	**(150)**
Loss provisions against liabilities			
On country risks:	2	34	1
Charges to provisions	(12)	(37)	(105)
Reversals from provisions	17	71	106
Losses covered	(3)	-	-
Losses not covered	-	-	-
Recoveries on debts already provided	-	-	-
On contingencies & charges:	(55)	(16)	(13)
Charges to provisions	(112)	(110)	(39)
Reversals from provisions	57	94	26
Losses covered	-	-	-
Losses not covered	-	-	-
Recoveries on debts already provided	-	-	-
Net charge against liabilities	**(53)**	**18**	**(12)**
Total	**(231)**	**(121)**	**(162)**

Note 26 – Net gains/(losses) on disposals of fixed assets

in EUR millions	2003	2002	2001
Long-term investments			
Gains			
Investments in affiliates and other securities held for investment	16	62	7
Debt securities held for investment	1	-	1
Losses			
Investments in affiliates and other securities held for investment	(9)	(26)	(25)
Debt securities held for investment	(14)	-	(5)
Charges to provisions			
Investments in affiliates and other securities held for investment	(33)	(17)	(43)
Debt securities held for investment	-	-	-
Reversals from provisions			
Investments in affiliates and other securities held for investment	13	14	16
Debt securities held for investment	6	-	-
Subtotal	**(20)**	**33**	**(49)**
Property and equipment and intangible assets	**2**	**1**	**3**
Total	**(18)**	**34**	**(46)**

Note 27 – Exceptional items

in EUR millions	2003	2002	2001
Personnel costs			
Charges to provisions for departures as part of the employee assistance program	-	(15)	-
Charges to restructuring provisions	-	(5)	(14)
Reversals from restructuring provisions	-	5	14
Reversals from provision for departures as part of the employee assistance program	5	-	-
Transfer of provision reversal to personnel costs	(5)	-	-
Market guarantee funds	-	-	(3)
Other exceptional items			
Other exceptional charges (1)	-	-	(15)
Revised VAT assessment	(30)	-	-
Other exceptional income (2)	31	-	15
Recovery of VAT paid by BP regional banks	30	-	-
Total	**31**	**(15)**	**(3)**

Fiscal year 2001 (in EUR millions):

(1)	Expenses paid	(15)
	Shoah Victim Foundation	(2)
	NBP convergence costs	(7)
	Euro conversion costs	(6)
(2)	Reversals from provisions recognized subsequently	15
	Shoah Victim Foundation	2
	NBP convergence costs	7
	Euro conversion costs	6

Fiscal year 2003 (in EUR millions):

(2)	Subsidy paid by BFBP	30
	Relief from revised tax assessments	1

Note 28 – Corporate income tax

in EUR millions	2003	2002	2001
Tax at standard rate	(10)	(12)	(11)
Contributions and minimum annual tax charge	-	-	-
Tax at reduced rates	-	(7)	-
Revised tax assessments	(34)	5	(1)
Impact of foreign branch income taxed at different rates	(1)	(3)	1
Tax credits	7	17	11
Impact of tax grouping	66	46	32
Other	2	(1)	8
Total	**30**	**45**	**40**

Note 29 – Change in average number of employees

	2003	2002	2001
Technicians	2,211	2,366	2,406
Executives	2,490	2,304	2,223
Total employees	**4,701**	**4,670**	**4,629**

Note 30 – Off-balance sheet – forward instruments

in EUR millions	2003	2002	2001
Organized market	**75,578**	**45,436**	**20,732**
Swaps			
Forward transactions	-	-	-
Option transactions	-	-	-
Non-swap			
Forward transactions	67,570	37,606	18,461
Option transactions	8,008	7,830	2,271
Over-the-counter	**469,240**	**366,830**	**445,718**
Swaps			
Forward transactions	146,357	113,744	378,388
Option transactions	-	-	-
Non-swap			
Forward transactions	274,720	206,159	25,151
Option transactions	48,163	46,927	42,179
Interest rate instruments	**544,818**	**412,266**	**466,450**
Organized market	**1**	**0**	**9**
Swaps			
Forward transactions	-	-	-
Option transactions	-	-	-
Non-swap			
Forward transactions	-	-	9
Option transactions	1	-	-
Over-the-counter	**75,272**	**83,421**	**11,960**
Swaps			
Forward transactions	-	-	-
Option transactions	-	-	-
Non-swap			
Forward transactions	-	-	-
Option transactions	75,272	83,421	11,960
Exchange rate instruments	**75,273**	**83,421**	**11,969**
Organized market	**6,493**	**10,513**	**1,189**
Swaps			
Forward transactions	-	-	-
Option transactions	-	-	-
Non-swap			
Forward transactions	320	1,154	1,132
Option transactions	6,173	9,359	57
Over-the-counter	**21,776**	**23,820**	**37,348**
Swaps			
Forward transactions	17	121	13
Option transactions	-	-	-
Non-swap			
Forward transactions	-	-	-
Option transactions	21,759	23,699	37,335
Other instruments	**28,269**	**34,333**	**38,537**

Note 31 – Off-balance sheet – Commitments and foreign currency transactions

COMMITMENTS

in EUR millions	2003	2002	2001
Financing commitments given in favor of	21,144	20,618	19,217
Financial institutions	2,330	3,619	3,507
Customers	18,814	16,999	15,710
Guarantee commitments given on behalf of	16,628	15,669	15,598
Financial institutions	1,344	1,859	1,465
Customers	15,284	13,810	14,133
Commitments on securities	53	271	563
Other commitments	14	25	28
Total commitments given	**37,839**	**36,583**	**35,406**
Financing commitments received from	2,185	1,047	1,666
Financial institutions	1,643	897	1,601
Customers	542	150	65
Guarantee commitments received from	3,783	4,863	4,441
Financial institutions	1,692	1,771	645
Customers	2,091	3,092	3,796
Commitments on securities	674	335	152
Other commitments	1,287	904	1,149
Total commitments received	**7,929**	**7,149**	**7,408**

FOREIGN CURRENCY TRANSACTIONS

in EUR millions	2003	2002	2001
Spot swap transactions			
Currencies purchased and not received	5,524	1,788	1,283
Currencies sold and not delivered	5,538	1,789	1,282
Foreign currency-denominated loans / borrowings			
Currencies loaned and not delivered	40	93	124
Currencies borrowed and not delivered	124	936	667
Forward currency transactions			
Euro to be received / currencies to be delivered	42,217	36,360	33,781
Currencies to be received / euro to be delivered	46,268	28,600	29,271
Currencies to be received / currencies to be delivered	16,330	16,247	6,482
Currencies to be delivered / currencies to be received	16,801	16,760	15,732
Premium / discount to be received	109	112	45
Premium / discount to be paid	131	119	99

Five year summary of financial data

Pursuant to Articles 133, 135 and 148 of the Commercial Companies Decree

	1999	2000	2001	2002	2003
Financial position at year end					
Common stock	531,418,160	683,510,272	709,029,632	759,085,392	768,722,224
Number of shares issued	33,213,635	42,719,392	44,314,352	47,442,837	48,045,139
Number of redeemable bonds	0	0	0	0	0
Number of convertible bonds	3,456,997	3,373,451	3,111,977	0	0
Results of operations (in EUR)					
Operating revenue net of tax	6,017,734,663.05	12,744,230,589.08	16,645,820,852.62	13,524,841,592.82	10,423,289,253.40
Income before tax, depreciation, amortization and provisions	141,743,636.13	(91,999,342.33)	233,781,303.11	269,073,078.06	213,068,968.00
Corporate income tax	(25,952,159.60)	(40,481,217.94)	40,597,922.88	45,145,504.15	29,916,523.44
Income after tax, depreciation, amortization and provisions	106,860,867.76	(230,860,374.57)	74,450,533.63	206,037,266.02	200,728,250.83
Dividends paid	73,069,997.00	106,798,480.00	110,785,880.00	71,164,255.50	120,112,847.50
Per share data (in EUR)					
Income after tax, but before depreciation, amortization and provisions	3.49	(3.10)	6.19	6.62	5.06
Income after tax, depreciation, amortization and provisions	3.22	(5.40)	1.68	4.34	4.18
Dividend	2.20	2.50	2.50	1.50	2.50
Employee data					
Number of employees	1,878	4,426	4,629	4,670	4,701
Total payroll costs (in EUR)	68,948,813.00	253,261,960.20	280,384,438.86	269,249,235.67	273,353,038.75
Social security, pension costs and other employee benefits (in EUR)	38,646,789.53	123,272,964.19	138,251,232.60	130,778,397.65	144,067,570.23

Auditors' report on the financial statements

For the year ended December 31, 2003

This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion 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 caption or on information taken outside of the financial statements. Such report, together with the statutory auditors report addressing financial reporting in the chairman of the Board of Directors report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

In accordance with our appointment as auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2003 on:

- the audit of the accompanying financial statements of Natexis Banques Populaires,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. 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 management, as well as evaluating the overall financial statement 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 financial position and the assets and liabilities of the Company as of December 31, 2003 and the results of its operations for the year then ended, in accordance with accounting principles generally accepted in France.

Without qualifying the opinion expressed above, we draw your attention to Note 17 (accounting policies) to the financial statements on changes in accounting method regarding the provisions recorded for non-performing loans and treatment of major repair programs.

II – Justification of our assessments

Pursuant to Article L225-235 of the French Commercial Code governing the justification of our assessments, as introduced by the French Financial Security Act of August 1, 2003, which applies for the first time this year, we hereby report on the following:

- your Company records provisions to cover the credit risks arising from the performance of its activities. As part of our assessment of the significant estimates made by management, we reviewed the control mechanism for monitoring credit risk, the assessment of risks of non-recovery and their coverage by both individual, as well as industry and country risk provisions;
- in addition, Note 17 (accounting policies) to the financial statements describes a change in accounting method for non-performing loans pursuant to CRC Regulation No. 2002-03. As this concerns loans restructured in previous fiscal years at non-market conditions, the discount set forth in this regulation was deducted from shareholders' equity in the amount of EUR11 million. This change in method is justified by the application of the new regulation and the compliance of the accounting translation with current policies;
- as indicated in Note 5.2 (accounting policies) to the financial statements, Natexis Banques Populaires valued its investments in affiliates based on an independent expert appraisal for the most material investments. As part of our assessment of the significant estimates made by management, we familiarized ourselves with the conclusions of the independent expert and verified their inclusion in the balance sheet as of December 31, 2003.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of the unqualified opinion in the first part of this report.

III – Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the Management Report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Pursuant to the law, we have verified that the Board of Director's Management Report contains the appropriate disclosures as to the acquisition of participating and controlling interests and the percentage interests and votes held by shareholders.

Paris and Neuilly, March 29, 2004
The Statutory Auditors

BARBIER FRINAULT & AUTRES	DELOITTE TOUCHE TOHMATSU	RSM SALUSTRO REYDEL
Ernst & Young	Philippe Vassor	Michel Savioz
Richard Olivier		
Olivier Durand		

Reports on the internal control procedures

Chairman's report on the terms and conditions governing the preparation and organization of the Board's work and the internal control procedures initiated by the Company

(Article L225-37 of the French Commercial Code)

This report was prepared pursuant to Article L225-37 of the French Commercial Code, as amended by the French Financial Security Act of August 1, 2003.

It was submitted to the Board of Directors of Natexis Banques Populaires on March 3, 2004 and to its Audit Committee.

1 – Functioning of the Board

1.1 – Composition of the Board of Directors

Natexis Banques Populaires has applied the principles of corporate governance for several years. Beginning in 1996, special Board committees were created, and other measures followed pursuant to the recommendations set forth in the Viénot and Bouton reports.

The Company attaches a particular importance to the functioning of its Board of Directors, in terms of both the frequency of meetings and the content of information provided to directors. It strives, by various means, to ensure that Board members are associated as closely as possible with the operation of the Company and its subsidiaries.

The composition of the Board of Directors has not changed since the previous year.

The Board has 15 directors (including one director representing employee shareholders) and a censor. The Chief Executive Officer is not a director.

The three independent directors, who have no direct or indirect relationship with Company shareholders, are not part of Company Executive Management and have been in office less than 12 years. The companies managed by them, where such is the case, do not realize a significant portion of their revenue with the Company:

- one independent director manages a major French high-tech industrial group;
- a second director manages one of the two leading French companies in the collective catering sector;
- the third independent director, who is now retired, is the former manager of a bank and stock market company, thus ensuring full independence vis-à-vis any financial group.

As over 4% of the common stock is held by the employees of Natexis Banques Populaires and its subsidiaries, as well as the employees of the Banque Populaire Group, they have been represented on the Board of Directors since the Annual General Meeting of May 2002 by a director chosen from among three candidates presented to the General Meeting on behalf of the employee savings mutual funds.

In accordance with the bylaws, each director must hold at least 100 shares in the Company.

Finally, the terms of office of five directors, or one-third of the Board, will expire at the end of the Annual General Meeting held to adopt the 2003 financial statements

1.2 – Exercise of executive management duties

Pursuant to the options offered by the New Economic Regulations Law of May 15, 2001, the Natexis Banques Populaires Board of Directors decided, on January 16, 2002, to separate the functions of Chairman and Chief Executive Officer, in accordance with the general logic underlying the organizational structure of the Group.

The Board of Directors meeting of the same day appointed Mr. Philippe Dupont as Chairman of the Board of Directors. He had previously been Chairman and Chief Executive Officer.

Mr. François Ladam was appointed Chief Executive Officer (non-director) by the Board of Directors meeting of October 23, 2002, with all the powers associated with this function. The appointment was effective from November 1, 2002.

1.3 – Organization of the Board's work

The Natexis Banques Populaires Board of Directors met seven times during 2003. The attendance rate was high, at 98% on average over the year, for all directors and meetings.

The meetings last on average three hours. A document, several tens of pages long, containing detailed information on all subjects to be covered during the meeting, is presented to directors several days prior to the meeting.

Detailed minutes are prepared after each meeting summarizing the presentations, activities of directors and the decisions made.

The Board of Directors discusses all subjects concerning the strategy and operation of the Company, is kept informed of all activity trends and developments, approves the Company and consolidated financial statements, takes due note of the budget and examines the various communications concerning internal control and the setting of risk limits.

The Board of Directors regularly hears, throughout the year, presentations by the heads of each of the Natexis Banques Populaires business lines on their position and future outlook, providing the directors with a detailed picture of developments for each activity component. The Board also hears presentations on major issues likely to impact Company operations (reorganizations, internal organizational reviews, etc.).

The Board of Directors also deliberates, in advance, the main investment acquisitions proposed by Natexis Banques Populaires (required by the bylaws). Powers delegated to Executive Management in this respect are particularly limited. To ensure consistency within the entire Natexis Banques Populaires group, external growth transactions contemplated by the subsidiaries are submitted in advance to the Board of Directors of their parent company.

Internal restructuring operations between subsidiaries are also systematically reviewed by the Natexis Banques Populaires Board of Directors.

Finally, to further improve the conditions under which directors can forge an opinion on the operation of Natexis Banques Populaires and its subsidiaries, it was decided to appoint several Natexis Banques Populaires directors to the boards of the main subsidiaries in 2003.

To date, there has been no formal evaluation of the work carried out by the Natexis Banques Populaires Board of Directors.

1.4 – Board of Directors' special committees

The Natexis Banques Populaires Board of Directors has had three special committees for some time:

- the Financial Statements Review Committee (created in 1996);
- the Audit Committee (created in 2000);
- the Compensation Committee (created in 1996).

■ The Financial Statements Review Committee has four members, including one independent director: Messrs. Nalpas, Clavaud, de La Chauvinière, and Thibaud. The committee's purpose is detailed in the section describing the internal control procedures for accounting and financial information.

■ The Audit Committee has four members: Messrs. Duquesne, Comas, Cordel, and Tourret.
The committee's purpose is detailed in the section describing the internal control players.

■ There are two independent directors among the four members of the Compensation Committee: Messrs. de La Chauvinière, Bechat, Gentili, and Jacquier. In accordance with its purpose, the Compensation Committee examines, before presenting them to the Board, all matters concerning the personal status of Company officers and, in particular, compensation (fixed and variable portions), pension terms and conditions and the allotment of share subscription and purchase options.

An operating charter has been drawn up for the Audit Committee and the Financial Statements Review Committee.

The special committees receive, in line with their needs, assistance from department heads able to help them in their work: the Inspector General, Financial Director, Risk Director, Statutory Auditors and, where necessary, any other manager able to provide the desired technical information. Neither the Chairman nor the Chief Executive Officer attends committee meetings. Formal written minutes are kept of committee discussions, and the committee chairmen present a summary report on their work and conclusions to the Board of Directors.

1.5 – Board of Directors' Internal Regulations and Directors' Charter

The Board of Directors approved the terms and conditions of Internal Regulations governing its activities and a Directors' Charter in March 2001.

The Internal Regulations and Directors' Charter are presented to each new Board member when they take up their duties.

The Internal Regulations detail the areas of competence of the Board, its methods of operation (with, in particular, an obligation to meet at least six times a year) and principles of professional ethics. They explicitly call for the existence of three special committees and contain various directions regarding the ethical obligations of directors.

The Directors' Charter details the rights and obligations of Board members. It presents the provisions of the bylaws whereby each Director must hold at least one hundred shares in the Company. It sets the rules forbidding directors to trade in the Company's shares during sensitive periods preceding the publication of results. Accordingly, directors are prohibited from trading in the Company's shares directly or by intermediary during the 30 calendar days preceding the publication of the quarterly, half-yearly or annual results of Natexis Banques Populaires. They are also prohibited from conducting speculative or leveraged transactions involving Company shares.

The Regulations also set the method for calculating directors' fees. Directors' fees comprise a small annual fixed portion (EUR1,525 since 2001) and a variable portion strictly proportional to the number of meetings attended by each director, set at EUR1,220 per meeting as of the same date. The compensation payable to special committee members was set at EUR915 per meeting.

2 – Internal control

The internal control system of Natexis Banques Populaires was set up in accordance with the applicable banking regulations and the corporate governance principles of the Banque Populaire Group to which it belongs.

These principles were defined by the Board of Directors of Banque Fédérale des Banques Populaires, the central body of the Banque Populaire Group, and recorded in a corporate governance charter, as well as in the Banque Populaire Group internal control system.

They are completed by reference bases, so as to ensure a tailored and consistent level of control according to financial and operational risk groupings within the Banque Populaire Group. The implementation of the new "McDonough" international prudential standards, to be coordinated at the Banque Populaire Group level, will enrich the existing reference bases beginning in 2004.

In addition, as with all the other Group banks, Natexis Banques Populaires is regularly audited by the Banque Fédérale des Banques Populaires and by Internal Audit, among which controls performed by its monitoring department.

2.1 – General organization

The internal control system of Natexis Banques Populaires is organized from the lowest to the highest operational or functional rung. The Chief Executive Officer, in agreement with the Chairman, defines the organizational structure. He is responsible for the optimum allocation of responsibilities and resources to ensure, in accordance with the strategies defined by the bank's Board of Directors, the coverage, full assessment and management of risk.

2.11 – THE INTERNAL CONTROL PLAYERS

In accordance with the principles stipulated in the Banque Populaire Group internal control system charter, Natexis Banques Populaires has set up three control levels that are coordinated by Executive Management.

Level one

Transactions are subject to prior or simultaneous internal checks by each contributor as part of the actions carried out with respect to his or her function or professional duties, and by management. This is the indispensable cornerstone of the internal control system. These internal checks are formalized in procedures and documented. They include, for example, measures for ensuring the segregation of duties principle, the procedures used by the Board to appoint authorized representatives, the procedure for authorizing credit commitments, or the supervisory procedure for capital market risks.

Level two

A permanent control verifies compliance with the professional rules or the rules specific to the institutions and the existence, permanence and relevance of the level one controls. It covers both the functional controls applicable to areas such as accounting, commitments and risks, and the regulatory controls. The main level two control units are Risk Management (counterparty, market, country, etc.), the Ethics department (compliance with AMF regulations, etc.), the department for the Prevention of Financial Crime (money laundering), and the Information System Security department (IT clearances, financial crime, etc.). In order to reinforce the independence of its control activities, Natexis Banques Populaires created an Internal Control division in October 2003. The division unites all the controllers previously attached to the business lines. The controllers ensure that the internal rules are properly applied by the operators. Finally, Financial Management is responsible for ensuring the quality of accounting and financial reporting.

Level three

Internal Audit is responsible for the level three control.

Reporting to the Chairman and to the Chief Executive Officer of Natexis Banques Populaires, Internal Audit is responsible for compliance controls and the smooth operation of the bank's internal control system within the meaning of CRBF Regulation No. 97-02. Accordingly, it acts independently of all the operational and functional entities of Natexis Banques Populaires and has no operational role.

Internal Audit conducts its work in the form of audits throughout the entire Natexis Banques Populaires group structure (parent company, branches and subsidiaries).

Internal Audit has access to all the information necessary for the accomplishment of its mission, and no professional secrecy domain or restricted area is excluded from its requests.

Audits can cover all categories of risk incurred by Natexis Banques Populaires with respect to the various business lines (counterparty and capital market risks, operating risks).

Contrary to permanent control tasks – consisting in recurring analyses resulting in periodic indicators – audits consist in selective investigations resulting in the issue of reports. Following discussions with the audited parties, the reports – together with the responses of the auditees – are sent to the latter and their management, as well as to the Chief Executive Office and to the Chairman of Natexis Banques Populaires. In addition, Internal Audit of Banque Fédérale des Banques Populaires receives a copy of all reports issued by Natexis Banques Populaires Internal Audit.

Audit reports are systematically accompanied by recommendations ranked in order of priority.

Internal Audit follows up these recommendations through monitoring activities conducted in the twelve to eighteen months following the initial investigation.

The audit procedures are part of the Natexis Banques Populaires group annual audit plan, prepared on a consolidated basis by Internal Audit and proposed to Executive Management, the Audit Committee and the Natexis Banques Populaires Board of Directors.

The group annual audit plan covers the procedures carried out by Internal Audit, as well as those conducted by the decentralized internal control departments of the various Natexis Banques Populaire subsidiaries.

In accordance with banking regulations, the purpose of the group's annual audit plan is to ensure that the entire Natexis Banques Populaires group structure is fully covered within a reasonable time period (five years), by taking into account the scale of the risks to which the activities of Natexis Banques Populaires are exposed.

Its evolution takes into account the interventions of the Internal Audit division of Banque Fédérale des Banques Populaires, the two divisions avoiding the duplication of tasks.

Consequently, the audit plan's preparation is based on a theoretical hierarchy of priorities, defined on the basis of a mapping of Natexis Banques Populaires activities, and on the state of risk within the group structure, as perceived by Internal Audit from the reporting supplied by the bank's subsidiaries.

The audit plan may be reviewed during the year, at the request of Executive Management or when circumstances so require.

Control coordination

Responsible for the definition and implementation of the internal control system, Natexis Banques Populaires Executive Management holds a monthly committee meeting for the coordination of control functions. Present at the meeting are the General Secretary, the Internal Control Director, the Risk Director, the Inspector General, the Financial Director, the Ethics Director, the Director responsible for financial crime prevention and the Director responsible for information system security.

This committee covers issues regarding the organization of the control departments, as well as the changes made necessary by banking and financial regulations, or professional and technological developments.

The various control managers report on the results of their work, and the work of control authorities external to Natexis Banques Populaires (French Banking Commission, French Securities Regulator, statutory auditors and Banque Fédérale des Banques Populaires Internal Audit).

Finally, the committee can hear presentations from the operational managers as to the measures undertaken in the subsidiaries regarding application of the recommendations issued by the internal or external control departments.

2.12 – ROLE OF THE BOARD OF DIRECTORS

The Board of Directors, which naturally discusses all subjects concerning the strategy and operation of the Company, is the deliberating body that oversees the management of the main risks to which the institution is exposed and ensures the quality and reliability of the internal control system, in accordance with prudential regulations. Accordingly, the Board takes due note of the internal control report and sets the overall limits for capital market risk.

The Board's composition, method of functioning, and the main issues it has covered during the year are presented in the first section of this report.

The Board has created an Audit Committee whose aim is to examine, in accordance with banking regulations, on a parent company and consolidated basis, the main lessons to be drawn from risk monitoring, the internal control results and the principal internal and external audit conclusions.

The committee also assesses internal control quality and, in particular, the consistency between risk measurement, monitoring and management systems. Additional measures are proposed when needed.

The Audit Committee's composition was described in the first section of this report.

The Inspector General, General Secretary and the Risk Director of Natexis Banques Populaires, as well as the Inspector General of Banque Fédérale des Banques Populaires systematically attend Audit Committee meetings.

At its request, the committee hears from the operational managers of Natexis Banques Populaires, its auditors or any other individual whose expertise it deems useful.

The chairman of the Audit Committee submits a report to the Board of Directors twice yearly. One of the two reports must include an opinion on the reports required by Articles 42 and 43 of CRBF Regulation No. 97-02 covering internal control.

In 2003, the committee met four times and discussed the following matters:

- internal control annual report;
- status of information system convergence;
- IT project management methods;
- update on IT audit assignments conducted in 2002 and early 2003;
- update on the work conducted by Banque Fédérale des Banques Populaires at Coface;
- brokerage activities of Natexis Banques Populaires.

At each meeting, the Audit Committee was able to directly question the managers responsible for the activity sector concerned or the auditors.

2.2 – Risk monitoring and management policy

Natexis Banques Populaires is exposed to 4 categories of risk:

- credit risks;
- capital market activity risks;
- overall interest rate, foreign exchange and liquidity risks;
- operating risks.

A detailed analysis of these risks, particularly in regard to quantitative aspects, is presented in the Natexis Banques Populaires management report.

Risk measurement and monitoring for Natexis Banques Populaires and its subsidiaries is the responsibility of the Natexis Banques Populaires Risk Management division, which reports to the General Secretariat and as such is independent of the operating subsidiaries.

2.21 – CREDIT RISKS

The Risk Management division performs a credit risk analysis for a group of counterparties based on financial elements, external ratings and the internal rating system. It relies on the expertise of credit analysts, backed up by the knowledge of bank specialists.

Loan decisions are made within the context of authorizations (the authorized amount is low), or by the Credit committees. The authorizations are formalized and depend upon the hierarchical level of the person receiving the authorization and the nature, term and quality of the commitments.

Commitments are measured and monitored through an electronic summary that covers virtually all the Natexis Banques Populaires loans and most of the subsidiarys' loans.

Quantitative monitoring of commitments is carried out via procedures for measuring overruns (ad hoc committees).

Qualitative monitoring is carried out via rating systems and specific tools.

Doubtful or disputed debts are monitored by the Special Affairs department and, for legal proceedings, by the Litigation department of the Tax and Legal Affairs division.

Provision committees are organized on a quarterly basis for each division. They examine all the files likely to require provisions and determine any potential provision level. Organized under the Chief Executive Officer by Financial Management, the groups assemble the Risk Management division, Internal Audit, the Tax and Legal Affairs division, the Special Affairs department, and the managers of the relevant divisions.

Monitoring of outstandings

Monitoring of the Natexis Banques Populaires business is based on an internal rating system and the type of customer. Natexis Banques Populaires maintains a prudent risk coverage policy. In addition to customer dossier provisions, Natexis Banques Populaires records provisions for industry and country risks.

Risks concentrated on a single counterparty or group

The most significant commitments, at the Natexis Banques Populaires level, are monitored by group of counterparties. Such groupings are integrated within the bank reference base. The risk checking system (SI-Risques) can consolidate the counterparty risks for all the major Natexis Banques Populaires subsidiaries. Accordingly, Natexis Banques Populaires possesses the main elements enabling it to consolidate risks or on a daily basis or according to significant dates. In addition to the analyses conducted by Natexis Banques Populaires, there are those performed by Banque Fédérale des Banques Populaires, particularly for meetings of the Group Risk and Audit Committee.

Rating of companies

For financial and other counterparties, Natexis Banques Populaires bases its decisions on an internal rating system tailored to each counterparty. In order to prepare for the application of the new McDonough ratio standards, Natexis Banques Populaires is actively participating in the Banque Populaire Group internal review. In 2003, the internal rating system was therefore modified. There are now 16 rating categories for loans in bonis and 4 rating categories for loan defaults. As of June 2003, Company counterparties are graded based on rating models in addition to expert assessment.

Allocation of risks

The allocation of risks is ensured by internal and external rules at the Banque Populaire Group. Natexis Banques Populaires considers the allocation of risks to be part of the fundamental risk management policy.

2.22 – CAPITAL MARKET TRANSACTION RISKS

Monitoring of counterparty risk

Commitments to capital market counterparties, usually banking institutions, are governed by limits. These limits are subject to the decisions of an ad hoc committee and are supervised using the bank's monitoring tools. Any overruns are covered by monthly special committee meetings.

Natexis Banques Populaires policy

Natexis Banques Populaires conducts transactions on the capital markets through its Capital Markets division or its subsidiaries. These transactions are carried out on behalf of the clientele of Natexis Banques Populaires (brokerage, management for third parties) or on its own account.

The transactions on the bank's own account take various forms:

- facilitation for Natexis Banques Populaires customers;
- trading activities;
- arbitrage activities;
- management of the overall interest rate risk and transformation by the Natexis Banques Populaires treasury.

The entities bearing risks for own account trading are the Natexis Banques Populaires Capital Markets division, Natexis Arbitrage, Natexis Bleichroeder Inc., Natexis Bleichroeder SA, Natexis Metals and ABM Corp.

Organization of the capital markets risk control system

The Natexis Banques Populaires capital markets risk control system is based on three core principles:

- a control architecture organized around three control levels: the middle office of each entity, Internal Control, and the Risk Management division, which is responsible for the independent supervision of risks;
- a capital markets risk measurement methodology aimed at identifying the risks to which the bank is exposed;
- a limits system consistent with the risk indicators defined in the internal risk measurement methodology. This system covers both Natexis Banques Populaires and its subsidiaries.

Natexis Banques Populaires capital markets risk is controlled using a methodology that measures the risks to which the various group entities are exposed. The current methodology consists of a number of standard indicators, although Natexis Banques Populaires is developing an internal model based on VaR.

The main standard indicators used are the sensitivities of the various entities to specific risks (interest rate, foreign exchange, equity markets, commodities, volatility, issuer, etc.).

In parallel to these standard indicators, Natexis Banques Populaires performs global VaR calculations. The VaR formulated by the Natexis Banques Populaires group uses the historical rate. It seeks to quantify, based on prudent assumptions, the potential loss risk to which capital market activities are exposed.

Each of the capital markets activity managers are delegated limits for risk measurement indicators in order to control the risks to which the activity is exposed.

The capital markets risk management committee decides on the delegation of limits on a monthly basis.

Capital markets risk is measured on a daily basis by the middle offices using front office systems or appropriate tools (Excel, Access).

Compliance with the limits delegated is verified daily by the middle offices, which inform the capital markets activity managers, Internal Control and the Risk Management division of any limits that are exceeded.

2.23 – INTEREST RATE, EXCHANGE RATE AND LIQUIDITY RISK MANAGEMENT

The ALM Committee, chaired by the Chief Executive Officer and comprising members from the Capital Markets, Financial Management, Risk Management and operational divisions, defines the general management thrust for assets and liabilities, liquidity and own fund investment activities.

Since 2000, management of the interest rate, exchange rate and liquidity risks of Natexis Banques Populaires and its subsidiaries has been centralized. These risks are monitored and managed by the Capital Markets division.

Global interest rate risk

The maximum sensitivity of interest rate schedules to a +/-1% translation of the interest rate curve is EUR100 million. This limit also applies to a point-for-point deviation of the interest rate curve.

Liquidity risk

In terms of liquidity risk, the Capital Markets division refinances the needs generated by the activities of Natexis Banques Populaires and its subsidiaries, rebilling the liquidity cost.

This centralization enables the optimized management of liquidity transformation risk as a result of specific understanding of the different gaps. Observation ratios were approved by the ALM Committee. In conjunction with Financial Management, the Capital Markets division also monitors regulatory limits (short-term liquidity ratio and permanent resources ratio) and internal prudential ratios validated by the ALM Committee.

The authorized liquidity gap and transformation limits are monitored and reviewed by the ALM committee.

Foreign exchange risk

There are two elements to foreign exchange risk:

- the foreign exchange operating risk generated by capital markets activity. This risk is monitored by the Capital Markets Risk Management Committee and the ALM Committee;
- the foreign exchange non-operating risk, particularly for Group entities. This risk is monitored by the ALM Committee.

2.24 – OPERATING RISKS

Operating risks are defined as the risks of loss due to the inadequacy or failure of processes, personnel, and systems or to external events.

Operating risk management

Operating risk management was strengthened in 2003 with the creation of an Operating Risk Management department within the Natexis Banques Populaires Risk Management division, in accordance with the recommendations of the Basle committee. It relies on the internal control measures applied to all activities.

The initial work identified the principal operating risks of Natexis Banques Populaires, set up training sessions for personnel and defined an operating risk framework and a process for collecting incidents.

The Operating Risks committee, which seeks to appraise, on a transversal basis, all Natexis Banques Populaires operating risks, met five times in 2003. Its work focused on crisis management, business line disaster recovery plans and information system security.

Financial crime prevention – Ethics – IT risks

Following the other control functions, the anti-money laundering cell, previously part of Internal Audit, was attached to the General Secretariat as of October 1, 2003. The entity, whose resources have been considerably strengthened, has become the Financial Crime Prevention department. In addition to money laundering, its role covers anti-terrorism efforts and the application of rules for the prevention of corruption.

The measures and resources of the Ethics function for Natexis Banques Populaires and its subsidiaries have been gradually reinforced throughout the year, particularly in regard to the situation of so-called "sensitive" persons.

The director of information system security has been attached since 2002 to the director of Information Systems and Logistics as opposed to Internal Audit. The director's scope of activity covers the management and administration of logical security. It also covers the operating risks to which the bank is exposed, regulatory supervision, the drafting of the Natexis Banques Populaires security charter, the disaster recovery plan, and back-up procedures.

The department also defines the bank's IT security architecture, detects and thwarts intrusion attempts and, more generally, proposes and initiates any measures necessary to safeguard and reinforce the security of Natexis Banques Populaires IT tools.

2.3 – Internal control procedures relating to accounting and financial information

2.31 – PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Natexis Banques Populaires consolidated financial statements are prepared by the Financial Management of Natexis Banques Populaires, using the consolidation tool and framework developed by Banque Fédérale des Banques Populaires. As a listed company, Natexis Banques Populaires prepares separate consolidated financial statements, even though the sub-group which it heads is included in a larger consolidation package established by the Banque Populaire Group. Accordingly, the Natexis Banques Populaires consolidation process is independent but, nevertheless, fully interlinked with that of the parent.

The reliability of this process is based on the following main principles:

- the definition and communication of accounting polices applicable to Group companies, including the analysis and interpretation of new regulations and laws enacted during the period;
- the direct consolidation method (now being developed in the Coface sub-group) enabling a thorough review of each of the consolidation reporting packages using a formalized review procedure;
- the uniformity of the consolidation tool for Group sub-consolidations (now being developed in the Coface sub-group), to ensure internal consistency of consolidation scopes, definitions, standards, charts of accounts, treatments and analyses;
- control of individual reporting from consolidated entities using a consolidation reporting package comprising over 5,800 accuracy and consistency checks, with a failure to comply blocking the transmission of data;
- the unitary analysis of any entries having an impact on consolidated shareholders' equity and a tax proof for each consolidated entity enabling, respectively, the individualized clearance of consolidated shareholders' equity and the individual justification of recorded deferred taxes;
- an audit trail system justifying all the accounting data published in the financial statements and accompanying notes, using the individual accounts of each consolidated entity and the consolidation entries;
- archiving and security procedures including a twice daily back-up of the single consolidation data base with regular recovery tests;
- regular training sessions for the accounting teams of the consolidated entities and communication of best practices within the Group.

2.32 – INTERNAL CONTROL MANAGEMENT PROCESS FOR CONSOLIDATED ENTITIES

As part of the regulatory process implemented by the French Banking Commission (CRBF Regulation No. 97.02) for the prudential monitoring of credit institutions, Internal Audit of Natexis Banques Populaires assesses, based on the results of periodic audits, the internal control procedures, particularly the accounting and financial procedures, for all entities within the scope of consolidation, whether or not they have credit institution status.

As they are decentralized due to the existence of management and control functions within most of the subsidiaries, the internal control procedures are adapted to the organization of each consolidated company and systematically include a three-level accounting control process:

- a basic level where the permanent controls of the operating divisions are integrated within the treatment process;
- an intermediate level represented by the financial or accounting divisions where controls that are independent of the treatment processes are performed to ensure the reliability and completeness of the accounts;
- finally, a top-level control involving Internal Audit in its compliance control role.

Specifically, these periodic and permanent controls cover the monitoring of account justifications performed by the departments, the clearance of suspense accounts, the monitoring of adjustments made to anomalies and the supervision of indicators for a population of accounts characterized as sensitive. They are performed using a variety of Group accounting information systems.

The audit trail tools for all of these systems are currently being perfected by Natexis Banques Populaires and its subsidiaries.

2.33 – EXTERNAL CONTROLS

In addition to the internal checks implemented by the Financial Management divisions responsible for the preparation of the individual or consolidated financial statements, the quality of the accounting controls is verified by:

- ad hoc procedures carried out by Banque Fédérale des Banques Populaires Internal Audit, including the 2003 audit of Natexis Banques Populaires Financial Management, covering, in particular, the consolidation process;
- the joint statutory audit work carried out consistently for the main Group entities and for which the conclusions are based, among other elements, on compliance with Group standards enacted by Banque Fédérale des Banques Populaires as applied by the subsidiaries of Natexis Banques Populaires, as well as the effectiveness of local internal control procedures.

2.34 – ROLE OF THE DELIBERATING BODY

The Financial Statements Review Committees of the Group's two listed companies, Natexis Banques Populaires and Coface, are responsible for analyzing, without the presence of the Company Officers, the individual and consolidated financial statements of the entities concerned and ensuring the pertinence and permanence of the accounting methods and main accounts closure options.

With respect to Natexis Banques Populaires, the Financial Statements Review Committee meets at least twice yearly, with the participation of the statutory auditors. Specifically, the Financial Statements Review Committee analyzes the yearly and half-yearly draft consolidated and parent company financial statements and all financial documents issued by the Company at the fiscal year-end, and reviews certain matters in greater depth prior to their presentation to the Board.

It expresses an opinion on the choice of statutory auditors, their audit plan and the allocated budgets. It can also meet with other individuals who, in one form or another, participate in the preparation or audit of the financial statements, in particular with Financial Management and Internal Audit managers.

2.4 – Conclusion

In 2004, Natexis Banques Populaires will pursue its strategies aimed at optimizing its control mechanisms and will tailor them to the changes in its activities as well as in the regulatory environment (Basle Committee, IAS standards, banking regulations).

The efforts undertaken to rationalize the work methods and resources of the risk monitoring and management teams will be maintained.

With respect to its accounting and financial internal control systems, the Group has committed in the short and mid-term to numerous projects whose development will continue. Specifically, these will cover the harmonization of accounting control procedures, integration of the Coface sub-group in the Group's direct consolidation mechanism, finalization of the Natexis Banques Populaires' accounting systems convergence to a single application, and reduction of the accounts closure time periods.

Philippe DUPONT
Chairman of the Board of Directors

Auditors' report, prepared in accordance with the last paragraph of Article L225-235 of the French commercial code, on the report prepared by the Chairman of the Board of Directors, with respect to the internal control procedures for the preparation and treatment of financial and accounting information

For the year ended December 31, 2003

As statutory auditors of Natexis Banques Populaires, and in accordance with the last paragraph of Article L225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L225-37 of the French Commercial Code for the year ended December 31, 2003.

Under the responsibility of the Board of Directors, management is responsible for defining and implementing appropriate and effective internal control procedures. In his report, the Chairman reports on the conditions and organization of the Board's procedures and the internal control procedures implemented by the company.

It is our responsibility to report to you our observations on the information and assertions set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information.

We have performed our procedures in accordance with the professional guidelines applicable in France. These guidelines require that we perform procedures to assess the fairness of the information set forth in the Chairman's report with respect to internal control procedures relating to the preparation and treatment of the financial and accounting information. These procedures mainly consisted of the following:

- familiarizing ourselves with the internal control objectives and general organization as well as the internal control procedures relating to the preparation and treatment of financial and accounting information, as presented in the Chairman's report;
- familiarizing ourselves with the procedures underlying the information presented in the report.

On the basis of our procedures, we have no comment to make on the information and the assertions given in respect to the internal control procedures relating to the preparation and treatment of financial and accounting information, set forth in the report of the Chairman of the Board, prepared in accordance with Article L225-37 of the French Commercial Code.

Paris and Neuilly, March 29, 2004
The Statutory Auditors

BARBIER FRINAULT & AUTRES	DELOITTE TOUCHE TOHMATSU	RSM SALUSTRO REYDEL
ERNST & YOUNG	Philippe Vassor	Michel Savioz
Richard Olivier		
Olivier Durand		

This is a free translation of the original French text for information purposes only.

Legal information

1 – General Meetings

Convening of general meetings

General Meetings are convened by the Board of Directors in accordance with the law. The meetings are held at either the corporate headquarters or any other specified location.

Conditions of admission

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

All shareholders may vote by correspondence using a voting form sent to the Company in accordance with applicable law and regulations.

Conditions for exercising voting rights

Pursuant to Article 26 of the bylaws, each shareholder is entitled to as many votes as the number of shares he or she owns or represents subject to the following provisions.

Double voting rights shall be granted, based on the number of shares held in the Company and pursuant to applicable laws and regulations, to all registered shares fully paid-in. Evidence of share ownership under the same name for a period of at least two years shall be requested. Double voting rights shall also be granted, in the event of a common stock issue via capitalization of available reserves, additional paid-in capital or profits, to registered shares issued free of charge to a shareholder based on existing shares entitled to this right.

Shares converted into bearer shares or sold shall cease to be entitled to double voting rights. Nonetheless, the two-year period referred to in the previous paragraph shall not be interrupted by transfers between registered holders as a result of in testate succession or inheritance by will, the split of assets between spouses, or gifts during a lifetime to a spouse or a close relative.

The merger of the Company has no impact on double voting rights, which may be exercised in the absorbing company, where permitted by the bylaws of such company.

Shareholder identification

Under Article 5 of the bylaws, the Company may, under the conditions laid down by applicable law regulations, request any relevant body or authorized intermediary to provide all information concerning holders of securities that confer immediate or future rights to vote at General Meetings, and notably their identity, nationality, address, the number of shares held by them and the restrictions binding such shares.

Any individual or legal entity holding, directly or indirectly, on their own or in concert with another such individual or legal entity, a fraction of 1% of the voting rights, or any other multiple thereof, must notify the Company, by registered letter with acknowledgement of receipt, of the number of voting rights it holds. Such notice must be made within 15 days of each acquisition or disposal of this percentage or multiple thereof.

In the event that the above-mentioned reporting requirement is not complied with, and at the request, recorded in the minutes of the General Meeting, of a shareholder representing at least 1% of the voting rights, those shares held in excess of the percentage limits that should have been reported shall be stripped of all voting rights for a period of two years following the date notice is given.

2 – Board of Directors' report on the resolutions presented to the General Meeting of May 27, 2004

Resolutions presented to the annual general meeting

The first resolution asks shareholders to approve the 2003 Natexis Banques Populaires financial statements, which show a net income for the year of EUR200,728,250.83.

Shareholders, having approved in the second resolution agreements involving members of the Board of Directors detailed in the Auditors' Special Report, are asked to approve, in the third resolution, the appropriation of earnings and the distribution of dividends.

The Board of Directors asks shareholders to approve the distribution of a dividend of EUR2.50 to each of the 48,045,139 shares making up the common stock. The dividend shall fall due for payment on June 3, 2004.

The fourth resolution concerns the approval of the consolidated financial statements as presented to shareholders, in accordance with the regulations of the French Commercial Code.

The sixth resolution asks shareholders to authorize the Company to trade in its own shares, in accordance with defined limits and conditions, where permitted by law.

The mandates of the three statutory auditors and three alternate auditors are due to expire at the end of the Annual General Meeting held to adopt the 2003 financial statements. However, for reasons arising from the legal organization of the audit firms or personal convenience, the auditors shall be "renewed" or "appointed" as set forth in resolutions seven to twelve.

The thirteenth to sixteenth resolutions ask shareholders to renew the terms of office of the four directors, which are due to expire as from the end of this meeting.

Mr. Jean-Paul Béchat presented his resignation to the Board in February 2004 after accepting new responsibilities, which are incompatible with his role as independent director. As such, shareholders are asked to appoint Mr. Vincent Bolloré, Chief Executive Officer of the Bolloré Group, to replace Mr. Bechat.

Shareholders are asked to appoint Mr. Christian Brevard, Chairman of Banque Populaire d'Alsace to the Board in replacement of Mr. Alain Jacquier, who is stepping down from his Banque Populaire Group functions in 2004.

Shareholders are also asked to appoint as Director Mr. Yvan de La Porte du Theil, Chief Executive Officer of Banque Populaire Val-de-France, in replacement of Mr. René Clavaud, who is set to succeed Mr. Christian Hébrard as Banque Fédérale des Banques Populaires representative on the Natexis Banques Populaires Board of Directors.

These appointments are set forth in resolutions seventeen to nineteen.

Resolutions presented to the extraordinary general meeting

Resolution twenty asks shareholders to renew for one year and within the limit of 500,000 options, the authorization granted to the Extraordinary General Meeting of May 31, 2001, in view of the allotment of share subscription or purchase options to employees of Natexis Banques Populaires and its subsidiaries, Banque Fédérale des Banques Populaires, as well as Banque Populaire regional banks and some of their subsidiaries.

The twentieth and twenty-first resolutions ask shareholders to grant the Board authorization to reduce the Company's common stock, where deemed necessary, by cancellation of a portion of the treasury shares.

3 – Resolutions presented to the General Meeting of May 27, 2004

Resolutions presented to the annual general meeting

First resolution: Approval of the financial statements

Overview: This resolution asks shareholders to approve the financial statements for fiscal year 2003.

Shareholders, having reviewed:

- the management report on the business activities of Natexis Banques Populaires during the fiscal year ended December 31, 2003;
- the parent company financial statements;
- and having heard the Auditors' reports;

approve the 2003 financial statements as presented to them.

Second resolution: Auditors' report

Overview: This resolution asks shareholders to approve any agreements involving members of the Board of Directors covered by Article L225-38 of the French Commercial Code and presented in the Auditors' Special Report.

Shareholders take due note of the Auditors' Special Report on agreements involving members of the Board of Directors covered by Article L225-38 of the French Commercial Code.

Third resolution: Appropriation of earnings - dividends

Overview: This resolution asks shareholders to set the net dividend per share at EUR2.50, to which will be added a tax credit, the amount of which will depend on the shareholder's situation.

Shareholders, having taken due note of the proposed appropriation of earnings recommended by the Board of Directors, approve this proposal and:

- decide to:

– appropriate net income for the year of	EUR200,728,250.83
– less retained earnings brought forward of	EUR9,304,835.82
– to the legal reserve in the amount of	EUR9,571,170.75
leaving distributable earnings of	EUR181,852,244.26

- decide to:

– distribute a dividend of	EUR120,112,847.50
– transfer to the long-term capital gains tax-driven reserve	EUR52,300,034.64
– transfer to the general reserve	EUR9,400,000.00
– appropriate the residual balance to retained earnings	EUR39,362.12
giving total distributable earnings appropriated of	EUR181,852,244.26

Shareholders hereby set, for the year ended December 31, 2003, the net dividend at EUR2.50, payable to each of the 48,045,139 shares making up the common stock. The tax credit shall be EUR1.25.

The dividend shall fall due for payment on June 3, 2004.

In accordance with the law, shareholders are reminded that dividends paid in respect of the last three fiscal years were as follows:

	2000	2001	2002
Dividend per share with a par value of EUR16	EUR2.50	EUR2.50	EUR1.50
Tax credit	EUR1.25	EUR1.25	EUR0.75
Number of shares remunerated	42,719,392	44,314,352	47,442,837

Fourth resolution: Approval of the consolidated financial statements

Overview: This resolution asks shareholders to approve the consolidated financial statements for fiscal year 2003, pursuant to the law of May 15, 2001.

Shareholders, having reviewed:

- the report on the business activities of Natexis Banques Populaires and the companies included in its scope of consolidation during the fiscal year ended December 31, 2003;
- the consolidated financial statements;
- and having heard the Auditors' Report on the consolidated financial statements;

approve the 2003 consolidated financial statements as presented to them.

Fifth resolution: Allocation of dividends payable on treasury shares held by the Company

Overview: This resolution asks shareholders to allocate the 2003 dividends payable on treasury shares held by the Company at the payment date.

Shareholders hereby resolve to allocate to retained earnings the 2003 dividends payable on the Natexis Banques Populaires shares held by the Company as of the payment date. In 2002, such dividends represented an aggregate amount of EUR1,897,311.

Sixth resolution: Trading in the Company's own shares

Overview: This resolution asks shareholders to authorize the Company to buy, subject to a 5% limit, its own shares on the stock market.

Pursuant to Articles L225-209 to L225-212 of the French Commercial Code, and after having duly noted the Board of Directors' report and the prospectus approved by the *Autorité des Marchés Financiers* (AMF), the French Securities Regulator, shareholders hereby authorize the Board of Directors and Executive Management to buy shares representing a maximum of 5% of the common stock, or currently 2,402,257 shares.

These shares may be purchased, in one or more installments, using any means, for the following purposes:

- the regularization of the stock market price by trading against market trends;
- as part of stock market interventions;
- to accompany external growth transactions, with the possibility that all or part of the acquired shares may subsequently be presented as consideration, sold or exchanged;
- with a view to their subsequent transfer to employees of Natexis Banques Populaires, its subsidiaries, and the Banque Populaire Group, in particular as part of share purchase programs and/or under share purchase option schemes;
- with a view to their cancellation, subject to adoption by the Extraordinary General Meeting of the twentieth-first resolution, as set forth below and the terms and conditions therein.

Shareholders set the maximum purchase price per share at EUR125 and the minimum selling price per share at EUR50.

The total purchase consideration may not exceed EUR300.3 million.

This authorization is granted for a period of 18 months as from this date and replaces the authorization granted by the General Meeting of May 22, 2003.

Shareholders confer full powers, including that of delegation, on the Board of Directors and Executive Management to implement and realize the buyback program, and to place stock market orders, sign all documents, and more generally, do all that is necessary.

Seventh resolution: Appointment of a Statutory Auditor

Overview: This resolution asks shareholders to appoint Deloitte Touche Tohmatsu-Audit as Statutory Auditor for a period of six years in replacement of Deloitte Touche Tohmatsu, whose mandate expires this year.

Shareholders hereby appoint Deloitte Touche Tohmatsu-Audit as Statutory Auditor in replacement of Deloitte Touche Tohmatsu for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Eighth resolution: Renewal of the mandate of a Statutory Auditor

Overview: This resolution asks shareholders to renew the mandate of RSM Salustro Reydel, whose current mandate expires this year, as Statutory Auditor for a period of six years.

Shareholders hereby renew the mandate of RSM Salustro Reydel as Statutory Auditor for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Ninth resolution: Renewal of the mandate of a Statutory Auditor

Overview: This resolution asks shareholders to renew the mandate of Barbier Frinault et Autres, whose current mandate expires this year, as Statutory Auditor for a period of six years.

Shareholders hereby renew the mandate of Barbier Frinault et Autres as Statutory Auditor for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Tenth resolution: Appointment of an Alternate Auditor

Overview: This resolution asks shareholders to appoint BEAS as Alternate Auditor for a period of six years in replacement of Mr. Bernard Boiton, whose mandate expires this year.

Shareholders hereby appoint BEAS as Alternate Auditor, in replacement of Mr. Bernard Boiton, for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Eleventh resolution: Appointment of an Alternate Auditor

Overview: This resolution asks shareholders to appoint Mr. Pascal Macioce as Alternate Auditor

for a period of six years in replacement of Mr. Aldo Cardoso, whose mandate expires this year.

Shareholders hereby appoint Mr. Pascal Macioce as Alternate Auditor, in replacement of Mr. Aldo Cardoso, for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Twelfth resolution: Renewal of the mandate of an Alternate Auditor

Overview: This resolution asks shareholders to renew the mandate of Mr. François Chevreux, whose current mandate expires this year, as Alternate Auditor for a period of six years.

Shareholders hereby renew the mandate of Mr. François Chevreux as Alternate Auditor for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Thirteenth resolution: Renewal of a Director's term of office

Overview: This resolution asks shareholders to renew the term of office as Director of Mr. Jean-François Comas, which expires this year, for the period provided in the bylaws.

Shareholders hereby renew the term of office as Director of Mr. Jean-François Comas for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Fourteenth resolution: Renewal of a Director's term of office

Overview: This resolution asks shareholders to renew the term of office as Director of Mr. Daniel Duquesne, which expires this year, for the period provided in the bylaws.

Shareholders hereby renew the term of office as Director of Mr. Daniel Duquesne for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Fifteenth resolution: Renewal of a Director's term of office

Overview: This resolution asks shareholders to renew the term of office as Director of Mr. Richard Nalpas, which expires this year, for the period provided in the bylaws.

Shareholders hereby renew the term of office as Director of Mr. Richard Nalpas for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Sixteenth resolution: Renewal of a Director's term of office

Overview: This resolution asks shareholders to renew the term of office as Director of Mr. Jean-Louis Tourret, which expires this year, for the period provided in the bylaws.

Shareholders hereby renew the term of office as Director of Mr. Jean-Louis Tourret for a period of six years, expiring at the end of the Annual General Meeting held to adopt the 2009 financial statements.

Seventeenth resolution: Appointment of a Director

Overview: This resolution asks shareholders to appoint Mr. Vincent Bolloré as Director in replacement of Mr. Jean-Paul Bechat, who has resigned from his functions, and whose term of office was due to expire this year.

Shareholders hereby appoint Mr. Vincent Bolloré as Director in replacement of Mr. Jean-Paul Bechat, who has resigned from his functions, for a period of six years, expiring at the end of the Annual Meeting held to adopt the 2009 financial statements.

Eighteenth resolution: Appointment of a Director

Overview: This resolution asks shareholders to appoint Mr. Christian Brevard as Director in replacement of Mr. Alain Jacquier, who has resigned from his functions.

Shareholders hereby appoint Mr. Christian Brevard as Director in replacement of Mr. Alain Jacquier, who has resigned from his functions, for the remaining term of office of his predecessor, notably the end of the Annual General Meeting held to adopt the 2007 financial statements.

Nineteenth resolution: Appointment of a Director

Overview: This resolution asks shareholders to appoint Mr. Yvan de La Porte du Theil as Director in replacement of Mr. René Clavaud, who has resigned from his functions.

Shareholders hereby appoint Mr. Yvan de La Porte du Theil as Director in replacement of Mr. René Clavaud, who has resigned from his functions, for the remaining term of office of his predecessor, notably the end of the Annual General Meeting held to adopt the 2005 financial statements.

Resolutions presented to the extraordinary general meeting

Twentieth resolution: Share subscription or purchase options

Overview: This resolution ask shareholders to renew the authorization granted by the Extraordinary General Meeting of May 31, 2001, due to expire this year, in order to enable the allotment of share subscription or purchase options to employees of Natexis Banques Populaires and its subsidiaries, as well as other Banque Populaire Group employees

Shareholders, after hearing the Board of Directors' report and the Auditors' Special Report, confer on the Board of Directors full powers to grant, on one or more occasions, share subscription or purchase options as it deems appropriate, to:

- employees and company officers of Natexis Banques Populaires, together with employees and company officers of companies in which Natexis Banques Populaires holds a majority interest, either directly or indirectly;
- employees and company officers of Banque Fédérale des Banques Populaires, which controls Natexis Banques Populaires, the Banque Populaire regional banks, and entities in which Banque Fédérale des Banques Populaires or associated undertakings hold, directly or indirectly, individually or jointly, over 50% of common stock.

Pursuant to prevailing regulations, each option granted shall confer the right to subscribe or purchase one company share.

Consequently, shareholders hereby confer on the Board full powers to perform share issues, on one or more occasions, within the limit of 500,000 options.

This limit may be increased by the issue of additional options to preserve the rights of beneficiaries of share subscription options as provided for by the law.

In accordance with the law, this authorization includes the express waiver by shareholders of their preferential subscription rights to all other shares that shall be issued following the exercise of their options, in favor of option beneficiaries.

The option subscription exercise price, which shall be set by the Board of Directors, may not be greater than the average listed share price of the twenty trading days preceding the option issue date, or less than 95% of this average share price rounded up to the nearest tenth of a euro.

Furthermore, for the allocation of purchase options, the purchase price may not be less than 95% of the average purchase price of the shares held by the Company in respect of Articles L225-208 and L225-209 of the French Commercial Code.

Options not exercised within seven years shall be deemed null and void.

Shareholders confer full powers on the Board of Directors to designate the option beneficiaries, set the terms and conditions for additional option allocation and exercise in accordance with the principles set out above, and perform all formalities for the common stock issue arising from the exercise of these options.

This authorization is valid for a period of fourteen months as from the date of this meeting.

Twenty-first resolution: Authorization granted to the Board of Directors to decrease the common stock by cancellation of treasury shares

Overview: This resolution ask shareholders to grant the Board of Directors authorization to decrease the Company common stock, where deemed necessary, by cancellation of a portion of its treasury shares.

Shareholders, having familiarized themselves with the Board of Directors' report and the Auditors' Special Report confer on the Board of Directors full powers to decrease the common stock, on one or more occasions and in the amounts and at the times decided by it, by canceling any portion of the treasury shares as provided for by the law and in accordance with Articles L225-209 and seq. of the French Commercial Code.

A maximum of 500,000 shares comprising Company common stock can be canceled by the Company in application of this authorization during a continuous period of 18 months.

The difference between the purchase price of the shares and their nominal value shall be deducted from all reserve or additional paid-in capital headings.

Shareholders confer full powers on the Board of Directors, including that of delegation, to perform the common stock cancellation(s) or reduction(s) that may arise from application of this authorization, make the necessary amendments to the bylaws and perform all formalities.

Twenty-second resolution: Powers

Shareholders hereby grant full powers to the holder of copies or extracts of the minutes of this meeting to file any necessary documents and comply with all registration, publication or other formalities provided for by law.

Additional information

1 – General information concerning Natexis Banques Populaires

Corporate name

Natexis Banques Populaires

Corporate headquarters

45, rue Saint-Dominique - 75007 Paris

Legal form

Natexis Banques Populaires is a French "société anonyme" governed by commercial company regulations, the provisions of the Monetary and Financial Code and its bylaws.

Date of incorporation and term

The Company was incorporated on November 20, 1919 under the name Crédit National. Its term was increased to 99 years with effect from November 9, 1994, unless subject to extension or early dissolution. The name "Natexis Banques Populaires" was adopted by the Shareholders' Meeting of July 27, 1999.

Corporate purpose

Pursuant to Article 2 of the bylaws, the corporate purpose in France and abroad is as follows:

- the performance of all types of banking transactions and related operations under banking law;
- the supply of all type of investment services as defined by the Monetary and Financial Code;
- the performance of specific assignments on behalf of the French State in economic and financial areas, in connection with specific agreements;
- the performance of all brokerage operations;
- the acquisition of interests in companies, groups or associations with a direct or indirect involvement in the above-mentioned activities;
- and the performance of all manner of private and commercial transactions.

Incorporation particulars

Paris Trade and Companies Register RCS Number:
B 542 044 524
APE Code: 652 C

Company legal documents

All books and records relating to the Company and, in particular, its bylaws, financial statements and reports presented to Shareholders' Meetings by the Board of Directors or the Auditors, may be consulted at the corporate headquarters.

Fiscal year

The fiscal year runs from January 1 through December 31.

Appropriation of earnings (Title V, Article 34 of the Company's bylaws)

5% of annual profits, less any prior year losses, is taken to the legal reserve. This transfer of profits is no longer required once this reserve exceeds an amount equal to one-tenth of the common stock and becomes mandatory once again when the reserve falls below one-tenth of the common stock.

Remaining profits, along with any retained earnings, constitute distributable earnings. The Annual General Meeting may distribute these profits as it deems appropriate in accordance with applicable law, and may either allocate them to retained earnings or reserves, or distribute them in full or in part, upon the recommendation of the Chairman of the Board duly approved by the Board of Directors.

The Annual General Meeting may also decide on the distribution of amounts taken from retained earnings or available reserves; in this case, the decision shall expressly indicate those reserve headings from which such amounts will be taken.

The Annual General Meeting may offer shareholders the option of receiving dividends in the form of cash or shares (scrip), for all or part of such dividend. For dividends paid in shares, such shares shall be allocated in accordance with applicable rules and regulations.

Pursuant to applicable law, the Board of Directors may decide to pay an interim dividend in the form of cash or shares.

Annual dividends shall be paid on the date set by the Board of Directors, within nine months of the year-end.

2 – General information on the common stock

Form and method for recording shares (Title II, Article 4 of the Company's bylaws)

Company shares take the form of registered shares or identifiable bearer shares, at the option of the holder.

They are registered in an account and transacted according to the terms and conditions defined in the applicable laws and regulations.

Common stock

EUR768,722,224 as of December 31, 2003, made up of 48,045,139 fully paid-up ordinary shares of EUR16 par value each.

Authorized common stock, not issued

The Combined General Meeting of May 31, 2001, fully authorized the Board of Directors to increase the common stock, for a period of 26 months and on one or more occasions, in accordance with Article L225-129, paragraph 3, of the French Commercial Code, and set a non-cumulative maximum of EUR150 million.

This authorization covers share issues performed with and without retention of shareholder preferred subscription rights.

The Extraordinary General Meeting of June, 22 2003 accepted the renewal of these amounts for the same duration and the same limit.

Securities not conferring rights to common stock

None.

Other securities conferring rights to common stock

The Extraordinary General Meeting of May 31, 2001 renewed for a further three years the authorization granted by the 1996 Extraordinary General Meeting, which expired in 2001, enabling the allotment of share subscription or purchase options to employees of Natexis Banques Populaires and its subsidiaries, as well as other Banque Populaire Group employees, where permitted by law.

The maximum number of new shares that may be created is 2,524,000, corresponding to the exercise of options granted since May 31, 2001 (2,000,000 options) and options granted previously and likely to be exercised within the period set at the time of allotment (maximum of 524,000 options).

These options may be allotted to:

- employees and company officers of Natexis Banques Populaires, together with employees and company officers of companies in which Natexis Banques Populaires holds a majority capital stake, directly or indirectly;
- employees and company officers of Banque Fédérale des Banques Populaires which controls Natexis Banques Populaires, the Banque Populaire regional banks, and entities in which Banque Fédérale des Banques Populaires or associated undertakings hold, directly or indirectly, individually or jointly, over 50% of common stock.

The subscription price is equal to the average closing listed price during the twenty stock market sessions preceding the Board meeting which determined the conditions of the annual stock option plan, after deducting the 5% discount provided by applicable law.

In respect of 2003, the Board of Directors, during their meetings of September 10, and November 19, 2003, after approval by the Compensation Committee decided to allot a maximum of 430,000 share subscription options. This number takes into account the distribution of Natexis Banques Populaires share subscription options for the first time to Coface employees.

Finally, a decision was taken to allot 406,890 share subscription options as follows:

- 185,900 to employees and executives of Natexis Banques Populaires and its direct or indirect subsidiaries;
- 220,990 to employees and executives of Banque Fédérale des Banques Populaires, the Banque Populaire regional banks and entities in which Banque Fédérale des Banques Populaires or associated undertakings hold, directly or indirectly, individually or jointly, over 50% of common stock.

The share subscription price was set at EUR83.25.

Share subscription options granted

	1999 plan	**2000** plan	**2001** plan	**2002** plan	**2003** plan
Number of options allotted	200,000	220,000	497,050	329,735	406,890
Number of beneficiaries	77	110	450	424	563
Strike price (in EUR)	59.31	83.14	94.30	72.47	83.25
Options available for exercise from	09/22/2004(*)	11/25/2005	09/20/2005	09/11/2006	09/11/2007
Number of options exercised	8,000	0	0	0	0
Number of options canceled	6,000	4,900	4,900	1,000	0
Number of options outstanding	186,000	215,100	492,150	328,735	406,890

Share subscription options granted to executive officers **

	1999 plan	**2000** plan	**2001** plan	**2002** plan	**2003** plan
Number of options allotted	112,000	92,000	116,500	66,000	37,800
Number of beneficiaries	11	10	12	10	11
Strike price (in EUR)	59.31	83.14	94.30	72.47	83.25
Options available for exercise from	09/22/2004(*)	11/25/2005	09/20/2005	09/11/2006	09/11/2007
Number of options exercised	0	0	0	0	0
Number of options canceled	0	0	0	0	0
Number of options outstanding	112,000	92,000	116,500	66,000	37,800

(*) Certain exceptions enable options to be exercised in advance.
** The amounts shown in this table are included in the preceding table.

Share subscription options granted to 10 highest ranking non-executive officer employees

	Total number of shares allotted	Strike price (in EUR)	Number plan
Fiscal year 2003	52,000	83.25	N°11 - CA 10.09.03

Options exercised by the 10 non-executive company officers who exercised the most options

	Total number of shares subscribed	Weighted average price (in EUR)	**1997** plan	**1998** plan
Fiscal year 2003	10,600	56.93	600 (EUR44.64)	10,000 (EUR57.65)

Changes in common stock over the past five fiscal years

	Opening number of shares	Number of shares created during the year	Closing number of shares	Common stock (in EUR)
1999	15,463,177	17,750,458	33,213,635	531,418,160
2000	33,213,635	9,505,757	42,719,392	683,510,272
2001	42,719,392	1,594,960	44,314,352	709,029,632
2002	44,314,352	3,128,485	47,442,837	759,085,392
2003	47,442,837	602,302	48,045,139	768,722,224

The following table breaks down the additional paid-in capital for each common stock transaction.

Year	Heading	Number of shares	Common stock (in EUR)	Additional paid-in capital following common stock increase (in EUR)
1999	**Opening number of shares**	**15,463,177**	**235,734,614**	
	New shares issued in consideration for the partial asset transfer by CCBP to Natexis S.A.	16,081,704	257,307,264	534,123,748.55
	Shares issued in consideration for the merger-absorption of Banques Populaires Ingénierie S.A. by NBP	459,555	7,352,880	28,052,982.82
	Payments of dividends in shares	481,131	7,698,096	14,510,910.96
	Subscriptions to ESOPs	725,698	11,606,449	21,019,256.33
	Exercise of share subscription options	2,370	37,920	115,334.33
	Conversion of common stock into euro		11,680,938	
	Closing number of shares	**33,213,635**	**531,418,160**	
2000	**Opening number of shares**	**33,213,635**	**531,418,160**	
	Shares issued in consideration for the transfer to NBP of Bail Banque Populaire shares held by Banque Populaire regional banks	606,225	9,699,600	25,256,952.52
	Payments of dividends in shares	1,014,910	16,238,560	51,973,541.10
	Shares issued in consideration for the transfer of Assurances Banque Populaire and Factorem and the transfer-merger of SAS Fructivie and Factorem	3,386,962	54,191,392	144,992,018.29
	Subscriptions to ESOPs	8,172	130,752	371,354.53
	Shares conversion of Perpetual subordinated securities convertible into shares	83,310	1,332,960	4,191,769.44
	Exercise of share subscription options	5,550	88,800	201,666.06
	Conversion of bonds convertible into shares	236	3,776	22,487.92
	November and December 2000 share issues	4,400,392	70,406,272	325,629,008.00
	Closing number of shares	**42,719,392**	**683,510,272**	

Year	Heading	Number of shares	Common stock (in EUR)	Additional paid-in capital following common stock increase (in EUR)
2001	**Opening number of shares**	**42,719,392**	**683,510,272**	
	Subscriptions to ESOPs	1,321,486	21,143,776	83,297,066.12
	Shares conversion of Perpetual subordinated securities convertible into shares	258,527	4,136,432	13,007,869.36
	Exercise of share subscription options	12,000	192,000	500,683.53
	Conversion of bonds convertible into shares	2,947	47,152	280,813.10
	Closing number of shares	**44,314,352**	**709,029,632**	
2002	**Opening number of shares**	**44,314,352**	**709 029 632**	
	Subscriptions to ESOPs	5,355	85,680	286,620.37
	Shares conversion of Perpetual subordinated securities convertible into shares	1,717,431	27,478,896	86,413,090.39
	Exercise of share subscription options	4,400	70,400	108,393.66
	Shares issued in contribution for Arnhold & S. Bleichroeder securities	1,401,082	22,417,312	83,448,443.92
	Shares issued following the merger with the real estate company ABC	217	3,472	3 943,16
	Closing number of shares	**47,442,837**	**759,085,392**	
2003	**Opening number of shares**	**47,442,837**	**759,085,392**	
	Subscriptions to ESOPs	3,756	60,096	161,981.00
	Exercise of share subscription options	43,340	693,440	1,733,850.39
	Shares issued in contribution for Banque du Dôme-Crédifrance Factor securities	218,559	3,496,944	14,643,375.64
	Shares issued in contribution for Sopromec Participations securities	336,647	5,386,352	25,248,563.45
	Closing number of shares	**48,045,139**	**768,722,224**	

Other information on the common stock

Natexis Banques Populaires did not pledge any of its securities.

3 – Share ownership and voting rights

Breakdown of common stock as of December 31, 2003

As of December 31, 2003, the main Natexis Banques Populaires shareholders were as follows:

	% common stock	% voting rights
Banque Fédérale des Banques Populaires	75.34%	84.69%
of which employee share ownership (Alizé Levier ESOP)	*2.25%*	*2.64%*
Employees (other ESOP)	1.87%	2.19%
Banque Populaire regional banks and CASDEN Banque Populaire	3.14%	2.72%
ASB Holdings	2.92%	1.71%
DZ Bank	1.89%	1.11%
Maine Services (1)	1.35%	0.85%
IKB Financière France	0.89%	1.05%

(1) A wholly-owned subsidiary of Banque Fédérale des Banques Populaires.

To the best of Natexis Banques Populaires' knowledge, no other shareholder, other than those cited in the table above, holds more than 5% of the common stock or voting rights.

Shares held by directors, executive management and members of supervisory bodies.

Members of the Board of Directors, both individuals and legal entities, hold 73.09% of the common stock of Natexis Banques Populaires (almost exclusively Banque Fédérale des Banques Populaires).

Executive officer shareholdings are not material. Please refer to page 223 for details of stock options allotted to certain employees and executive officers.

Treasury shares

Under the share buy-back program authorized by the Annual General Meeting of May 22, 2003, Natexis Banques Populaires held, as of December 31, 2003, 1,470,103 of its own shares (stripped of voting rights), representing 3.06% of the common stock.

The following table breaks down the treasury shares by quantity and percentage as of February 29, 2004.

	Quantity purchased	Purchase price in EUR	Average price in EUR	Quantity sold	% common stock
January 1, 2004	**1,470,103**	**123,474,932.95**	**83.99**		**3.06%**
Share buy-back program	9,242	811,558.89	87.81	2,500	
Alizé	-	-	-	-	
Subtotal	**9,242**	**811,558.89**	**87.81**	**2,500**	
February 29, 2004	**1,479,345**	**124,286,491.84**	**84.01**	**2,500**	**3.07%**

Employee share ownership

The Extraordinary General Meeting of June 16, 1998 renewed for 5 years the measures adopted by the Extraordinary General Meeting of April 27, 1993 in respect of the creation of employee share ownership plans (ESOP), namely by means of a Company mutual investment fund subject to a maximum common stock increase of FRF 100 million or its equivalent in euro. As of December 31, 2003, these plans held 1,978,836 shares.

The Extraordinary General Meeting of May 31, 2001 authorized the Board of Directors to increase the common stock over a period of five years, on one or more occasions, up to a maximum of 2,500,000 shares, by way of share issues reserved for Banque Populaire Group employees.

In June 2001, a first Group share ownership plan was implemented, resulting in the issue of 1,273,854 new shares reserved for Banque Populaire Group employees. Within the Group, 17,275 employees, or 50% of the total number of employees, subscribed to these shares. The securities are held in two new Company mutual investment funds, which represent 2.54% of Natexis Banques Populaires common stock as of December 31, 2003. Taking into account previous Company mutual investment funds, the share of common stock held by Banque Populaire Group employees now totals 4.12%.

Changes in share ownership over the past three years

as of December 31	2001	2002	2003
Banque Populaire Group and subsidiaries	79.42%	77.38%	77.58%
Employee share ownership	4.71%	4.30%	4.12%
IKB Financière France	0.97%	0.91%	0.89%
ASB Holdings	0%	2.95%	2.92%
DZ BANK	0%	1.91%	1.89%

Individuals or legal entities that exercise or may exercise control over Natexis Banques Populaires

The Banque Populaire Group, as majority shareholder in Natexis Banques Populaires, exercises those responsibilities provided for under banking regulations.

4 – Natexis Banques Populaires and the stock market

Markets on which Natexis Banques Populaires securities are listed

Natexis Banques Populaires shares are listed on the Paris Euronext Premier Marché and qualify for deferred settlement (ISIN Code: FR0000120685). Natexis Banques Populaires securities are included in the SBF 120 and SBF 250 indexes.

Stock market

CHANGES IN AVERAGE MONTHLY PRICES AND TRADING VOLUMES SINCE SEPTEMBER 2002

Natexis Banques Populaires shares

Year	Month	Average in EUR	High in EUR	Low in EUR	Number of shares traded	Capital traded in EUR thousands
2002	September	73.82	77.50	70.00	234,956	16,982
	October	72.83	78.00	70.00	280,435	20,281
	November	76.30	82.75	72.70	112,186	8,712
	December	76.50	82.10	74.70	226,234	17,245
2003	January	76.49	82.50	71.90	190,131	14,443
	February	72.98	75.00	71.00	149,845	10,962
	March	70.90	75.05	69.10	286,921	20,511
	April	74.32	80.30	69.80	143,487	10,730
	May	75.46	77.50	73.50	202,349	15,268
	June	79.15	81.00	76.15	159,839	12,675
	July	81.07	85.05	79.00	151,854	12,333
	August	85.39	89.90	81.50	233,930	20,460
	September	87.56	90.50	85.50	187,421	16,508
	October	89.94	92.05	85.70	170,563	15,441
	November	90.77	92.00	88.50	78,350	7,118
	December	89.96	91.90	86.90	159,170	14,305
2004	January	86.80	90.45	85.20	222,909	19,438
	February	91.93	95.00	88.50	298,313	27,680

Perpetual subordinated securities convertible into shares 5 5/8% May 1996

Year	Month	Average in EUR	High in EUR	Low in EUR	Number of shares traded	Capital traded in EUR thousands
2002	September	79.00	79.00	79.00	5	-
	October	71.40	76.50	64.09	8	-
	November	76.58	81.00	65.80	925	67
	December	65.25	74.00	60.05	2,029	133

In May 1996, 2,068,968 subordinated securities convertible into shares up until December 31, 2002 on the basis of one share for one subordinated security, were issued for a total par amount of FRF900,001,080.

In 2002, 1,717,431 subordinated securities were converted into ordinary shares. Authorizations were granted to proceed with the early redemption on January 1, 2003 of all non-converted subordinated securities.

With a total of 2,059,275 securities converted, the balance of 9,693 securities was redeemed at EUR66.32 per bond, plus the coupon.

As of January 1, 2003, there were no outstanding subordinated securities convertible into shares.

5 – Dividends

Dividends not claimed within a period of five years following the date of payment are barred by statute and paid to the French State in accordance with the law.

Dividends distributed during the past five years:

	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003
Number of shares receiving dividends	33,213,635	42,719,392	44,314,352	47,442,837	46,177,963
Dividends per share *	EUR2.20	EUR2.50	EUR2.50	EUR1.50	EUR2.50**

* Exclusive of tax credit, differs depending on the beneficiary.

** This proposal will be submitted for approval to the Annual General Meeting of May 27, 2004.

Natexis Banques Populaires offered shareholders the option of receiving payment of dividends in shares (scrip), up to the dividend paid in respect of fiscal year 1999. This option will not be offered in 2004 in respect of fiscal year 2003.

6 – Other information concerning Natexis Banques Populaires

Background

Natexis Banques Populaires was created by the transfer of Caisse Centrale des Banques Populaires' (CCBP) operating activities to Natexis S.A. and was approved by the Extraordinary General Meetings of the two entities on July 27, 1999.

CCBP BACKGROUND

CCBP was created in 1921 to support the expansion of the Banque Populaire regional banks, and to perform both *institutional activities* on behalf of the Banque Populaire regional banks (management and monitoring of excess treasury balances of Banques Populaires regional banks, special assignments on behalf of the Chambre Syndicale des Banques Populaires, debenture loan issues and issues of similar securities) and *operating banking activities* in the competitive market sector.

In October 1997, CCBP acquired a 23.35% stake in Natexis S.A. This was followed by a friendly takeover bid after which, on June 2, 1998, the Banque Populaire Group held 71.4% of Natexis S.A. common stock. This interest was increased to 74.36% at the end of 1998.

After the transfer of its operating activities in July 1999 to Natexis S.A., the CCBP became the Banque Fédérale des Banques Populaires (BFBP).

At the end of 1999, Banque Populaire Group held 88.06% of the common stock of the new Natexis Banques Populaires entity. At the end of 2000, the shareholding interest had fallen back to 79.23%, following the share issue placed primarily with private investors.

Following the law of May 15, 2001, BFBP replaced CCBP as the central body of the Banque Populaire Group.

BACKGROUND OF THE ENTITIES MAKING UP NATEXIS

Formed in 1919, Crédit National initially concentrated on developing its activities as a medium and long-term lender, before branching out into complementary activities in order to offer its corporate clients a wider and more comprehensive response to their needs.

During 1996, Crédit National increased its stake in Banque Française du Commerce Extérieur (BFCE) from 10.06% to 88% and then 100%. Formed in 1947, BFCE performed commercial banking activities, concentrating on the development of these activities in parallel with the progressive reduction in its export support activities, performed in its role as an agent of the French State.

In June 1997, Crédit National, renamed Natexis S.A., transferred its entire commercial banking arm to BFCE, renamed Natexis Banque. Natexis S.A. became a holding company and was responsible for the consistency and strategic management of all Natexis Group activities.

SIMPLIFICATION AND UNIFICATION OF LEGAL STRUCTURES

The transfer in July 1999 of CCBP operating activities to Natexis S.A. produced a new entity, Natexis Banques Populaires.

On June 28, 2000, Natexis Banques Populaires shareholders in Extraordinary General Meeting approved the merger-absorption of Natexis Banque by Natexis Banques Populaires, with effect from June 30, 2000. As the operation involved the absorption of a wholly-owned subsidiary, it was performed under the simplified merger regime and did not result in the issue of new shares.

Other simplification measures were implemented during fiscal years 1999 and 2000: absorption of Banques Populaires Ingénierie (B.P.I.) by Natexis Banques Populaires in December 1999; restructuring of the private equity division in December 1999; transfer in June 2000 to Natexis Banques Populaires of Bail Banque Populaire shares held by the Banque Populaire regional banks, in consideration for the issue of 606,225 Natexis Banques Populaires shares and transfer of Natexis Gestion'collective asset management activities to Banque Populaire Asset Management.

The decision by Natexis Banques Populaires to control the entire common stock of its subsidiaries within its own structure, resulted in a number of transactions during 2000 which led to it holding the entire common stock of Assurances Banque Populaire and Factorem. Similar transactions were performed in 2001, particularly in the private equity and asset management divisions. The program was completed in 2002 with the buy-out of participating interests held by the Banque Populaire regional banks in BPAM and Interépargne.

NEW NATEXIS BANQUES POPULAIRES SHAREHOLDERS IN 2002

In May 2002, the German bank DZ Bank AG acquired Natexis Banques Populaires shares as part of its partnership with the Banque Populaire Group, giving it a 1.89% interest as of December 31, 2003.

In July 2002, an agreement was signed between Natexis Banques Populaires and Arnhold & S. Bleichroeder Holdings Inc. ("ASB"), under which Natexis Banques Populaires acquired the entire common stock of Arnhold & S. Bleichroeder Inc., a company incorporated under New York State law, for a consideration of USD105 million, payable in Natexis Banques Populaires shares.

The Natexis Banques Populaires Extraordinary General Meeting held on December 6, 2002 approved all provisions of the aforementioned contribution, together with the valuation of the contribution performed by ASB. A Natexis Banques Populaires common stock increase was approved in the amount of EUR22,417,312, through the creation of 1,401,082 fully paid-up shares with a par value of EUR16 each, issued in consideration of the contribution in kind described above.

As of December 31, 2003, ASB held 2.92% of the common stock of Natexis Banques Populaires.

KEY EVENTS IN FISCAL YEAR 2003

During the year, two transactions had a slight impact on the breakdown of Natexis Banques Populaires share ownership:

- transfer of the Banque du Dôme-Crédifrance Factor shares to Natexis Banques Populaires by Banque Fédérale des Banques Populaires.

The Natexis Banques Populaires Combined General Meeting held on May 22, 2003 approved all provisions of the aforementioned transfer. The transfer will be performed on May 22 with retroactive effect from January 1, 2003. The Banque du Dôme-Crédifrance Factor shares transferred, valued at EUR18,140,419, will be remunerated via the issue of 218,559 new Natexis Banques Populaires shares at a unit price of EUR 83.

- transfer of the Sopromec Participations shares to Natexis Banques Populaires by Banque Fédérale des Banques Populaires.

Pursuant to the terms of the agreement entered into between the Banque Populaire and the Crédit Coopératif Groups on November 18, 2002, Crédit Coopératif transferred 958,124 shares of Sopromec Participations, a Caisse Centrale de Crédit Coopératif subsidiary specialized in small and medium-sized enterprise financing using all or a portion of own funds. An agreement for the transfer of Sopromec Participations shares to Natexis Banques Populaires by Banque Fédérale des Banques Populaires was then signed.

After the Banque du Dôme-Crédifrance Factor transfer, this was the second and final transfer as part of the merger of the Banque Populaire and Crédit Coopératif Groups.

The Natexis Banques Populaires Extraordinary General Meeting held on November 19, 2003 approved all provisions of the aforementioned transfer. The transfer was based on the recognized value at the time of the transaction in December 2002, i.e. EUR30,634,915.45. The Sopromec Participations share transfer was financed by a Natexis Banques Populaires common stock increase for a par value amount of EUR5,386,352, together with additional paid-in capital of EUR25,248,525 and a balancing payment of EUR38.45. This common stock increase was calculated based on a per share issue price of EUR91.

This transaction only had a minor diluting impact for minority shareholders as the Banque Fédérale des Banques Populaires shareholding increased from 72.97% to 73.16%.

Dependence

Natexis Banques Populaires is not dependent on any patent, license or on any industrial, commercial or financial sourcing agreement.

Exceptional events and litigation

At the present time, no exceptional event or litigation exists that may have a material adverse effect on the activity, results and financial situation of the Company.

7 – Persons responsible for the reference document and the audit of the financial statements

Person responsible for the reference document

M. François Ladam
Chief Executive Officer

Attestation of the person responsible for the reference document

To the best of our knowledge, the information presented in this reference document fairly reflects the current situation and includes all information required by investors to assess the net asset position, activities, financial solvency, results and future prospects of the issuer. We confirm that no information likely to have a material impact on the interpretation of these documents has been omitted.

François Ladam

Persons responsible for the audit of the financial statements

STATUTORY AUDITORS

– Deloitte Touche Tohmatsu,
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– RSM Salustro Reydel,
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– Barbier Frinault et Autres,
41, rue Ybry - 92576 Neuilly sur Seine

ALTERNATE AUDITORS

– Bernard Boiton, residing
16, Parc de Béarn – 92210 Saint-Cloud
– François Chevreux, residing
40, rue Guersant – 75017 Paris
– Aldo Cardoso, residing
4, rue de l'Ouest – 92200 Nanterre

The Statutory Auditors and Alternate Auditors were appointed by the Extraordinary General Meeting of June 16, 1998, for a period of six years expiring at the end of the Annual General Meeting held to approve the 2003 financial statements.

Auditors' opinion on the reference document

For the year ended December 31, 2003

This is a free translation into English of the statutory auditors' report on the reference document issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' reports on the individual company financial statements and consolidated financial statements, referred to in this report, include information specifically required by French law in all audit reports, whether qualified or not, and this is presented after the opinion on the financial statements. This information includes explanatory paragraphs 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 individual company financial statements and consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the individual company financial statements and 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.

As statutory auditors of Natexis Banques Populaires and in accordance with Regulation No. 98-01 of the *Commission des Opérations de Bourse* and professional standards applicable in France, we have performed certain procedures on the information contained in this "Reference Document" relating to the historical financial statements of the Company.

Mr. François Ladam, Chief Executive Officer, is responsible for the preparation of the "Reference Document". Our responsibility is to report on the fairness of the information presented in the "Reference Document" relating to the financial situation and the financial statements.

We have conducted our work in accordance with professional standards applicable in France. Those standards require that we assess the fairness of the information presented relating to the financial situation and the financial statements and its consistency with the financial statements on which we have issued a report. Our procedures also include reading the other information contained in the "Reference Document" in order to identify material inconsistencies with the information relating to the financial situation and the financial statements and to report any apparent material misstatement of facts that we may have found in reading the other information based on our general knowledge of the company obtained during the course of our engagement. As the reference document does not contain any prospective data resulting from an organized process, our procedures did not need to take account of management assumptions or the resulting figures.

We have audited in accordance with professional standards applicable in France the Company financial statements for the year ended December 31, 2001 and the Company and consolidated financial statements for the year ended December 31, 2002, approved by the Board of Directors. We expressed an unqualified opinion on such financial statements.

We have audited in accordance with professional standards applicable in France the consolidated financial statements for the year ended December 31, 2001, approved by the Board of Directors. We expressed an unqualified opinion, including an observation drawing attention to Notes 1.8, 1.11 and 2.16 to the consolidated financial statements which detail the accounting changes resulting, respectively, from the adoption of the preferred accounting method for lease finance transactions where the Group is the lessee, the application of the new consolidation rules applicable to insurance companies and the harmonization of long-service medal schemes.

We have audited in accordance with professional standards applicable in France the Company financial statements for the year ended December 31, 2003, approved by the Board of Directors. We expressed an unqualified opinion, including an observation drawing attention to Note 17 to the financial statements on changes in accounting method regarding the provisions raised for non-performing loans and treatment of major repair programs.

We have audited in accordance with professional standards applicable in France the consolidated financial statements for the year ended December 31, 2003, approved by the Board of Directors. We expressed an unqualified opinion, including an observation drawing attention to Note 2.17 to the consolidated financial statements which details the changes in accounting methods made during the year, arising from the first-time application of CRC Regulation No. 2002-03 on the accounting treatment of credit risks in companies falling within the scope of the French Banking and Financial Regulation Committee and CRC Regulation No. 2002-10 on the depreciation and impairment of assets.

Pursuant to Article L225-235 of the French Commercial Code governing the justification of our assessments, as introduced by the French Financial Security Act of August 1, 2003, which applies for the first time this year, we referred to the justification of the following assessments in our report on the financial statements:

- your Company records provisions to cover the credit risks arising from the performance of its activities. As part of our assessment of the significant estimates made by management, we reviewed the control mechanism for monitoring credit risk, the assessment of risks of non-recovery and their coverage by both individual, as well as industry and country risk provisions;
- in addition, Note 17 to the financial statements describes a change in accounting method for non-performing loans pursuant to CRC Regulation No. 2002-03. As this concerns loans restructured in previous fiscal years at non-market conditions, the discount set forth in this regulation was deducted from shareholders' equity in the amount of EUR11 million. This change in method is justified by the application of the new regulation and the compliance of the accounting translation with current policies;
- as indicated in Note 5.2 to the financial statements, Natexis Banques Populaires valued its investments in affiliates based on an independent expert appraisal for the most material investments. As part of our assessment of the significant estimates made by management, we familiarized ourselves with the conclusions of the independent expert and verified their inclusion in the balance sheet as of December 31, 2003.

Pursuant to Article L225-235 of the French Commercial Code governing the justification of our assessments, as introduced by the French Financial Security Act of August 1, 2003, which applies for the first time this year, we referred to the justification of the following assessments in our report on the consolidated financial statements:

- your group records provisions to cover the risks arising from the performance of its activities. As part of our assessment of the significant estimates made by management, we reviewed the control mechanism for monitoring credit risk, the assessment of risks of non-recovery and their coverage by both individual, as well as industry and country risk provisions;
- in addition, Note 2.17 to the financial statements describes a change in accounting method for non-performing loans pursuant to CRC Regulation No. 2002-03. As this concerns loans restructured in previous fiscal years at non-market conditions, the discount set forth in this regulation was deducted from shareholders' equity in the amount of EUR11 million. This change in method is justified by the application of the new regulation and the compliance of the accounting translation with current policies;
- as indicated in Note 9 to the financial statements, and pursuant to the recommendation of the *Autorité des Marchés Financiers* (AMF), the French Securities Regulator, your Company, for the preparation of its financial statements for the year ended December 31, 2003 has valued intangible assets and goodwill recorded in the consolidated balance sheet based on an independent expert appraisal for the most material investments. As part of our assessment of the significant estimates made by management, we familiarized ourselves with the conclusions of the independent expert and verified their inclusion in the consolidated balance sheet as of December 31, 2003.

These assessments were performed as part of our audit approach for the Company and consolidated financial statements taken as a whole and contributed to the expression of the unqualified opinion in the first part of our reports.

Based on the procedures performed, we have no matters to report regarding the fairness of the information relating to the financial situation and the financial statements presented in the "Reference Document".

Paris and Neuilly, March 31, 2004

THE STATUTORY AUDITORS

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Richard Olivier - Olivier Durand

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Cross-Reference Table

To facilitate the understanding of the reference document, the following thematic table can be used to identify the main information required by the regulations and decrees of the *Autorité des Marchés Financiers*.

Pursuant to Regulation No. 98-01, the original version of this reference document in French was filed with the *Autorité des Marchés Financiers* (AMF) on April 2, 2004. This document may only be used in connection with a financial transaction when accompanied by a prospectus approved by the AMF. This reference document was prepared by the issuers and is the responsibility of its signatories.

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