

OFFERING CIRCULAR



CAISSE NATIONALE DES CAISSES D'ÉPARGNE ET DE PRÉVOYANCE

Euro 20,000,000,000

Euro Medium Term Note Programme

Due from one month from the date of original issue

Under the Euro Medium Term Note Programme described in this Offering Circular (the “**Programme**”), Caisse Nationale des Caisses d’Épargne et de Prévoyance (the “**Issuer**” or “**CNCEP**” or “**CNCE**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes under the Programme (the “**Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed Euro 20,000,000,000 (or the equivalent in other currencies).

This Offering Circular replaces and supersedes the Offering Circular dated 23 September 2003.

This Offering Circular shall be in force for a period of one year as of the date set out hereunder.

Application will be made in certain circumstances to list Notes issued under the Programme on the Luxembourg Stock Exchange. However, unlisted Notes may be issued pursuant to the Programme. The relevant Pricing Supplement (a form of which is contained herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed and, if so, the relevant stock exchange.

Notes may be issued either in dematerialised form (“**Dematerialised Notes**”) or in materialised form (“**Materialised Notes**”) as more fully described herein.

Dematerialised Notes will at all times be in book entry form in compliance with Article L.211-4 of the French *Code monétaire et financier*. No physical documents of title will be issued in respect of the Dematerialised Notes.

Dematerialised Notes may, at the option of the Issuer, be in bearer dematerialised form (*au porteur*) inscribed as from the issue date in the books of Euroclear France (“**Euroclear France**”) (acting as central depository) which shall credit the accounts of Account Holders (as defined in “Terms and Conditions of the Notes - Form, Denomination, Title and Redenomination”) including Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and the depository bank for Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder (as defined in Condition 1(c)(iv)), in either fully registered form (*nominatif pur*), in which case they will be inscribed with the registration agent (designated in the relevant Pricing Supplement) for the Issuer, or in administered registered form (*nominatif administré*) in which case they will be inscribed in the accounts of the Account Holders designated by the relevant Noteholders.

Materialised Notes will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (a “**Temporary Global Certificate**”) will initially be issued in connection with Materialised Notes. Such Temporary Global Certificate will be exchanged for definitive Materialised Notes in bearer form with, where applicable, coupons for interest attached on or after a date expected to be on or about the 40th day after the issue date of the Notes (subject to postponement as described in “Temporary Global Certificates issued in respect of Materialised Bearer Notes”) upon certification as to non US beneficial ownership as more fully described herein.

Temporary Global Certificates will (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository for Euroclear and/or Clearstream, Luxembourg and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the Issuer and the relevant Dealer (as defined below).

Unless otherwise specified in the applicable Pricing Supplement, Notes will be rated as follows

Status of the Notes	Rating given by Fitch Ratings	Rating given by Moody's Investors Services Inc.	Rating given by Standard and Poor's Ratings Services
Unsubordinated Notes (long term)	AA	Aa2	AA
Unsubordinated Notes (short term)	F1+	P-1	A-1+
Subordinated Notes (Lower Tier 2)	AA-	Aa3	AA-
Subordinated Notes (Upper Tier 2)	AA-	Aa3	A+
Subordinated Notes (Tier 1)	AA-	A1	

Fitch Ratings, Moody's Investors Services Inc. and Standard & Poor's Ratings Services will only rate Tier 3 Subordinated Notes (as defined herein), on a case-by-case basis. Standard & Poor's Ratings Services will only rate Tier 1 Subordinated Notes (as defined herein), on a case-by-case basis. Structured Senior Notes or other Notes issued pursuant to the Programme may be unrated or rated differently in certain circumstances. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating assigned to Notes issued under the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Arranger
Deutsche Bank
Dealers

Barclays Capital
Citigroup

CDC IXIS Capital Markets
Credit Suisse First Boston

<http://www.oblible.com>

**Deutsche Bank
HSBC
Lehman Brothers
Morgan Stanley**

**Goldman Sachs International
JPMorgan
Merrill Lynch International
Nomura International**

The date of this Offering Circular is 28 October 2004.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Issuer, the Issuer and its consolidated subsidiaries and affiliates (*filiales consolidées et participations consolidées*) taken as a whole (the “Group”) and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to the Issuer, the Group and the Notes are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (each as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and include Materialised Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”) or, in the case of Materialised Notes in bearer form, the U.S. Internal Revenue Code of 1986, as amended (the “U.S. Internal Revenue Code”)). For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers or the Arranger to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its

purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with any Tranche (as defined in “Summary of the Programme”), one of the Dealers may act as a stabilising agent (the “Stabilising Agent”). The identity of the Stabilising Agent will be disclosed in the relevant Pricing Supplement. References in the next paragraph to “the issue of any Tranche” are to each Tranche in relation to which a Stabilising Agent is appointed.

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

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “€”, “Euro”, “EUR” or “euro” are to the currency of the participating member states of the European Economic and Monetary Union which was introduced on 1 January 1999, references to “£”, “pounds sterling”, “GBP” and “Sterling” are to the lawful currency of the United Kingdom references to “\$”, “USD” and “U.S. Dollars” are to the lawful currency of the United States of America, references to “¥”, “JPY”, “Japanese yen” and “Yen” are to the lawful currency of Japan and references to “CHF” and “Swiss francs” are to the lawful currency of the Helvetic Confederation.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with any amendments or supplements to this Offering Circular, each relevant Pricing Supplement, the most recently published audited annual accounts and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts of the Issuer from time to time, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. All documents incorporated by reference in this Offering Circular may be obtained, free of charge, at the offices of each Paying Agent set out at the end of this Offering Circular during normal business hours so long as any of the Notes are outstanding.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking to the Dealers and to the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular (including the “Terms and Conditions of the Notes”) whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes, submit such amendment or supplement to the Luxembourg Stock Exchange for approval and supply each Dealer and the Luxembourg Stock Exchange with such number of copies of such amendment or supplement as may reasonably be requested. All documents prepared in connection with the listing of the Programme will be available at the specified office of the Paying Agent in Luxembourg.

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SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. The Notes will be issued on such terms as shall be agreed between the Issuer and the relevant Dealer(s) and, unless otherwise specified in the relevant Pricing Supplement, will be subject to the Terms and Conditions set out on pages 15 to 43.

Issuer:	Caisse Nationale des Caisses d'Epargne et de Prévoyance
Description:	Euro Medium Term Note Programme for the continuous offer of Notes (the “ Programme ”)
Arranger:	Deutsche Bank AG, Paris branch
Dealers:	Barclays Bank PLC CDC IXIS Capital Markets Citigroup Global Markets Limited Credit Suisse First Boston (Europe) Limited Deutsche Bank AG London Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International Morgan Stanley & Co. International Limited Nomura International plc

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

At the date of this Offering Circular, only credit institutions and investment firms incorporated in a member state of the European Union (“EU”) and which are authorised by the relevant authority of such member home state to lead-manage bond issues in such member state may act (a) as Dealers with respect to non-syndicated issues of Notes denominated in Euro and (b) as lead manager of issues of Notes denominated in Euro issued on a syndicated basis.

Programme Limit:	Up to Euro 20,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
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Fiscal Agent and Principal Paying Agent:

Deutsche Bank AG

Paying Agents:

Deutsche Bank AG, Paris branch as Paris Paying Agent and Deutsche Bank Luxembourg S.A. as Luxembourg Paying Agent

Method of Issue:

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “**Pricing Supplement**”).

Maturities:

Subject to compliance with all relevant laws, regulations and directives, any maturity from one month from the date of original issue.

Deeply Subordinated Notes (as defined below), the proceeds of which constitute Tier 1 Capital (as defined below), shall be undated.

Subordinated Notes, the proceeds of which constitute Upper Tier 2 Capital (as defined below) shall be undated.

The maturity of Subordinated Notes, the proceeds of which constitute Lower Tier 2 Capital (as defined below), will not be less than 5 years, and the maturity of Subordinated Notes, the proceeds of which constitute Tier 3 Capital (as defined below) will not be less than 2 years, or in either case such other minimum maturity as may be required by applicable legal and regulatory requirements.

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Euro, U.S. Dollars, Japanese yen, Swiss francs, Sterling and in any other currency agreed between the Issuer and the relevant Dealers.

Denomination(s):

Notes will be in such denomination(s) as may be specified in the relevant Pricing Supplement save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United

Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Dematerialised Notes shall be issued in one denomination only.

Status of the Unsubordinated Notes:

Unsubordinated Notes ("**Unsubordinated Notes**") will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by French law) equally with all other present or future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.

Status of the Subordinated Notes:

The Issuer may issue Subordinated Notes ("**Subordinated Notes**") which constitute Ordinary Subordinated Notes, Deeply Subordinated Notes, Dated Subordinated Notes or Undated Subordinated Notes, all as set out and defined in Condition 3(b).

The proceeds of issues of Subordinated Notes may or may not constitute (i) *fonds propres de base* within the meaning of Article 2 of *Règlement* no. 90-02 dated 23 February 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* ("**CRBF**"), and the Press Release of the Bank for International Settlements dated 27 October 1998 on instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**") ("**Tier 1 Capital**"), (ii) *fonds propres complémentaires* within the meaning of Article 4 (c) of CRBF *Règlement* no. 90-02 dated 23 February 1990, as amended ("**Upper Tier 2 Capital**"), (iii) *fonds propres complémentaires* within the meaning of Article 4 (d) of the CRBF *Règlement* no. 90-02 dated 23 February 1990, as amended ("**Lower Tier 2 Capital**", together with Upper Tier 2 Capital "**Tier 2 Capital**"), and (iv) *fonds propres surcomplémentaires* within the meaning of Article 3.3 of the CRBF *Règlement* no. 95-02 dated 21 July 1995, as amended ("**Tier 3 Capital**"); as described in the applicable Pricing Supplement. - see "Terms and Conditions of Notes - Status".

If so specified in the relevant Pricing Supplement, the payment of interest in respect of Subordinated Notes may be deferred in accordance with the provisions of Condition 5(h) - see "Terms and Conditions of Notes - Interest and other Calculations".

Negative Pledge:

There will be a negative pledge in respect of Unsubordinated Notes as set out in Condition 4 - see "Terms and Conditions of the Notes - Negative Pledge".

Event of Default:

There will be events of default and a cross-default in respect of

(including Cross Default)

Unsubordinated Notes as set out in Condition 9(a) and limited events of default only in respect of Subordinated Notes as set out in Condition 9(b) - see “Terms and Conditions of the Notes - Events of Default”.

Redemption Amount:

The relevant Pricing Supplement issued in respect of each issue of Notes will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption:

The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders and if so the terms applicable to such redemption.

Redemption by Instalments:

The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Early Redemption:

Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes - Redemption, Purchase and Options”.

Taxation:

Payments in respect of the Notes will be made without withholding or deduction for, or on account of, taxes imposed by or on behalf of the Republic of France as provided by Article 131 *quater* of the French General Tax Code, to the extent that the Notes are issued (or deemed to be issued) outside France.

Notes constituting *obligations* under French law will be issued (or deemed to be issued) outside France (i) in the case of syndicated or non-syndicated issues of Notes, if such Notes are denominated in Euro, (ii) in the case of syndicated issues of Notes denominated in currencies other than Euro, if, *inter alia*, the Issuer and the relevant Dealers agree not to offer the Notes to the public in the Republic of France in connection with their initial distribution and such Notes are offered in the Republic of France only through an international syndicate to qualified investors (*investisseurs qualifiés*) as described in Article L.411-2 of the French *Code monétaire et financier* or (iii) in the case of non-syndicated issues of Notes denominated in currencies

other than Euro, if each of the subscribers of the Notes is domiciled or resident for tax purposes outside the Republic of France, in each case as more fully set out in the Circular 5 I-11-98 of the *Direction Générale des Impôts* dated 30 September 1998.

However, if so provided in the relevant Pricing Supplement, Notes constituting *obligations* denominated in currencies other than Euro may be issued on a non-syndicated basis and placed with subscribers not all of whom are resident outside the Republic of France. In such cases, the Notes will not benefit from the exemption from deduction at source provided by Article 131 *quater* of the French General Tax Code and payments under such Notes made to a non-French resident will be exempt from withholding or deduction at source only if the beneficiary of the payment provides certification that he is not resident in the Republic of France, all in accordance with the provisions of Article 125 A III of the French General Tax Code, as more fully described in “Terms and Conditions of the Notes - Taxation”.

The tax regime applicable to Notes which do not constitute *obligations* will be set out in the relevant Pricing Supplement.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes:

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement), in each case as adjusted for any applicable margin.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Pricing Supplement.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.
Structured Note Risks:	<i>The following paragraph does not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in a particular series of Notes and the suitability of investing in the Notes in light of their particular circumstances.</i> An investment in Notes the premium and/or the interest on or principal of which is determined by reference to one or more values of currencies, commodities, interest rates, financial instruments or other indices or formulae, either directly or inversely, may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security at the same time and/or that an investor could lose all or a substantial portion of the principal of its Note. Neither the current nor the historical value of the relevant currencies, commodities, interest rates, financial instruments or other indices or formulae should be taken as an indication of future performance of such currencies, commodities, interest rates, financial instruments or other indices or formulae during the term of any Note.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes, credit linked Notes, fund linked Notes, reverse convertible Notes and any other type of Notes that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Redenomination:	Notes issued in the currency of any Member State of the EU which will participate in the single currency of the EMU may be redenominated into Euro, all as more fully provided in “Terms and Conditions of the Notes - Form, Denomination(s),

	Title and Redenomination” below.
Consolidation:	Notes of one Series may be consolidated with Notes of another Series as more fully provided in “Terms and Conditions of the Notes - Further Issues and Consolidation”.
Form of Notes:	Notes may be issued in either dematerialised form (“Dematerialised Notes”) or in materialised form (“Materialised Notes”). Dematerialised Notes may, at the option of the Issuer, be issued in bearer dematerialised form (<i>au porteur</i>) or in registered dematerialised form (<i>au nominatif</i>) and, in such latter case, at the option of the relevant Noteholder, in either <i>au nominatif pur</i> or <i>au nominatif administré</i> form. No physical documents of title will be issued in respect of Dematerialised Notes. See “Terms and Conditions of the Notes - Form, Denomination(s), Title and Redenomination”. Materialised Notes will be in bearer materialised form (“Materialised Bearer Notes”) only. A Temporary Global Certificate will be issued initially in respect of each Tranche of Materialised Bearer Notes. Materialised Notes may only be issued outside France.
Governing Law:	French law.
Clearing Systems:	Euroclear France as central depositary in relation to Dematerialised Notes and Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer in relation to Materialised Notes.
Initial Delivery of Dematerialised Notes:	One Paris business day before the issue date of each Tranche of Dematerialised Notes, the <i>Lettre Comptable</i> relating to such Tranche shall be deposited with Euroclear France as central depositary.
Initial Delivery of Materialised Notes:	On or before the issue date for each Tranche of Materialised Bearer Notes, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Listing:	The Luxembourg Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant

Pricing Supplement, a Series of Notes may be unlisted.

Selling Restrictions:

There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See “Subscription and Sale”. In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed which will be set out in the relevant Pricing Supplement.

The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

Materialised Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) unless (i) the relevant Pricing Supplement states that such Materialised Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or (ii) such Materialised Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

Rating:

Unless otherwise specified in the applicable Pricing Supplement, the rating of the Notes issued under the Programme will be as follows:

Status of the Notes	Rating given by Fitch Ratings	Rating given by Moody's Investors Services Inc.	Rating given by Standard and Poor's Ratings Services
Unsubordinated Notes (long term)	AA	A a 2	AA
Unsubordinated Notes (short term)	F1+	P-1	A-1+
Subordinated Notes (Lower Tier 2)	AA-	Aa3	AA-
Subordinated Notes (Upper Tier 2)	AA-	Aa3	A+
Subordinated Notes (Tier 1)	AA-	A1	

Fitch Ratings, Moody's Investors Services Inc. and Standard & Poor's Ratings Services will only rate Tier 3 Subordinated Notes (as defined herein), on a case-by-case basis. Standard & Poor's Ratings Services will only rate Tier 1 Subordinated Notes (as defined herein), on a case-by-case basis. Structured Senior Notes or other Notes issued pursuant to the Programme may be unrated or rated differently in certain circumstances.

Where an issue of Notes is rated, its rating will not necessarily be the same as the rating assigned to Notes issued under the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes. In the case of Dematerialised Notes, the text of the terms and conditions will not be endorsed on physical documents of title but will be constituted by the following text as completed, amended or varied by the relevant Pricing Supplement. In the case of Materialised Notes, either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on Definitive Materialised Bearer Notes). All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by Caisse Nationale des Caisses d’Epargne et de Prévoyance (the “**Issuer**” or “**CNCEP**” or “**CNCE**”) with the benefit of an amended and restated agency agreement dated 28 October 2004 between the Issuer, Deutsche Bank AG as fiscal agent and the other agents named in it (the “**Amended and Restated Agency Agreement**”). The fiscal agent, the paying agents, the redenomination agent, the consolidation agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Redenomination Agent**”, the “**Consolidation Agent**” and the “**Calculation Agent(s)**”. The holders of Dematerialised Notes and Materialised Notes, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Materialised Notes and, where applicable in the case of such Notes, talons (the “**Talons**”) for further Coupons (the “**Couponholders**”) and the holders of the receipts (the “**Receipts**”) for the payment of instalments of principal (the “**Receiptholders**”) relating to Materialised Notes of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Amended and Restated Agency Agreement applicable to them.

References below to “**Conditions**” are, unless the context requires otherwise, to the numbered paragraphs below.

Copies of the Amended and Restated Agency Agreement are available for inspection during normal business hours at the specified offices of each of the Paying Agents.

1 Form, Denomination(s), Title and Redenomination

- (a) **Form:** Notes may be issued either in dematerialised form (“**Dematerialised Notes**”) or in materialised form (“**Materialised Notes**”).
- (i) Title to Dematerialised Notes will be evidenced in accordance with Article L.211-4 of the French *Code monétaire et financier* (the “**Code**”) by book entries (*inscriptions en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article 7 of Decree no. 83-359 of 2 May 1983) will be issued in respect of the Dematerialised Notes.

Dematerialised Notes are issued, at the option of the Issuer, in either bearer dematerialised form (*au porteur*), which will be inscribed in the books of Euroclear France (acting as central depository) (“**Euroclear France**”) which shall credit the accounts of Account Holders, or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder in either administered registered form (*nominatif administré*) inscribed in

the books of a Account Holder or in fully registered form (*au nominatif pur*) inscribed in an account in the books of Euroclear France maintained by the Issuer or the registration agent (designated in the relevant Pricing Supplement) acting on behalf of the Issuer (the "**Registration Agent**").

For the purpose of these Conditions, "**Account Holder**" means any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and the depositary bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

- (ii) Materialised Notes are issued in bearer form only ("**Materialised Bearer Notes**"). Materialised Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

In accordance with Article L.211-4 of the Code, securities (such as Notes) which are governed by French law and are in materialised form must be issued outside the French territory.

- (b) **Denomination(s):** Notes shall be issued in the specified denomination(s) as set out in the relevant Pricing Supplement (the "**Specified Denomination(s)**"). Dematerialised Notes shall be issued in one Specified Denomination only.

(c) **Title:**

- (i) Title to Dematerialised Notes in bearer dematerialised form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of Account Holders. Title to Dematerialised Notes in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of the Registration Agent.
- (ii) Title to Materialised Bearer Notes in definitive form having, where appropriate, Coupons, Receipt(s) and/or a Talon attached thereto on issue ("**Definitive Materialised Bearer Notes**"), shall pass by delivery.
- (iii) Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.
- (iv) In these Conditions, "**holder of Notes**", "**holder of any Note**" or "**Noteholder**" means (i) in the case of Dematerialised Notes, the person whose name appears in the account of the relevant Account Holder or the Registration Agent (as the case may be) as being entitled to such Notes and (ii) in the case of Materialised Notes, the bearer of any Definitive Materialised Bearer Note and the Receipts, Coupons, or Talon relating to it, and capitalised terms have the meanings given to them in the relevant Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

(d) **Redenomination:**

- (i) The Issuer may (if so specified in the relevant Pricing Supplement), on any Interest Payment Date, without the consent of the holder of any Note, Receipt, Coupon or Talon, by giving at least 30 days' notice in accordance with Condition 15 and on or after the date on which the European Member State in whose national currency the Notes are denominated has become a participating Member State in the single currency of the European Economic and Monetary Union (as provided in the Treaty establishing the European Community (the “**EC**”), as amended from time to time (the “**Treaty**”) or events have occurred which have substantially the same effects (in either case, “**EMU**”), redenominate all, but not some only, of the Notes of any Series into Euro and adjust the aggregate principal amount and the Specified Denomination(s) set out in the relevant Pricing Supplement accordingly, as described below. The date on which such redenomination becomes effective shall be referred to in these Conditions as the “**Redenomination Date**”.
- (ii) Unless otherwise specified in the relevant Pricing Supplement, the redenomination of the Notes pursuant to Condition 1(d)(i) shall be made by converting the principal amount of each Note from the relevant national currency into Euro using the fixed relevant national currency Euro conversion rate established by the Council of the European Union pursuant to applicable regulations and rounding the resultant figure to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). If the Issuer so elects, the figure resulting from conversion of the principal amount of each Note using the fixed relevant national currency Euro conversion rate shall be rounded down to the nearest Euro. The Euro denominations of the Notes so determined shall be notified to Noteholders in accordance with Condition 15. Any balance remaining from the redenomination with a denomination higher than Euro 0.01 shall be paid by way of cash adjustment rounded to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). Such cash adjustment will be payable in Euro on the Redenomination Date in the manner notified to Noteholders by the Issuer.
- (iii) In the case of Dematerialised Notes only, the Issuer may also redenominate all, but not some only, of the Notes of any Series into Euro in accordance with Article L.113-4 of the Code provided that references to the Franc or the ECU contained in such Article L.113-4 shall be deemed to be a reference to the currency of any Member State participating in the single currency of the EMU.
- (iv) Upon redenomination of the Notes, any reference in the relevant Pricing Supplement to the relevant national currency shall be construed as a reference to Euro.
- (v) Unless otherwise specified in the relevant Pricing Supplement, the Issuer may, with the prior approval of the Redenomination Agent and the Consolidation Agent, in connection with any redenomination pursuant to this Condition or any consolidation pursuant to Condition 14, without the consent of the holder of any Note, Receipt, Coupon or Talon, make any changes or additions to these Conditions or Condition 14 (including, without limitation, any change to any applicable business day definition, business day convention, principal financial centre of the country of the Specified Currency, interest accrual basis or benchmark), taking into account market practice in respect of redenominated euromarket debt obligations and which it believes are not prejudicial to the interests of such holders. Any such changes or additions shall, in the absence of manifest error, be binding on the holders of Notes, Receipts, Coupons and Talons and

shall be notified to Noteholders in accordance with Condition 15 as soon as practicable thereafter.

- (vi) Neither the Issuer nor any Paying Agent shall be liable to the holder of any Note, Receipt, Coupon or Talon or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of Euro or any currency conversion or rounding effected in connection therewith.

2 Conversion and Exchanges of Notes

(a) Dematerialised Notes

- (i) Dematerialised Notes issued in bearer dematerialised form (*au porteur*) may not be converted into Dematerialised Notes in registered dematerialised form, whether in fully registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*).
- (ii) Dematerialised Notes issued in registered dematerialised form (*au nominatif*) may not be converted into Dematerialised Notes in bearer dematerialised form (*au porteur*).
- (iii) Dematerialised Notes issued in fully registered form (*au nominatif pur*) may, at the option of the Noteholder, be converted into Notes in administered registered form (*au nominatif administré*), and *vice versa*. The exercise of any such option by such Noteholder shall be made in accordance with Article 4 of Decree no. 83-359 of 2 May 1983. Any such conversion shall be effected at the cost of such Noteholder.

(b) Materialised Notes

Materialised Bearer Notes of one Specified Denomination may not be exchanged for Materialised Bearer Notes of another Specified Denomination.

3 Status

The obligations of the Issuer under the Notes may be either unsubordinated (“**Unsubordinated Notes**”) or subordinated (“**Subordinated Notes**”).

(a) Status of Unsubordinated Notes

The principal and interest on Unsubordinated Notes constitute direct, unconditional unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by French law) equally with all other present or future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.

(b) Status of Subordinated Notes

(i) General

Subordinated Notes (“**Subordinated Notes**”) comprise Ordinary Subordinated Notes, Deeply Subordinated Notes, Dated Subordinated Notes and Undated Subordinated Notes (all as defined below).

(ii) Ordinary Subordinated Notes

The principal and (if the applicable Pricing Supplement so specifies) interest on the ordinary subordinated notes (“**Ordinary Subordinated Notes**”) constitute direct, unconditional,

unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Ordinary Subordinated Notes, but in priority to the *prêts participatifs* granted to, *titres participatifs* issued by, the Issuer and Deeply Subordinated Notes.

(iii) Deeply Subordinated Notes

The principal and (if the applicable Pricing Supplement so specifies) interest on deeply subordinated notes (“**Deeply Subordinated Notes**”) constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Deeply Subordinated Notes, but behind the *prêts participatifs* granted to, *titres participatifs* issued by, the Issuer and Ordinary Subordinated Notes.

(iv) Dated Subordinated Notes

Subordinated Notes (which terms, for the avoidance of doubt, include both Ordinary Subordinated Notes and Deeply Subordinated Notes) may have a specified maturity date (“**Dated Subordinated Notes**”). Unless otherwise specified in the relevant Pricing Supplement, payments of interest relating to Dated Subordinated Notes constitute obligations which rank equally with the obligations of the Issuer in respect of Unsubordinated Notes issued by the Issuer in accordance with Condition 3(a).

(v) Undated Subordinated Notes

Subordinated Notes (which terms, for the avoidance of doubt, include both Ordinary Subordinated Notes and Deeply Subordinated Notes) may not have a specified maturity date (“**Undated Subordinated Notes**”). Unless otherwise specified in the relevant Pricing Supplement, payments of interest relating to Undated Subordinated Notes will be deferred in accordance with the provisions of Condition 5(h).

(vi) Payment of Subordinated Notes in the event of the liquidation of the Issuer

If any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason, the payments of the creditors of the Issuer shall be made in the following order of priority (in each case subject to the payment in full of priority creditors):

- (a) unsubordinated creditors of the Issuer
- (b) holders of Ordinary Subordinated Notes
- (c) lenders in relation to *prêts participatifs* granted to the Issuer
- (d) holders of *titres participatifs* issued by the Issuer, and
- (e) holders of Deeply Subordinated Notes.

In the event of incomplete payment of unsubordinated creditors the obligations of the Issuer in connection with Ordinary Subordinated Notes shall be terminated (then subsequently the lenders in relation to *prêts participatifs*, holders of *titres participatifs* and holders of Deeply Subordinated Notes). The holders of Subordinated Notes shall take all steps necessary for the orderly accomplishment of any collective proceedings or voluntary liquidation.

(vii) Capital Adequacy

The relevant Pricing Supplement may provide for additions or variations to the Conditions applicable to the Subordinated Notes for the purposes *inter alia* of enabling the proceeds of the issue of such Subordinated Notes to count as (i) *fonds propres de base* within the meaning of Article 2 of *Règlement* no. 90-02 dated 23 February 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* ("**CRBF**"), (in which case such Subordinated Notes will need to be Deeply Subordinated Notes) ("**Tier 1 Capital**") or (ii) *fonds propres complémentaires* within the meaning of Article 4 (c) of the *CRBF Règlement* no.90-02 dated 23 February 1990, as amended ("**Upper Tier 2 Capital**") or (iii) *fonds propres complémentaires* within the meaning of Article 4 (d) of the *CRBF Règlement* no. 90-02 dated 23 February 1990, as amended ("**Lower Tier 2 Capital**", together with Upper Tier 2 Capital "**Tier 2 Capital**") or (iv) *fonds propres surcomplémentaires* within the meaning of Article 3.3 of the *CRBF Règlement* no. 95-02 dated 21 July 1995, as amended ("**Tier 3 Capital**"), if such *Règlement* is applicable.

Article 2 of the CRBF Règlement no. 90-02 dated 23 February 1990 should be read in conjunction with the press release of the Bank for International Settlements dated 27 October 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "BIS Press Release"). The French language version of the BIS Press Release is attached to the annual report of the Commission Bancaire entitled "Modalités de calcul du ratio international de solvabilité".

4 Negative Pledge

So long as any of the Unsubordinated Notes or, if applicable, any Receipts or Coupons relating to them, remains outstanding (as defined in the Amended and Restated Agency Agreement), the Issuer will not create or permit to subsist any mortgage, charge, pledge or other security interest upon any of its assets or revenues, present or future, to secure any relevant indebtedness (as defined below) incurred or guaranteed by the Issuer (whether before or after the issue of the Unsubordinated Notes) unless the Unsubordinated Notes are equally and rateably secured so as to rank *pari passu* with such relevant indebtedness or the guarantee thereof.

For the purposes of this paragraph, "**relevant indebtedness**" means any indebtedness for borrowed money, whether or not represented by notes or other securities (including securities initially privately placed) which are for the time being, or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter-market or other securities market.

This Condition 4 shall not apply to Subordinated Notes.

5 Interest and other Calculations

- (a) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

- (i) in the case of Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer or any successor thereto (the "**TARGET System**") is operating (a "**TARGET Business Day**") and/or

- (ii) in the case of a specified currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency and/or
- (iii) in the case of a specified currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the **“Calculation Period”**):

- (i) if **“Actual/365”** or **“Actual/Actual - ISDA”** is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if **“Actual/Actual - ISMA”** is specified in the relevant Pricing Supplement:
 - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

in each case where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date specified in the relevant Pricing Supplement or, if none is so specified, the Interest Payment Date

- (iii) if **“Actual/365 (Fixed)”** is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365
- (iv) if **“Actual/360”** is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 360
- (v) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the

Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)) and

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)

“**Effective Date**” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Pricing Supplement or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date

“**Interest Amount**” means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified in the relevant Pricing Supplement

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Pricing Supplement or, if none is so specified, (i) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro or (ii) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (iii) the day falling two Business Days in the city specified in the Pricing Supplement for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro

“**Interest Payment Date**” means the date(s) specified in the relevant Pricing Supplement

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified in the relevant Pricing Supplement

“**ISDA Definitions**” means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Pricing Supplement

“Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 (**“Reuters”**) and Moneyline Telerate (**“Moneyline Telerate”**)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate

“Rate of Interest” means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions in the relevant Pricing Supplement

“Reference Banks” means the institutions specified as such in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be the Euro-zone)

“Relevant Financial Centre” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Pricing Supplement or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be the Euro-zone) or, if none is so connected, London

“Relevant Date” means, in respect of any Note, Receipt or Coupon, the date on which payment in respect of it first became due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (in the case of Materialised Notes if earlier) the date seven days after that on which notice is duly given to the holders of such Materialised Notes that, upon further presentation of the Materialised Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation

“Relevant Rate” means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Pricing Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose **“local time”** means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, 11.00 a.m., Brussels time

“Representative Amount” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Pricing Supplement or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time

“Specified Currency” means the currency specified as such in the relevant Pricing Supplement or, if none is specified, the currency in which the Notes are denominated and

“Specified Duration” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant

Pricing Supplement or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(c)(ii)

- (b) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date except as otherwise provided in the relevant Pricing Supplement.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Pricing Supplement.

- (c) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear (except as otherwise provided in the relevant Pricing Supplement) on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Pricing Supplement.
 - (A) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each

Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the relevant Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the relevant Pricing Supplement
- (b) the Designated Maturity is a period specified in the relevant Pricing Supplement and
- (c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Pricing Supplement.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (a) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
 - (i) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity) or
 - (ii) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date

- (b) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (a)(i) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (a)(ii) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent and
- (c) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum

(expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-zone as selected by the Calculation Agent (the “**Principal Financial Centre**”) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the relevant Pricing Supplement.
- (d) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(e)(i)).
- (e) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating, a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.
- (f) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Pricing Supplement.
- (g) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless (i) in the case of Dematerialised Notes, on such due date or (ii) in the case of Materialised Notes, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (h) **Deferral of interest:** In the case of Subordinated Notes, interest shall be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects) the interest accrued

in the Interest Period ending on the day immediately preceding such date but the Issuer shall not have any obligation to make such payment and any such failure to pay shall not constitute a default under the Notes or for any other purpose. Notice of any Optional Interest Payment Date shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 15 and to the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant Optional Interest Payment Date(s). The relevant Pricing Supplement will state whether any interest not paid on an Optional Interest Payment Date shall be lost or shall, so long as the same remains unpaid, constitute “**Arrears of Interest**” (which term shall include interest on such unpaid interest as referred to below). Arrears of Interest may, at the option of the Issuer, be paid in whole or in part at any time upon the expiration of not less than seven days’ notice to such effect given to the Noteholders in accordance with Condition 15 but all Arrears of Interest on all Subordinated Notes outstanding shall become due in full on whichever is the earliest of:

- (i) the Interest Payment Date immediately following the date upon which the *Assemblée Générale* of the shareholders of the Issuer passed a resolution to pay a dividend on the ordinary share capital of the Issuer; and
- (ii) (a) a judgement rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or (b) the liquidation of the Issuer for any other reason.

If notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged to do so upon the expiration of such notice. When Arrears of Interest are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest accrued in respect of the earliest Interest Period in respect of which Arrears of Interest have accrued and have not been paid in full. Arrears of Interest shall (to the extent permitted by law) bear interest accruing (but only, in accordance with Article 1154 of the Civil Code, after such interest has accrued for a period of one year) and compounding on the basis of the exact number of days which have elapsed at the prevailing rate of interest on the Subordinated Notes in respect of each relevant Interest Period. For these purposes the following expressions have the following meanings:

“**Compulsory Interest Payment Date**” means any Interest Payment Date unless at the *Assemblée Générale* of the shareholders of the Issuer immediately preceding such date which was required to approve the annual accounts of the Issuer for the fiscal year ended prior to such *Assemblée Générale*, no resolution was passed to pay a dividend on the ordinary share capital of the Issuer in respect of such previous fiscal year and

“**Optional Interest Payment Date**” means any Interest Payment Date, as the case may be, other than a Compulsory Interest Payment Date.

It is expected that, in the case of Undated Subordinated Notes the proceeds of which count as Tier 1 Capital, interest not paid on an Optional Interest Payment Date shall be lost. It is also expected that, in the case of Undated Subordinated Notes the proceeds of which count as Tier 2 Capital, interest not paid on an Optional Payment Date shall constitute Arrears of Interest.

- (i) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**
- (i) If any Margin or Rate Multiplier is specified in the relevant Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be

made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph

- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.
- (j) **Interest on Undated Subordinated Notes:** Payment of interest on Undated Subordinated Notes may be postponed in accordance with applicable French banking laws and regulations and, in particular, Article 4 (c) of Regulation no.90-02 dated 23 February 1990 of the CRBF in France, as amended from time to time.
- (k) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (l) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Optional Redemption Amounts, Early Redemption Amounts and Instalment Amounts:** As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate

of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (m) **Calculation Agent and Reference Banks:** The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the relevant Pricing Supplement and for so long as any Note is outstanding (as defined in the Amended and Restated Agency Agreement). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Any changes mentioned in this Condition 5(m) regarding the Calculation Agent shall be notified to the Luxembourg Stock Exchange in accordance with Condition 15.
- (n) **Interest on credit linked Notes:** In the case of credit linked Notes, their interest will be specified in the relevant Pricing Supplement.

6 Redemption, Purchase and Options

- (a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any option provided by the relevant Pricing Supplement including any Issuer's option in accordance with Condition 6(c) or any Noteholders' option in accordance with Condition 6(d), each Note shall be finally redeemed on the Maturity Date specified in the relevant Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 6(b) below, its final Instalment Amount. Subordinated Notes, the proceeds of which constitute Tier 1 Capital or Upper Tier 2 shall be Undated Subordinated Notes. The Maturity Date, in relation to Subordinated Notes the proceeds of which constitute Lower Tier 2 Capital, will not be less than five years from the Issue Date and where the proceeds constitute Tier 3 Capital, will not be less than two years from the Issue Date. In the case of credit linked Notes, the redemption details will be specified in the Pricing Supplement.

- (b) **Redemption by Instalments and Final Redemption:** Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified in the relevant Pricing Supplement) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(c) or (6)(d), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Notes, on the due date for such payment or (ii) in the case of Materialised Notes, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (c) **Redemption at the Option of the Issuer, Exercise of Issuer's Options and Partial Redemption:** If a Call Option is specified in the relevant Pricing Supplement, the Issuer may, subject to the prior approval of the *Secrétariat Général* of the *Commission Bancaire* in the case of Subordinated Notes the proceeds of which constitute Tier 1 Capital or Tier 2 Capital or Tier 3 Capital and to compliance by the Issuer by of all the relevant laws, regulations and directives and on giving not less than 15 nor more than 30 days' irrevocable notice in accordance with Condition 15 to the Noteholders (or such other notice period as may be specified in the relevant Pricing Supplement) redeem, or exercise any Issuer's option (as may be described) in relation to, all or, if so provided, some, of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption (including, where applicable, any Arrears of Interest), if any. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified in the relevant Pricing Supplement and no greater than the maximum nominal amount to be redeemed specified in the relevant Pricing Supplement. The redemption date, in relation to Subordinated Notes the proceeds of which constitute Lower Tier 2 Capital, will not be less than five years from the Issue Date and where the proceeds constitute Tier 3 Capital, will not be less than two years from the Issue Date.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option in respect of Materialised Notes, the notice to holders of such Materialised Notes shall also contain the number of the Definitive Materialised Bearer Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements.

In the case of a partial redemption of or a partial exercise of an Issuer's option in respect of Dematerialised Notes, the redemption may be effected, at the option of the Issuer, either (i) by reducing the nominal amount of all such Dematerialised Notes in a Series in proportion to the aggregate nominal amount redeemed or (ii) by redeeming in full some only of such Dematerialised Notes and, in such latter case, the choice between those Dematerialised Notes that will be fully redeemed and those Dematerialised Notes of any Series that will not be redeemed shall be made in

accordance with Article 9 of Decree no. 83-359 of 2 May 1983 and the provisions of the relevant Pricing Supplement, subject to compliance with any other applicable laws and stock exchange requirements.

So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Luxembourg a notice specifying the aggregate nominal amount of Notes outstanding and, in the case of Materialised Notes, a list of any Definitive Materialised Bearer Notes drawn for redemption but not surrendered.

- (d) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options:** If a Put Option is specified in the relevant Pricing Supplement and provided that the relevant Note is not a Subordinated Note the proceeds of which constitute Tier 1 Capital, Tier 2 Capital or Tier 3 Capital, the Issuer shall, at the option of the Noteholder, upon the Noteholder giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption including, where applicable, any Arrears of Interest.

To exercise such option or any other Noteholders' option that may be set out in the relevant Pricing Supplement (which must be exercised on an Option Exercise Date) the Noteholder must deposit with any Paying agent at its specified office a duly completed option exercise notice (the "**Exercise Notice**") in the form obtained from any Paying Agent or the Registration Agent during normal business hours, as the case may be, within the notice period. In the case of Materialised Bearer Notes shall have attached to it such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent at its specified office. In the case of Dematerialised Notes, the Noteholder shall transfer, or cause to be transferred, the Dematerialised Notes to be redeemed to the account of the Paris Paying Agent specified in the Exercise Notice. No option so exercised and, where applicable, no Note so deposited or transferred may be withdrawn without the prior consent of the Issuer.

- (e) **Early Redemption:**

- (i) Zero Coupon Notes:

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Nominal Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Pricing Supplement.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Nominal Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Pricing Supplement, shall be such rate as would produce an Amortised Nominal Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Nominal Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Amortised Nominal Amount becomes due and payable were the Relevant Date. The calculation of the Amortised Nominal Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Pricing Supplement.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 9 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption (including, where applicable, any Arrears of Interest) unless otherwise specified in the relevant Pricing Supplement.

(f) **Redemption for Taxation Reasons:**

- (i) If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 8 below, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Pricing Supplement, at any time, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15 and, in the case of Subordinated Notes, the proceeds of which constitute Tier 1 Capital, Tier 2 Capital or Tier 3 Capital, subject to the prior approval of the *Secrétariat Général* of the *Commission Bancaire*, redeem all, but not some only, of the Notes at their Early Redemption Amount together with, unless otherwise specified in the Pricing Supplement, any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes.
- (ii) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders or, if applicable, Couponholders of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8 below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 15 and, in the case of Subordinated Notes, the proceeds of which constitute Tier 1 Capital, Tier 2 Capital or Tier 3 Capital, subject to the prior approval of the *Secrétariat Général* of the *Commission Bancaire*, redeem all, but not some only, of the Notes then outstanding at their Redemption Amount

together with, unless otherwise specified in the Pricing Supplement, any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest) on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Noteholders shall be the later of (i) the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes and (ii) 14 days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified in the relevant Pricing Supplement, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Notes, or, if applicable, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the relevant Pricing Supplement.
- (h) **Purchases:** The Issuer shall have the right at all times to purchase Notes (provided that, in the case of Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. In the case of Subordinated Notes the proceeds of which constitute Tier 2 Capital or Tier 3 Capital, any such purchase will be subject to the prior approval of the *Secrétariat Général* of the *Commission Bancaire* if it relates (individually or when aggregated with any previous purchase) to 10% or more of the principal amount of the Notes. In the case of Subordinated Notes the proceeds of which constitute Tier 1 Capital, any such purchase will be subject to the prior approval of the *Secrétariat Général* of the *Commission Bancaire*.
- (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer must be cancelled, in the case of Dematerialised Notes, by transfer to an account in accordance with the rules and procedures of Euroclear France and, in the case of Materialised Bearer Notes, by surrendering the Temporary Global Certificate and the Definitive Materialised Bearer Notes in question together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in each case, if so transferred or surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Notes, all rights relating to payment of interest and other amounts relating to such Dematerialised Notes and, in the case of Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so cancelled or, where applicable, transferred or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.
- (j) **Illegality:** If, by reason of any change in French law, or any change in the official application of such law, becoming effective after the Issue Date, it will become unlawful for the Issuer to perform or comply with one or more of its obligations under the Notes, the Issuer will, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15, redeem all, but not some only, of the Notes at their Early Redemption Amount together with any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest).

7 Payments and Talons

- (a) **Dematerialised Notes:** Payments of principal and interest (including, for the avoidance of doubt, any Arrears of Interest, where applicable) in respect of Dematerialised Notes shall (in the case of Dematerialised Notes in bearer dematerialised form or administered registered form) be made by transfer to the account denominated in the relevant currency of the relevant Account Holders for the benefit of the Noteholders and, (in the case of Dematerialised Notes in fully registered form), to an account denominated in the relevant currency with a Bank (as defined below) designated by the Noteholders. All payments validly made to such Account Holders will be an effective discharge of the Issuer in respect of such payments.
- (b) **Materialised Bearer Notes:** Payments of principal and interest (including, for the avoidance of doubt, any Arrears of Interest, where applicable) in respect of Materialised Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Materialised Bearer Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent during normal business hours outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the Noteholder, by transfer to an account denominated in such currency with, a Bank.

“**Bank**” means a bank in the principal financial centre of such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Materialised Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Calculation Agent, the Redenomination Agent and the Consolidation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Redenomination Agent, the Consolidation Agent and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case such, do not assume any obligation or relationship of agency for any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of

the Fiscal Agent, any other Paying Agent, the Redenomination Agent, the Consolidation Agent and the Registration Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) a Redenomination Agent and a Consolidation Agent where the Conditions so require, (iv) Paying Agents having specified offices in at least two major European cities (including Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange), (v) in the case of Dematerialised Notes, in fully registered form, a Registration Agent, (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed and (vii) in the case of Materialised Notes, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to Council Directive 2003/48/EC or any European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Bearer Notes denominated in U.S. Dollars in the circumstances described in paragraph (c) above.

On a redenomination of the Notes of any Series pursuant to Condition 1(d) with a view to consolidating such Notes with one or more other Series of Notes, in accordance with Condition 14, the Issuer shall ensure that the same entity shall be appointed as both Redenomination Agent and Consolidation Agent in respect of both such Notes and such other Series of Notes to be so consolidated with such Notes.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 15.

(f) Unmatured Coupons and Receipts and unexchanged Talons:

- (i) Unless Materialised Bearer Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Materialised Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (together, where applicable, with the amount of any Arrears of Interest corresponding to such Coupon) (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon (together, where applicable, with the amount of any Arrears of Interest corresponding to such Coupon) that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Amortised Nominal Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).
- (ii) If Materialised Bearer Notes so provide, upon the due date for redemption of any such Materialised Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

- (iii) Upon the due date for redemption of any Materialised Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Materialised Bearer Note that is redeemable in instalments, all Receipts relating to such Materialised Bearer Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Materialised Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Materialised Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, (including, for the avoidance of doubt, any Arrears of Interest if applicable) shall only be payable against presentation (and surrender if appropriate) of the relevant Definitive Materialised Bearer Note. Interest accrued on a Materialised Bearer Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Materialised Bearer Notes.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the Noteholder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Notes, on which Euroclear France is open for business or (ii) in the case of Materialised Notes, on which banks and foreign exchange markets are open for business in the relevant place of presentation, (B) on which banks and foreign exchange markets are open for business in such jurisdictions as shall be specified as “**Financial Centres**” in the relevant Pricing Supplement and (C) (i) (in the case of a payment in a currency other than Euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in Euro), which is a TARGET Business Day.

8 Taxation

- (a) **Tax exemption for Notes issued or deemed to be issued outside France:** Interest and other revenues with respect to Notes which constitute obligations and which, as may be specified in the relevant Pricing Supplement, are being issued or deemed to be issued outside the Republic of France benefit from the exemption provided for in Article 131 quater of the Code Général des Impôts (general tax code) from deduction of tax at source. Accordingly such payments do

not give the right to any tax credit from any French source. The tax regime applicable to Notes which do not constitute obligations will be set out in the relevant Pricing Supplement.

As to the meaning of the expression “issued or deemed to be issued outside the Republic of France” see “Summary of the Programme - Taxation” above.

- (b) **Additional Amounts:** If French law should require that payments of principal or interest in respect of any Note, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Noteholders or, if applicable, the Receiptholders and the Couponholders, as the case may be, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon, as the case may be:
 - (i) **Other connection:** to, or to a third party on behalf of, a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of France other than the mere holding of the Note, Receipt or Coupon; or
 - (ii) **More than 30 days after the Relevant Date:** more than 30 days after the Relevant Date except to the extent that the Noteholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or
 - (iii) **Payments to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings, or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (iv) **Payment by another Paying Agent:** presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the EU.
- (c) As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due (and, for the avoidance of doubt, in the case of Arrears of Interest, references to “becomes due” shall be interpreted in accordance with the provisions of Condition 5(h)) or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or, in the case of Materialised Notes (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Nominal Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts (including, for the avoidance of doubt, all Arrears of Interest) payable pursuant to Condition 5 or any amendment

or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition.

- (d) **Tax exemption for Notes not issued or deemed to be issued outside France:** Interest and other revenues with respect to Notes which, if so specified in the relevant Pricing Supplement, are not being issued or deemed to be issued outside the Republic of France only benefit from the exemption from deduction of tax at source provided by, and subject to the provisions of, Article 125 A III of the *Code Général des Impôts*, which requires *inter alia*, certification of non-French residency.
- (e) **Certification of Non-Residency in France:** Each Noteholder shall be responsible for supplying certification of non-residency (in the form as may be required by the French tax authorities from time to time) in accordance with the provisions of Article 125 A III of the *Code Général des Impôts* and the Issuer shall not be responsible for any deduction or withholding in respect of any payment made under any Note, Receipt or Coupon resulting from the failure of such Noteholder to submit such certification.

9 Events of Default

Any Noteholder may, upon written notice to the Fiscal Agent, request the immediate reimbursement of the Notes together with any interest accrued until the date of the reimbursement:

- (a) **Unsubordinated Notes:** In the case of Unsubordinated Notes
 - (i) the Issuer is in default for more than thirty (30) days for the payment of principal of, or interest on, any Note (including the payment of any additional amounts mentioned in Condition 8 “**Taxation**” pursuant to the terms thereof), when the same shall become due and payable; or
 - (ii) the Issuer is in default in the performance of any of its other obligations under the Notes and such default has not been cured within forty-five (45) days after the receipt by the Fiscal Agent of the written notice of such default by a Noteholder; or
 - (iii) any indebtedness of the Issuer in excess of Euro 50,000,000 or any guarantee by the Issuer of any such indebtedness shall become due and is not paid on the date which is the later of (i) its stated maturity, and (ii) the expiry of applicable grace periods (the term “**indebtedness**” as used herein shall mean any note or other debt instrument issued by the Issuer or any credit facility granted to the Issuer by banks); or
 - (iv) the Issuer sells, transfers or otherwise disposes of, directly or indirectly, the whole or a substantial part of its assets, or the Issuer enters into, or commences any proceedings in furtherance of, forced or voluntary liquidation or dissolution, except in the case of a disposal, dissolution, liquidation, merger or other reorganisation in which all of or substantially all of the Issuer’s assets are transferred to a legal entity which simultaneously assumes all of the Issuer’s debt and liabilities including the Notes and whose main purpose is the continuation of, and which effectively continues, the Issuer’s activities; or
 - (v) the performance of any obligation of the Issuer under the Notes contravenes any legal provisions entered into force after the date hereof or contravenes any provision entered into force after the date hereof or contravenes any provision in effect at the date hereof due to a change of interpretation of such provisions by any competent authority; or

- (vi) the Issuer applies for or is subject to the appointment of a conciliator (*conciliateur*) or enters into an amicable settlement (*règlement amiable*) with its creditors or a judgement is rendered for its judicial liquidation (*liquidation judiciaire*) or for a transfer of the whole of the business (*cession totale de l'entreprise*) or makes any conveyance for the benefit of, or enters into any agreement with, its creditors or cannot meet its current liabilities out of its current assets.
- (b) **Subordinated Notes:** In the case of Subordinated Notes and in accordance with Condition 3(b), if any judgment shall be issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason then the Subordinated Notes shall become immediately due and payable, in accordance with Condition 3(b), at their principal amount together with any accrued interest to the date of payment.

10 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or 5 years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Representation of Noteholders

Except as otherwise provided by the relevant Pricing Supplement, Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (in each case, the “**Masse**”).

The Masse will be governed by the provisions of the French *Code de commerce* with the exception of Articles L.228-48 and L.228-59 and by the decree no. 67-236 of 23 March 1967 with the exception of Articles 218, 222 and 224 subject to the following provisions:

(a) Legal Personality

The Masse will be a separate legal entity and will act in part through a representative (the “**Representative**”) and in part through a general meeting of the Noteholders (the “**General Meeting**”).

The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Notes.

(b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (i) the Issuer, the members of its Executive Board (*Directoire*), its Supervisory Board (*Conseil de Surveillance*), its general managers (*directeurs généraux*), its statutory auditors, or its employees as well as their ascendants, descendants and spouse; or
- (ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their Board of Directors, Executive Board (*Directoire*), or Supervisory Board (*Conseil de Surveillance*), their statutory auditors, or employees as well as their ascendants, descendants and spouse; or
- (iii) companies holding 10 per cent. or more of the share capital of the Issuer or companies having 10 per cent. or more of their share capital held by the Issuer; or

- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The names and addresses of the initial Representative of the Masse and its alternate will be set out in the relevant Pricing Supplement. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its functions or duties as set out in the relevant Pricing Supplement.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by another Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate will be elected by the General Meeting.

All interested parties will at all times have the right to obtain the names and addresses of the initial Representative and the alternate Representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

(c) Powers of Representative

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

(d) General Meeting

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the principal amount of the Notes outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two months after such demand, the Noteholders may commission one of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 15.

Each Noteholder has the right to participate in a General Meeting in person, by proxy, correspondence, or, if the *statuts* of the relevant Issuer so specify¹, videoconference or any other means of telecommunication allowing the identification of the participating Noteholders. Each Note carries the right to one vote or, in the case of Notes issued with more than one Specified Denomination, one vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Note.

(e) Powers of the General Meetings

¹ At the date of this Offering Circular the *statuts* of the Issuer do not contemplate the right for a Noteholder to participate in a General Meeting by videoconference or any other means of telecommunication allowing the identification of the participating Noteholders.

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase amounts payable by Noteholders, nor authorise or accept a postponement of the date of payment of interest on or a modification of the terms of repayment of or the rate of interest on the Notes, nor establish any unequal treatment between the Noteholders and that no amendment to the status of Subordinated Notes the proceeds of which constitute Tier 2 Capital or Tier 3 Capital may be approved until the consent of the *Secrétariat Général* of the *Commission Bancaire* has been obtained in relation to such amendment.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least a quarter of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by Noteholders attending such General Meetings or represented thereat.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 15.

(f) Information to Noteholders

Each Noteholder or Representative thereof will have the right, during the 15-day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents during normal business hours and at any other place specified in the notice of the General Meeting.

(g) Expenses

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Notes.

(h) Single Masse

The holders of Notes of the same Series, and the holders of Notes of any other Series which have been assimilated with the Notes of such first mentioned Series in accordance with Condition 14, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all such Series.

12 Modifications

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

The Amended and Restated Agency Agreement will be capable of amendment or waiver by the parties thereto, without the consent of Noteholders, Receiptholders or Couponholders, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the parties to the Amended and Restated Agency Agreement mutually deem necessary or desirable and which does not, in the reasonable opinion of such parties, adversely affect the interests of the Noteholders, Receiptholders or Couponholders.

13 Replacement of definitive Notes, Receipts, Coupons and Talons

If, in the case of any Materialised Bearer Notes, a Definitive Materialised Bearer Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Definitive Materialised Bearer Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Bearer Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Bearer Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14 Further Issues and Consolidation

- (a) **Further Issues:** Unless otherwise specified in the relevant Pricing Supplement, the Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further Notes to be assimilated (*assimilées*) with the Notes provided such Notes and the further Notes carry rights identical in all respects (or in all respects save for the principal amount thereof and the first payment of interest in the relevant Pricing Supplement) and that the terms of such Notes provide for such assimilation and references in these Conditions to “Notes” shall be construed accordingly.
- (b) **Consolidation:** The Issuer, with the prior approval (which shall not be unreasonably withheld) of the Redenomination and Consolidation Agent, may from time to time on any Interest Payment Date occurring on or after the Redenomination Date on giving not less than 30 days’ prior notice to the Noteholders in accordance with Condition 15, without the consent of the Noteholders, Receiptholders or Couponholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in Euro, provided such other Notes have been redenominated in Euro (if not originally denominated in Euro) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

15 Notices

- (a) Notices to the holders of Dematerialised Notes in registered form (*au nominatif*) shall be valid if either, (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the mailing, or, (ii) at the option of the Issuer, they are published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) and so long as such Notes are listed on any stock exchange(s) and the rules of that stock

exchange so require, notices shall be valid if published in a daily newspaper with general circulation in the city/ies where the stock exchange(s) on which such Notes is/are listed which in the case of the Luxembourg Stock Exchange, is expected to be the *Luxemburger Wört*.

- (b) Notices to the holders of Materialised Bearer Notes and Dematerialised Notes in bearer form shall be valid if published in a daily leading newspaper of general circulation in Europe (which is expected to be the *Financial Times*) and so long as such Notes are listed on any stock exchange and the rules of that stock exchange so require, in a leading daily newspaper with general circulation in the city/ies where the stock exchange(s) on which such Notes is/are listed which in the case of the Luxembourg Stock Exchange, is expected to be the *Luxemburger Wört*.
- (c) If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Bearer Notes in accordance with this Condition.
- (d) Notices required to be given to the holders of Dematerialised Notes (whether in registered or in bearer form) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Notes are for the time being cleared in substitution for the mailing and publication as required by Conditions 15 (a), (b), (c), above; except that (i) so long as such Notes are listed on any stock exchange(s) and the rules of that stock exchange so require, notices shall also be published in a daily newspaper with general circulation in the city/ies where the stock exchange(s) on which such Notes is/are listed and (ii) notices relating to the convocation and decision(s) of the General Meetings pursuant to Condition 11 shall also be published in a leading newspaper of general circulation in Europe.

16 Governing Law and Jurisdiction

- (a) Governing Law: The Notes and, where applicable, the Receipts, the Coupons and the Talons and the Amended and Restated Agency Agreement are governed by, and shall be construed in accordance with, French law.
- (b) Jurisdiction: Any claim against the Issuer in connection with any Notes, Receipts, Coupons or Talons and the Amended and Restated Agency Agreement may be brought before any competent court in Paris.

TEMPORARY GLOBAL CERTIFICATES ISSUED IN RESPECT OF MATERIALISED BEARER NOTES

Temporary Global Certificates

A Temporary Global Certificate, without interest Coupons, will initially be issued in connection with Materialised Bearer Notes. Upon the initial deposit of such Temporary Global Certificate with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”), Euroclear or Clearstream, Luxembourg will credit the accounts of each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depositary may also credit with a nominal amount of Notes the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of Notes that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Exchange

Each Temporary Global Certificate issued in respect of Notes will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

- (i) if the relevant Pricing Supplement indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme - Selling Restrictions”), in whole, but not in part, for the Definitive Materialised Bearer Notes and
- (ii) otherwise, in whole but not in part upon certification as to non-U.S. beneficial ownership in the form set out in the Amended and Restated Agency Agreement for Definitive Materialised Bearer Notes.

Delivery of Definitive Materialised Bearer Notes

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to or to the order of the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Bearer Notes. In this Offering Circular, Definitive Materialised Bearer Notes means, in relation to any Temporary Global Certificate, the Definitive Materialised Bearer Notes for which such Temporary Global Certificate may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Bearer Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Amended and Restated Agency Agreement.

Exchange Date

“**Exchange Date**” means, in relation to a Temporary Global Certificate, the day falling after the expiry of 40 days after its issue date, provided that, in the event any further Materialised Notes are issued prior to such

day pursuant to Condition 14(a), the Exchange Date may, at the option of the Issuer, be postponed to the day falling after the expiry of 40 days after the issue of such further Materialised Notes.

USE OF PROCEEDS

The net proceeds of the issue of the Unsubordinated Notes will be used for the Issuer's general corporate purposes unless otherwise specified in the relevant Pricing Supplement. The net proceeds from the issue of Subordinated Notes under the Programme will be used by the Issuer in accordance with the provisions of the relevant Pricing Supplement.

DESCRIPTION OF THE ISSUER

INTRODUCTION

Legal form

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

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

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

Duration of the Issuer

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

Purpose

Pursuant to article 2 II of its Articles of Incorporation, the Issuer is a credit institution, officially approved as a bank. In this respect, it conducts – independently of its responsibilities as a central institution as defined in article L.512-95 of the French *Code monétaire et financier* – both in France and abroad, all the banking operations allowed to the banks in accordance with the provisions of Law No. 84.46 dated 24 January 1984 and those referred to in articles L.321-1 and L.321-2 of the French *Code monétaire et financier*, to French and foreign customers and, notably, to the Caisses d'Epargne and all entities and companies contributing to the development of the Caisse d'Epargne Group.

In this capacity, the Issuer may acquire and hold investments in companies contributing to the purpose outlined above or to the development of the Caisse d'Epargne Group network or, more generally, may conduct all operations of any nature related directly or indirectly to this purpose and liable to facilitate its development or achievement.

The Issuer's registration

The Issuer was registered with the *Registre du Commerce et des Sociétés* de Paris on 26 November 1991 under reference number 383 680 220.

The Issuer's registered office is at 5, rue Masseran, 75007 Paris, France. The Issuer's head office for business purposes is at 77, boulevard Saint-Jacques, 75014 Paris, France.

MANAGEMENT OF THE ISSUER

The Management Board

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

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

The Supervisory Board

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

Chairman	Jacques MOUTON
Vice Chairman	Bernard COMOLET
	Francis MAYER
Caisses d'Epargne Representatives	Jean-Charles COCHET
	Dominique COURTIN ¹
	Jean-Claude CREQUIT
	Michel DOSIERE
	Marcel DUVANT
	Yves HUBERT
	Alain LEMAIRE
	Jean LEVALLOIS
	Bernard SIROL
	Hervé VOGEL
Caisse des Dépôts Representatives	Dominique MARCEL (permanent representative)
	Etienne BERTIER
	Albert OLLIVIER
	Jean SEBEYRAN

¹ Coopted on October 21, 2004 replacing Alain Maire who resigned. This decision will be subject to ratification at the next Ordinary Shareholders' Meeting.

	Franck SILVENT
Network's employees Representatives	Jacques MOREAU
	Serge HUBER
The following attend the meetings of the Supervisory Board:	
Censors	Joël BOURDIN
	Jean-Marc ESPALIOUX
	Jean-Charles NAOURI
	Henri PROGLIO
Workers' Council Representatives	Carole GODEAU
	Abdel BABACI
	Patrick MELLUL
	Jean-Luc DEBARRE

Issuer's Statutory Auditors

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

The Issuer's statutory auditors, appointed by the shareholders' general meeting held on 26 May 2004, are:

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

The substitute statutory auditors are:

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

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

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

Financial year

The financial year is the calendar year.

Website

The address of the Issuer's website is <http://www.groupe.caisse-epargne.com>

CNCEP CAPITALISATION

The capitalisation of the Issuer as at June 30, 2004 is as follows:

(in millions of euro)

Short term borrowings (more than 1 month and less than 1 year)

Money market, interbank and customer items *	740
Interbank and other negotiable debt instruments, bonds	15,321
1/ Total Short term borrowings	16,061

Medium and long term borrowings (more than 1 year)

Unsubordinated Issues	19,503
Subordinated Issues	
Tier 2 Subordinated Issue	3,010
Deeply Subordinated Issue	1,220
2/Total medium and long term borrowings	23,733

Own Funds

Issued Share Capital	6,681
Subscription Premium	1,887
Legal reserves	25
Other reserves	55
3/Total Own Funds	8,648

(1) + (2) + (3) Total Capitalisation	48,442
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* (excluding transactions with Caisse d'Epargne Group's entities)

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

In accordance with the resolution adopted by the extraordinary general meeting of the shareholders on May 26, 2004, CNCE allowed each shareholder the option of receiving dividends in cash or in newly issued shares carrying dividend rights from January 1, 2004 to be issued at the price of EUR 17.95 (share premium of EUR 2.70 included).

Subsequent to the demands of the shareholders, the Management Board held on September 6, 2004 noted that 4,669,576 new shares of EUR 15.25 nominal value each were issued, representing a share capital increase of EUR 71,211,034 and a global share premium of EUR 12,607,855.20.

As from September 6, 2004, the share capital amounts to EUR 6,752,104,594.25 divided into 442,760,957 fully paid-up ordinary shares of Euro 15.25 each.

Except as described above, there has been no material change in the capitalisation of CNCEP since June 30, 2004.

CNCEP CONSOLIDATED FINANCIAL STATEMENT

Consolidated balance sheet of the Caisse Nationale des Caisses d'Epargne Group at December 31, 2003, 2002 and 2001

ASSETS

(in millions of euros)

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

Off-balance sheet commitments*(in millions of euros)*

	Notes	2003	2002	2001
Commitments given	18,19			
Financing commitments		17,107	15,104	11,260
Guarantee commitments		23,608	18,894	5,885
Commitments made on securities		479	248	221
Commitments given by the insurance business		1,012	-	5,305

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

LIABILITIES, CAPITAL FUNDS AND RESERVES

(in millions of euros)

	Notes	2003	2002	2001
Money market and interbank items	6,11	43,792	44,350	42,906
Customer items	7,11	13,488	6,907	5,174
Debts represented by a security	11,13	74,191	66,466	61,476
Technical reserves of insurance companies		437	329	287
Accruals, other accounts payable and other liabilities	14	21,237	19,639	16,557
Negative goodwill	16	4	6	23
Provisions for liabilities and charges	15	518	434	357
Subordinated debt	17	4,135	2,173	1,610
Reserve for General Banking Risks	17	286	131	114
Minority interests		381	249	104
Consolidated capital funds and reserves (excluding the Reserve for General Banking Risks)	17	4,202	4,114	4,199
Capital		2,905	2,905	2,905
Share premium		435	527	623
Consolidated reserves and retained earnings		535	486	467
Net income for the year		327	196	204
Total liabilities, capital funds and reserves		162,671	144,798	132,807

Off-balance sheet commitments

(in millions of euros)

	Notes		
Commitments received	18,19		
Financing commitments	3,209	3,145	2,404
Guarantee commitments	7,054	5,455	3,728
Commitments received on securities	1,349	443	505
Commitments received from the insurance business	73	11	7

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

**Consolidated profit & loss account of
the Caisse Nationale des Caisses d'Epargne Group for 2003 and 2002**

(in millions of euros)

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

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

Notes to the consolidated financial statements
For the year ended December 31, 2003

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

1.1 Legal and financial framework

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

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

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

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

- **Subsidiaries**

Subsidiaries of Compagnie Financière Eulia

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

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

Specialized IT Subsidiaries

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

1.2 Guarantee system

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

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

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

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

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

1.3 Planned changes in Group structure

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

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

The final agreements and operations leading to the creation of the new group resulting from these decisions should be completed in 2004. The Caisse d'Epargne Group will then become the operator responsible for banking activities, and the Caisse des dépôts will become the strategic shareholder of this new entity created from the integration of Compagnie Financière Eulia and the CDC IXIS Group within the Caisse Nationale des Caisses d'Epargne.

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

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

2.1 Principles

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

2.2 Methods and scope of consolidation

- **General principles**

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

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

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

- **Exclusions**

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

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

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

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

- **Changes in the scope of consolidation**

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

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

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

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

Continued internal restructuring of the “overseas” banking division

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

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

Subsidiaries of Compagnie Financière Eulia

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

On October 21, 2003, AGF and Crédit Foncier signed the final agreement setting the terms of AGF’s sale of its 72.15% interest in the capital of Entenial. As provided for by French regulations, the closing of this transaction was subject to the prior approval of the relevant supervisory and competition authorities (CECEI, the French Banking and Investment Committee, and DGCCRF, the Directorate-General for Competition and Consumer Protection).

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

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

- **Ad hoc entities**

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

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

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

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

Impact of changes in the reporting entity on the consolidated accounts

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

2.3 Consolidation adjustments and eliminations

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

These regulations require that:

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

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

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

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

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

- **Finance leases where the company is the lessee**

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

- **Accounting entries that result from tax regulations**

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

The major items concerned by this rule are:

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

- **Deferred tax**

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

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

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

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

2.4 Elimination of inter-company transactions

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

2.5 Goodwill

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

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

2.6 Translation of financial statements expressed in foreign currencies

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

2.7 Consolidation method adopted for insurance companies

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

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

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

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

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

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

NOTE 3 – ACCOUNTING POLICIES

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

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

3.1 Fixed assets

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

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

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

In some circumstances additional write-downs may be made.

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

Investments in unconsolidated subsidiaries and associated companies are recorded at historical cost. At year-end, a provision for impairment in value is made where necessary on a case-by-case basis if the fair value to the Group is below cost. The fair value of equity interests is calculated, in particular, on the basis of their fair value to the Group (according to their strategic nature and the Group’s intention to provide ongoing

support to the investee and to hold the shares over the long term) and objective criteria (market price, net assets, revalued net assets, projected items).

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

3.3 Securities transactions

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

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

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

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

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

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

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

Investment securities are fixed-income instruments with a pre-determined redemption value, acquired with a view to long-term investment, in principle until maturity. Securities satisfying this criterion may be classified

as investment securities when, in compliance with the provisions of the French Banking and Financial Services Regulatory Committee, they are subject to a specific hedging transaction in terms of duration or rates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4 Customer loans

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

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

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

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

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

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

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

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

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

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

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

3.5 Reserve for General Banking Risks

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

3.6 Bonds issued

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

3.7 Employee benefits

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

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

3.8 Financial futures and other forward agreements

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

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

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

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

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

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

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

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

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

3.9 Transactions in foreign currencies

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

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

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

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

3.10 Provisions for liabilities and charges

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

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

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

3.11 Accounting principles and valuation rules specific to insurance companies

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

- **Investments**

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

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

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

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

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

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

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

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

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

- **Life insurance transactions**

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

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

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

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

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

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

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

- **Non-life insurance transactions**

Premium income is recorded net of tax and cancellations.

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

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

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

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

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

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

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

- **Deferred acquisition costs**

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

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

NOTE 4 – CHANGES IN ACCOUNTING METHODS – COMPARABILITY OF ACCOUNTS

4.1 Changes in accounting methods

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

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

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

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

No other changes in accounting methods occurred during the year.

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

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

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

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

NOTE 5 – SCOPE OF CONSOLIDATION AT DECEMBER 31, 2003

The following table presents the different entities consolidated within the Caisse Nationale des Caisses d'Epargne Group.

Consolidated entities		2003		2002	
	Consolidation method (a)	Percentage consolidation (b)	Percentage interest	Percentage consolidation (b)	Percentage interest
Caisse Nationale des Caisses d’Epargne et de Prévoyance	Parent company	Parent company	Parent company	Parent company	Parent company
Direct subsidiaries					
Holassure Group					
Holassure	FULL	100.00%	100.00%	100.00%	100.00%
Sopassure	PROP.	49.98%	49.98%	49.98%	49.98%
Caisse Nationale de Prévoyance (Group)	EQUITY	NA	17.84%	NA	17.85%
Financière Océor Group					
Financière Océor	FULL	100.00%	81.88%	100.00%	61.72%
Banque de la Réunion	FULL	100.00%	66.82%	100.00%	49.39%
Banque de Nouvelle-Calédonie	FULL	100.00%	78.44%	100.00%	59.11%
Banque de Tahiti	FULL	100.00%	78.16%	100.00%	58.87%
Banque des Antilles Françaises	FULL	100.00%	79.81%	100.00%	60.06%
Banque des Iles Saint-Pierre-et-Miquelon	FULL	100.00%	79.39%	100.00%	59.65%
Banque Internationale des Mascareignes	FULL	100.00%	72.09%	100.00%	24.94%
Caisse d'Epargne de Nouvelle-Calédonie	FULL	100.00%	81.88%	100.00%	61.72%
Credipac Polynésie	FULL	100.00%	78.14%	100.00%	58.86%
Crédit Commercial de Nouméa	FULL	100.00%	73.23%	100.00%	55.18%
Crédit Saint-Pierrais	EQUITY	NA	38.55%	NA	29.06%
Slibail Réunion	FULL	100.00%	66.79%	100.00%	49.37%
Mascareignes Investors Services Ltd	FULL	100.00%	81.06%	-	-
Société Havraise Calédonienne	FULL	100.00%	70.87%	100.00%	53.41%
IT technical centres and software houses					
Cnėti	FULL	100.00%	75.72%	100.00%	72.31%
Compagnie Financière Eulia Group					

Consolidated entities		2003		2002	
Compagnie Financière Eulia	PROP.	49.90%	49.90%	49.90%	49.90%
Direct subsidiaries					
Bail Ecureuil	PROP.	49.90%	49.90%	49.90%	49.90%
CDC IXIS Italia Holding	PROP.	33.40%	33.40%	33.40%	33.40%
Ecureuil Assurances IARD	PROP.	49.90%	32.43%	49.90%	32.43%
Ecureuil Gestion	PROP.	49.90%	45.21%	49.90%	45.21%
Ecureuil Participations	PROP.	49.90%	49.90%	49.90%	49.90%
Ecureuil Vie	EQUITY	NA	24.84%	NA	24.84%
Gestitres	PROP.	49.90%	28.29%	49.90%	28.29%
Holgest	PROP.	49.90%	42.86%	49.90%	42.86%

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

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

Consolidated entities		2003		2002	
	Consolidation method (a)	Percentage consolidation (b)	Percentage interest	Percentage consolidation (b)	Percentage interest
CDC IXIS Group					
CDC IXIS	PROP.	26.45%	26.45%	26.45%	26.45%
Anatol Invest (group) (c)	-	-	-	26.45%	26.45%
CDC Entreprises	PROP.	26.45%	25.26%	26.45%	25.34%
CDC Entreprises 2	PROP.	26.45%	10.02%	26.45%	10.02%
CDC Innovation 96	PROP.	26.45%	25.56%	26.45%	25.58%
CDC IXIS Asset Management (group)	PROP.	26.45%	21.16%	26.45%	21.16%
CDC IXIS Capital Markets (group)	PROP.	26.45%	26.45%	26.45%	26.45%
IXIS AEW Europe (ex-CDC IXIS Immo)	PROP.	26.45%	26.45%	26.45%	26.45%
CDC IXIS North America (group)	PROP.	26.45%	26.45%	26.45%	26.45%
CDC IXIS Financial Guaranty (group)	PROP.	26.45%	26.45%	26.45%	26.45%
CDC IXIS Private Equity (group)	PROP.	26.45%	26.45%	26.45%	26.45%
CDC Urquijo	PROP.	26.45%	13.49%	26.45%	13.49%
Electropar France	PROP.	26.45%	13.22%	26.45%	13.22%
Euromontagne (group)	PROP.	26.45%	26.45%	26.45%	26.45%
Foncière des Pimonts (group)	PROP.	26.45%	19.44%	26.45%	19.44%

Fondinvest	PROP.	26.45%	26.45%	26.45%	26.45%
CDC IXIS Administration de Fonds (ex-GSF)	PROP.	26.45%	26.45%	26.45%	26.45%
Logistis (group)	EQUITY	NA	8.81%	NA	8.81%
Magnant (group) (c)	-	-	-	26.45%	26.45%
Martignac Finance	PROP.	26.45%	26.45%	26.45%	26.45%
Nexgen (group)	EQUITY	NA	10.24%	NA	-
PART'COM	PROP.	26.45%	26.45%	26.45%	26.45%
Sogeposte	EQUITY	NA	12.96%	NA	12.96%
Vega Finance (group)	PROP.	26.45%	22.48	26.45%	22.48%
Crédit Foncier Group					
Crédit Foncier de France	PROP.	72.42%	72.42%	72.39%	72.39%
Auxiliaire du Crédit Foncier de France	PROP.	72.42%	72.42%	72.39%	72.39%
Cofimab	PROP.	72.42%	72.42%	72.39%	72.39%
Compagnie de Financement Foncier	PROP.	72.42%	72.42%	72.39%	72.39%
Compagnie Foncière de Crédit	PROP.	72.42%	72.42%	72.39%	72.39%
Crédit de l'Arche	PROP.	72.42%	72.42%	72.39%	72.39%
Crédit Foncier Assurance Courtage	PROP.	72.34%	72.25%	72.39%	72.31%
Crédit Foncier Banque	PROP.	72.42%	72.42%	72.39%	72.39%
Dom2	PROP.	-	-	72.39%	72.39%
FCC Teddy	PROP.	72.42%	72.42%	72.39%	72.39%
Financière Desvieux	PROP.	72.42%	72.42%	72.39%	72.39%
Foncier Assurance	PROP.	72.39%	72.42%	72.39%	72.39%
Foncier Bail	PROP.	72.42%	72.42%	72.39%	72.39%
Foncier Participations	EQUITY	NA	72.42%	NA	72.39%
SICP (group)	EQUITY	NA	72.42%	NA	68.77%
Soclim	PROP.	72.42%	72.42%	72.39%	72.39%

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

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

(c) Deconsolidated following their merger with CDC IXIS

Consolidated entities	2003		2002		
	Consolidation method (a)	Percentage consolidation (b)	Percentage interest	Percentage consolidation (b)	Percentage interest
Cicobail Group					
Cicobail	PROP.	49.90%	49.78%	49.90%	49.78%
Cinergie	PROP.	49.90%	49.83%	49.90%	49.83%
Mur Ecureuil	PROP.	49.90%	49.84%	49.90%	49.84%
Socfim Group					
Socfim	PROP.	49.90%	49.85%	49.90%	49.85%
SNC SEI Logement	PROP.	49.90%	49.85%	49.90%	49.85%
SNC SEI Tertiaire	PROP.	49.90%	49.85%	49.90%	49.85%
Socfim Participations	PROP.	49.90%	49.85%	49.90%	49.85%
Socfim Transaction	PROP.	49.90%	49.85%	49.90%	49.85%
Société Européenne d'Investissement	PROP.	49.90%	49.85%	49.90%	49.85%
Eulia Caution Group					
Eulia Caution	PROP.	49.90%	49.90%	49.90%	49.90%
Cegi	PROP.	49.90%	34.93%	49.90%	34.93%
Financière Cegi	PROP.	49.90%	34.93%	49.90%	34.93%
Saccef	PROP.	49.90%	49.90%	49.90%	49.90%
Socamab	PROP.	49.90%	19.96%	49.90%	19.96%
Banque Sanpaolo Group					
Banque Sanpaolo	FULL	100%	60%	-	-
Conservateur Finance	EQUITY	NA	12%	-	-
Eurosic Sicomi SA	FULL	100%	19.66%	-	-
Uni Invest SAS	FULL	100%	60%	-	-
Société Foncière Joseph Vallot	FULL	100%	60%	-	-
Sanpaolo Asset Management	FULL	100%	60%	-	-
Société Foncière d'investissement	FULL	100%	60%	-	-
Société Immobilière d'investissement	FULL	100%	60%	-	-
Socavie SNC	FULL	100%	60%	-	-
Sanpaolo Bail SA	FULL	100%	60%	-	-
Sanpaolo Fonds Gestion SNC	FULL	100%	60%	-	-
Sanpaolo Mur SNC	FULL	100%	60%	-	-
Banque Michel Inchauspe	EQUITY	NA	12%	-	-

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

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

NOTE 6 – CASH, MONEY MARKET AND INTERBANK ITEMS

(in millions of euros)

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

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

NOTE 7 – CUSTOMER ITEMS

(in millions of euros)

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

NOTE 7A – BREAKDOWN OF LOANS OUTSTANDING**Performing loans and non-performing loans at December 31, 2003***(in millions of euros)*

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

Restructured loans

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

NOTE 8 – LEASE FINANCING AND LEASES WITH PURCHASE OPTIONS (WHERE THE GROUP IS THE LESSOR)*(in millions of euros)*

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

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

9.1 Analysis by portfolio

(in millions of euros)

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

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

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

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

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

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

(in millions of euros)

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

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

(in millions of euros)

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

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

9.2 Ad hoc entities

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

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

(in millions of euros)

	2003	2002
Investments and shares in unconsolidated subsidiaries	648	606
Investments in affiliates accounted for by the equity method	1,706	1,571
Other long-term investments	91	92
TOTAL	2,445	2,269
<i>Of which listed securities</i>	93	131

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

10.1 Investments in unconsolidated subsidiaries

(in millions of euros)

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

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

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

10.2 Affiliates accounted for by the equity method

(in millions of euros)

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

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

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

NOTE 11 – LOANS AND ADVANCES OUTSTANDING AND SOURCES OF FUNDS BY MATURITY DATE

The following table sets out the analysis of loans and advances outstanding and sources of funds by maturity date (excluding accrued interest). According to convention, non-performing loans and provisions for impairment in value are included in the “Up to 3 months” column.

(in millions of euros)

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

NOTE 12 – TANGIBLE AND INTANGIBLE FIXED ASSETS

12.1 Changes in fixed assets

(in millions of euros)

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

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

12.2 Intangible fixed assets

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

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

12.3 Tangible fixed assets

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

NOTE 13 – DEBTS REPRESENTED BY A SECURITY

(in millions of euros)

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

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

Unamortized issue and redemption premiums amount to €163 million.

NOTE 14 – ACCRUALS AND OTHER ASSETS AND LIABILITIES

(in millions of euros)

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

(in millions of
euros)

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

NOTE 15 - PROVISIONS

15.1 Provisions booked in respect of counterparty risks

(in millions of euros)

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

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

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

15.2 Provisions for liabilities and charges (excluding counterparty risks)

(in millions of euros)

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

NOTE 16 – GOODWILL

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

(in millions of euros)

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

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

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

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

(in millions of euros)

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

17.2 Changes in the Reserve for General Banking Risks

(in millions of euros)

	December 31, 2002	Allocations	Releases	December 31, 2003
Reserve for General Banking Risks	131	155	-	286

17.3 Subordinated debt

(in millions of euros)

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

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

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

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

Dated subordinated notes and debt

(in millions of euros)

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

(1) 6-month Libor USD, less a margin of 0.125%

(2) Linked to the 3-month EURIBOR

Linked to the 6-month EURIBOR

NOTE 18 – COMMITMENTS GIVEN AND RECEIVED

(in millions of euros)

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

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

NOTE 19 – TRANSACTIONS IN FINANCIAL FUTURES OUTSTANDING

19.1 Commitments on derivatives outstanding

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

(in millions of euros)

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

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

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

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

(in millions of euros)

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

19.2 Commitments on futures by residual maturity

(in millions of euros)

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

19.3 Counterparty risk in respect of derivatives

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

- The positive replacement value of these instruments, on the basis of their market value, excluding the effect of netting agreements in accordance with the conditions laid down in article 4 of Rule 91-05 of the French Banking and Financial Services Regulatory Committee,
- The potential credit risk resulting from the application of "add-on" factors defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and residual term.

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

- Signing financial market agreements (ISDA-AFB) whereby, if a counterparty defaults, unrealized gains and losses will be netted,
- Collateral agreements where compensating balances are deposited in cash or securities.

(in millions of euros)

	Government and OECD central banks and equivalent	OECD financial institutions and equivalent	Other counterparties	Total 2003
Unweighted equivalent credit risk, without considering netting and collateral agreements (1)	841	10,157	2,035	13,033
Effect of netting agreements	(269)	(5,772)	(246)	(6,287)
Effect of collateral agreements	(4)	(661)	(11)	(676)
Unweighted equivalent credit risk, after considering netting and collateral agreements	568	3,724	1,778	6,070
Weighted equivalent credit risk, after considering netting and collateral agreements	-	745	889	1,634

(1) Including positive net replacement values

The above table shows only the transactions concerned by French Banking Commission Instruction 96-06, i.e. transactions executed on over-the-counter markets and markets considered as organized markets. However, the table excludes transactions concluded on organized markets and operations realized with credit institutions belonging to the Caisses d'Epargne network for which the counterparty risk is deemed to be non-existent to the extent it is covered by the Group's mutual guarantee and solidarity mechanisms.

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

NOTE 20 – RECIPROCAL INDEMNITY CLAUSES GRANTED BY THE ALLIANCE PARTNERS

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

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

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

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

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

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

NOTE 21– INTEREST AND SIMILAR INCOME AND EXPENSE

(in millions of euros)

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

NOTE 22 – INCOME FROM VARIABLE-INCOME SECURITIES

(in millions of euros)

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

NOTE 23 – NET COMMISSION AND FEE INCOME*(in millions of euros)*

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

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

NOTE 24– NET GAINS ON TRADING TRANSACTIONS*(in millions of euros)*

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

NOTE 25 – NET GAINS ON HELD-FOR-SALE PORTFOLIO TRANSACTIONS AND SIMILAR ITEMS*(in millions of euros)*

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

NOTE 26 – OTHER NET OPERATING INCOME*(in millions of euros)*

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

NOTE 27 – GENERAL OPERATING EXPENSES*(in millions of euros)*

	2003	2002
Personnel costs	(641)	(533)
- Wages and salaries (1)	(426)	(364)
- Pension and retirement costs	(46)	(36)
- Other social security costs and payroll-based taxes	(154)	(123)
- Profit-sharing and incentive schemes	(15)	(10)
Taxes other than on income	(35)	(33)
External services and other administrative expense (2)	(553)	(487)
Cross-charged expenses	140	139
TOTAL	(1,089)	(914)

(1) Including the impact of the acquisition of the “overseas” banking division: €(36) million.

(2) Including the impact of the acquisition of the “overseas” banking division: €(31) million.

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

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

NOTE 28 – NET ADDITIONS TO PROVISIONS*(in millions of euros)*

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

NOTE 29 – NET GAINS ON FIXED ASSETS*(in millions of euros)*

	2003	2002
Tangible fixed assets (1)	104	31
Intangible fixed assets	(1)	-
Financial fixed assets	4	38
TOTAL	107	69

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

NOTE 30 – EXCEPTIONAL ITEMS*(in millions of euros)*

Other exceptional items (1)	(1)	28
TOTAL	(1)	28

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

NOTE 31 – TAX ON PROFITS

(in millions of euros)

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

NOTE 32 – SEGMENT INFORMATION

(in millions of euros)

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

Retail banking includes the following activities:

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

NOTE 33 – INVESTMENTS BY INSURANCE COMPANIES*(in millions of euros)*

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

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

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

NOTE 34 – INSURANCE COMPANIES' TECHNICAL RESERVES*(in millions of euros)*

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

NOTE 35 – GROSS MARGIN ON INSURANCE BUSINESS*(in millions of euros)*

	Life	Non-life	2003	2002
Premium income	36	140	176	99

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

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

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

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

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

I - Opinion on the consolidated financial statements

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

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

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

II - Justification of our assessments

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

Changes in accounting methods

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

Accounting estimates

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

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

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

- we examined the control procedures applicable to the related accounting classifications, the checking of the models used, and the determination of the parameters used to value these positions,
- we verified the appropriateness of the above-mentioned accounting methods and the information disclosed in the Notes to the consolidated financial statements, and we ensured that they were applied correctly.

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

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

We assessed whether these estimates were reasonable.

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

III - Specific verification

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

Paris, May 7, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit

Member of KPMG SA

Yves Nicolas

Anik Chaumartin

Philippe Saint-Pierre

Rémy Tabuteau

CNCEP INDIVIDUAL FINANCIAL STATEMENT

Balance sheet of the Caisse Nationale des Caisses d'Epargne at December 31, 2003 and December 31, 2002

(in millions of euros)

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

(in millions of euros)

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

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

(in millions of euros)

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

(in millions of euros)

	Notes	2003	2002
Commitments received	13,14, 15		
FINANCING COMMITMENTS	6		
Commitments from financial institutions		404	183
GUARANTEES RECEIVED			
Commitments from financial institutions		2,961	3 473
SECURITIES COMMITMENTS		2	1
Other commitments received		2	1

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

**Profit & loss account of the Caisse Nationale des Caisses d'Epargne
for 2003 and 2002**

(in millions of euros)

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

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

Notes to the financial statements of the parent company
For the year ended December 31, 2003

I – Legal and financial background – Key events of the year

(a) Legal framework and financial relationship with Group entities

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

- **The Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE)**

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

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

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

(b) Guarantee system

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

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

appropriate additional resources by having recourse to a short decision process guaranteeing rapidity of intervention.

(c) Key events of the year

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

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

(d) Planned changes in Group structure

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

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

The final agreements and operations leading to the creation of the new group resulting from these decisions should be completed in 2004. The Caisse d'Epargne Group will then become the operator responsible for banking activities, and the Caisse des dépôts will become the strategic shareholder of this new entity created from the integration of Compagnie Financière Eulia and the CDC IXIS Group within the Caisse Nationale des Caisses d'Epargne.

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

II – Accounting policies

NOTE I – VALUATION METHODS AND FINANCIAL STATEMENT PRESENTATION

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

NOTE 2 – CHANGES IN ACCOUNTING METHODS

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

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

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

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

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

No other changes in accounting methods occurred during the year.

III - Notes to the balance sheet, off-balance sheet items and the profit & loss account

Balance Sheet

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

NOTE 3 – INTERBANK ITEMS

(in millions of euros)

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

(1) Including subordinated loans at December 31, 2003: €1,139 million. A portion of the subordinated loans (€683 million) has been transferred to the CDC IXIS Group in the form of “mirror loans” since January 1, 2002.

Debts represented by a security and interbank borrowings have been transferred to the CDC IXIS Group in the form of “mirror loans” representing:

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

(3) €504 million of accrued interest.

NOTE 4 – CUSTOMER ITEMS

(in millions of euros)

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

NOTE 4A – BREAKDOWN OF LOANS OUTSTANDING

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

(in millions of euros)

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

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

5.1 Analysis by portfolio

(in millions of euros)

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

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

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

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

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

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

5.2 Transfers of portfolio

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

(in millions of euros)

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

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

5.3 Unrealized capital gains and losses

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

(in millions of euros)

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

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

.1 Table of subsidiaries and investments

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

6.2 Transactions with associated companies

(in millions of euros)

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

NOTE 7 – LOANS AND ADVANCES OUTSTANDING AND SOURCES OF FUNDS BY MATURITY DATE

The following table sets out the analysis of loans and advances outstanding and sources of funds by maturity date (excluding accrued interest). According to convention, non-performing loans and provisions for impairment in value are included in the “Up to 3 months” column.

(in millions of euros)

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

NOTE 8 – TANGIBLE AND INTANGIBLE FIXED ASSETS

8.1 Changes in fixed assets

(in millions of euros)

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

8.2 Intangible fixed assets

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

8.3 Tangible fixed assets

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

NOTE 9 – DEBTS REPRESENTED BY A SECURITY

(in millions of euros)

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

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

NOTE 10 – ACCRUALS AND OTHER ASSETS AND LIABILITIES

(in millions of euros)

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

(in millions of euros)

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

NOTE 11 - PROVISIONS

11-1 Provisions booked in respect of counterparty risks

(in millions of euros)

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

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

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

11.2 Provisions for liabilities and charges

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

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

(2) As a precautionary measure, the commitment to finance future deficits of the retirement fund (Caisse Générale de Retraites du Personnel des Caisses d'Épargne—CGRPCE) has been estimated on an all-inclusive basis at the level of the Caisse d'Épargne Group. With respect to the 2003 financial year, the provision for the Group's potential pension commitments included in the accounts of the Caisse Nationale des Caisses d'Épargne received a net allocation of €3.4 million owing to the updating of commitments and adjustment of retirement pensions decided during the year.

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

12.1 Capital funds

(in millions of euros)

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

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

12.2 Changes in the Reserve for General Banking Risks

(in millions of euros)

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

12.3 Subordinated debt

(in millions of euros)

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

In November 1999, the CNCE proceeded with a new issue of redeemable subordinated debt for a total of €747 million at a fixed rate of 5.6%. These securities will be entirely amortized at their nominal value on November 5, 2011. The CNCE also granted corresponding "mirror" redeemable subordinated loans in favour of the Caisses d'Epargne at the same rates and with the same maturity profile as the subordinated debt. In 2002, the CNCE proceeded with two issues of redeemable subordinated debt for a total of €850 million at a rate of 5.2%; this debt will be fully amortized on July 19, 2014.

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

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

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

Off-balance sheet and similar operations

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

(in millions of euros)

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

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

NOTE 14 – TRANSACTIONS IN FINANCIAL FUTURES OUTSTANDING

14.1 Commitments on derivatives outstanding

(in millions of euros)

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

14.2 Commitments on futures by residual maturity

(in millions of euros)

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

14.3 Counterparty risk in respect of derivatives

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

- The positive replacement value of these instruments, on the basis of their market value, excluding the effect of netting agreements in accordance with the conditions laid down in article 4 of Rule 91-05 of the French Banking and Financial Services Regulatory Committee,
- The potential credit risk resulting from the application of "add-on" factors defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and residual term.

(in millions of euros)

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

The above table shows only the transactions concerned by French Banking Commission Instruction 96-06, i.e. transactions executed on over-the-counter markets and markets considered as organized markets. However, the table excludes transactions concluded on organized markets and operations realized with credit institutions

belonging to the Caisses d'Epargne network for which the counterparty risk is deemed to be non-existent to the extent it is covered by the Group's mutual guarantee and solidarity mechanisms.

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

NOTE 15 – OTHER COMMITMENTS NOT CARRIED ON THE BALANCE SHEET

(in millions of euros)

	Commitments given	Commitments received
Outstanding charges related to leasing agreements:		
- Real estate		26
TOTAL		26

NOTE 16 – RECIPROCAL INDEMNITY CLAUSES GRANTED BY THE ALLIANCE PARTNERS

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

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

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

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

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

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

Profit & Loss Account

NOTE 17 – INTEREST AND SIMILAR INCOME AND EXPENSE

(in millions of euros)

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

NOTE 18 – INCOME FROM VARIABLE-INCOME SECURITIES

(in millions of euros)

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

NOTE 19 – COMMISSIONS

(in millions of euros)

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

NOTE 20 – TRANSACTIONS ON TRADING ACCOUNT SECURITIES*(in millions of euros)*

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

NOTE 21 – TRANSACTIONS ON SECURITIES HELD FOR SALE AND SIMILAR SECURITIES*(in millions of euros)*

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

NOTE 22 – OTHER OPERATING INCOME AND EXPENSE*(in millions of euros)*

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

NOTE 23 – GENERAL OPERATING EXPENSES*(in millions of euros)*

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

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

- Managerial staff	520
- Non-managerial staff	269
	789

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

NOTE 24 – NET ADDITIONS TO PROVISIONS*(in millions of euros)*

	Customer transactions	Other transactions	TOTAL
Provisions booked	(3)	0	(3)
Provisions released		0	0
Losses on irrecoverable debts written off – covered by provisions		0	0
Losses on irrecoverable debts written off – not covered by provisions			0
TOTAL 2003	(3)	0	(3)
TOTAL 2002	(2)	(4)	(6)

NOTE 25 – NET GAINS ON FIXED ASSETS*(in millions of euros)*

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

NOTE 26 – EXCEPTIONAL ITEMS

No material exceptional items were recorded in 2003.

NOTE 27 – TAX ON PROFITS*(in millions of euros)*

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

NOTE 28 – DEFERRED TAX*(in millions of euros)*

	Normal rate	Lower rate
Income subject to deferred taxation		(354) (1)
Charges subject to deferred deductibility	106	
Income subject to early taxation	6	
Total 2003	112	(354)
Total 2002	119	(347)

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

NOTE 29 – ANALYSIS OF ACTIVITIES – RETAIL BANKING

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

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

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

IV- Other Information

NOTE 30 – CONSOLIDATION

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

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

Statutory Auditors' report on the financial statements of the Parent company for the year ended December 31, 2003

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

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

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

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

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

I - Opinion on the financial statements

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

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

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

II - Justification of our assessments

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

Changes in accounting methods

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

Accounting estimates

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

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

We assessed whether these estimates were reasonable.

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

III - Specific verifications and information

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

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

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

Paris, May 7, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit

Member of KPMG SA

Yves Nicolas

Anik Chaumartin

Philippe Saint-Pierre

Rémy Tabuteau

DESCRIPTION OF THE CAISSE D'EPARGNE GROUP

Overview

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

Issuer

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

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

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

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

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

Please see "Description of the Issuer" on page 47, for a more detailed description of the Issuer.

A cooperative and decentralised structure

The Caisses d'Epargne

The Caisses d'Epargne are mutual savings banks that do business with all types of customers including private individuals or businesses, local government and associations with a particular focus on financial security. Their mission is to develop their activities while remaining open to the largest possible number of customers with a suitable range of banking services.

Each individual Caisse d'Epargne is administered by a Management Board (*Directoire*) of between two and five members, approved by the Issuer and supervised by a 18-member Steering and Supervisory Board (*Conseil d'Orientation et de Surveillance*).

The cooperative shareholders and the local savings companies

Every customer of an individual Caisse d'Epargne – whether a private individual or legal entity – may hold shares in a local savings company and thereby become a "cooperative shareholder".

The aim of the 450 local savings companies, which hold 100 per cent. of the shares representing the capital of the Caisses d'Epargne, is to further expand the base of cooperative shareholders and develop contacts with them.

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

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

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

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

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

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

The FNCE has five main responsibilities:

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

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

Guarantee system

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

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

MANAGEMENT REPORT OF THE CAISSE D'EPARGNE GROUP FOR THE 2003 FINANCIAL YEAR

1 Highlights of the 2003 financial year

1.1 Macroeconomic environment

- **French economic environment still depressed**
 - Rise in unemployment: an average of 9.6% in 2003 as a whole (against 9.0% in 2002)
 - Stalled growth: GDP averaged out at – 0.1% in 2003 (against 1.3% in 2002) but household consumption stood up well: + 1.5%, rise in purchasing power (+2% in annual volume terms during the 3rd quarter of 2003) and continuing strong demand for property.
- **Financial environment**
 - Recovery of the equities markets during the year. The CAC40 share index rose 16% in 2003, reaching a total of 3,558 points on December 31, 2003, up from 3,063 points at December 31, 2002.
 - A general decline in interest rates in 2003 with, however, a steeper decline in the 2nd half taking rates to historically low levels.
 - Weakness of the US dollar against the euro (negative impact on the contribution of CDC IXIS AM). Euro/dollar exchange rate: 1.26 at the end of 2003 (against 1.05 at the end of 2002).

1.2 Regulatory environment

- Decline in interest rates on government-regulated savings products (*Livret A* passbook savings accounts) on August 1, 2003: from 3% to 2.25%.
- Reform of the regulated home purchase savings plan, positioning this product at its initial fair value.
- Discontinuation of the popular savings plan (PEP) and creation of the popular retirement savings plan (PERP) having an impact on the balance sheet and generating a risk of competition with life insurance products.
- Reform of tax system applying to securities (reform of tax credits and increase in the threshold for disposals).

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

- **Banque Sanpaolo**

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

Banque Sanpaolo is one of the 20 largest retail banks in France. It came into being from the successive mergers between Banque Vernes et Commerciale de Paris, Banque Française

Commerciale, Banque Veuve Morin-Pons and, finally, the private individual banking activities of Banque du Phénix and the branch network of Banque Générale du Commerce.

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

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

- **Entenial**

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

- **New Foundations**

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

The Caisse des dépôts and the CNCE signed a memorandum of agreement on October 1, 2003 whereby the CNCE will acquire 96.55% of CDC IXIS and full ownership of Compagnie Financière Eulia in 2004, enabling the Caisse d'Epargne Group to become one of the front-ranking universal banks in France.

1.4 Rationalization of Group structures & renewal of corporate governance bodies

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

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

The Caisse d'Epargne des Pays Lorrains and the Caisse d'Epargne de Lorraine Nord confirmed their decision to merge into a single savings bank named Caisse d'Epargne de Lorraine, with its registered office in Metz. The merger was finalized on June 30, 2003 and became effective on July 1, 2003, backdated to January 1, 2003. This new savings bank boasting some 1,430

employees and nearly 180 branches makes the Caisses d'Epargne network the largest regional player in terms of customer funds under management.

- **Renewal of corporate governance bodies**

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

1.5 Final stages in streamlining the Group's IT resources

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

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

1.6 Capital funds

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

1.7 Sale of the head office building of Crédit Foncier

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

1.8 Changes in accounting methods

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

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

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

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

No other changes in accounting methods occurred during the year.

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

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

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

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

1.9 Compliance with regulatory requirements

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

- **Basel II reform**

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

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

- **Transition to International Financial Reporting Standards**

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

The adoption of these new standards will profoundly affect the presentation of the financial position and performance of European credit institutions, and will have a significant financial impact on the calculation of results and changes in capital funds.

In the spring of 2003, the Caisse d'Epargne Group, fully aware of this deadline and what it implies, began the process of the transition to IFRS.

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

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

The IFRS project is organized around two supervisory bodies:

- A Strategic Committee, comprised of two members of the Management Board of the CNCE and senior managers from the individual Caisses d'Epargne, approves the chosen scenarios,
- A Steering Committee, chaired by the member of the Management Board of the CNCE responsible for financial management, is responsible for tactical decisions, approves the progress achieved by the project, and ensures that the predetermined objectives are respected.

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

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

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

2 Strong growth in consolidated results

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

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

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

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

- **Gross operating income rose by a total of 21%.** This performance, comparable to that achieved in 2002 and 2001 (on a like-for-like basis), reflects 10% growth in income related to interest margins, commissions and fees, larger than the 6% increase in general operating expenses.
- **Net ordinary income before tax** for the first time exceeded the €2 billion mark, rising to €2,108 million, equal to **growth of 28%** compared with the previous year following a decline in net additions to provisions and the realization of significant capital gains on the sale of buildings housing the head office of Crédit Foncier.
- The Group's **earning capacity** (excluding minority interests) reached a total of €1,356 million in 2003, representing **growth of 23%** compared with the previous year. As a result, the Group has achieved its initial objective of doubling its 1999 earning capacity.

- **The operating efficiency ratio was improved by a further 2.6 points** and is brought for the first time to less than 70% at 69.9% at the end of December 2003. The Group 's operating efficiency ratio has improved more than 10 points over the past 3 years, confirming the success of the rationalization drive launched by the Group since the reform of the Caisses d'Epargne.
- Finally, **return on equity rose to 11.3% in 2003**. The target included in the strategic plan of achieving a ROE of 10% by the end of 2003 was already achieved in 2002.

2.1 Net banking income up 10%

(in millions of euros)

	2001	2002	2003	Change	
Net interest margin	3,187	3,551	4,052	501	14%
Commission and fee income	2,389	2,853	3,053	190	7%
Other income	184	179	152	(27)	(15%)
Net banking income	5,760	6,583	7,247	664	10%

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

The Group's consolidated net banking income for the year rose 10% to reach a total of €7.25 billion. The contribution of commission and fee income to 2003 net banking income was 42%, down from 43.3% in 2002, despite an increase in volume terms. This relative decline was due to the combined impact of a negative currency effect on commissions received by CDC ISIX NA (- 0.4 points) in 2003 and the weakness of the net banking income generated by the Group's "capital markets" and "proprietary trading" activities in 2002 reflecting the general depressed nature of the financial markets. As far as retail banking activities are concerned, the proportion represented by commissions and fee income in overall net banking income remains stable. For the Caisses d'Epargne, this item accounts for 45% of aggregate net banking income.

- Net interest margin

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

This strong growth is linked to:

- Growth of €110 million in the overall intermediation margins generated by the retail banking activities, chiefly driven by a rise in average outstandings related to lending (+5%) and intermediation activities (+1%). By the end of the financial year, these outstandings listed on the balance sheet had risen respectively by 8.6% (on a constant Group structure basis) and 5.1% between the end of 2002 and the end of 2003.
- Improvement in revenues posted by the activities of CDC IXIS (€83 million, including €74 million for the capital markets activities), which was successful in taking advantage of the decline in interest rates and the narrowing of spreads.
- The rise in income from the portfolio activity securities of CDC IXIS for a total of €59 million, realizing substantial capital gains on the Rossini and Nexity securities (€14 million and €18 million, respectively).

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

- **Commission and fee income**

(in millions of euros)

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

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

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

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

- After enjoying substantial growth in commissions on the sale of mutual funds for several years, the Group received a total of €391 million in commissions in 2003, representing a 4% decline compared with 2002. This decline is due to a significant adverse currency effect related to the CDC IXIS AM subsidiary. If the accounts are adjusted to eliminate this effect, commissions remain stable despite the decline in customer investments. The Caisse d'Épargne Group nevertheless remains the market leader for the placement of guaranteed-return funds.
- By contrast, new life insurance business generated by the Group took advantage of customers' loss of interest in the stock market and the decline in the yield provided by intermediated savings products. Commissions from life insurance products rose 10% (after growth of 11% in 2002) to reach a total of €399 million thanks, in particular, to the distribution of the *Nuances 3D* and *Initiative Transmission* products.

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

renegotiate their loans. If this effect is excluded, fees from banking services still reported strong growth (+ 8%) owing to the following, in particular:

- A 19% increase in incidental commissions on loans (+ €41 million),
- 10% growth in commissions derived from a wider extension of banking services and products distributed to customers (+ €29 million).

- **Other income**

Other income covers the following:

- Firstly, the gross margin on insurance business, which enjoyed 53% growth in 2003 (+ €24 million) to reach a total of €69 million, and
- Secondly, other operating income and expense, which declined by 38% to €83 million owing, in particular, to provisions for risks booked during the year for a total of €36 million.

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

2.2 General operating expenses up 6%

(in millions of euros)

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

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

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

- The rise in expenses related to covering the pension liabilities of the Caisses d'Epargne network and Crédit Foncier de France for a total of €52 million,
- The modernization of the remuneration policy applied to the Caisses d'Epargne network employees with the introduction of a variable portion in their salaries correlated to their sales performance. This additional remuneration represented a charge of €45 million during the 2003 financial year.
- The growth in the volume of business generated by the different core business lines of IXIS and the increased activities of the retail banking subsidiaries (CEFI, Eulia caution, overseas banks), triggering a €29 million increase in personnel costs.

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

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

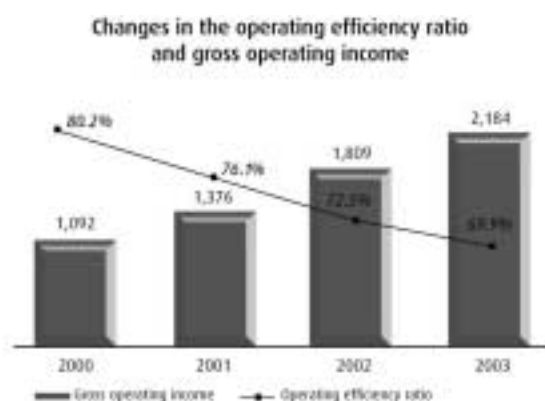
Expenses related to external services rose 10% to a total of €1.5 billion. This strong rise can be explained, in particular, by the following:

- A surge in certain IT expenses equal to €54 million linked to the conclusion of the IT migrations within the Caisse d'Epargne network, and to the modernization of the information system of Crédit Foncier de France (Copernic project) and overseas subsidiaries,
- A €6 million increase in fees related to the internal restructuring operations (merger between individual Caisses d'Epargne, creation of the professional real-estate division within Crédit Foncier), acquisitions-driven growth (Banque Sanpaolo, Entenial, CDC IXIS), projects devoted to changes in the regulatory environment (Basel II, IFRS), and projects concerning the modernization of the middle & back offices of the Caisses d'Epargne's financial activities,
- The greater volume of business generated by the Group's new subsidiaries in consumer credit, guarantees and non-life insurance, leading to a €16 million increase in expenses,
- An increase in rental charges for a total of €11 million (Crédit Foncier de France now rents its premises), advertising expenses up €7 million owing to a more active communications drive (worldwide sponsoring of athletics, etc.).

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

2.3 Gross operating income and operating efficiency ratio

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



2.4 Net additions to provisions

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

(in millions of euros)

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

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

- Firstly, the Caisse d’Epargne Group only booked a small amount to its “dynamic” and sector-based provisions in 2003 following the extremely large provisions set aside in 2001 and 2002 (for €151 million and €125 million, respectively). Starting in 2001, the Group decided to pursue a conservative provisioning policy which after 3 years has created, in principle, a hedge against the probable risk of default on its performing loans and off-balance sheet commitments related to major account portfolios, SMEs, professional real estate, local and regional government, HLM social housing organizations and semi-public companies, and consumer loans. As this initial provision set-up period has come to an end, the Group has entered into a phase of updating its provisions in the light of variations in the probability of default on the part of its counterparties.
- The increase in net additions to provisions concerning the Group’s securities portfolio and major financing operations is mainly linked to new provisions booked with respect to the Parmalat, Box Clever, Giraud and American Airlines counterparties for a total of almost €70 million.
- Finally, net additions to provisions related to loans granted by the retail banking arm stand at a total of €192 million against €162 million in 2002. This increase can largely be explained by the increase in provisions booked to cover risks in the individual and self-employed professional customer markets. However, additions to these provisions remain modest in the light of the aggregate amount of loans outstanding, representing 0.20% of total customer outstandings in 2003 against 0.18% in 2002 (excluding “dynamic” provisions).

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

2.5 Net ordinary income before tax

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

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

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

2.6 Other items in the consolidated profit & loss account

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

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

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

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

2.7 Consolidated net income and return on equity

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

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

The Caisse d’Epargne Group has seen its profitability increase regularly for a number of financial years. Thus, the Group’s return on equity (calculated as a ratio between the Group’s earning capacity and its average capital funds) rose from 7.8% in 1999 to 10.1% in 2002, and 11.3% in 2003.

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

(in millions of euros)

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

* Calculated on the basis of average capital funds.

1. Retail Banking: Corporation tax calculated on the basis of the legal rate less the impact of tax-exemption operations.
2. Minority interests calculated before allocations to the Reserve for General Banking Risks.
3. Requirements of Retail Banking enjoy 75% coverage by Tier-1 capital.

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

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

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

Net banking income generated by the retail banking business stood at €6.3 billion in 2003, representing growth of 8.2% compared with 2002. Gross operating income increased by 12.7% to reach a total of €1.68 billion. Earning capacity, which enjoyed growth of 12.4%, amounted to €1,004 million while the return on the equity allocated to the retail banking business remained stable compared with 2002 at 16%.

3 Comments on the consolidated balance sheet

(in millions of euros)

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

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

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

Funds deposited with the CDC rose 2.1% to reach a total of €82.9 billion at December 31, 2003, compared with €81.2 billion one year previously. The rise in this item is chiefly linked to deposits on *Livret A* passbook accounts, which rose by a total of €0.7 billion (+ 1.1%) in 2003.

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

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

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

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

(in billions of euros)

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

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

An analysis of outstanding loans per customer segment reveals that the Group is expanding its lending activities in all retail banking markets and continuing its diversification towards specialized markets: local and regional authorities, small- to medium-sized enterprises and miscellaneous segments, and major accounts. As a result, specialized markets account for more than 40% of outstandings in 2003 as in 2002.

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

- The **individual Caisses d'Epargne** enjoyed strong demand for **consumer credit** on the part of individual customers, with 15% growth in new personal loan production. A large-scale advertising campaign was launched in the spring with the dual objective of significantly boosting new production and reasserting the status of the Caisse d'Epargne as a benchmark player in this market. The Caisses d'Epargne's share of the consumer credit market increased by 0.5% in 2003.
- **Property loans to individual customers** also buoyed up the activities of the **Caisses d'Epargne** thanks to an active real-estate market and particularly low interest rates, offsetting a certain downward pressure on margins. The French savings banks enjoyed 20% growth in this segment compared with 2002, granting new property loans for a total of €12 billion.
- In the **property loans to individual customers** segment, the **Credit Foncier Group** also enjoyed a good year in 2003 with substantial growth in assets in the non-regulated sector (+

25%). Crédit Foncier reinforced its front-ranking positions in real-estate projects thanks to a consolidation of loans, and strong growth in additional sales: new loan production reached a total of €3.7 billion in 2003.

- The **self-employed professionals** segment continued to make headway (the Caisses d'Epargne held more than 7% of this market at the end of 2003, representing a 3-point increase in the space of four years). If the Océor subsidiary and Banque Sanpaolo are also included in the calculation, the Group boasts more than 200,000 professional customers, including 120,000 who bank with the Group in both a private and a professional capacity. Thanks to the loyalty of this clientele, new loan production in 2003 represented a total of €2 billion.

The **local and regional authorities** segment includes local communities, social housing organizations and semi-public bodies. Loans outstanding in the local and regional authorities segment rose by 9.5% (up by almost €2.5 billion) to €28.2 billion. 2003 represents a turning point in the local communities sector, with the Group reinforcing its role as the reference financier of local and regional authorities, running neck-and-neck with the historical leader, Dexia.

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

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

- Demand from **small- to medium-sized enterprises** was rather sluggish, and new loan production in this sector declined overall in 2003. In an extremely adverse economic environment, the Group focused on controlling its risks and emphasized qualitative changes and, in particular, a gradual rebalancing of the deposits/loans ratio. The acquisition of Banque Sanpaolo will enable the Group to take a new decisive step in this market segment in 2004.
- Loans outstanding with respect to **miscellaneous segments** are marginally lower than in 2002 (€8 billion at December 31, 2003 down from €8.4 billion at December 31, 2002). The decline is chiefly due to the Crédit Foncier Group as the contribution from the individual Caisses d'Epargne, in contrast, remains positive overall. Loans granted to associations financed by the Caisses d'Epargne enjoyed marginal growth in 2003 (the loan book rose from €1.1 billion to €1.4 billion in the course of the year). The volume of loans granted to private real-estate professionals, financed by the Caisses d'Epargne, increased by a modest €270 million.

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

3.2 Total managed customer funds up 6.5%

(in billions of euros)

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

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

The Group also continued to sell shares in the Caisses d'Epargne to its local customers. In the space of one year, the number of cooperative shareholders has risen from 2.1 million to 2.7 million. At the end of 2003, cooperative shareholders had purchased shares for a total value of €2.6 billion since subscriptions began in 2000.

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

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

(in billions of euros)

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

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

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

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

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

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

Lastly, outstandings on **retail certificates of deposit issued by the CNCE (Ecureuil loans), savings certificates** and **other products** rose by €3.3 billion to reach a total of €18.0 billion chiefly due to new issues of retail certificates of deposit by the CNCE. Savings certificates and retail certificates of deposit, which are savings instruments designed to meet extremely specific needs, continued their regular decline on the balance sheet and only accounted for €1.1 billion in 2003 against €1.5 billion in 2002.

3.2.2 Commission-earning activity up 5.3%

(in billions of euros)

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

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

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

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

In **life insurance** the Group achieved 5.5% growth in life funds during the year with, in particular, the success of the new *Initiatives Transmission* and *Nuances* products. *Nuances 3D*, a combined unit-linked and non-unit-linked product, continued its excellent commercial track

record. The aggregate value of life funds rose to €57.5 billion at December 31, 2003 from €54.5 billion at December 31, 2002.

3.3 Securities portfolio and debts represented by a security

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

Securities portfolio

(in millions of euros)

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

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

Debts represented by a security

(in billions of euros)

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

3.4 Consolidated capital funds and reserves up 10.8%

(in millions of euros)

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

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

4 Capital funds and capital adequacy ratio

in millions of euros

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

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

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

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

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

As a result, the Group's capital funds requirements stood at €10.3 billion at December 31, 2003, up 9.9% compared with December 31, 2002.

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

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

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

The consolidated capital adequacy ratio of the Caisse d'Epargne Group increased by 6 points during the year, rising from 143% at the end of 2002 to 149% at the end of 2003 (of which 141% for Tier-1 capital alone against 133% in 2002), well in excess of the statutory ratio of 100%.

5 Risk management within the Caisse d'Epargne Group

5.1 Internal control organization

The organization of internal control procedures within the Caisse d'Epargne Group has been planned in line with the requirements of French Banking Regulations Committee (CRBF) Rule 97-02, as amended by CRBF Rule 2001-01, throughout the Group structure: the CNCE, the Caisses d'Epargne, their local subsidiaries and the national French subsidiaries.

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

- To monitor the activities of the Group in such a way as to achieve the highest possible earning capacity for the bank's business activities while maintaining the lowest possible level of risk inherent in these activities,
- To provide exhaustive, accurate, and timely information necessary for appraising risks and verifying that they remain in line with the level of risk authorized,
- To respect internal and external regulations.

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

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

The CNCE (Caisse Nationale des Caisses d'Epargne) is the central institution of the Caisse d'Epargne Group. In this capacity, it is responsible, in particular, for representing the Caisses d'Epargne in dealings with third parties, defining the range of products and services marketed by the mutual savings

banks, organizing the depositors' guarantee, approving the appointment of senior Group managers, and ensuring the smooth functioning of the Group's different entities. In pursuit of its role as supervisor of the internal control system of the Caisse d'Epargne Group, the CNCE is responsible for the following:

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

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

- The quality, effectiveness and smooth functioning of the internal control systems,
- The accuracy and completeness of accounting records and management information,
- The quality and adequacy of the procedures set up to ensure compliance with the law, regulations, market rules and codes of good conduct,
- The quality and smooth functioning of the risk management systems and their compliance with the regulations,
- The respect of Group policies and rules, and compliance with directives issued by the establishments,
- The effective implementation of recommendations made by previous audits.

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

The solidarity and guarantee system within the Group makes it possible to organize the liquidity and solvency of each entity. This system is based on all the capital funds of Group affiliates and is designed to prevent default, complementary to the principally curative objective of the market guarantee systems to which the Group contributes. These resources are made available through the Group's mutual guarantee and solidarity fund (*Fonds de Garantie et de Solidarité du Groupe*) carried in the books of the CNCE. This fund, amounting to €271 million at December 31, 2003 is in addition to the local guarantee funds already set up within each individual Caisse d'Epargne. In the event that this amount is not sufficient, the CNCE can use a rapid decision-making process to draw on the additional necessary resources.

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

The "Money Laundering Vigilance" unit within the Group Risk Department is responsible for the assignments undertaken by the CNCE on behalf of all the Group's different entities with respect to its obligations related to the prevention of money laundering, as defined in Section VI of the French Monetary and Financial Code, and to the respect of professional regulations, notably those governing the offer of investment services or the distribution of insurance products.

It is responsible for monitoring the implementation throughout the Group of the regulatory and professional obligation to remain alert to the danger of money laundering and the channelling of funds to terrorist organizations. The “Money Laundering Vigilance” unit is also responsible for supervising and coordinating the work of the “*Tracfin* correspondent” function set up to monitor potentially illicit financial transactions in each Group entity.

The prevention of money laundering is organized under the direct responsibility of each Group entity. An anti-money laundering representative is appointed in each entity, responsible for analysing operations with customers which raise suspicions of money laundering and for reporting such operations to the appropriate department of the French Ministry of Finance and Industry responsible for monitoring potentially illicit financial transactions (known under the abbreviation *Tracfin*).

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

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

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

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

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

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

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

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

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

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

In its capacity as the central institution of the network and parent company of the national French subsidiaries, the CNCE is responsible for guaranteeing the consistency of the risk management departments and mechanisms adopted within Group entities as well as the control

of consolidated risks, notably by defining the areas subject to exposure limits, by setting at Group level ceilings to limits that the different entities are authorized to adopt for themselves, and by adopting specific and, if necessary, restrictive mechanisms with respect to certain risks deemed critical to the Group by virtue of their degree of materiality or concentration.

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

The Group Risk Department is divided into 5 units assigned the following responsibilities:

1. The monitoring of risks whose management requires the use of market instruments: liquidity, mismatch, currency or interest-rate risks, or risks related to equities or any other market instruments. The responsibilities of this unit also include analyses leading to the validation of the financial instruments used by the Group's different entities, the definition of risk appraisal methods along with the creation of global risk integration models.
2. The monitoring of credit and counterparty risks when the Group's standards require an analysis and prior authorization from the CNCE. The unit responsible for carrying out research with a view to rating the customers, counterparties and countries involved in the operation monitors the analysis on an ongoing basis and transmits warning messages to the Group if necessary. It also carries out analyses of complex transactions.
3. The monitoring of credit risks only involving commitments made by Group entities. The unit responsible for this assignment defines and approves the procedures, standards, systems and tools used in carrying out analyses or providing decision-making assistance related to the credit risks of the portfolios of Group entities, and ensures their deployment and constant updating. The unit is also responsible for overseeing credit portfolios for different categories of customers with, in particular, sector-based research and the monitoring of deterioration.
4. The monitoring of risks related to investments in unlisted companies either directly or through investment funds, and research with a view to assigning a rating to the projected transactions. The *ad hoc* structure monitors the analysis on an ongoing basis and transmits warning messages to the Group if necessary.
5. The monitoring of intermediation and settlement risks, risk linked to data processing, risks resulting from inappropriate procedures or systems as well as human error or technical malfunctioning. The monitoring of adherence to the rules of good conduct related to investment services and the distribution of insurance products also forms an integral part of this assignment.

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

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

- Ensures, as far as decisions related to the granting of loans and operational limits are concerned, that the Group's rules governing ratings and risk analysis are effectively applied, and provides a second opinion when required by the proxy system.
- Is responsible for examining proposals for risk limits and for organizing the operational monitoring of risk and ensuring adherence to exposure limits within the framework of Group standards.

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

- Exposure limits at Group level are approved by the Management Board of the CNCE after deliberation at committee level. These limits reflect the risk and development policy of the Group.
- Group exposure limits define global ceilings which are then allocated to the subsidiary or affiliated entities according to the same principles. The entities' exposure to risk may be frozen if a ceiling is reached or a Group limit is reduced.
- Lastly, the entities in turn allocate these exposure limits per core business, activity, or subsidiary, as necessary. Each Group entity manages its risks within the strict framework of the rules and national limits laid down by the CNCE. The limits specific to a given entity are fixed by its directors; compliance with these limits is monitored by the entity's executive body.

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

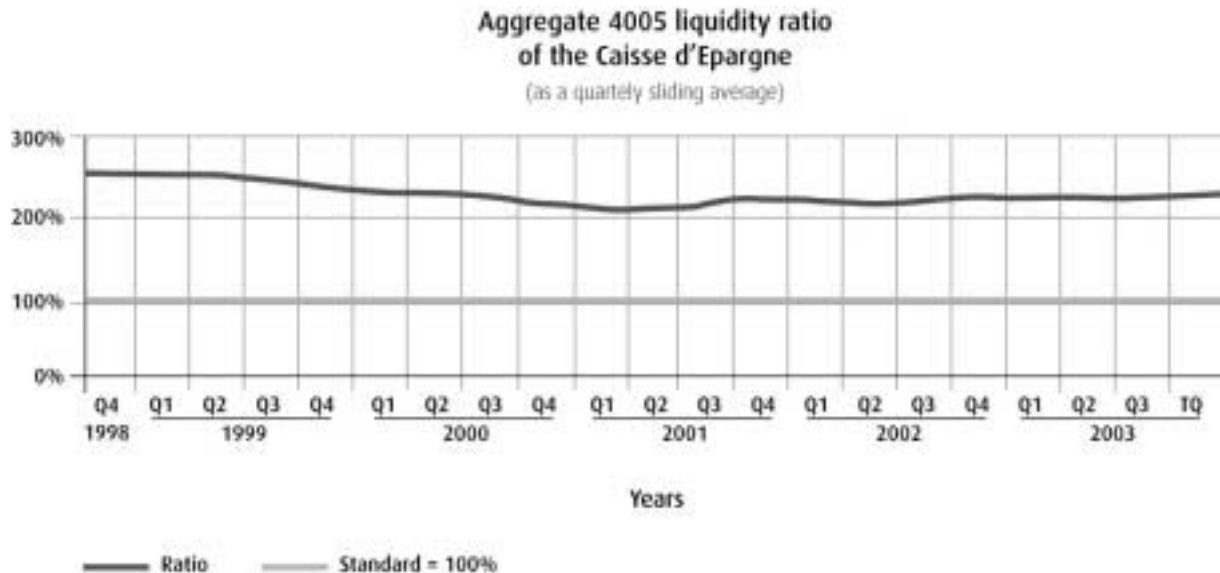
OPRG includes statistical functionalities (modelling of scoring and rating algorithms, deployment and backtesting of models, etc.) as well as risk monitoring functionalities (parameterization and calculation of operational and regulatory credit risk indicators as provided for by the Basel committee, regulatory reporting, operational reporting, monitoring of exposure limits, etc.). A *Base Tiers Groupe* (BTG, or the Group Third-Party Database) will be responsible for managing the identification of third parties at Group level and related tree structures (groups of third parties).

5.4 General financial risks related to retail banking activities.

5.4.1 Liquidity risk

The Caisse d'Epargne Group is not exposed to any major liquidity risk owing to its ability to collect savings deposits from private individuals, the quality and liquidity of the securities held in the portfolios of its different entities and the quality and stability of its credit rating allowing it to raise the additional financial resources it needs to develop its activities. The rating agencies not only unanimously confirmed the issuer ratings of the CNCE following the announcement of the New Foundations project and the development of the partnership with the Caisse des dépôts, but also welcomed the constant improvement in the Group's financial performance as reflected in the ratings assigned for financial strength. The Group consequently enjoys the

highest ratings assigned to French banks. The CNCE took advantage of this creditworthiness in November 2003 with the first issue by a French bank of deeply subordinated notes, an innovative capital instrument, for which the Group attracted an order book of almost €2 billion with the lowest spread ever achieved in the euro market, all issuers taken together.



Continuing the trend observed in previous years, the impact of the economic environment in 2003 on the Caisse d'Épargne Group, as on all the other major retail banks, resulted once again against a background of extremely low interest rates, in a reallocation of customer funds flows and savings towards life insurance contracts. At the same time, however, new loan production remained extremely buoyant, particularly in the area of property loans, which led the Group to make liquidity management a more integrated part of its future development objectives.

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

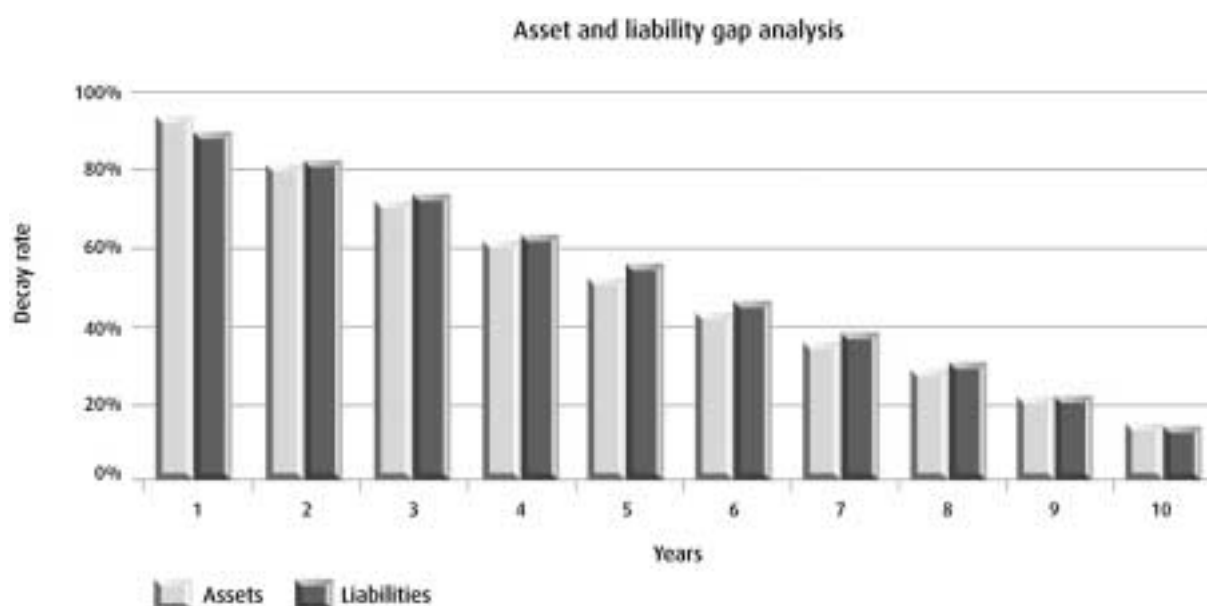
- Firstly, the CNCE's capital market issuing activity is subcontracted to the structures of the CDC IXIS Group to ensure an optimal pooling of resources,
- Secondly, an *ad hoc* structure within CDC IXIS is responsible for the capital markets intermediation function on behalf of Group entities.

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

- The negotiation of resource budgets intended to refinance local government projects from supra-national bodies. In this respect, the CNCE obtained refinancing from the European Investment Bank for a total of €575 million (including €175 million dedicated

to the Hôpitaux de France programme) on behalf of the Caisses d'Epargne, making the Group a major partner of the EIB in France,

- The circulation within the Group of capital making it possible to recycle a part of savings funds deposited with the Ecureuil Vie and Ecureuil Gestion companies,
- Compagnie de Financement Foncier, a subsidiary of Crédit Foncier, issued covered bonds (*obligations foncières*) in 2003 for a total of €9.6 billion (65% in public placements and 35% in private placements), taking its outstandings in this area to a total of €32.6 billion. For the second year in succession, Compagnie de Financement Foncier is the second largest issuer after the French State.



Asset and liability gap analysis

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

5.4.2 Global interest-rate risk

2003 was marked by the general implementation of global interest-rate risk indicators within the retail banking entities of the Caisse d'Epargne Group. In these core business activities, the measurement of interest-rate risk is based on different approaches chosen in line with the analysis horizon:

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

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

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

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

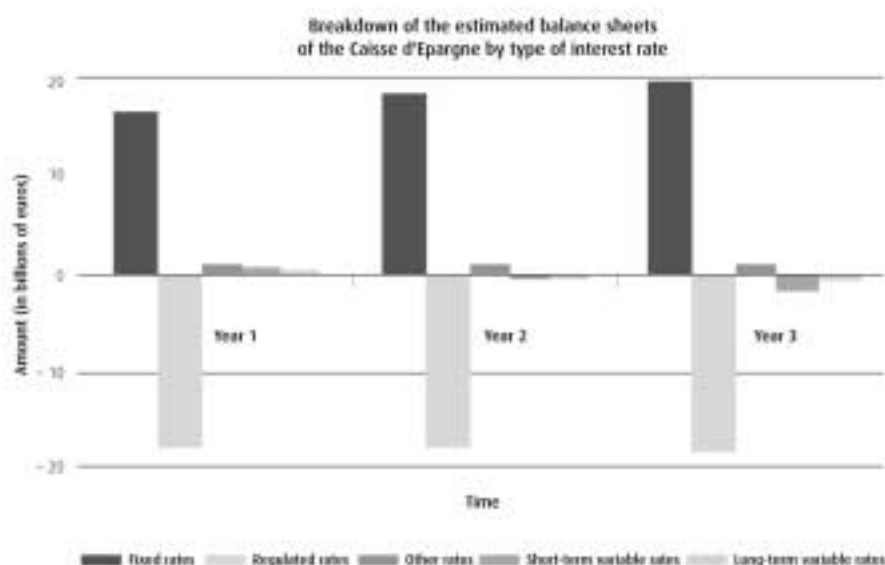
The coherent organization of these two management levels helps to optimize the financial management of the Caisse d'Epargne Group in interaction with the approach adopted by the Eulia financial holding company throughout the entire Group structure.

It also makes it possible to obtain the best possible integration of knowledge about foreseeable customer behavior specific to each regional savings bank. The Group adopts a methodological approach, developed by the CNCE and shared by all the entities, based on a common financial planning software package used by all the individual Caisses d'Epargne since 2001. This single software tool provides information at the same time for a regular reporting system, enabling the CNCE to obtain a consolidated view of the global interest-rate risk and to enjoy the possibility of simulating outcomes at Group level. This information is used, in particular, by the Group Balance Sheet Management Committee. This multi-disciplinary body that brings together, once every quarter, all the Group entities (CNCE, regional savings banks and national subsidiaries), analyzes the Group's overall sensitivity to interest-rate risk, changes in liquidity positions, and recommends hedging actions to be taken both regarding the fine-tuning of commercial policies and the complementary operations required on the financial markets.

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

In the Group's configuration in 2003, significantly influenced by the retail banking activities, particular attention is paid to mismatch risks and the sensitivity of profits to changes in interest rates. Thus, for the Caisses d'Epargne, in the event of a uniform fall in interest rates of 1% at December 31, 2003, the reduction in net banking income at a three-year horizon — on the basis of the new conventions regarding regulated interest rates and before any corrective action — would be close to €200 million, equal to 3.2% of current levels of net banking income, which would only increase the operating efficiency ratio by 2.1 points.

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



5.4.3 Credit risks

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

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

With respect to the rating of the national counterparties (and, more particularly, those included within the scope of the financial activities of the Caisses d'Epargne), the internal rating scale is based on the one used by the major international rating agencies. The attribution of ratings is based, for the national counterparties, on the work of the Group Risk Department of the CNCE and, for other counterparties, on analyses provided by the Group's different establishments. Counterparties are examined on a consolidated basis, and the limits applicable to each member of a third-party group are set on the basis of criteria governing membership of the Group and its relationship to the parent company.

The **Group Rating Committee** is responsible for rating the national and multiregional counterparties as soon as the Group's outstandings exceed a certain threshold, if necessary by group of related debtors, as provided for in the regulations governing major risks.

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

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

The CNCE may freeze all new commitments to, or impose a zero exposure limit on, a counterparty that defaults or presents a risk profile deemed to have deteriorated too far. A plan to scale back existing positions with respect to types of operations, counterparties, business sectors or countries may also be implemented.

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

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

A **Group Credit Committee** examines operations that, by their nature, involve a certain complexity. Its remit includes syndication operations within the Group and so-called complex transactions above an authorized amount. This committee only acts within the bounds of certain limits — notably counterparty limits and limits per type of asset — related to the Group's control mechanism. The Group Risk Department ensures that these exposure limits are respected, while the examination of credit files is entrusted to a CNCE unit dedicated to credit risk.

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

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

- **Analysis of outstanding loans**

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

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

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

(in millions of euros*)

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

* Crédit Foncier outstandings carried at 100%.

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

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

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

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

- **Analysis of outstandings with national counterparties**

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

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

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

(in millions of euros)

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

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

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

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

- The analysis of “banking” and “corporate” outstandings by country is as follows:

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

5.5 Capital market risks

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

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

Three risk measurement methods are typically used:

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

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

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

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

The aim of the Operating Committee representing CDC IXIS and the Caisse d'Epargne Group is to define, and subsequently to monitor, the services offered by CDC IXIS with a view to optimizing the intermediation activity of the Caisses d'Epargne.

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

- Investments in equities and property dependent on excess funds from commercial activities and capital funds not invested in fixed assets. Investment in equities is restricted to the most actively traded securities in the euro zone.
- Investments in assets denominated in foreign currencies, not covered by a hedge, are restricted to a percentage of the liquid asset portfolios. Only the currencies of the major industrialized countries, whose volatility in relation to the euro remain within what are considered acceptable limits, are authorized.
- The operational foreign exchange position of each Group entity is kept within strict limits. The overall amount is not material in relation to profits and capital funds. All foreign currency transactions with customers are systematically hedged.
- Rules governing collective management have been adopted according to the size of the mutual funds, the ratio of Group control, the existence of adequate historic records of performance, and

risk parameters. A Group approval procedure for management companies makes it possible to establish exposure limits per individual company of this type.

- **Analysis of capital market risks at December 31, 2003**

The measurement of the sensitivity of the portfolios compares the net income for the year to various scenarios of fluctuations in interest rates, exchange rates and stock market prices. The aggregation of the principal risks related to the liquid asset portfolios of the Caisses d'Epargne network at December 31, 2003 shows the following impacts:

(in millions of euros)

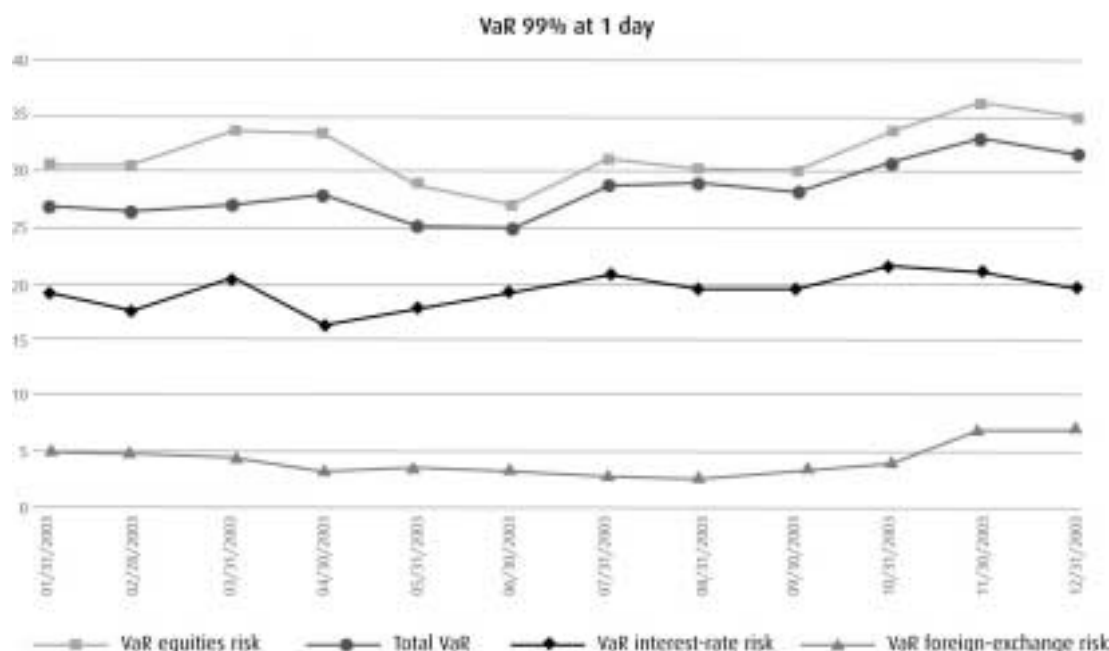
Type of risk	Area	Assumption	Negative impact
Interest-rate risk	Liquid assets portfolio	Uniform rise in interest rates of 1 point	<55>
Equities risk	Liquid assets portfolio	10% fall in market prices	<53>
Foreign exchange risk	All balance sheet	Simultaneous 5% decline in all currencies' exchange rates	Not material

The scope of the Value at Risk (VaR) measurement tool is the entire trading portfolio of the entities in the Caisses d'Epargne network. The aim is to draw up an aggregation of capital market risks at the level of each entity, but also to have a global view of these risks at a network level, and to compare them with the capital funds allocated to these operations. This pro-active risk management procedure makes it possible to measure the gains to be expected from the portfolio diversification policy.

The current VaR is an estimate of the maximum potential loss liable to be incurred by the entity for a given holding period and a certain level of confidence. The table below shows the VaR for the Caisses d'Epargne network at December 31, 2003 for a holding period of 1 day and a level of confidence of 99%. The maximum potential loss for the trading portfolios of the Caisses d'Epargne network is equal to, or less than, €32 million in 99% of cases and represented 0.25% of the market value of the portfolios at December 31, 2003.

(in millions of euros)

VaR 99% at 1 day	December 31, 2003
VaR interest-rate risk	19.55
VaR equities risk	34.99
VaR foreign exchange risk	7.07
Total VaR	31.67
Sum of VaR	61.61
Diversification gain	29.94
Mark-to-market value	13,432.01
VaR as a % MtM	0.24%



5.6 Operational risks

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

- Risks related to the security of property and individuals,
- Risks related to information and communication systems,
- Risks related to internal management including, in particular, errors in administrative and accounting matters, and risks of a legal nature.

Thanks to work carried out with a “pilot” savings bank, it has been possible to determine a method for the identification and appraisal of risks. A matrix comparing risks and processes currently used in a Caisse d’Epargne has been created. This work has been incorporated in a more global approach to the management of operational risks, which has found expression in two major initiatives:

1. The first concerns the pursuit of coordination work with the CNCE Departments responsible for the different types of risk (Information System Security, Security of Property and Individuals, Banking Production, Legal Affairs, Accounts Department, etc.) with a view to launching awareness-building campaigns or monitoring individual issues presenting a certain risk.
2. The second corresponds to a structural approach providing a response to the requirements of the Basel II reform as far as operational risks are concerned with the launch of a dedicated project, forming an integral part of the Group’s Basel II programme. This project will make it possible to define an organizational and technical structure capable of meeting the objective of being eligible, in the medium term, for the advanced methods laid out in the Basel reform’s Consultative Paper n°3.

This approach — which brings together the individual savings banks, communities and Group subsidiaries — will make it possible to approve the functional target as far as operational risks are concerned. It deals with the following points: identification and appraisal of risks, appraisal of

financial loss or damage to image, appraisal of the management system, adoption of a monitoring mechanism with the systematic reporting of incidents, introduction of damage prevention or limitation plans, definition and monitoring of advanced indicators and setting of exposure limits, and regular reporting.

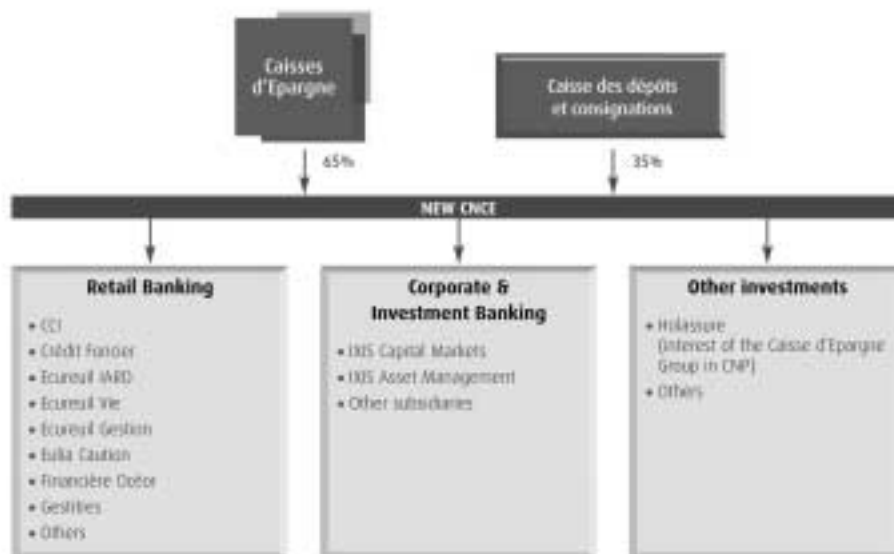
The Group's individual entities manage their operational risks in cooperation with the various CNCE departments specializing in certain specific risks (Information System Security, Security of Property and Individuals, Banking Production, Legal Affairs, Accounts Department, etc.) and in liaison with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

The Internal Liaison Committee for Operational Risk coordinates the actions of the CNCE's different departments in this area, takes charge of organizing the prevention of inter-departmental risk and recommends, whenever necessary, decisions to be taken by the Internal Control Committee of the CNCE.

6 Recent developments and outlook for the year 2004

The Caisse d'Epargne Group clearly demonstrated its commercial dynamism and creativity in the first few months of the 2004 financial year. Business remains extremely buoyant as far as lending activities are concerned with new loan production of €2.8 billion in the first two months of the year; a total of 93,000 deposit accounts have been opened; new savings (excluding current accounts) stand at approximately €1 billion; life insurance has enjoyed strong growth (€1.36 billion in new life funds) while bank deposits have recovered thanks to the launch of the progressive deposit account CAPCIEL. The success enjoyed by this new product and the number of reservations for the popular retirement savings plan recorded by the Caisse d'Epargne Group testify to the Group's ability to refresh its product range and to offer its different types of customer products tailored to their needs against a background of low interest rates and a certain popular aversion for stock-market products.

At a more strategic level, after achieving the targets contained in its first medium-term plan in 2003, the Group is now at the threshold of a new far-reaching phase in its development with the integration of the CDC IXIS Group in 2004. This acquisition—which should become effective in the middle of the year once the implementation work has been finalized and the different supervisory or regulatory bodies have given their approval—will lead to the creation of a new universal bank, the third largest French banking group in terms of capital funds. The target organization of the new Group is as follows:



The other initiatives related to external growth (Entenial) or to the streamlining of internal structures (the creation of a Professional Real Estate division within Crédit Foncier) will be finalized at the beginning of 2004.

To accompany this change in scale, the Group will adopt a new Strategic Plan for 2004-2007 based on the following objectives:

- To provide the Group's senior management with the key benchmarks they need for their strategic planning over the next few years,
- To identify the new challenges facing the Group by virtue of its new scope and dimensions,
- To fix growth objectives while simultaneously pursuing the drive to enhance the Group's performance,
- To confirm the twin objectives of economic efficiency and social commitment, a form of solidarity that represents the very essence of our Group and, finally,
- To draft the business plan of the new Group for 2004 to 2007.

Launched in November 2003 with the creation of 8 task forces comprised of corporate officers of the Caisse d'Epargne Group, the preliminary work focused on the three major topics in the life of the Group, namely: core values, growth, and efficiency. An initial report on these general objectives will be presented on April 21, 2004 at a meeting of all the Group's senior management staff. The second stage in the project will consist in a quantified presentation of the strategic vision in the form of a business plan. This will include a more detailed definition of the objectives as far as the Group's new core business lines are concerned and within the Group's different entities. The Group's new ambitions will be the subject of an official statement during the convention devoted to the "new" Group scheduled for November 2004.

Information about the corporate officers (terms of office, remuneration) and details about the social and environmental consequences of the Group's activities are presented in the Group's reference document.

CONSOLIDATED FINANCIAL STATEMENT OF THE CAISSE D'EPARGNE GROUP

Consolidated balance sheet of the Caisse d'Epargne Group at December 31, 2003, 2002 and 2001

ASSETS

(in millions of euros)

	Notes	2003	2002	2001
Cash, money market and interbank items	6, 11	161,665	155,917	156,369
Customer items	7, 11	129,919	116,572	108,737
Lease financing	8	2,647	2,085	1,944
Bonds, shares and other fixed- and variable-income securities	9, 11	56,584	54,891	53,125
Investments by insurance companies	33	672	482	451
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	10	3,165	2,994	3,106
Tangible and intangible assets	12	2,835	2,716	2,974
Goodwill	16	372	173	271
Accruals, other accounts receivable and other assets	14	22,816	21,303	18,080
Total assets		380,675	357,133	345,057

OFF-BALANCE SHEET COMMITMENTS

(in millions of euros)

	Notes	2003	2002	2001
Commitments given	18, 19, 20			
Financing commitments		30,428	27,639	23,129
Guarantee commitments		18,424	15,924	10,626
Commitments made on securities		510	256	228
Commitments given by the insurance business		1,012	1,184	1,080

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

LIABILITIES, CAPITAL FUNDS AND RESERVES

(in millions of euros)

	Notes	2003	2002	2001
Money market and interbank items	6, 11	76,878	76,763	75,170
Customer items	7, 11	181,202	170,089	166,289
Debts represented by a security	11, 13	75,061	67,571	63,779
Technical reserves of insurance companies	34	482	366	317
Accruals, other accounts payable and other liabilities	14	25,202	23,880	22,492
Negative goodwill	16	52	60	87
Provisions for liabilities and charges	15	3,036	3,128	3,135
Subordinated debt	17	4,153	2,179	1,636
Reserve for General Banking Risks	17	2,400	2,107	1,952
Minority interests		1,921	1,692	1,734
Consolidated capital funds and reserves (excluding Reserve for General Banking Risks)	17			
Capital		10,288	9,298	8,466
Share premium		2,601	2,873	2,878
Consolidated reserves and retained earnings		199	0	2
Net income for the year		6,372	5,473	4,796
		1,116	952	790
Total liabilities, capital funds and reserves		380,675	357,133	345,057

OFF-BALANCE SHEET COMMITMENTS

(in millions of euros)

	Notes	2003	2002	2001
Commitments received	18, 19, 20			
Financing commitments		5,837	4,703	3,677
Guarantee commitments		8,950	7,812	6,540
Commitments received on securities		1,404	482	531
Commitments received from the insurance business		77	23	12

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

**Consolidated profit & loss account of the Caisse d'Epargne Group
for 2003 and 2002**

(in millions of euros)

	Notes	2003	2002
Interest and similar income	21	16,648	16,913
Interest and similar expense	21	(12,726)	(13,507)
Income from shares and other variable-income securities	22	150	179
Net commission and fee income	23	2,136	1,975
Net gains on trading transactions	24	487	583
Net gains on held-for-sale portfolio transactions and similar items	25	400	260
Other net operating income	26	83	135
Gross margin on insurance business	35	69	45
Net banking income		7,247	6,583
General operating expenses	27	(4,749)	(4,462)
Depreciation and amortization of tangible and intangible assets		(314)	(312)
Gross operating income		2,184	1,809
Net additions to provisions	28	(306)	(357)
Operating income		1,878	1,452
Share in net income of companies accounted for by the equity method	10	155	151
Net gains on fixed assets	29	75	45
Net ordinary income before tax		2,108	1,648
Exceptional items	30	(54)	(9)
Tax on profits	31	(503)	(435)
Amortization of goodwill	16	(15)	(38)
Allocations to the Reserve for General Banking Risks	17	(294)	(156)
Minority interests		(126)	(58)
Consolidated net income (excluding minority interests)		1,116	952

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

**Notes to the consolidated financial statements of the Caisse d'Epargne Group
for the year ended December 31, 2003**

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

1.1 Legal and financial framework

The individual Caisses d'Epargne et de Prévoyance together form a financial network around a central institution, the Caisse Nationale des Caisses d'Epargne et de Prévoyance. The Caisse d'Epargne Group consists of a varied body of subsidiaries contributing to the proper management and enhanced sales performance of the network of mutual savings banks. A national federation (Fédération Nationale des Caisses d'Epargne et de Prévoyance) was set up pursuant to the Act of July 1, 1901 governing non-profit-making associations. The missions of the Federation are specified in Article L.512-99 of the French Monetary and Financial Code.

- **Caisses d'Epargne et de Prévoyance**

The Caisses d'Epargne et de Prévoyance are structures approved as cooperative banks governed by ordinary law whose capital is held by local savings companies. The Caisses d'Epargne et de Prévoyance are limited liability companies (*sociétés anonymes*) having the status of credit institutions operating as ordinary banks. Their capital is divided into shares of capital stock.

- **Local savings companies**

The regionally based local savings companies are cooperative structures having an open-ended capital stock owned by cooperative shareholders. The mission of the local savings companies — within the framework of the general objectives defined by the individual mutual savings bank to which they are affiliated — is to coordinate the cooperative shareholder base. They are not entitled to carry out banking business.

- **The Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE)**

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

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

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

- **Subsidiaries**

Subsidiaries of Compagnie Financière Eulia

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

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

Specialized IT subsidiaries

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

Local subsidiaries of individual Caisses d'Épargne

The individual Caisses d'Épargne et de Prévoyance may have their own investments in local subsidiaries (Regional Development Corporations, finance companies, etc.).

1.2 Guarantee system

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

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

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

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

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

1.3 Issue of cooperative shares

The process transforming the Caisses d'Epargne et de Prévoyance into cooperative banks came to an end on December 31, 2003.

In accordance with the temporary provisions set out in the Act of June 25, 1999, and pursuant to article 22 of that Act, the capital stock of the Caisses d'Epargne et de Prévoyance was reduced ⁽¹⁾ to bring its final amount in line with the aggregate value of the cooperative shares placed on December 31, 2003 by the local savings companies affiliated to them. For the Caisses d'Epargne as a whole, this reduction in capital is equal to €272 million.

Within the same legal framework, and in a manner correlative to the capital reduction operation, the difference between, firstly, the initial estimation of the amount due to the Reserve Fund for Pensions resulting from the placement of cooperative shares and, secondly, the proceeds from contributions actually paid at November 30, 2003, was booked to reserves for a total of €286 million.

These operations result in a net increase of €14 million in the Group's consolidated capital funds.

Pursuant to article 26 of the aforementioned Act, the Caisses d'Epargne et de Prévoyance will have paid a total of €2,587 million to the Reserve Fund for Pensions between 2000 and 2003.

⁽¹⁾ With the exception of four Caisses d'Epargne et de Prévoyance, which placed the exact amount of their initial capital stock with cooperative shareholders.

1.4 Planned changes in Group structure

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

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

The final agreements and operations leading to the creation of the new group resulting from these decisions should be completed in 2004. The Caisse d'Epargne Group will then become the operator responsible for banking activities, and the Caisse des dépôts will become the strategic shareholder of this new entity created from the integration of Compagnie Financière Eulia and the CDC IXIS Group within the Caisse Nationale des Caisses d'Epargne.

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

NOTE 2 – PRINCIPLES AND METHODS OF CONSOLIDATION OF THE CAISSE D'EPARGNE GROUP

2.1 Principles

The consolidated financial statements of the Caisse d'Epargne Group are drawn up in accordance with the principles laid down by Rules 99-07 and 2000-04 of the French Accounting Regulatory Committee.

2.2 Methods and scope of consolidation

- **General principles**

The consolidated financial statements include the accounts of the Caisses d'Epargne and all subsidiaries and associated companies over which the Group exercises a controlling or significant influence. Note 5 specifies the scope of consolidation of the Caisse d'Epargne Group.

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

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

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

- **Exclusions**

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

Property finance companies organized as limited liability companies (SACI, or *sociétés anonymes de crédit immobilier*) are excluded even though certain Caisses d'Epargne may exercise effective control over them. The reason these companies have been excluded is that it is uncertain that the Group will continue to exercise such control subsequent to the reorganization of these companies into an independent network with its own central institution.

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

A company may also be excluded from consolidation when, taken alone or with other companies capable of being consolidated, it is not material in relation to the Group as a whole.

Investments in such companies appear under the heading “Investments in unconsolidated subsidiaries”.

- **Changes in the scope of consolidation**

Consolidating entity

Mergers between the Caisse d'Epargne du Limousin and the Caisse d'Epargne d'Auvergne, and between the Caisse d'Epargne des Pays Lorrains and the Caisse d'Epargne de Lorraine Nord, were

completed in 2003. The new entities created by these mergers have adopted the names of “Caisse d’Epargne d’Auvergne et du Limousin” and “Caisse d’Epargne de Lorraine”, respectively. These mergers have no impact on the consolidated accounts of the Caisse d’Epargne Group.

Acquisition of Banque Sanpaolo by the CNCE

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

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

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

Continued internal restructuring of the “overseas” banking division

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

As this transaction constitutes an internal restructuring operation, it had no impact on the Group’s consolidated results.

Subsidiaries of the Caisses d’Epargne

Beaulieu Immo, a newly created subsidiary of the Caisse d’Epargne Poitou-Charentes, has been included within the scope of consolidation.

In the area of IT activities, the SED RSI software house has absorbed the CTCENO, CTRECAPC, CTICEP and CTRCEB technical centres. Girce Ingénierie has absorbed GT3I.

Subsidiaries of Compagnie Financière Eulia

Within the Compagnie Financière Eulia Group, the principal change to occur in 2003 is the consolidation by CDC IXIS of the Nexgen Financial Holdings Group, which specializes in the arrangement of high value-added financial engineering operations. This group has been accounted for by the equity method in the accounts of the CDC IXIS since January 1, 2003.

On October 21, 2003, AGF and Crédit Foncier signed the final agreement setting the terms of AGF’s sale of its 72.15% interest in the capital of Entenial. As provided for by French regulations, the closing of this transaction was subject to the prior approval of the relevant supervisory and competition authorities (CECEI, the French Banking and Investment Committee, and DGCCRF, the Directorate-General for Competition and Consumer Protection).

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

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

Ad hoc entities

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

Five of these mutual funds have been consolidated pursuant to the dispensations granted under paragraph 51 of the rule. These provisions chiefly consist in accounting for the net assets of the mutual funds on the basis of valuation rules specific to them.

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

FCPR Expanso Investissement, a venture capital investment fund set up in December 2002 by the Caisse d'Epargne Aquitaine-Nord and the Caisse d'Epargne des Pays de l'Adour, has been consolidated since that date.

Through its interest in the CDC IXIS Group, the Caisse d'Epargne Group consolidated a further 22 *ad hoc* entities. These include 6 venture capital investment funds or similar directly owned by CDC IXIS.

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

Impact of changes in the reporting entity on the consolidated accounts

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

2.3 Consolidation adjustments and eliminations

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

These regulations require that:

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

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

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

Consequently, in the consolidated financial statements, finance leases where the company is the lessor are accounted for as financing transactions considering that the rental is a repayment of principal plus interest.

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

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

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

- **Accounting entries that result from tax regulations**

On consolidation, accounting entries that result solely from tax regulations are eliminated. The major items are:

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

- **Deferred tax**

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

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

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

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

2.4 Elimination of inter-company transactions

The effect on the consolidated balance sheet and profit & loss account of inter-company transactions is eliminated on consolidation.

Gains or losses on inter-company sales of fixed assets are also eliminated except for sales where the lower selling price reflects the economic value, in which case the lower price is retained.

However, gains arising on mergers of Caisses d'Epargne concluded during the restructuring of the network between 1990 and 1993 have not been eliminated.

2.5 Goodwill

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

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

2.6 Translation of financial statements expressed in foreign currencies

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

2.7 Consolidation method adopted for insurance companies

The Caisse d'Epargne Group includes seven insurance companies: Cegi, Ecureuil Assurances IARD, Foncier Assurance, Muracef, Saccef, Socamab Assurances and the CFC IXIS Financial Guaranty Group.

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

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

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

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

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

NOTE 3 – ACCOUNTING POLICIES

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

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

3.1 Fixed assets

Fixed assets are recorded at historical cost except for real-estate assets that have been revalued following the network mergers between 1990 and 1993.

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

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

In some circumstances additional write-downs may be made.

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

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

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

3.3 Securities transactions

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

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

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

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

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

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

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

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

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

Investment securities are recorded at the date of their acquisition in the same manner as securities held for sale. They may be subject to a provision for impairment in value if it is highly probable that the company will not keep these securities until maturity owing to changes in circumstances or in the event of issuer risks.

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

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

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

Portfolio activities consist in regularly investing a part of assets in an investment portfolio for the exclusive purpose of obtaining, over a certain period of time, a satisfactory medium-term yield without the intention of making a long-term investment in developing the business activities of the issuing companies or participating in their operating management.

In principle, portfolio investment is only made in stocks and similar variable-income securities.

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

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

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

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

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

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

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

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

3.4 Customer loans

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

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

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

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

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

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

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

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

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

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

For the presentation of the accounts in the Notes to the financial statements (Note 7.2), the breakdown of outstandings adopted is that used within the Caisse d'Epargne Group for internal management purposes, notably in areas related to sales, finance and risks.

3.5 Reserve for General Banking Risks

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

3.6 Bonds issued

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

3.7 Employee benefits

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

The commitment to finance the Group's potential pension liabilities (Note 15.2) — corresponding to the risk of being obliged to make up anticipated shortfall of the pension scheme created for the benefit of the employees of companies in the Caisses d'Epargne network, their subsidiaries and joint bodies — is fully covered by provisions for liabilities and charges carried on the liabilities side of the balance sheet.

A study has been commissioned to appraise the impact of the Act of August 23, 2003 (the so-called "Fillon law") on these commitments, notably regarding changes in the articles of association governing the *Caisse générale de retraite* (general retirement fund). However, this law had no material impact on commitments at Group level with respect to lump-sum indemnities paid to employees upon retirement and bonuses related to long-service awards.

3.8 Financial futures and other forward agreements

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

Hedging and trading transactions in forward financial instruments relating to interest rates, foreign exchange or equities are accounted for in accordance with French Banking and Financial Services Regulatory Committee Rules 88-02 and 90-15. Commitments on such instruments are recorded in off-balance sheet

accounts at their nominal value. At December 31, the amount of commitments represents the transactions outstanding at the end of the financial year.

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

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

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

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

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

Variations in value relating to contracts representing isolated open positions concluded on organized exchanges and similar markets are immediately recorded as income at each year-end.

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

3.9 Transactions in foreign currencies

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

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

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

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

3.10 Provisions for liabilities and charges

This item covers provisions booked in respect of liabilities and charges not directly related to banking operations as provided for in article L.311-1 of the French Monetary and Financial Code and associated

transactions defined in article L.311-2 of that same law. The nature of these liabilities and charges is clearly defined but their amount and date of payment cannot be determined precisely.

This item also covers provisions recorded to provide for liabilities and charges related to banking operations and associated transactions as defined in articles L.311-1 and L.311-2 of the above-mentioned law, rendered probable by past or current events and whose purpose is clearly defined, but whose effective occurrence remains uncertain.

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

3.11 Accounting policies and valuation rules specific to insurance companies

The accounting principles and valuation rules specific to insurance companies are adhered to in the consolidated accounts of the Caisse d'Epargne Group.

- **Investments**

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

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

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

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

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

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

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

The difference between the acquisition cost of bonds and other fixed-income securities (excluding accrued interest) and their redemption price is taken to the profit & loss account over the remaining

life of the security. The yield-to-maturity method is used for this calculation for fixed-rate securities and the straight-line method for variable-rate securities.

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

- **Life insurance transactions**

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

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

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

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

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

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

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

- **Non-life insurance transactions**

Premium income is recorded net of tax and cancellations.

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

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

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

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

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

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

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

- **Deferred acquisition costs**

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

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

NOTE 4 – CHANGES IN ACCOUNTING METHODS - COMPARABILITY OF ACCOUNTS

4.1 Changes in accounting methods

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

The application of this new standard has resulted in the following changes in accounting method: loans to local authorities are now classified as non-performing when one or more installments are at least 9 months past due (compared to 3 months previously), non-performing loans have been analyzed in more detail, between “non-performing” and “doubtful” loans (see Note 7.2), and a provision has been recorded for the discount corresponding to the interest differential on restructured loans at below market rates. The adoption of this new standard had no impact on opening capital funds and has no material impact on the year-on-year comparative results presented in this report.

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

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

No other changes in accounting methods were occurred during the year.

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

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

This recommendation is largely based on the provisions of IAS 19 which will become compulsory once the International Financial Reporting Standards (IFRS) have been adopted, i.e. starting with the 2005 financial

year for publicly listed companies, or with the 2007 financial year for companies whose debt securities are listed on a regulated market.

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

NOTE 5 – SCOPE OF CONSOLIDATION AT DECEMBER 31, 2003

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

Consolidated entities		2003		2002	
	Consolidation method (1)	Percentage consolidation	Percentage interest	Percentage consolidation	Percentage interest
Direct subsidiaries					
<u>Banking and financial institutions</u>					
Banque Inchauspé	Full	100.00%	99.34%	100.00%	99.34%
Batimap	Full	100.00%	91.81%	100.00%	91.81%
Batimur	Full	100.00%	96.19%	100.00%	96.19%
Batiroc Pays de Loire	Full	100.00%	93.14%	100.00%	93.14%
Caisse d'Epargne Financement	Full	100.00%	65.25%	100.00%	65.25%
Caisse Nationale des Caisses d'Epargne et de Prévoyance	Full	100.00%	65.00%	100.00%	65.00%
Capitole Finance	Full	100.00%	99.99%	100.00%	99.99%
Expanso	Full	100.00%	89.77%	100.00%	89.77%
Picardie Bail	Full	100.00%	100.00%	100.00%	100.00%
SDR Champex	Full	100.00%	99.19%	100.00%	99.19%

SDR Sodler	Full	100.00%	100.00%	100.00%	100.00%
Sodero	Full	100.00%	100.00%	100.00%	100.00%
Sud-Ouest Bail	Full	100.00%	89.76%	100.00%	89.76%
Tofinso	Full	100.00%	98.82%	100.00%	98.82%
Tofinso Investissements	Full	100.00%	98.88%	100.00%	98.88%
Holassure Group					
Holassure	Full	100.00%	65.00%	100.00%	65.00%
Sopassure	Prop.	49.98%	32.49%	49.98%	32.49%
Caisse Nationale de Prévoyance	Equity	17.85%	11.61%	17.85%	11.61%
Océor Group					
Financière Océor	Full	100.00%	71.34%	100.00%	78.40%
Banque de la Réunion	Full	100.00%	58.22%	100.00%	62.73%
Banque de Nouvelle Calédonie	Full	100.00%	68.35%	100.00%	75.08%
Banque de Tahiti	Full	100.00%	68.10%	100.00%	74.78%
Banque des Antilles Françaises	Full	100.00%	69.57%	100.00%	76.29%
Banque des Iles Saint Pierre et Miquelon	Full	100.00%	69.17%	100.00%	75.88%
Banque Internationales des Mascareignes	Full	100.00%	62.82%	100.00%	31.68%

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

Consolidated entities		2003		2002	
	Consolidation method (1)	Percentage consolidation	Percentage interest	Percentage consolidation	Percentage interest
Caisse d'Epargne de Nouvelle Calédonie	Full	100.00%	71.34%	100.00%	78.40%
Crédipac Polynésie	Full	100.00%	68.08%	100.00%	74.76%
Crédit Commercial de Nouméa	Full	100.00%	63.80%	100.00%	70.09%
Crédit Saint Pierrais	Equity	47.12%	33.62%	47.12%	36.94%
Mascareigne Investors Services Ltd	Full	100.00%	70.63%	-	-
Slibail Réunion	Full	100.00%	58.20%	100.00%	62.71%
Société Havraise Calédonnienne	Full	100.00%	61.75%	100.00%	67.84%
Banque Sanpaolo Group					
Banque Sanpaolo	Full	100.00%	39.00%	-	-
Banque Michel Inchauspe	Equity	20.00%	7.80%	-	-
Conservateur Finance	Equity	20.00%	7.80%	-	-
Eurosic Sicomi SA	Full	100.00%	12.78%	-	-
Uni - Invest SAS	Full	100.00%	39.00%	-	-
Société Foncière Joseph Vallot	Full	100.00%	39.00%	-	-

Sanpaolo Asset Management	Full	100.00%	39.00%	-	-
Société Foncière d'investissement	Full	100.00%	39.00%	-	-
Société immobilière d'investissement	Full	100.00%	39.00%	-	-
Socavie SNC	Full	100.00%	39.00%	-	-
Sanpaolo Bail SA	Full	100.00%	39.00%	-	-
Sanpaolo Fonds de Gestion SNC	Full	100.00%	39.00%	-	-
Sanpaolo Mur SNC	Full	100.00%	39.00%	-	-
Other entities					
Auto Location Pau	Full	100.00%	100.00%	100.00%	99.90%
Capitole Négoce	Full	100.00%	100.00%	100.00%	100.00%
Cofismed	Full	100.00%	66.69%	100.00%	66.69%
Ecureuil Proximité	Full	100.00%	99.83%	100.00%	99.83%
Ecureuil Services	Full	100.00%	99.99%	-	-
EURL Beaulieu Immo	Full	100.00%	100.00%	-	-
Expanso Investissements	Full	100.00%	100.00%	100.00%	100.00%
Groupe Ellul	Equity	49.00%	49.00%	49.00%	49.00%
Muracef	Full	100.00%	100.00%	100.00%	100.00%
Primaveris	Full	100.00%	40.19%	100.00%	40.19%
Proencia	Full	100.00%	47.33%	100.00%	47.33%
Proxipaca	Full	100.00%	40.19%	100.00%	40.19%
Samenar	Full	100.00%	32.66%	100.00%	32.66%
SARL Méditerranée	Full	100.00%	100.00%	100.00%	100.00%
SAS Foncière Ecureuil	Full	100.00%	89.15%	100.00%	89.13%
SCI du Conservatoire	Full	100.00%	99.00%	100.00%	99.00%
SCI Ecureuil Exploitation	Full	100.00%	99.99%	100.00%	99.99%
SCI Ecureuil Réunion	Full	100.00%	100.00%	100.00%	100.00%
SCI Foncière 1	Full	100.00%	89.15%	100.00%	89.13%
SCI Foncière 2	Full	100.00%	89.15%	100.00%	89.13%
SCI GPE	Full	100.00%	100.00%	100.00%	100.00%
SCI GPE2	Full	100.00%	100.00%	100.00%	100.00%
SCI Midaix	Full	100.00%	99.00%	100.00%	99.00%
SCI Midi Patrimoine	Full	100.00%	99.00%	100.00%	99.00%
SCI Midoccitane	Full	100.00%	100.00%	100.00%	100.00%
SCI Tournon	Full	100.00%	100.00%	100.00%	100.00%
Sodero Participations	Full	100.00%	46.36%	100.00%	46.36%
Sorepar	Full	100.00%	100.00%	100.00%	100.00%
Walter Spanghero	Full	100.00%	100.00%	100.00%	99.90%

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

Consolidated entities		2003		2002	
	Consolidation method (1)	Percentage consolidation	Percentage interest	Percentage consolidation	Percentage interest
IT technical centres and software houses					
Cnėti	Full	100.00%	67.77%	100.00%	59.00%
CTCENO	-	-	-	100.00%	100.00%
CTICEP	-	-	-	100.00%	100.00%
CTRCEAL	Full	100.00%	98.31%	100.00%	98.30%
CTR Est	Full	100.00%	100.00%	100.00%	99.98%
CTR Midi 1	Full	100.00%	100.00%	100.00%	100.00%
CTR Midi 2	Full	100.00%	100.00%	100.00%	99.97%
CTRCEAPC	-	-	-	100.00%	100.00%
CTRCEB	-	-	-	100.00%	100.00%
GIE Arpège	Full	100.00%	100.00%	100.00%	99.79%
Girce Ingénierie	Full	100.00%	87.08%	100.00%	87.08%
Girce Stratégie	Full	100.00%	87.38%	100.00%	87.38%
Giretice	Full	100.00%	99.99%	100.00%	100.00%
GT3I	-	-	-	100.00%	100.00%
IRICE	Full	100.00%	99.87%	100.00%	99.87%
SED Arpège 2000	Full	100.00%	88.10%	100.00%	88.06%
SED RSI	Full	100.00%	88.10%	100.00%	88.10%
SNC Sersim	Full	100.00%	100.00%	100.00%	100.00%
Vivalis	Full	100.00%	100.00%	100.00%	99.99%
Vivalis Investissements	Full	100.00%	100.00%	100.00%	100.00%
Compagnie Financière Eulia Group					
Compagnie Financière Eulia	Prop.	49.90%	32.43%	49.90%	32.43%
<u>Direct subsidiaries</u>					
Bail Ecureuil	Prop.	49.90%	32.43%	49.90%	32.43%
CDC IXIS Italia Holding	Prop.	33.40%	21.71%	33.40%	21.71%
Ecureuil Assurance IARD	Prop.	49.90%	21.08%	49.90%	21.08%
Ecureuil Gestion	Prop.	49.90%	29.39%	49.90%	29.39%
Ecureuil Participations	Prop.	49.90%	32.43%	49.90%	32.43%
Ecureuil Vie	Equity	25.06%	16.36%	25.06%	16.36%
Gestitres	Prop.	49.90%	18.39%	49.90%	18.39%
Holgest	Prop.	49.90%	27.86%	49.90%	27.86%
CDC IXIS Group					
CDC IXIS	Prop.	26.45%	17.19%	26.45%	17.19%

Anatol Invest (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC Entreprises 1	Prop.	26.45%	16.47%	26.45%	16.47%
CDC Entreprises 2	Prop.	26.45%	6.51%	26.45%	6.51%
CDC Innovation 96	Prop.	26.45%	16.62%	26.45%	16.62%
CDC IXIS Asset Management (group)	Prop.	26.45%	13.75%	26.45%	13.75%
CDC IXIS Capital Markets (group)	Prop.	26.45%	17.19%	26.45%	17.19%
IXIS EAW Europe (ex-CDC IXIS Immo)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC IXIS North America (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC IXIS Financial Guaranty (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC IXIS Private Equity (group)	Prop.	26.45%	17.19%	26.45%	17.19%
CDC Urquijo	Prop.	26.45%	8.77%	26.45%	8.77%
Electropar France	Prop.	26.45%	8.60%	26.45%	8.60%
Euromontaigne	Prop.	26.45%	17.19%	26.45%	17.19%
Foncière des Pimonts (group)	Prop.	26.45%	12.64%	26.45%	12.64%
Fondinvest	Prop.	26.45%	17.19%	26.45%	17.19%

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

Consolidated entities		2003		2002	
	Consolidation method (1)	Percentage consolidation	Percentage interest	Percentage consolidation	Percentage interest
CDC IXIS Administration de Fonds (ex-GSF)	Prop.	26.45%	17.19%	26.45%	17.19%
Logistis (group)	Equity	8.81%	5.73%	8.81%	5.73%
Magnant (group)	-	-	-	26.45%	-
Martignac Finance	Prop.	26.45%	17.19%	26.45%	17.19%
Nexgen (group)	Equity	10.24%	6.65%	-	-
PART'COM	Prop.	26.45%	17.19%	26.45%	17.19%
Sogeposte	Equity	12.96%	8.42%	12.96%	8.42%
Vega Finance (group)	Prop.	26.45%	14.61%	26.45%	14.61%
Crédit Foncier Group					
Crédit Foncier de France	Prop.	72.42%	47.08%	72.39%	47.06%
Auxiliaire du Crédit Foncier de France	Prop.	72.42%	47.08%	72.39%	47.06%
Cofimab	Prop.	72.42%	47.08%	72.39%	47.06%
Compagnie de Financement Foncier	Prop.	72.42%	47.08%	72.39%	47.06%
Compagnie Foncière de Crédit	Prop.	72.42%	47.08%	72.39%	47.06%
Crédit de l'Arche	Prop.	72.42%	47.08%	72.39%	47.06%
Crédit Foncier Assurance Courtage	Prop.	72.42%	47.08%	72.39%	47.06%
Crédit Foncier Banque	Prop.	72.42%	47.02%	72.39%	47.00%

Dom2	Prop.	72.42%	47.07%	72.39%	47.06%
FCC Teddy	-	-	-	72.39%	47.06%
Financière Desvieux	Prop.	72.42%	47.08%	72.39%	47.06%
Foncier Assurance	Prop.	72.42%	47.07%	72.39%	47.05%
Foncier Bail	Prop.	72.42%	47.07%	72.39%	47.05%
Foncier Participations	Prop.	72.42%	47.07%	72.39%	47.05%
SICP (group)	Equity	72.42%	47.08%	72.39%	47.06%
Soclim	Equity	72.42%	47.08%	68.77%	44.70%
	Prop.	72.42%	47.08%	72.39%	47.06%
Cicobail Group					
Cicobail	Prop.	49.90%	32.36%	49.90%	32.36%
Cinergie	Prop.	49.90%	32.39%	49.90%	32.39%
Mue Ecureuil	Prop.	49.90%	32.39%	49.90%	32.39%
Socfim Group					
Socfim	Prop.	49.90%	32.40%	49.90%	32.40%
SNC SEI Logement	Prop.	49.90%	32.40%	49.90%	32.40%
SNC SEI Tertiaire	Prop.	49.90%	32.40%	49.90%	32.40%
Socfim Participations	Prop.	49.90%	32.40%	49.90%	32.40%
Socfim Transactions	Prop.	49.90%	32.40%	49.90%	32.40%
Société Européenne d'Investissement	Prop.	49.90%	32.40%	49.90%	32.40%
Eulia Caution Group					
Eulia Caution	Prop.	49.90%	32.44%	49.90%	32.44%
Cegi	Prop.	49.90%	22.71%	49.90%	22.71%
Financière Cegi	Prop.	49.90%	22.71%	49.90%	22.71%
Saccef	Prop.	49.90%	32.44%	49.90%	32.44%
Socamab	Prop.	49.90%	12.98%	49.90%	12.97%

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

NOTE 6 – CASH, MONEY MARKET AND INTERBANK ITEMS

(in millions of euros)

	Assets 2003	Assets 2002	Liabilities 2003	Liabilities 2002
Cash, central banks and French Postal system	5,249	4,848	12	11
Financial institutions	156,416	151,069	76,866	76,752
- Demand accounts	88,809	87,441	10,297	7,553
- Term accounts	67,607	63,628	66,569	69,199
Total	161,665	155,917	76,878	76,763

The deposit at Caisse des dépôts et consignations (made daily) of *Livret A* passbook deposits represented €64,129 million at December 31, 2003. Deposits with banks and related accrued interest amounted respectively to €3,824 million and €565 million at December 31, 2003. Provisions relating to amounts due from financial institutions amounted to €28 million at December 31, 2003.

NOTE 7 – CUSTOMER ITEMS

7.1 Analysis by type

(in millions of euros)

Assets	2003	2002	Liabilities	2003	2002
Commercial loans	499	316	Regulated savings accounts	147,393	141,760
Other customer loans	124,555	111,726	<i>Livret A</i>	65,672	64,958
Short-term credit facilities	12,203	11,018	<i>Livret Jeune, Livret B and Codevi</i>	15,069	12,991
Equipment loans	36,009	34,442	<i>PEL and CEL</i>	44,126	41,729
Regulated home purchase loans	2,943	3,383	<i>LEP</i>	16,898	15,896
Other mortgage lending	66,089	58,888	<i>PEP</i>	5,242	5,904
Other loans	7,311	3,995	Other	386	282
Current accounts in debit	2,165	2,016	Other liabilities	33,162	27,731
Accrued interest	847	861	Ordinary accounts (deposits)	22,008	19,617
Non-performing loans	3,618	3,273	Other	11,154	8,114
Provisions on non-performing loans	(1,765)	(1,620)	Accrued interest	647	598
Total	129,919	116,572	Total	181,202	170,089

7.2 Analysis of loans outstanding by counterparty

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

(in millions of euros)

	Performing loans	Non-performing loans		Of which doubtful loans	
		Gross	Provisions	Gross	Provisions
Loans and advances to financial institutions	156,407	36	(27)	25	(19)
Loans and advances to customers	128,021	3,663	(1,765)	1,985	(1,125)
- Individuals: property loans	59,363	997	(373)	451	(229)
- Individuals: other	8,210	423	(289)	272	(218)
- Self-employed professionals	7,847	528	(289)	296	(193)
- SMEs	6,889	588	(351)	388	(270)
- Local and regional authorities	23,964	58	(17)	22	(13)
- Others	20,944	1,023	(411)	528	(177)
- Accrued interest	804	46	(35)	28	(25)

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

(in millions of euros)

	2003	2002
Equipment	537	432
Property	1,898	1,472
Other finance leases	252	277
Accrued interest	67	44
Provisions	(107)	(140)
Total	2,647	2,085

The reserve not recorded in the individual books of the consolidated companies but which arises on consolidation, corresponding to the excess of the outstanding principal over the net book value of the leased assets, is included in reserves net of deferred tax for an amount of €26 million at December 31, 2003 compared with €23 million at December 31, 2002.

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

9.1 Analysis by portfolio

(in millions of euros)

	Trading account	Held for sale	Investment	Portfolio activity	Accrued interest ⁽¹⁾	Total 2003	Total 2002
Treasury bills and similar securities	3,932	178	379	-	7	4,496	3,010
Bonds and other fixed-income securities ⁽²⁾	8,007	12,327	20,357	-	600	41,291	42,158
Shares and other variable-income securities ⁽³⁾	3,094	6,913	-	772	18	10,797	9,723
Total 2003	15,033	19,418	20,736	772	625	56,584	-
Total 2002	14,117	18,759	20,545	816	654	-	54,891

(1) Including €396 million of accrued interest on investment securities, €217 million on securities held for sale, and €12 million on securities held in the portfolio activity.

(2) Including listed securities, €38,072 million in 2003 against €35,693 million in 2002.

(3) Including listed securities, €3,517 million in 2003 against €1,854 million in 2002.

The aggregate difference between the acquisition price and the redemption price of fixed-income securities amounted to €25 million in 2003 against €57 million in 2002 for securities held for sale, and €0.4 million in 2003, against €(6) million in 2002, for investment securities.

The amount of bonds and other fixed-income securities issued by public bodies stands at €3,832 million. Amounts receivable with respect to securities lent declined to €912 million at December 31, 2003 from €1,199 million at December 31, 2002.

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

(in millions of euros)

		Amount transferred during the year	
From	To	2003	2002
Trading account securities	Securities held for sale	470	632
Trading account securities	Investment securities	-	381
Securities held for sale	Investment securities	20	262
Investment securities	Securities held for sale	1,023	64

Investment securities sold before maturity during the financial year totalled €973 million compared with €898 million in 2002.

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

(in millions of euros)

	Securities held for sale		Portfolio activity	
	2003	2002	2003	2002
Net book value	19,629	18,981	783	825
Market value	20,384	19,447	973	1,207
Unrealized capital gains ⁽¹⁾	755	466	190	382
Unrealized losses provided for	158	348	161	156

(1) including €14 million on Treasury bills and similar securities, €447 million on bonds and other fixed-income securities, and €484 million on shares and other variable-income securities.

9.2 *Ad hoc* entities

The *ad hoc* entities not consolidated in application of paragraph 51 of Rule 99-07 of the French Accounting Regulatory Committee can be analyzed as follows:

(in millions of euros)

	Total assets		Unrealized capital gains	
	2003	2002	2003	2002
Masseran CNCE	238	232	3	3
Bouquet investissement	107	125	0	11
Cap Divers	54	53	1	0
Cap Alsace	52	85	1	0
Sévigné FCP	50	58	5	7
Béranger Investissement	46	51	7	8
Eiffel	36	42	4	3
Others	130	160	9	20

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

(in millions of euros)

	2003	2002
Investments and shares in unconsolidated subsidiaries	1,356	1,383
Investments in affiliates accounted for by the equity method	1,554	1,408
Other long-term investments	255	203
Total	3,165	2,994
Of which listed securities	109	125

10.1 Investments in unconsolidated subsidiaries

	Net book value ⁽¹⁾ (in millions of euros)		% interest held by Group companies ⁽²⁾	
	2003	2002	2003	2002
Air Calin	185	185	72.25%	72.25%
Cepar 3 ⁽⁴⁾	112	112	100.00%	100.00%
Sanpaolo IMI	108	108	2.00%	2.00%
Crédit Logement	107	81	15.49%	15.63%
Cepar 1 ⁽⁴⁾	99	99	100.00%	100.00%
Veolia Environnement	90	90	0.93%	0.93%
Banca Carige	73	63	9.82%	5.70%
Cepar 2 ⁽⁴⁾	69	69	100.00%	100.00%
Société des eaux de Tontouta	49	49	75.22%	75.22%
-Foncier Vignobles	30	30	99.91%	99.91%
-Gecina	-	77	-	4.09%
Nexgen ⁽³⁾	-	25	-	38.60%
Subtotal	922	988		
Other securities	246	224		
Accrued interest and current accounts	188	171		
Investments in unconsolidated subsidiaries	1,356	1,383		

- (1) For interests held by entities recorded in the consolidated accounts on a proportional basis, the net book value adopted is calculated from the percentage interest held by the company owning the shares.
- (2) The percentage does not take account of shares that may be held in "held for sale" portfolios by certain Group entities.
- (3) Consolidated by the equity method from January 1, 2003.
- (4) The Cepar 1, Cepar 2 and Cepar 3 entities, entirely controlled by the Caisse d'Épargne Group, constitute intermediate structures created to hold securities portfolios that cannot be consolidated and are covered by guarantees.

10.2 Affiliates accounted for by the equity method

(in millions of euros)

	Net book value at Dec. 31, 2003	Share in affiliate's 2003 net income	Net book value at Dec. 31, 2002	Share in affiliate's 2002 net income
Caisse Nationale de Prévoyance (Group)	903	104	839	102
Ecureuil Vie	431	36	395	29
SICP (Group)	143	10	130	11
Nexgen Financial Holdings	20	1	-	-
AIH BV Group	14	-	16	1
Foncier Participations	13	1	14	1
Other companies	30	3	14	7
Total	1,554	155	1,408	151

NOTE 11 – LOANS AND ADVANCES OUTSTANDING AND SOURCES OF FUNDS BY MATURITY DATE

The following table sets out the analysis of loans and advances outstanding and sources of funds by maturity date (excluding accrued interest). According to convention, non-performing loans and provisions for impairment in value are included in the “Up to 3 months” column.

(in millions of euros)

	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total 2003
Loans and advances	35,118	20,984	79,885	98,251	234,238
Loans and advances to financial institutions	20,695	5,776	19,783	20,489	66,743
Customer loans	12,674	11,779	43,393	58,958	126,804
Bonds and other fixed-income securities	1,749	3,429	16,709	18,804	40,691
Sources of funds	60,447	26,432	62,480	44,301	193,690
Amounts due to financial institutions	17,298	9,048	19,539	20,125	66,010
Customer deposits	22,858	9,768	18,169	3,229	54,024
Debts represented by a security:	20,321	7,616	24,772	20,947	73,656
<i>Retail certificates of deposit and savings certificates</i>					
<i>Inter-bank and other negotiable debt instruments</i>	421	101	439	0	961
<i>Bonds issued</i>	17,647	2,567	1,920	2,053	24,187
	2,253	4,948	22,413	18,894	48,508

NOTE 12 – TANGIBLE AND INTANGIBLE FIXED ASSETS

12.1 Changes in fixed assets

(in millions of euros)

	Gross value at Dec. 31, 2002	Acquisitions	Sales or retirements	Other movements	Gross value at Dec. 31, 2003	Depreciation and provisions at Dec. 31, 2003	Net value at Dec. 31, 2003
Intangible fixed assets	915	47	(67)	12 ⁽¹⁾	907	(410)	497
Tangible fixed assets	4,707	380	(279)	211 ⁽²⁾	5,019	(2,681)	2,338
Total	5,622	427	(346)	223	5,926	(3,091)	2,835

(1) Including €63 million representing the first-time consolidation of the Banque Sanpaolo group and the €42 million negative impact of the translation adjustment on the market share of CDC IXIS Asset Management Group.

(2) This item chiefly includes changes in the reporting entity during the financial year.

12.2 Intangible fixed assets

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

Market share (contribution from the CDC IXIS Group)	209
Goodwill	109
Computer software	93
Certificates of association of deposit guarantee funds	67

12.3 Tangible fixed assets

At December 31, 2003, the net book value of land and buildings amounted to €1,765 million, including €1,394 million relating to premises for the Group's own use, and €165 million in respect of investment properties derived from the contribution of the CDC IXIS Group.

NOTE 13 – DEBTS REPRESENTED BY A SECURITY

(in millions of euros)

	2003	2002
Retail certificates of deposit and savings certificates	1,088	1,452
Inter-bank and other negotiable debt instruments	24,300	22,442
Bonds	49,673	43,646
Other debts represented by a security	0	31
Total	75,061	67,571

Unpaid accrued interest carried under the item “Debts represented by a security” stands at €1,405 million.

Unamortized issue or redemption premiums amount to €163 million.

NOTE 14 – ACCRUALS AND OTHER ASSETS AND LIABILITIES

(in millions of euros)

	Assets	Liabilities
Accruals	12,771	13,001
Off-balance sheet transactions on securities	2,364	2,629
Foreign currency commitments	23	13
Unrealized hedging losses and gains	391	343
Deferred expenses and income	436	0
Prepaid expense and unearned income	226	1,770
Accrued expense and accrued income	1,312	1,575
Items in course of collection	4,460	3,861
Deferred tax	193	120
Other accruals	3,366	2,690
Other assets/liabilities	9,941	12,192
Other miscellaneous insurance assets/liabilities	104	9
Total 2003	22,816	25,202
Total 2002	21,303	23,880

NOTE 15 – PROVISIONS

15.1 Provisions booked in respect of counterparty risks

(in millions of euros)

	Dec. 31, 2002	Allocations	Releases	Other movements	Dec. 31, 2003
Provisions carried on the assets side (as deductions)	1,831	545	(480)	95	1,991
Provision for customer loans	1,620	503	(449)	91	1,765
Other provisions	211	42	(31)	4	226
Provisions carried on the liabilities side	575	136	(110)	0	601
Provision for signature commitments	41	12	(22)	0	31
Provision for customer loans	145	97	(47)	14	209
“Dynamic” provisions	389	27	(41)	(14)	361
Total	2,406	681	(590)	95	2,592

For a more economic inclusion of counterparty risks, a provision for counterparty risks has been booked for the entire extent of the Group’s performing on- and off-balance sheet commitments for which the available statistical data make it possible to calculate the probabilities of default. This provision is calculated with the help of coefficients differentiated by rating classification and by the remaining life of the instruments, and weighted by the probability of recovery in the event of default. The aggregate provision on all portfolios covered — HLM social housing associations and semi-public companies, professional real estate, local and

regional authorities, small- and medium-sized enterprises, consumer loans, financial markets — stood at €361 million at December 31, 2003.

15.2 Provisions for liabilities and charges (excluding counterparty risks)

(in millions of euros)

	Dec. 31, 2002	Allocations	Releases	Other movements	Dec. 31, 2003
Provision for claims, fines and penalties	92	52	(17)	14	141
Provision for retirement indemnities	101	14	(12)	9	112
Provision for the Group's estimated potential pension commitments (CGRPCE)	1,908	148	(215)	0	1,841
Provision for capital market activities	65	43	(38)	3	73
Provision for IT migration	89	3	(69)	0	23
Provision for Crédit Foncier Group restructuring	21	0	(9)	0	12
Provision for modernization initiatives	42	0	(15)	0	27
Other provisions for banking and non-banking operations	235	77	(131)	25	206
Total	2,553	337	(506)	51	2,435

As a precautionary measure, the commitment to finance future deficits of the retirement fund (*Caisse Générale de Retraites du Personnel des Caisses d'Epargne*—CGRPCE) has been estimated on an all-inclusive basis at the level of the Caisse d'Epargne Group. For 2003, the provision for estimated potential pension commitments included in the consolidated accounts of the Caisse d'Epargne Group was subject to a net reversal for a total of €67 million, reflecting the combined impact of:

- Firstly, the updating of commitments and adjustment of retirement pensions decided during the year (allocation of €148 million),
- Secondly, the transfer to the CGRPCE of €215 million covered by a reversal of provisions for the same amount.

NOTE 16 – GOODWILL

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

(in millions of euros)

	Assets 2003	Assets 2002	Liabilities 2003	Liabilities 2002
Net amount at January 1	173	271	60	87
Movements during the year	224 ⁽¹⁾	(23)	2	10
Amortization for the year	(25)	(75)	(10)	(37)
Net amount at December 31	372	173	52	60

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

No goodwill amortization period is greater than 20 years.

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

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

(in millions of euros)

	Capital	Share premium and merger surplus	Consolidated retained earnings	Consolidated net income	Consolidated capital funds (excluding minority interests and the Reserve for General Banking Risks)
At December 31, 2001	2,878	2	4,796	790	8,466
Appropriation of 2001 net income			790	(790)	
Distribution of dividends			(63)		(63)
Translation adjustments			(55)		(55)
2002 consolidated net income				952	952
Other movements	(5)	(2)	5		(2)
At December 31, 2002	2,873		5,473	952	9,298
Appropriation of 2002 net income			952	(952)	
Distribution of dividends			(86)		(86)
Translation adjustments			(44)		(44)
End of transitional period for the placement of the capital funds of the Caisses d'Epargne ⁽¹⁾	(272)		286		14
Impact of mergers between individual Caisses d'Epargne ⁽²⁾					
Application of CRC rules 2002.10 and 2002.03		199	(204)		(5)
Other movements			(6)		(6)
2003 consolidated net income			1	1,116	1,116
At December 31, 2003	2,601	199	6,372	1,116	10,288

(1) These changes in capital are described in Note 1.3

(2) Increase in merger surplus following the mergers of the Caisses d'Epargne d'Auvergne et du Limousin, and the Caisses d'Epargne de Lorraine.

17.2 Changes in the Reserve for General Banking Risks

(in millions of euros)

	Dec. 31, 2002	Allocations	Releases	Other movements	Dec. 31, 2003
Reserve for General Banking Risks	2,107	351	(57)	(1)	2,400

17.3 Subordinated debt

(in millions of euros)

	2003	2002
Dated subordinated notes	3,070	1,929
Undated subordinated debt	214	219
Non-cumulative, undated deeply subordinated notes ⁽¹⁾	800	-
Accrued interest	69	31
Total	4,153	2,179

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

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

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

Dated subordinated notes:

(in millions of euros)

Issue date	Maturity date	Interest rate	2003 total	2002 total
02/1993	02/2003	(1)	-	50
07/1994	07/2004	8.125%	36	36
10/1994	10/2004	8.375%	54	54
12/1994	12/2004	8.500%	18	18
12/1998	12/2010	4.500%	91	91
11/1999	11/2011	5.600%	746	746
08/2000	08/2010	(2)	66	66
07/2002	07/2014	5.200%	455	455
09/2002	07/2014	5.200%	395	395
09/2002	09/2022	(3)	5	5
11/2002	11/2027	5.375%	13	13
01/2003	01/2033	(2)	14	-
02/2003	02/2015	4.500%	417	-
03/2003	04/2023	(2)	6	-
04/2003	01/2033	(2)	2	-
04/2003	04/2015	(2)	20	-
06/2003	03/2018	(3)	3	-
07/2003	07/2015	4.100%	450	-
07/2003	12/2015	4.800%	147	-
07/2003	07/2018	(2)	132	-
Total			3,070	1,929

(1) 6-month Libor USD, less a margin of 0.125%

(2) Tied to the 3-month EURIBOR

(3) Tied to the 6-month EURIBOR

NOTE 18 – COMMITMENTS GIVEN AND RECEIVED

(in millions of euros)

	Given		Received	
	2003	2002	2003	2002
Financing commitments				
Given to/received from banking institutions	7,566	9,820	5,837	4,703
Given to customers	22,862	17,819	-	-
Total	30,428	27,639	5,837	4,703
Guarantee commitments				
Given to/received from banking institutions	10,042	8,668	8,950	7,812
Given to customers	8,382	7,256	-	-
Total	18,424	15,924	8,950	7,812

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

NOTE 19 – TRANSACTIONS IN FINANCIAL FUTURES OUTSTANDING

19.1 Commitments on derivatives outstanding

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

(in millions of euros)

	Interest-rate instruments	Currency instruments	Other instruments	Total 2003	Total 2002
Transactions on organized markets					
Futures	27,021	0	60,531	87,552	61,612
Options	74,150	0	31,327	105,477	31,898
Over-the-counter transactions					
Futures	423,124	3,462	0	426,586	392,851
Options	68,557	2,413	9,179	80,149	76,519
Total	592,852	5,875	101,037	699,764	562,880

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

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

Commitments on currency instruments traded on over-the-counter markets chiefly concern foreign currency swaps.

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

(in millions of euros)

	Specific hedging	General hedging	Isolated open positions	Specialized futures operations	Total
Futures	42,812	12,388	2,178	365,746	423,124
Options	4,537	1,918	2,412	59,690	68,557
Bought	3,519	1,734	1,736	23,331	30,320
Sold	1,018	184	676	36,359	38,237
Total at December 31, 2003	47,349	14,306	4,590	425,436	491,681
Total at December 31, 2002	28,529	28,741	4,051	393,927	455,248

19.2 Commitments on futures by residual maturity

(in millions of euros)

	Up to 1 year	1 to 5 years	Over 5 years	Total 2003
Transactions on organized markets				
Futures	75,943	10,516	1,093	87,552
Options	93,818	10,604	1,055	105,477
Over-the-counter transactions				
Futures	168,696	131,578	126,312	426,586
Options	27,051	34,334	18,764	80,149
Total	365,508	187,032	147,224	699,764

19.3 Counterparty risk in respect of derivatives

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

- The positive replacement value of these instruments, on the basis of their market value, excluding the effect of netting agreements in accordance with the conditions laid down in article 4 of Rule 91-05 of the French Banking and Financial Services Regulatory Committee,
- The potential credit risk resulting from the application of "add-on" factors defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and residual term.

The Caisse d'Epargne Group has been able to attenuate this counterparty risk by:

- Signing financial market agreements (ISDA-AFB) whereby, if a counterparty defaults, unrealized gains and losses will be netted,
- Collateral agreements where compensating balances are deposited in cash or securities.

(in millions of euros)

	Government and OECD central banks and equivalent	OECD financial institutions and equivalent	Other counter- parties	Total 2003
Unweighted equivalent credit risk, without considering netting and collateral agreements ⁽¹⁾	838	10,530	2,049	13,417
Effect of netting agreements	(265)	(5,555)	(235)	(6,055)
Effect of collateral agreements	(4)	(737)	(11)	(752)
Unweighted equivalent credit risk, after considering netting and collateral agreements	569	4,238	1,803	6,610
Weighted equivalent credit risk, after considering netting and collateral agreements	0	848	902	1,750
(1) Of which positive net replacement values	276	1,363	889	2,528

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

At December 31, 2003, the weighted equivalent credit risk set out in the above table represented 0.4% of the notional values of these outstanding positions, against 0.3% at December 31, 2002.

NOTE 20 – RECIPROCAL INDEMNITY CLAUSES GRANTED BY THE ALLIANCE PARTNERS

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

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

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

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

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

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

NOTE 21 – INTEREST AND SIMILAR INCOME AND EXPENSE*(in millions of euros)*

	Income		Expense	
	2003	2002	2003	2002
Transactions with financial institutions	6,283	6,858	(2,831)	(3,299)
Customer transactions	6,457	6,478	(4,963)	(5,112)
Bonds and other fixed-income securities	2,708	2,523	(3,682)	(3,734)
Related to subordinated debt	0	0	(134)	(88)
Lease financing transactions	205	207	(83)	(81)
Other interest income and similar revenues and charges	995	847	(1,033)	(1,193)
Total	16,648	16,913	(12,726)	(13,507)

Interest income from financial institutions includes income on funds collected on the *Livret A* passbook accounts which are deposited daily with the Caisse des dépôts et consignations. This income includes:

- Compensation for interest paid by the Caisses d'Epargne to the public which is included in the item "Interest and similar expense – Customer transactions" for an amount of €1,741 million in 2003,
- An additional remuneration based on amounts outstanding, fixed by government decree, which is intended to cover the costs of managing depositors' accounts and which amounted to €789 million in 2003.

NOTE 22 – INCOME FROM VARIABLE-INCOME SECURITIES*(in millions of euros)*

	2003	2002
Shares and other variable-income securities	100	120
Investments in unconsolidated subsidiaries, and other long-term portfolio securities	50	59
Total	150	179

NOTE 23 – NET COMMISSION AND FEE INCOME*(in millions of euros)*

	Expense	Income
Transactions with financial institutions	(43)	26
Customer transactions	(41)	738
Securities transactions	(33)	574
Payment processing	(214)	459
Sale of life-insurance products	0	553
Other commissions	(87)	204
Total 2003	(418)	2,554
Total 2002	(377)	2,352

NOTE 24 – NET GAINS ON TRADING TRANSACTIONS*(in millions of euros)*

	2003	2002
Trading account securities	549	318
Foreign exchange	(6)	71
Financial instruments	(56)	194
Total	487	583

NOTE 25 – NET GAINS ON HELD-FOR-SALE PORTFOLIO TRANSACTIONS AND SIMILAR ITEMS*(in millions of euros)*

	Securities held for sale	Similar securities	Total 2003	Total 2002
Income from disposals	131	92	223	434
Net allocation to (release from) provisions	184	(7)	177	(174)
Total	315	85	400	260

NOTE 26 – OTHER NET OPERATING INCOME*(in millions of euros)*

	Income	Expense	Net
Share generated on transactions carried out in common	11	(29)	(18)
Transfer of expenses	26	0	26
Other income and expenses	436	(361)	75
Total 2003	473	(390)	83
Total 2002	362	(227)	135

NOTE 27 – GENERAL OPERATING EXPENSES*(in millions of euros)*

	2003	2002
Personnel costs	(3,098)	(2,932)
- Wages and salaries	(1,810)	(1,741)
- Pension and retirement costs	(413)	(380)
- Other social security costs and payroll-based taxes	(751)	(699)
- Profit-sharing and incentive schemes	(124)	(112)
Taxes other than on income	(154)	(175)
External services and other administrative expense	(1,497)	(1,355)
Total	(4,749)	(4,462)

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

- For fully consolidated companies: 41,410 divided into 7,497 managerial and 33,913 non-managerial staff,
- For companies consolidated on a proportional basis: 3,477 divided into 1,753 managerial and 1,724 non-managerial staff.

NOTE 28 – NET ADDITIONS TO PROVISIONS*(in millions of euros)*

	Customer transactions	Other transactions	Total
Provisions booked	(504)	(99)	(603)
Provisions released	419	53	472
Losses on irrecoverable debts written off – covered by provisions			
Losses on irrecoverable debts written off – not covered by provisions	(152)	(16)	(168)
Recoveries of debts written off as irrecoverable	(24)	(3)	(27)
	16	4	20
Total 2003	(245)	(61)	(306)
Total 2002	(306)	(51)	(357)

NOTE 29 – NET GAINS ON FIXED ASSETS*(in millions of euros)*

	2003	2002
Tangible fixed assets	104	35
Intangible fixed assets	(2)	(2)
Financial fixed assets	(27)	12
Total	75	45

NOTE 30 – EXCEPTIONAL ITEMS

Exceptional income and expenses are non-recurring and do not fall within the scope of the Group's usual activities. With respect to the 2003 financial year, they include a provision of €40 million booked for reasons of prudence to cover possible changes in the Group's commitments related to employee benefits.

NOTE 31 – TAX ON PROFITS

(in millions of euros)

	2003	2002
Current tax	(596)	(381)
Deferred tax	112	(22)
Tax credits and other tax	(19)	(32)
Total	(503)	(435)

The reconciliation of theoretical and effective tax rates can be presented as follows:

Theoretical tax rate	33.33%
Permanent differences	2.12%
Change in unrecognized deferred tax assets	(1.65%)
Differences in tax rates	1.29%
Other ⁽¹⁾	(3.43%)
Effective tax rate (excluding minority interests and share in income of companies accounted for by the equity method)	31.66%

(1) This line is chiefly affected by the reversal of deferred tax liabilities at the end of the year with respect to the Crédit Foncier de France Group. This reversal, for a total of €38.1 million, derives from the stabilization of this Group's tax position and efforts made to improve the legibility of the related deferred tax position.

NOTE 32 – SEGMENT INFORMATION

(in millions of euros)

	Total activity		Of which Retail Banking	
	2003	2002	2003	2002
Net banking income	7,247	6,583	6,300	5,822
Operating expenses	(5,063)	(4,774)	(4,620)	(4,331)
Gross operating income	2,184	1,809	1,680	1,491
Net additions to provisions	(306)	(357)	(207)	(317)
Operating income	1,878	1,452	1,473	1,174
Share in net income of companies accounted for by the equity method	155	151	152	147
Gains (or losses) on fixed assets	75	45	(17)	40
Net ordinary income before tax	2,108	1,648	1,608	1,361

Retail banking includes the following activities:

- Commercial banking activities (savings deposits and loans granted to customers),
- Operations designed to support these activities, including hedging operations,
- Assets required for the pursuit of banking activities and financial assets invested in the retail banking business.
- Insurance subsidiaries, along with the majority of non-banking subsidiaries, form part of this core business activity because they represent an extension of the Group's retail banking activity.

Net banking income includes the return on equity allocated to retail banking activities. The amount of this equity is determined in accordance with the applicable regulations.

Operating expenses include the following items:

- General operating expenses,
- Depreciation, amortization and provisions for impairment in value .

NOTE 33 – INVESTMENTS BY INSURANCE COMPANIES

(in millions of euros)

	Net book value		Realizable value	
	2003	2002	2003	2002
Property	15	15	21	24
Bonds and other fixed-income securities ⁽¹⁾	295	255	313	266
Equities and variable-income securities (excluding mutual funds)	27	27	29	23
Mutual funds holding exclusively fixed-income securities	72	54	71	52
Other mutual funds	220	110	223	111
Other investments and related accrued income	23	24	25	28
Assets representing unit-linked policies	20	11	20	11
Total	672	496	702	515

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

After taking account of accrued interest and the elimination of intra-group items, the amount of insurance investments included on the consolidated balance sheet was €672 million at December 31, 2003 against €482 million at December 31, 2002.

NOTE 34 – INSURANCE COMPANIES' TECHNICAL RESERVES

(in millions of euros)

	2002	Allocations	Releases	Other movements	2003
Technical reserves, life insurance	162	26	(1)	(3)	184
Technical reserves, non-life insurance	189	262	(180)	0	271
Equalization reserves	4	3	0	0	7
Technical reserves for unit-linked policies	11	9	0	0	20
Total	366	300	(181)	(3)	482

NOTE 35 – GROSS MARGIN ON INSURANCE BUSINESS

(in millions of euros)

	Life	Non-life	Total 2003	Total 2002
Premium income	36	180	216	131
Technical expense	(35)	(125)	(160)	(99)
Net premium income	1	55	56	32
Net acquisition and management expense	(1)	(29)	(30)	(22)
Net income from investments	10	7	17	16
Policyholders' surplus and credited interest	(8)	0	(8)	(10)
Net financial income	2	7	9	6
Other technical income and expense	(1)	(3)	(4)	(2)
Re-insurance result	0	(6)	(6)	2
Underwriting result	1	24	25	16
Net income from investments, excluding technical account	0	2	2	ns
Acquisition and management expense	1	26	27	19
Claim management expense	0	4	4	4
Other items classified by type and consolidation adjustments	2	9	11	6
Gross margin on insurance activities	4	65	69	45

Auditors' report on the consolidated financial statements of the Caisse d'Epargne Group for the year ended December 31, 2003

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

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

In compliance with the assignment entrusted to us we have audited the accompanying consolidated financial statements of the Caisse d'Epargne Group, for the year ended December 31, 2003.

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

I - Opinion on the consolidated financial statements

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

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

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

II - Justification of our assessments

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

Changes in accounting methods

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

Accounting estimates

The Group records provisions to cover the credit risks inherent to its operations (Notes 3.4, 7.2 and 15.1 to the consolidated financial statements). As part of our assessment of the significant estimates used for the preparation of the financial statements, in co-ordination with the Statutory Auditors of the consolidated entities, we examined the control procedures relating to the monitoring of credit risks, the assessment of the risks of non-recovery and determining the related specific and general provisions.

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

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

- we examined the control procedures applicable to the related accounting classifications, the checking of the models used, and the determination of the parameters used to value these positions,
- we verified the appropriateness of the above-mentioned accounting methods and the information disclosed in the Notes to the consolidated financial statements, and we ensured that they were applied correctly.

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

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

We assessed whether these estimates were reasonable.

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

III - Specific verification

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

Paris, May 7, 2004

The Auditors

PricewaterhouseCoopers Audit
Yves Nicolas Anik Chaumartin

Mazars & Guérard
Michel Barbet- MassinFranck Boyer

RECENT DEVELOPMENTS

Press release dated July 1, 2004

Francis Mayer, Chief Executive Officer of the Caisse des dépôts and Charles Milhaud, Chairman of the Management Board of the Issuer, at a meeting today in the presence of Nicolas Sarkozy, Minister of State, Minister for Economic Affairs, Finance and Industry, officially confirmed their agreement to give a new foundation to the long-standing partnership between both institutions. This agreement is cemented by a seven-year shareholders' pact, renewable by tacit agreement for periods of five years.

Under the terms of the agreement, the Caisse des dépôts transfers its 50.1% holding in Compagnie financière Eulia and its 43.55% stake in its investment banking and asset management subsidiary, CDC IXIS, to the Issuer, the central institution of the Caisse d'Epargne Group. The contribution of these assets transforms the Caisse d'Epargne Group into a universal bank in which the Caisse des dépôts enjoys the status as a strategic shareholder owning a 35% interest in the capital of the Issuer alongside the Caisses d'Epargne. This new universal bank employs 55,000 staff and will henceforth operate in the world's major financial markets, while holding leading positions in the French retail market.

The agreement consolidates the two Groups' partnership on a lasting basis and commits them to maintaining their respective shareholdings in the Issuer until the time of any potential IPO. It also clarifies their respective roles within the new entity:

- the Issuer, owned 65% by the Caisses d'Epargne and 35% by the Caisse des dépôts, strengthens its threefold role, i.e. 1/ its traditional one as central institution of the network for all the companies within the expanded Caisse d'Epargne Group, 2/ that of central banker to the Group, with proprietary activities, and 3/ that of holding company for the subsidiaries it owns directly*. This threefold role ensures it will directly manage the Group's retail banking operations as well as the investment banking activities primarily carried out by IXIS.
- The Caisse des dépôts consolidates its role as strategic shareholder in the CNCE and its remit as long-term investor via the direct takeover of CDC IXIS' proprietary portfolios (listed equities, private equity, real-estate assets), worth €3.4bn.

To finance the transaction, the 29 Caisses d'Epargne in metropolitan France issued €3.3bn of Cooperative Investment Certificates (CCIs) in favour of the Issuer, giving the Issuer a 20% stake in their capital. As a result, both the Issuer and the Caisse des dépôts have an interest in the banking activities of the Caisses d'Epargne—which currently account for over 65% of the Group's profits—the former directly, and the latter indirectly via its stake in the Issuer.

In the new banking group, the most important decisions will be taken jointly, notably during the initial period comprising the first three years of the shareholders' pact, e.g.: approval of the strategic plan, major investments and appointments of senior executives of the Caisse d'Epargne Group's main subsidiaries.

As soon as the new initiative was announced on 24 July 2003, the three ratings agencies marked their unanimous approval of the operation by confirming the Issuer's issue ratings with a stable outlook, at the highest level awarded for French banks.

Charles Milhaud and Francis Mayer both expressed pleasure that all the negotiations leading up to the signature of the final agreement had been conducted in a climate of openness and mutual trust. "The agreement signed today is a well-balanced and lasting accord that clarifies the respective roles of the two partners." It also safeguards the Caisse des dépôts' interests from both asset value and strategic standpoints, in line with the commitment made by its Chief Executive Officer and approved by the Supervisory Board of the

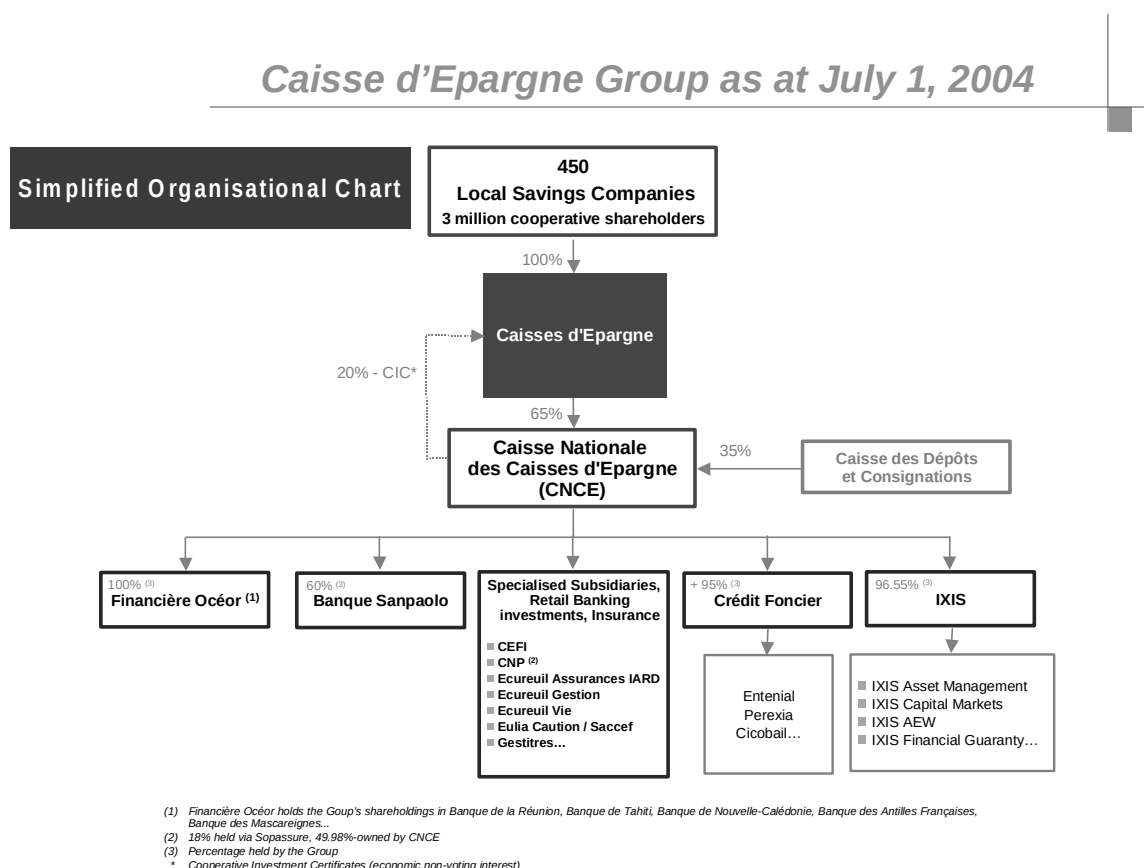
Caisse des dépôts. The road is now clear for the Caisse d'Epargne Group to start integrating the various teams into the Group and unlocking synergies between the various companies and businesses comprising the new universal bank.

* The expanded Caisse d'Epargne's major subsidiaries include Crédit Foncier-Entenial, Banque Sanpaolo and IXIS.

*

* *

The organization of the Caisse d'Epargne Group as at 1st July 2004 is illustrated in the chart below:



Crédit Foncier de France (CFF) announced on August 23, 2004 the actual acquisition of 2 blocks of shares of Crédit Foncier Communal d'Alsace et de Lorraine (CFCAL) from 2 shareholders: CIAL (31,674 shares representing 10% of the capital and 10.10% of the voting rights) and SADE (45,136 shares representing respectively 14.25% and 14.39% of the capital and the voting rights).

CFF consequently exceeded the thresholds of, respectively, 10%, 20% and 1/3 of the capital and the voting rights of CFCAL, and now holds 106,918 shares representing 33.76% of the capital and 34.09% of the voting rights of the company.

In accordance with the provisions of article 5-5-2 of the *Règlement général du Conseil des Marchés Financiers*, CFF will within the next weeks, launch a public takeover bid for the balance of CFCAL's capital at the same price per share as that paid by CFF for the 2 blocks, which is EUR 390 per CFCAL share, fixing the value of the entire company at around 124 millions euros.

Public offer of withdrawal

CNCE, which holds 95.44% of the capital of CFF, informed CFF on September 7, 2004 that it was currently studying a project of a public offer of withdrawal followed by a compulsory withdrawal (*offre publique de retrait suivie d'un retrait obligatoire* – OPR-RO) for the remaining shares of CFF not yet held by CNCE.

Following the decision of the Supervisory Board of CNCE, the opinion of that of CFF and the information of the committees representing the employees of the two companies, on September 30, CNCE lodged with the French authority of the financial markets (*Autorité des Marchés Financiers* – AMF) an official project of OPR-RO.

The Supervisory Board of CFF, having taking into consideration, in particular, the grounds for this operation, the assessment report of Lazard Frères and that of RSM Salustro Reydel, an independent expert authorized by the AMF, giving an opinion on the equity of the proposed price, decided that the price, 40 euros per share of CFF, is consistent with the interests of the shareholders, and decided that the project of OPR-RO is consistent with the interests of CFF, its shareholders and its employees.

The shareholders will have to bring their shares to the banks, as soon as the AMF approves the operation and delivers its visa, which should take place in October. The offer will then be open during a period of ten Stock Exchange business days. After that, the compulsory withdrawal will take place and the listing of the shares of CFF on Euronext Paris will definitively stop.

On October 20, 2004 the AMF declared that this offer was admissible.

Interim Dividend

The Management Board of the Issuer during its meeting held on October 25, 2004 has decided the payment, in respect of the current financial year, of an interim dividend payable in cash or in newly issued shares carrying dividend rights from January 1, 2004. The subscription period will end on November 30, 2004.

CNCEP INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as at 30 June 2004

The English language version of these interim financial statements is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation.

Consolidated Balance Sheet of the Caisse Nationale Des Caisses d'Epargne Group at June 30, 2004 and December 31, 2003

	Notes	June 30, 2004	Dec. 31, 2003
Assets		(in millions of euros)	
Cash, Money Market and Interbank Items.....		126,801	76,123
Customer Items.....	6	81,058	36,813
Lease Financing.....		2,701	1,593
Bonds, Shares and Other Fixed - and Variable - Income Securities.....		101,807	31,873
Insurance Company Investments		1,391	602
Investments in Unconsolidated Subsidiaries and Affiliates Accounted for by the Equity Method,		7,153	2,445
Other Long-Term Investments.....			
Tangible and Intangible Assets		2,829	899
Goodwill.....	7	1,089	436
Accruals, Other Accounts Receivable and Other Assets....		30,850	11,887
Total Assets.....		355,679	162,671

Off-Balance Sheet Commitments

	Notes	June 30, 2004	Dec. 31, 2003
Commitments given:		(in millions of euros)	
Financing Commitments		50,969	17,107
Guarantee Commitments.....		52,464	23,608
Commitments Made on Securities		5,326	479
Commitments Given by the Insurance Business.....		20,017	1,012

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

**Consolidated Balance Sheet of the Caisse Nationale Des Caisses d'Epargne Group
at June 30, 2004 and December 31, 2003**

	Notes	June 30, 2004	Dec. 31, 2003
		(in millions of euros)	
Liabilities, Capital Funds and Reserves			
Money Market and Interbank Items		100,737	43,792
Customer Items.....	6	40,029	13,488
Debt Securities.....	8	134,375	74,191
Insurance Company Technical Reserves		907	437
Accruals, Other Accounts Payable and Other Liabilities...		60,443	21,237
Negative Goodwill	7	16	4
Provisions for Liabilities and Charges.....		1,045	518
Subordinated Debt	9	6,101	4,135
Reserve for General Banking Risks	9	315	286
Minority Interests.....		923	381
Capital Funds and Reserves (excluding Reserve for General Banking Risks)	9	10,788	4,202
Capital		6,681	2,905
Issue Premiums.....		1,789	435
Reserves and Retained Earnings.....		1,985	535
Net Income for the Period		333	327
Total Liabilities, Capital Funds and Reserves		355,679	162,671

Off-Balance Sheet Commitments

	Notes	June 30, 2004	Dec. 31, 2003
Commitments received:		(in millions of euros)	
Financing Commitments		9,110	3,209
Guarantee Commitments		15,199	7,054
Commitments Received on Securities.....		9,645	1,349
Commitments Received by the Insurance Business		192	73

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

Consolidated Profit & Loss Account

	Notes	First-half		Fiscal
		2004	2003	2003
		(in millions of euros)		
Interest Income		3,972	3,435	6,643
Interest Expense		(3,658)	(3,371)	(6,402)
Income From Shares and Other				
Variable-Income Securities.....		40	38	53
Net Commission and Fee Income		325	230	491
Net Gains on Trading Transactions.....		333	208	456
Net Gains on Held-For-Sale Portfolio				
Transactions.....		106	127	120
Other Net Operating Income		35	130	120
Gross Margin on Insurance Business		41	30	64
Net Banking Income		1,194	827	1,545
General Operating Expenses		(762)	(521)	(1,089)
Depreciation and Amortization of				
Tangible and Intangible Assets		(48)	(27)	(66)
Gross Operating Income		384	279	390
Provisions for Loan Losses	11	(52)	(39)	(71)
Operating Income		332	240	319
Share in Net Income of Companies				
Accounted for by the Equity Method..		73	60	144
Net Gains on Fixed Assets		1	103	107
Ordinary Income Before Tax		406	403	570
Exceptional Items	12	94	0	(1)
Income Tax		(117)	(49)	(54)
Amortization of Goodwill		(22)	(4)	(22)
Allocations to the Reserve for General				
Banking Risks.....		(15)	(87)	(155)
Minority Interests		(13)	(8)	(11)
Net Income		333	255	327

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six Months ended June 30, 2004

The interim financial statements for the six months ended June 30, 2004 provide an overview of the accounting effects of operations and events for the period since December 31, 2003. They do not include all the disclosures made in the annual financial statements.

Note 1 - Significant Events of First-Half 2004: Redefining the Partnership Between the Caisse D'épargne and Caisse Des Dépôts Et Consignations Groups

1.1 Overview

On May 27, 2004, the Caisse d'Epargne and Caisse des dépôts et consignations Groups signed a memorandum of agreement aimed at redefining the nature of their partnership.

Under this agreement, the Caisse des dépôts et consignations transferred its 50.1% holding in Compagnie Financière Eulia and its 43.55% stake in its investment banking and asset management subsidiary, CDC IXIS, to the Caisse Nationale des Caisses d'Epargne (CNCE), the central institution of the Caisse d'Epargne Group. The contribution of these assets transforms the Caisse d'Epargne Group into a full-service bank in which the Caisse des dépôts et consignations has the status of a strategic shareholder through its 35% interest in the CNCE alongside the individual Caisses d'Epargne.

The agreement provides a long-term foundation to the partnership between the two groups, which have undertaken to maintain their respective shareholdings in the CNCE until the time of any potential IPO. It also defines their respective roles within the new entity:

- The CNCE – which is 65%-owned by the Caisses d'Epargne and 35% by the Caisse des dépôts et consignations – has a strengthened threefold role, i.e. 1) its traditional role as the central institution of the network for all of the companies within the extended Caisse d'Epargne Group, 2) that of central banker to the Group carrying out proprietary transactions, and 3) that of holding company for the subsidiaries it owns directly. It will therefore directly manage the Group's retail banking operations as well as the investment banking business primarily carried out by IXIS.
- The Caisse des dépôts et consignations has confirmed its role as a strategic shareholder of the CNCE and a long-term investor by taking over the proprietary portfolios of CDC IXIS (listed equities, private equity, real estate).

The financial structuring of the operation led the 29 individual Caisses d'Epargne in metropolitan France to issue €3.3 billion worth of Cooperative Investment Certificates (CICs) to the CNCE, giving the CNCE a 20% stake in their capital. As a result, both the CNCE and the Caisse des dépôts et consignations have an interest in the banking operations of the individual Caisses d'Epargne, the former directly, and the latter indirectly through its stake in the CNCE.

1.2 Transactions Completed

The above-mentioned New Foundations agreement provided – prior to any restructuring operations – for CDC IXIS to transfer to the Caisse des dépôts et consignations or its direct subsidiaries, its portfolio of listed equities, its portfolio of securities relating to its real-estate or private equity business, and certain holdings in associated companies.

The portfolio of listed equities and Sogeposte were both transferred by June 30, 2004. The other transfer transactions were still underway at the half-yearly closing and will be completed during the second half of the year. The following IXIS group companies which are currently consolidated will therefore be transferred: CDC Entreprise 1 and 2, CDC Innovation 96, Electropar France, Fondinvest, Part'Com, 65% of CDC IXIS Private Equity, Société Foncière des Pimonts, Logistis and AIH BV.

The true restructuring transactions were carried out either simultaneously or successively on June 30, 2004 as set out below:

- The CNCE carried out a €64 million capital increase which was taken up by the Caisse des dépôts, as payment for the latter's transfer of a 23.66% interest in CDC IXIS Italia Holding, which in turn holds a 2% stake in Sanpaolo IMI,
- The Caisse des dépôts sold to the individual savings banks (Caisses d'Epargne), its entire direct interest in CDC IXIS – representing 43.55% of the latter's capital – for a price of €3,209 million,
- The Caisses d'Epargne transferred to Compagnie Financière Eulia the IXIS shares acquired from the Caisse des depots. The transfer was funded by a €3,209 million capital increase,
- Compagnie Financière Eulia was merged into the CNCE, in return for a €5,065 million capital increase taken up by the Caisses d'Epargne and the Caisse des dépôts,
- The Caisses d'Epargne acquired CNCE shares from the Caisse des dépôts for an amount of €982 million,
- Each of the 29 individual Caisses d'Epargne in Metropolitan France issued Cooperative Investment Certificates to the CNCE representing 20% of their capital after the issue. The Cooperative Investment Certificates granted to the CNCE represented a total of €3,323 million.
- Further to these transactions, the CNCE held 96.55% of CDC IXIS and the Caisse des dépôts et consignations retained a 35% stake in the CNCE.

1.3 Impact on the Consolidated Financial Statements

Further to the transactions carried out under the New Foundations project, the subsidiaries of Compagnie Financière Eulia which were previously jointly controlled with the Caisse des dépôts et consignations are now controlled exclusively by the Caisse d'Epargne Group through the CNCE. These subsidiaries – including the CDC IXIS group – were therefore fully consolidated in the Group's balance sheet at June 30, 2004. In view of the effective date when the Group gained exclusive control of the companies, their contribution to the consolidated profit and loss account is still based on proportional consolidation as they were jointly controlled during the first half of 2004.

The 43.55% interest in IXIS was originally purchased from Caisse des dépôts at a price of €3,209 million. The shares were acquired indirectly by CNCE through its merger with Compagnie Financière Eulia, and were valued in the merger balance sheet at net book value. In the consolidated financial statements, however, they have been valued at the fair value specified in the merger agreement, and the related fair value adjustment has been taken to reserves. Total fair value adjustments taken to reserves amounted to €859 million, including €577 million related to Compagnie Financière Eulia's interest in CDC IXIS.

Provisional net goodwill on the additional interests acquired by the Group amounted to €257 million. This amount may be adjusted based on the results of detailed valuations of all the assets and liabilities

acquired. Any such adjustments will be made on the basis and within the maximum period prescribed by standard CRC 99-07.

Based on preliminary analyses, the majority of goodwill is expected to be allocated to the corporate and investment banking division.

In addition, as the CNCE now holds a 20% stake in the 29 individual Caisses d'Epargne in Metropolitan France, the latter were consolidated by the equity method in the CNCE's consolidated financial statements at June 30, 2004. Net goodwill arising on this first-time consolidation amounted to €109 million. This initial goodwill may be adjusted based on the results of additional analyses, within the period prescribed by standard CRC 99-07.

The impact of the New Foundations project in terms of period-on-period comparisons is described in Note 4.

1.4 Termination of Indemnity Clauses Granted in Connection with The "Alliance" Transactions

Pursuant to their agreement to merge a number of their activities within the "Alliance" signed at the end of 2001, the Caisse d'Epargne and Caisse des dépôts Groups decided to grant each other reciprocal indemnity clauses to cover certain possible future developments.

The most significant particular clauses concerned the occurrence of certain future events, namely:

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

The New Foundations agreement signed in May 2004 provided for the early termination of these clauses by June 30, 2004 in return for the payment to the CNCE of:

- an indemnity of €32 million recorded under net banking income in relation to the mechanism implemented to protect the value of CDC IXIS's listed securities portfolio.
- a global indemnity of €100 million in respect of the two other clauses, recorded under exceptional items.

1.5 Planned Restructuring

Further to the New Foundations project, the Group intends to reorganize the CDC IXIS group in the second half of 2004, based on three core business lines:

- Corporate and Investment Banking, made up of the capital markets and corporate financing business currently carried out by CDC IXIS Capital Markets (to be renamed Ixis Corporate & Investment Bank). The corresponding assets, liabilities and off-balance sheet items recorded in the accounts of CDC IXIS will be transferred to this business line;
- Asset Management, headed by an asset management holding company (IXIS Asset Management);
- Asset Custody, by spinning off the business carried out directly by CDC IXIS, Fund Administration and Issuer Services (Ixis Investor Services).

Further to this reorganization, the Group intends to merge CDC IXIS into the CNCE.

Note 2 - Principles And Methods Of Consolidation Of The CNCE Group

2.1 Principles

The consolidated financial statements of the Caisse Nationale des Caisses d'Epargne Group include the financial statements of the Caisse Nationale des Caisses d'Epargne and all subsidiaries and associated companies over which the Group exercises a controlling or significant influence. Note 5 specifies the scope of consolidation of the Caisse Nationale des Caisses d'Epargne Group.

They have been drawn up in accordance with the principles laid down by Standards 99-07 and 2000-04 of the Comité de la Réglementation Comptable (CRC), using the same policies and methods as for the financial statements for the year ended December 31, 2003.

2.2 Scope Of Consolidation

The scope of consolidation is described in Note 5.

Apart from the transactions carried out in connection with the New Foundations project as described in Note 1, the major changes in scope of consolidation during the period concerned the Crédit Foncier group structure.

- **Consolidation of the Entenial group**

The Entenial group – which is a 99.9%-owned subsidiary of Crédit Foncier de France – has been fully consolidated within the Caisse Nationale des Caisses d'Epargne Group since January 1, 2004. The total cost of the shares acquired was €587 million and initial negative goodwill of €9 million was recorded on the acquisition.

At June 30, 2004, the first-time consolidation of the Entenial group had an €11.7 billion impact on “Customer items” on the assets side of the consolidated balance sheet, and a €10.4 billion impact on “Debt securities” on the liabilities side. The Entenial group contributed some €105 million to net banking income, €26 million to gross operating income and €21 million to consolidated net income.

- **Acquisition of the Cicobail group by the Crédit Foncier group**

In first-half 2004, l'Auxiliaire du Crédit Foncier de France acquired 60% of Cicobail from Compagnie Financière Eulia, thus acquiring control of the company and its wholly-owned subsidiaries, Cinergie and Mur Ecureuil. This internal restructuring operation did not have a material impact on the Caisse Nationale des Caisses d'Epargne Group's consolidated financial statements.

2.3 Consolidation Adjustments

The consolidation adjustments recorded in the financial statements for the six months ended June 30, 2004 are the same as those made at December 31, 2003.

Note 3 - Accounting Policies

3.1 Valuation Methods And Rules Of Presentation

The interim consolidated financial statements of the Caisse Nationale des Caisses d'Epargne Group for the six months ended June 30, 2004 have been prepared and presented in accordance with the policies defined by the Caisse Nationale des Caisses d'Epargne (CNCE), which comply with French generally

accepted accounting principles and the valuation methods recommended by the Conseil National de la Comptabilité (CNC Recommendation 2001-R-02).

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

The Group records commitments for pensions, supplementary pensions, retirement bonuses and other post-employment benefits as provisions in the balance sheet, as recommended by French generally accepted accounting principles. In accordance with recommendation no. 2003-R.01 published by the French National Accountancy Council concerning the rules for recognizing and measuring commitments related to employee pensions and other post-employment benefits, the Group intends to value its residual obligation in this respect in 2004, but to record said obligation subsequently when it prepares its opening balance sheet under IFRS.

3.2 Changes of Accounting Methods

No changes of accounting method occurred during the period.

Note 4 - Period-on-Period Comparisons

4.1 First-Time Consolidation of the Individual Caisses D'épargne by the Equity Method

The CNCE's interest in the capital of the individual Caisses d'Epargne is recorded in the consolidated balance sheet in accordance with the equity method, in an amount of €3,214 million.

As the effective date of the consolidation was June 30, 2004, this change in Group structure had no impact on profit and loss account period-on-period comparisons.

4.2 Impact of the New Foundations Transactions

- **Profit & loss account**

As the effective date for these transactions was June 30, 2004, they did not have any impact on the consolidated profit and loss account.

- **Balance sheet**

As the Group acquired exclusive control of CDC IXIS and the other subsidiaries previously jointly controlled through Compagnie Financière Eulia at June 30, 2004, these companies were fully consolidated rather than proportionally consolidated in the financial statements at that date.

Therefore the contribution of these companies to the consolidated financial statements has changed significantly. The pro forma balance sheet set out below shows the main balance sheet items as if the New Foundation transactions did not take place before the half-year closing at June 30, 2004.

	June 30, 2004	Dec. 31, 2003
	(in millions of euros)	
Assets		
Cash, Money Market and Interbank Items.....	82,851	76,123
Customer Items.....	47,982	36,813

	June 30, 2004	Dec. 31, 2003
Assets	(in millions of euros)	
Lease Financing.....	2,148	1,593
Bonds, Shares and Other Fixed - and Variable-Income Securities	35,429	31,873
Insurance Company Investments	666	602
Investments in Unconsolidated Subsidiaries and Affiliates Accounted for by the Equity Method, Other Long-Term Investments.....	2,647	2,445
Tangible and Intangible Assets	1,530	899
Goodwill.....	408	436
Accruals, Other Accounts Receivable and Other Assets.....	11,838	11,887
Total Assets	185,499	162,671
	June 30, 2004	Dec. 31, 2003
Liabilities, Capital Funds and Reserves	(in millions of euros)	
Money Market and Interbank Items.....	49,287	43,792
Customer Items.....	15,553	13,488
Debt Securities.....	88,423	74,191
Insurance Company Technical Reserves	515	437
Accruals, Other Accounts Payable and Other Liabilities.....	20,753	21,237
Negative Goodwill	10	4
Provisions for Liabilities and Charges.....	615	518
Subordinated Debt	5,165	4,135
Reserve for General Banking Risks	309	286
Minority Interests.....	418	381
Capital Funds and Reserves (Excluding Reserve for General Banking Risks)	4,451	4,202
Total Liabilities, Capital Funds and Reserves	185,499	162,671

Note 5 - Scope of Consolidation

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
	Method (1)	% voting rights	% interest	Method (1)	% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Direct subsidiaries										
Caisse Nationale des Caisses d'Epargne et de Prévoyance.....	Parent company	Parent company	Parent company	Parent company	Parent company	Parent company	Parent company	Parent company	Parent company	Parent company
Caisses d'Epargne										
Caisse d'Epargne des Alpes	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne d'Alsace	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Aquitaine-Nord (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne d'Auvergne et du Limousin.....	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de Basse-Normandie.....	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de Bourgogne	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de Bretagne.....	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Centre-Val de Loire .	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Champagne- Ardenne (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Côte d'Azur	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de Flandre	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de Franche-Comté.....	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de Haute-Normandie.....	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Ile- de-France Nord	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Ile- de-France Ouest	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Ile- de-France Paris.....	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Languedoc- Roussillon (group) ...	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Loire-Drôme- Ardèche.....	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de	Equity	NA	20.00%	Equity	NA	—	—	—	—	—

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
		%			%		%	%	%	
	Method (1)	voting rights	interest	Method (1)	voting rights	interest	voting rights	interest	voting rights	interest
Direct subsidiaries										
Lorraine										
Caisse d'Epargne de Midi-Pyrénées (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne du Pas-de-Calais	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne des Pays de l'Adour (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne des Pays de la Loire (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne des Pays du Hainaut	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne de Picardie (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Poitou-Charentes (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Provence-Alpes- Corse (group)	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne Rhône-Alpes-Lyon...	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Caisse d'Epargne du Val de France Orléanais	Equity	NA	20.00%	Equity	NA	—	—	—	—	—
Holassure Group										
Holassure	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Sopassure	Prop.	49.98%	49.98%	Prop.	49.98%	49.98%	49.98%	49.98%	49.98%	49.98%
Caisse Nationale de Prévoyance	Equity	NA	17.86%	Equity	NA	17.86%	NA	17.84%	NA	17.85%
Oceor Group										
Financière Océor	Full	100.00%	81.88%	Full	100.00%	81.88%	100.00%	81.88%	100.00%	61.72%
Banque de la Réunion .	Full	100.00%	66.82%	Full	100.00%	66.82%	100.00%	66.82%	100.00%	49.39%
Banque de Nouvelle- Calédonie	Full	100.00%	78.44%	Full	100.00%	78.44%	100.00%	78.44%	100.00%	59.11%
Banque de Tahiti	Full	100.00%	78.16%	Full	100.00%	78.16%	100.00%	78.16%	100.00%	58.87%
Banque des Antilles Françaises	Full	100.00%	79.81%	Full	100.00%	79.81%	100.00%	79.81%	100.00%	60.06%
Banque des Iles Saint- Pierre-et-Miquelon...	Full	100.00%	79.55%	Full	100.00%	79.55%	100.00%	79.39%	100.00%	59.65%
Banque Internationale des Mascareignes	Full	100.00%	72.09%	Full	100.00%	72.09%	100.00%	72.09%	100.00%	24.94%
Caisse d'Epargne de Nouvelle-Calédonie .	Full	100.00%	81.88%	Full	100.00%	81.88%	100.00%	81.88%	100.00%	61.72%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
	Method (1)	% voting rights	% interest	Method (1)	% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Direct subsidiaries										
Credipac Polynésie.....	Full	100.00%	78.14%	Full	100.00%	78.14%	100.00%	78.14%	100.00%	58.86%
Crédit Commercial de Nouméa.....	Full	100.00%	73.23%	Full	100.00%	73.23%	100.00%	73.23%	100.00%	55.18%
Crédit Saint Pierrais	Equity	NA	38.55%	Equity	NA	38.55%	NA	38.55%	NA	29.06%
Mascareigne Investors Services Ltd.....	Full	100.00%	81.88%	Full	100.00%	81.88%	100.00%	81.06%	—	—
Slibail Réunion	Full	100.00%	66.79%	Full	100.00%	66.79%	100.00%	66.79%	100.00%	49.37%
Société Havraise Calédonienne.....	Full	100.00%	70.87%	Full	100.00%	70.87%	100.00%	70.87%	100.00%	53.41%
Banque Sanpaolo Group										
Banque Sanpaolo.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Banque Michel Inchauspé.....	Equity	NA	12.00%	Equity	NA	12.00%	NA	12.00%	—	—
Conservateur Finance..	Equity	NA	12.00%	Equity	NA	12.00%	NA	12.00%	—	—
Eurosic Sicomi SA	Full	100.00%	19.66%	Full	100.00%	19.66%	100.00%	19.66%	—	—
Uni – Invest SAS.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Société Foncière Joseph Vallot.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Sanpaolo Asset Management	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Société Foncière d’investissement.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Société immobilière d’investissement.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Socavie SNC.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Sanpaolo Bail SA	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Sanpaolo Fonds Gestion SNC.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
Sanpaolo Mur SNC	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	60.00%	—	—
IT technical centers and software houses										
Cnési	Full	100.00%	77.44%	Full	100.00%	77.44%	100.00%	75.72%	100.00%	72.31%
Cie Financière Eulia Group										
Compagnie Financière Eulia.....	—	—	—	Prop.	49.90%	49.90%	49.90%	49.90%	49.90%	49.90%
Direct subsidiaries										
Bail Ecureuil	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	49.90%	49.90%	49.90%
CDC Ixis Italia Holding	Full	100.00%	99.31%	Prop.	33.40%	33.40%	33.40%	33.40%	33.40%	33.40%
Ecureuil Assurance	Full	100.00%	65.00%	Prop.	49.90%	32.43%	49.90%	32.43%	49.90%	32.43%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
	Method (1)	% voting rights	% interest	Method (1)	% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Direct subsidiaries										
IARD.....										
Ecureuil Gestion	Full	100.00%	99.31%	Prop.	49.90%	45.21%	49.90%	45.21%	49.90%	45.21%
Ecureuil Gestion FCP..	Full	100.00%	99.31%	Prop.	49.90%	45.21%	—	—	—	—
Ecureuil Participations	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	49.90%	49.90%	49.90%
Ecureuil Vie	Equity	NA	49.78%	Equity	NA	24.84%	NA	24.84%	NA	24.84%
Gestitres	Full	100.00	65.32%	Prop.	49.90%	28.29%	49.90%	28.29%	49.90%	28.29%
Holgest	Full	100.00%	98.97%	Prop.	49.90%	42.86%	49.90%	42.86%	49.90%	42.86%
CDC IXIS Group										
CDC IXIS	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
Anatol Invest (group) ..	Full	100.00%	48.28%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
CDC Entreprises 1.....	Full	100.00%	85.76%	Prop.	26.45%	25.26%	26.45%	25.26%	26.45%	25.34%
CDC Entreprises 2.....	Full	100.00%	35.64%	Prop.	26.45%	10.02%	26.45%	10.02%	26.45%	10.02%
CDC Innovation 96	Full	100.00%	93.37%	Prop.	26.45%	25.56%	26.45%	25.56%	26.45%	25.58%
CDC IXIS Asset Management (group)	Full	100.00%	96.55%	Prop.	26.45%	21.16%	26.45%	21.16%	26.45%	21.16%
CDC IXIS Capital Market (group)	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
IXIS AEW Europe (ex. CDC IXIS immo).....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
CDC IXIS North America (group)	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
CDC IXIS Financial Guaranty (group).....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
CDC IXIS Private Equity (group)	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
CDC Urquijo.....	Full	100.00%	49.24%	Prop.	26.45%	13.49%	26.45%	13.49%	26.45%	13.49%
Electropar France	Full	100.00%	48.28%	Prop.	26.45%	13.22%	26.45%	13.22%	26.45%	13.22%
Euromontaigne (group)	—	—	—	—	—	—	26.45%	26.45%	26.45%	26.45%
Foncière des Pimonts (group)	Full	100.00%	70.98%	Prop.	26.45%	19.44%	26.45%	19.44%	26.45%	19.44%
Fondinvest.....	—	—	—	—	—	—	26.45%	26.45%	26.45%	26.45%
CDC IXIS Administration de Fonds (ex GSF)	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
Logistis (group)	Equity	NA	32.18%	Equity	NA	8.81%	NA	8.81%	NA	8.81%
Magnant (group).....	—	—	—	—	—	—	—	—	26.45%	26.45%
Martignac Finance.....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
Nexgen (group).....	Equity	NA	37.36%	Equity	NA	10.24%	NA	10.24%	NA	—
PART’COM.....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	26.45%	26.45%	26.45%
Sogeposte	—	—	—	—	—	—	NA	12.96%	NA	12.96%
Vega Finance (group).....	Full	100.00%	82.07%	Prop.	26.45%	22.48%	26.45%	22.48%	26.45%	22.48%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
	Method (1)	% voting rights	% interest	Method (1)	% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Direct subsidiaries										
Crédit Foncier Group										
Crédit Foncier de France	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
A3C	Full	100.00%	95.41%	Prop.	75.05 %	75.05 %	—	—	—	—
Auxiliaire du Crédit Foncier de France.....	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Cofimab.....	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Compagnie de Financement Foncier	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Compagnie Foncière de Crédit	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Crédit de l'Arche.....	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Crédit Foncier Assurance Courtage .	Full	100.00%	95.30%	Prop.	75.05 %	74.96%	72.42%	72.25%	72.39%	72.31%
Crédit Foncier Banque	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Dom2.....	—	—	—	—	—	—	—	—	72.39%	72.39%
Entenial (group).....	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	—	—	—	—
FCC Teddy.....	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Financière Desvieux....	Full	100.00%	95.41%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Foncier Assurance	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Foncier Bail	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Foncier Participations .	Equity	NA	95.42%	Equity	NA	75.05 %	NA	72.42%	NA	72.39%
SICP (group).....	Equity	NA	95.42%	Equity	NA	75.05 %	NA	72.42%	NA	68.77%
Soclim	Full	100.00%	95.42%	Prop.	75.05 %	75.05 %	72.42%	72.42%	72.39%	72.39%
Cicobail Group										
Cicobail	Full	100.00%	97.01%	Prop.	75.05 %	64.87%	49.90%	49.78%	49.90%	49.78%
Cinergie	Full	100.00%	97.01%	Prop.	75.05 %	64.87%	49.90%	49.83%	49.90%	49.83%
Mur Ecureuil	Full	100.00%	97.01%	Prop.	75.05 %	64.87%	49.90%	49.84%	49.90%	49.84%
Socfim Group										
Socfim	Full	100.00%	99.90%	Prop.	49.90 %	49.85 %	49.90%	49.85%	49.90%	49.85%
SNC SEI Logement.....	Full	100.00%	99.90%	Prop.	49.90 %	49.85 %	49.90%	49.85%	49.90%	49.85%
SNC SEI Tertiaire	Full	100.00%	99.90%	Prop.	49.90 %	49.85 %	49.90%	49.85%	49.90%	49.85%
Socfim Participations ..	Full	100.00%	99.90%	Prop.	49.90 %	49.85 %	49.90%	49.85%	49.90%	49.85%
Socfim Transaction	Full	100.00%	99.90%	Prop.	49.90 %	49.85 %	49.90%	49.85%	49.90%	49.85%
Société Européenne d'Investissement	Full	100.00%	99.90%	Prop.	49.90 %	49.85 %	49.90%	49.85%	49.90%	49.85%
Eulia Caution Group										
Eulia Caution	Full	100.00%	100.00%	Prop.	49.90 %	49.90 %	49.90%	49.90%	49.90%	49.90%
Cegi	Full	100.00%	100.00%	Prop.	49.90 %	49.90 %	49.90%	34.93%	49.90%	34.93%

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

Assets			Liabilities		
	June 30, 2004	Dec. 31, 2003		June 30, 2004	Dec. 31, 2003
			(in millions of euros)		
Customer loans.....	79,645	35,865	Regulated savings accounts...	2,224	1,870
- Individuals: property loans....	28,768	15,681	Other customer deposits.....	37,717	11,552
- Individuals: other loans.....	872	748	Accrued interest	88	66
- Self-employed professionals .	5,309	1,365			
- SMEs	1,604	1,262			
- Local and regional authorities	5,461	3,615			
- Other customer loans	37,631	13,194			
Non-performing loans	2,131	1,466			
-o/w doubtful	1,274	594			
Provisions on non-performing loans	(718)	(518)			
-o/w doubtful	(502)	(221)			
Total	81,058	36,813	Total	40,029	13,488

Acquisition date	Dec, 31 2003	Change in consolidation method	Changes in Group structure and other movements	Amort.	June, 30 2004
(in millions of euros)					

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Banque de Tahiti	Jan. 1, 2002	16	0	0	(1)	15
	Dec. 31,					
Banque Sanpaolo France ⁽¹⁾	2003	242	0	(44)	(10)	188
	Oct. 30,					
CDC IXIS Group	2000	114	318	17	(14)	435
	June 30,					
Financière CEGI	2004	0	0	9	0	9
	June 30,					
A3C	2004		0	5	(5)	0
Other		64	13	4	(5)	76
Net goodwill arising on the New Foundations project	June 30, 2004		0	366	0	366
Total goodwill		436	331	357	(35)	1,089

- (1) Further to the completion in first-half 2004 of the analyses and appraisals required to value the assets and liabilities of the Banque Sanpaolo Group, fair value adjustments of €120 million (€77.5 million net of deferred taxes) were recorded relating to Banque Sanpaolo's intermediation business. These fair value adjustments are being written off to the income statement according to an amortization schedule that reflects the recognition of the net interest margin on the underlying loan book. The residual goodwill of €197.4 million will be amortized over ten years.

	Acquisition date	Dec, 31 2003	Change in consolidation method	Changes in Group structure and other movements	Amort.	June, 30 2004
			(in millions of euros)			
Subsidiary concerned						
Entenial	Jan. 1, 2004	0	(2)	(7)	0	(9)
Other		(4)	(3)	0	0	(7)
Total negative goodwill		(4)	(5)	(7)	0	(16)

Note 8 - Debt Securities

	June 30, 2004	Dec. 31, 2003
	(in millions of euros)	
Retail certificates of deposit and savings certificates	80	69
Inter-bank and money market securities	53,385	24,456
Bonds	80,910	49,666
Total	134,375	74,191

Note 9 - Capital Funds and Reserves, Reserve for General Banking Risks and Subordinated Debt

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

	Capital	Issue premiums	Reserves and retained earnings	Net income for the period	Total
	(in millions of euros)				
At December 31, 2002	2,905	527	486	196	4,114
Movements during the year	0	(92)	49	131	88
At December 31, 2003	2,905	435	535	327	4,202
Appropriation of 2003 net income	0	0	327	(327)	0
Dividends	0	0	(84)	0	(84)
CNCE capital increase and impact of the New Foundations project	3,776	1,354	1,203	0	6,333
Translation adjustments	0	0	11	0	11
Other movements	0	0	(7)	0	(7)
Net income for the period	0	0	0	333	333
At June 30, 2004	6,681	1,789	1,985	333	10,788

(b) Changes in reserve for general banking risks

	Dec. 31, 2003	Allocations	Releases	Other movements	June 30, 2004
Reserve for general banking risks	286	55	0	(26)	315

(c) Subordinated debt

During the first half of 2004, the CNCE issued €728 million worth of subordinated debt securities. Other significant movements in this item reflect the first-time consolidation of the Enténial Group and the impact of the New Foundations project.

Note 10 - Commitments on Financial Instruments

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

	Nominal Contract Amounts				
	Interest- rate Instruments	Currency Instruments	Other instruments	Total June 30, 2004	Total Dec. 31, 2003
Transactions on Organized Markets	(in millions of euros)				
Futures	197,550	0	237,415	434,965	87,552
Options.....	455,064	0	143,849	598,913	105,450

Over-the-Counter Transactions

Futures	2,028,689	6,292	0	2,034,981	419,112
Options.....	264,891	10,662	39,133	314,686	74,206
Total	2,946,194	16,954	420,397	3,383,545	686,320

The significant increase in off-balance sheet commitments between December 2003 and June 2004 is due to the change from proportional consolidation to full consolidation for certain companies, particularly the CDC IXIS group.

Note 11 - Provisions for Loan Losses

	Customer Loans	Other	Total
	(in millions of euros)		
Charges to provisions.....	(93)	(33)	(126)
Reversals of provisions	86	4	90
Other	(21)	5	(16)
Total, six months ended June 30, 2004.....	(28)	(24)	(52)
Total, six months ended June 30, 2003.....	(34)	(5)	(39)
Total, twelve months ended December 31, 2003	(27)	(44)	(71)

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

Note 12 - Exceptional Items

Exceptional income and expenses are income and expenses which are unusual in terms of their frequency and which fall outside the scope of the Group's ordinary activities. In first-half 2004, exceptional items included a €100 million indemnity payment received from the Caisse des dépôts et consignations (see Note 1.4).

**STATUTORY AUDITORS' REVIEW REPORT
ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004**

PricewaterhouseCoopers Audit

**32, rue Guersant
75017 Paris**

Mazars & Guérard

**Le Vinci
4, allée de l'Arche
92075 La Défense Cedex**

This is a free translation into English of the Auditors' review report and is provided solely for the convenience of English-speaking readers.

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

To the shareholders

CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

77, boulevard Saint Jacques
75014 Paris

As requested from us in our capacity as Statutory Auditors of the Caisse Nationale des Caisses d'Epargne et de Prévoyance, we have performed a limited review of the accompanying interim consolidated financial statements for the period from January 1, 2004 to June 30, 2004.

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

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

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements in order to present fairly the consolidated results of operations for the six months ended June 30, 2004 and the consolidated financial position and assets of the Caisse Nationale des Caisses d'Epargne et de Prévoyance and its subsidiaries at that date, in conformity with the accounting rules and principles applied in France.

Without qualifying our opinion set out above, we draw your attention to Notes 1 and 4 to the interim consolidated financial statements which describe the New Foundations project and its impact on period on period comparisons.

Paris, and Paris la Défense, October 20, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

Mazars & Guérard

Anik Chaumartin

Yves Nicolas

Michel Barbet-Massin

Franck Boyer

CNCEP INTERIM INDIVIDUAL FINANCIAL STATEMENTS

as at 30 June 2004

The English language version of these interim financial statements is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation.

Balance sheet at June 30, 2004 and December 31, 2003

Assets	Notes	June 30, 2004	Dec. 31, 2003
		(in millions of euros)	
Cash, amounts due from central banks and post office banks		2,045	2,605
Loans and advances to financial institutions.....	3, 6, 7	55,606	51,586
- Demand		4,695	5,728
- Term		50,911	45,858
Loans and advances to customers	4, 6, 7	2,048	1,521
- Other customer loans		2,006	1,464
- Current accounts in debit.....		42	57
Bonds and other fixed-income securities.....	5, 7	3,542	3,110
Shares and other variable-income securities.....	5	412	404
Equity investments and other long-term securities	6	380	131
Investments in associated companies	6	12,961	4,487
Intangible fixed assets	8	11	9
Tangible fixed assets	8	33	34
Other assets.....		335	639
Accruals and other accounts receivable.....	10	2,555	2,910
Total assets		79,928	67,436

Off-Balance Sheet Commitments	Notes	June 30, 2004	Dec. 31, 2003
		(in millions of euros)	
.....			
Commitments given	13, 14, 15		

Off-Balance Sheet Commitments	Notes	June 30, 2004	Dec. 31, 2003
		(in millions of euros)	
Financing Commitments	6	6,508	4,751
Commitments to financial institutions.....		4,606	4,089
Commitments to customers		1,902	662
Guarantee Commitments	6	3,103	2,721
Commitments to financial institutions.....		768	663
Commitments to customers		2,335	2,058
.....			
Commitments made on Securities			
Other commitments given		421	

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

Balance sheet at June 30, 2004 and December 31, 2003

Liabilities, Capital Funds and Reserves	Notes	June 30, 2004	Dec. 31, 2003
		(in millions of euros)	
Amounts due to Financial Institutions	3, 6, 7	27,816	22,697
- Demand.....		3,395	4,301
- Term.....		24,421	18,396
Customer Deposits	4, 6, 7	172	162
Other accounts:		172	162
- Demand.....		141	116
- Term.....		31	46
Debt Securities	7, 9	35,780	33,641
- Money market and interbank securities.....		10,586	11,469
- Bonds		25,194	22,172
Other Liabilities		244	135
Accruals and other Accounts Payable	10	2,329	3,585
Provisions for Liabilities and Charges	11	115	105
Subordinated Debt	6, 12	4,361	3,559
Reserve for General Banking Risks	12	48	48
Capital Funds and Reserves (Excluding Reserve for General Banking Risks)	12	9,063	3,504
Capital		6,681	2,905

Liabilities, Capital Funds and Reserves	Notes	June 30, 2004	Dec. 31, 2003
		(in millions of euros)	
Issue premiums		1,887	435
Reserves		80	75
Retained earnings.....		-	2
Net income for the period.....		415	87
Total Liabilities, Capital Funds and Reserves		79,928	67,436

Off-Balance Sheet Commitments	Notes	June 30, 2004	Dec. 31, 2003
		(in millions of euros)	
Commitments received	13,14, 15		
Financing Commitments.....	6		
Commitments from financial institutions		1,303	404
.....			
Guarantee Commitments.....			
Commitments from financial institutions		2,880	2,961
.....			
Commitments received on Securities.....		1	2
Other commitments received		1	2

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

Profit and loss account for the six month periods ended June 30, 2004 and June 30, 2003 and the year ended December 31, 2003

Profit and Loss Account	Notes	First-half		Fiscal
		2004	2003	2003
		(in millions of euros)		
Interest income	16	1,003	996	2,058
Interest expense	16	(1,011)	(999)	(2,056)
Income from shares and other variable- income securities	17	287	16	176
Commissions (income.....	18	52	48	94
Commissions (expense.....	18	(5)	(4)	(11)
Net gains (losses on trading transactions.....	19	1	(1)	1
Net gains on held-for-sale portfolio	20	33	12	16

Profit and Loss Account	Notes	First-half		Fiscal
		2004	2003	2003
transactions and similar items.....				
Other operating income.....	21	25	26	52
Other operating expense.....	21	(18)	(19)	(39)
Net Banking Income		367	75	291
General operating expenses.....	22	(136)	(86)	(186)
Depreciation and amortization of tangible and intangible assets		(8)	(5)	(12)
Gross Operating Income		223	(16)	93
Provisions for loan losses.....	23	(4)	(2)	(3)
Operating Income (Loss)		219	(18)	90
Net gains (losses on fixed assets.....	24	97	(2)	-
Ordinary Income Before Tax		316	(20)	90
Exceptional items	25	100		
Income tax.....	26	(1)		(3)
Allocations to the reserve for general banking risks				
Net Income (Loss)		415	(20)	87

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

Notes to the Interim Financial Statements of the Parent Company

Six Months Ended June 30, 2004

I Legal and financial framework – significant events of the period

(a) Legal framework and financial relationship with Group entities

Together, the different Caisses d'Epargne et de Prévoyance form a financial network around a central institution, the Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCE). The Caisse d'Epargne Group consists of a varied body of subsidiaries contributing to the operation of the network of mutual savings banks and their business development. A national Federation) *Fédération Nationale des Caisses d'Epargne et de Prévoyance* has been set up pursuant to the Act of July 1, 1901 governing non-profit-making associations. The roles and responsibilities of the Federation are specified in article L.512-99 of the French Monetary and Financial Code.

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

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

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

In respect of the Group's financial functions, the CNCE is responsible, in particular, for cash pooling for the regional savings banks and carrying out any financial transactions useful for the development and refinancing of the network; it is responsible for choosing the most efficient operator for these assignments in the best interests of the network whose financial stability is guaranteed by the CNCE.

(b) Guarantee system

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

This broad definition makes it possible to base the Group's guarantee mechanism on all the capital funds and reserves of its affiliates with a view to preventing default, while offering protection complementary to the chiefly curative objective of the market guarantee systems to which the Caisse d'Epargne Group also subscribes. The required resources are made available through a Group Mutual Guarantee and Solidarity Fund (*Fonds de garantie et de solidarité du Groupe, FGSG*) carried in the books of the CNCE and provided with an immediate intervention

capacity of €271 million. Should this amount prove insufficient to avert default by a member of the Group, the CNCE may provide appropriate additional resources further to a rapid decision-making process, which ensures timely action.

(c) Significant events of the period

1.1 Overview

On May 27, 2004, the Caisse d'Epargne and Caisse des dépôts et consignations Groups signed a memorandum of agreement aimed at redefining the nature of their partnership.

Under this agreement, the Caisse des dépôts et consignations transferred its 50.1% holding in Compagnie Financière Eulia and its 43.55% stake in its investment banking and asset management subsidiary, CDC IXIS, to the Caisse Nationale des Caisses d'Epargne (CNCE).

The contribution of these assets transforms the Caisse d'Epargne Group into a full-service bank in which the Caisse des dépôts et consignations has the status of a strategic shareholder through its 35% interest in the CNCE alongside the individual Caisses d'Epargne.

The agreement provides a long-term foundation to the partnership between the two groups, which have undertaken to maintain their respective shareholdings in the CNCE until the time of any potential IPO. It also defines their respective roles within the new entity:

- The CNCE – which is 65%-owned by the Caisses d'Epargne and 35% by the Caisse des dépôts et consignations – has a strengthened threefold role, i.e. 1 its traditional role as the central institution of the network for all of the companies within the extended Caisse d'Epargne Group, 2 that of central banker to the Group, carrying out proprietary transactions, and 3 that of holding company for the subsidiaries it owns directly. It will therefore directly manage the Group's retail banking operations as well as the investment banking business primarily carried out by IXIS.
- The Caisse des dépôts et consignations has confirmed its role as a strategic shareholder of the CNCE and a long-term investor by taking over the proprietary portfolios of CDC IXIS (listed equities, private equity, real estate).

The financial structuring of the operation led the 29 individual Caisses d'Epargne in metropolitan France to issue €3.3 billion worth of Cooperative Investment Certificates (CICs) to the CNCE, giving the CNCE a 20% stake in their capital. As a result, both the CNCE and the Caisse des dépôts et consignations have an interest in the banking operations of the individual Caisses d'Epargne, the former directly, and the latter indirectly through its stake in the CNCE.

1.2 Transactions Completed

The above-mentioned New Foundations agreement provided – prior to any restructuring operations – for CDC IXIS to transfer to the Caisse des dépôts et consignations or its direct subsidiaries, its portfolio of listed equities, its portfolio of securities relating to its real-estate or private equity business, and certain holdings in associated companies.

The portfolio of listed equities and Sogeposte were both transferred by June 30, 2004. The other transfer transactions were still underway at the half-yearly closing and will be completed during the second half of the year. The following IXIS group companies which are currently consolidated will therefore be transferred: CDC Entreprise 1 and 2, CDC Innovation 96, Electropar France, Fondinvest, Part'Com, 65% of CDC IXIS Private Equity, Société Foncière des Pimonts, Logistis and AIH BV.

The true restructuring transactions were carried out either simultaneously or successively on June 30, 2004 as set out below:

- The CNCE carried out a €64 million capital increase which was taken up by the Caisse des dépôts, as payment for the latter's transfer of a 23.66% interest in CDC IXIS Italia Holding, which in turn holds a 2% stake in Sanpaolo IMI,
- The Caisse des dépôts sold to the individual savings banks (Caisses d'Epargne), its entire direct interest in CDC IXIS – representing 43.55% of the latter's capital – for a price of €3,209 million,
- The Caisses d'Epargne transferred to Compagnie Financière Eulia the IXIS shares acquired from the Caisse des depots. The transfer was funded by a €3,209 million capital increase,
- Compagnie Financière Eulia was merged into the CNCE, in return for a €5,065 million capital increase taken up by the Caisses d'Epargne and the Caisse des dépôts (retroactive merger effective from January 1, 2004),
- The Caisses d'Epargne acquired CNCE shares from the Caisse des dépôts for an amount of €982 million,
- Each of the 29 individual Caisses d'Epargne in Metropolitan France issued Cooperative Investment Certificates to the CNCE representing 20% of their capital after the issue. The Cooperative Investment Certificates granted to the CNCE represented a total of €3,323 million.

Further to these transactions, the CNCE held 96.55% of CDC IXIS and the Caisse des dépôts et consignations retained a 35% stake in the CNCE.

1.3 Termination of Indemnity Clauses granted in connection with the “Alliance” Transactions

Pursuant to their agreement to merge a number of their activities within the “Alliance” signed at the end of 2001, the Caisse d'Epargne and Caisse des dépôts Groups decided to grant each other reciprocal indemnity clauses to cover certain possible future developments.

The most significant particular clauses concern the occurrence of certain future events, namely:

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

The New Foundations agreement signed in May 2004 provided for the early termination of these clauses by June 30, 2004 in return for the payment to the CNCE of:

- an indemnity of €32 million recorded under net banking income in relation to the mechanism implemented to protect the value of CDC IXIS's listed securities portfolio.
- a global indemnity of €100 million in respect of the two other clauses, recorded under exceptional items.

II Accounting Policies

Note 1 – Valuation Methods And Rules Of Presentation

The accounting principles and valuation methods are described in Note 3 of the Notes to the consolidated financial statements.

Note 2 – Changes of Accounting Methods

No changes of accounting method occurred during the period.

III Notes to the Balance Sheet, Off-Balance Sheet Items and the Profit and Loss Account

Balance Sheet

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

Note 3 – Interbank Items

Assets	June 30, 2004	Dec. 31, 2003	Liabilities	June 30, 2004	Dec. 31, 2003
<i>(in millions of euros)</i>					
Demand accounts	4,695	5,728	Demand deposits	3,395	4,301
Current accounts.....	4,673	5,708	Current accounts.....	3,131	4,279
Accrued interest	9	4	Accrued interest.....	3	4
Suspense items	13	16	Other amounts payable.....	261	18
Term accounts	50,911	45,858	Term deposits.....	24,421	18,396
Term loans ^{(1) (2)}	50,298	45,291	Term borrowings	24,288	18,275
Accrued interest ⁽³⁾	613	567	Accrued interest.....	133	121
Total	55,606	51,586	Total.....	27,816	22,697

- (2) Including subordinated loans in an amount of €1,418 million at June 30, 2004. A portion of the subordinated loans (€683 million) has been transferred to the IXIS Group in the form of “mirror loans” since January 1, 2002. Debt securities and interbank borrowings have been transferred to the IXIS Group in the form of “mirror loans” representing: (2) €39,942 million of term loan items and (3) €577 million of accrued interest.

Note 4 – Customer Items

Assets	June 30, 2004	Dec. 31, 2003	Liabilities	June 30, 2004	Dec. 31, 2003
<i>(in millions of euros)</i>					
Other customer loans.....	1,989	1,452	Other customer deposits.....	171	161
- Short-term credit facilities	318	402	- Current accounts (deposits.....)	141	116
- Equipment loans	1,605	1,030	- Other	30	45
- Loans to financial customers ...	26				
- Participating loans	40	20	Accrued interest	1	1

Assets	June 30, 2004	Dec. 31, 2003	Liabilities	June 30, 2004	Dec. 31, 2003
				<i>(in millions of euros)</i>	
Current accounts in debit.....	42	57			
Accrued interest	13	9			
Non-performing loans	17	17			
Provisions on non-performing loans	(13)	(14)			
Total	2,048	1,521	Total	172	162

Note 5 – Treasury Bills, Bonds, Shares, and other Fixed- and Variable-Income Securities

5.1 Analysis by portfolio

	Trading	Held for sale	Investment	Portfolio activity	Accrued interest	Total June 30, 2004	Total Dec. 31, 2003
						<i>(in millions of euros)</i>	
Bonds and other fixed-income securities ⁽¹⁾		2,110	1,360		72	3,542	3,110
Shares and other variable-income securities ⁽²⁾		412			0	412	404
Total at June 30, 2004		2,522	1,360		72	3,954	3,514
Total at December 31, 2003	0	2,085	1,365	0	64		

(1) Including listed securities: €3,542 million at June 30, 2004, versus €3,110 million at December 31, 2003.

(2) Including listed securities: €7.2 million at June 30, 2004, versus €5.7 million at December 31, 2003.

The aggregate difference between the acquisition price and the redemption price at June 30, 2004 amounted to €4.1 million for securities held for sale and €3 million for investment securities. Bonds and other fixed-income securities issued by public bodies represent a total of €103 million.

There were no amounts due with respect to securities lent at June 30, 2004.

5.2 Portfolio transfers

No portfolio transfers were made in first-half 2004.

The aggregate amount of investment securities sold before maturity during first-half 2004 stood at €5 million.

5.3 Unrealized capital gains and losses

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

	Securities held for sale	
	June 30,	
	2004	Dec. 31, 2003
	(in millions of euros)	
Net book value.....	2,559	2,112
Market value.....	2,617	2,167
Unrealized capital gains	58	55
Unrealized losses provided for.....	3	2

Note 6 – Equity Investments and other Long-Term Securities, Investments in Associated Companies

6.1 Table of subsidiaries and affiliates

	Financial information	Share capital	Reserves and retained earnings (before net income appropriation)	% interest held	Book value of securities held	Outstanding loans and advances granted by the Company	
		(1)	(1)		Gross	Net	
Detailed information about subsidiaries and affiliates whose gross value exceeds 1% of the parent company's capital							
1. Subsidiaries (over 50% -held:							
Holassure- 5, rue Masseran- 75007 PARIS	811	101	100.00%	928	928		
Crédit foncier de France- 19,rue des Capucines - 75001 PARIS	395	338	95.42%	766	766	980	
Financière Océor- 27, rue de la Tombe-Issoire - 75014	173	85	81.88%	334	334	497	
Banque San Paolo - 52, avenue Hoche - 75008 PARIS	350	39	60.00%	502	502	30	
CDC IXIS - 26, rue Neuve Tolbiac - 75013 PARIS	5,103	935	96.55%	5,962	5,962	555	
CDC IXIS ITALIA HOLDING - 59, rue de Lille - 75007 PARIS.....	324	3	80%	247	247		
ECUREUIL PARTICIPATIONS - 5, rue Masseran - 75007 PARIS.....	75	33	100%	162	162		
2. Affiliates (between 10% and 50% -held							
Caisse d'Epargne des Alpes - 10, rue Hébert - 38000 GRENOBLE.....	80	215	20.00%	99	99	126	
Caisse d'Epargne d' Alsace - 2, quai Kléber - 67000 STRASBOURG	71	190	20.00%	87	87	145	
Caisse d'Epargne d'Aquitaine Nord - 61, rue du Château d'Eau - 33000 BORDEAUX	71	159	20.00%	107	107	68	
Caisse d'Epargne d'Auvergne et du Limousin - 63, rue de la République - 63000 CLERMONT-FERRAND	96	257	20.00%	125	125	77	

Financial information	Share capital	Reserves and retained earnings (before net income appropriation)	% interest held	Book value of securities held	Outstanding loans and advances granted by the Company	C en g e
	(1)	(1)		Gross	Net	
rue Montlosier - 63000 CLERMOND FERRAND						
Caisse d'Epargne de Bourgogne - 1, rond Point de la Nation - 21000 DIJON	90	307	20.00%	129	129	21
Caisse d'Epargne de Bretagne - 4, rue du Chêne Germain -35100 CESSON SEVIGNE	85	119	20.00%	93	93	67
Caisse d'Epargne Centre-Val de Loire - 267, rue Giraudeau - 37100 TOURS	52	87	20.00%	70	70	27
Caisse d'Epargne Champagne-Ardenne - 12-14, rue Carnot - 51100 REIMS	60	144	20.00%	70	70	4
Caisse d'Epargne Côte d'Azur - 455, promenade des Anglais - 06000 NICE	95	246	20.00%	136	136	24
Caisse d'Epargne de Flandre - 24, avenue Gustave Delory - 59100 ROUBAIX	76	242	20.00%	100	100	4
Caisse d'Epargne Haute-Normandie - 151, rue d'Uelzen - 76230 BOIS GUILLAUME	88	189	20.00%	116	116	51
Caisse d'Epargne Ile de France Ouest - 14, avenue du Centre - 78180 SAINT QUENTIN EN YVELINES	59	126	20.00%	89	89	33
Caisse d'Epargne Ile de France Paris - 19, rue du Louvre - 75001 PARIS	267	556	20.00%	323	323	129
Caisse d'Epargne Languedoc-Roussillon - 254, rue Michel Teule - 34000 MONTPELLIER	110	274	20.00%	134	134	22
Caisse d'Epargne Loire Drome Ardèche -17, rue P. et D. Pontchardier - 42000 ST ETIENNE	92	168	20.00%	83	83	104
Caisse d'Epargne de Lorraine Nord - 2, rue Royale - 57000 METZ	113	367	20.00%	144	144	89
Caisse d'Epargne Midi-Pyrénées - 10, avenue Maxwell - 31000 TOULOUSE	116	321	20.00%	162	162	25
Caisse d'Epargne du Pas-de-Calais - 1, place de la République - 62300 LENS	68	212	20.00%	86	86	16
Caisse d'Epargne des Pays de la Loire - 15,	91	182	20.00%	120	120	57

Financial information	Share capital	Reserves and retained earnings (before net income appropriation)	% interest held	Book value of securities held	Outstanding loans and advances granted by the Company	
	(1)	(1)		Gross	Net	
avenue de la Jeunesse - 44700 ORVAULT						
Caisse d'Epargne des Pays du Hainaut - 31, avenue G. Clémenceau - 59300 VALENCIENNES.....	46	172	20.00%	72	72	37
Caisse d'Epargne de Picardie - 2, boulevard Jules Verne - 80000 AMIENS	85	241	20.00%	140	140	29
Caisse d'Epargne Poitou Charentes -18, rue Gay Lussac - 86000 POITIERS.....	83	200	20.00%	86	86	30
Caisse d'Epargne Provence-Alpes-Corse -Place Estangin Pastré -13006 MARSEILLE	212	449	20.00%	260	260	306
Caisse d'Epargne Rhône-Alpes-Lyon -42, boulevard Eugène Deruelle - 69003 LYON	137	326	20.00%	163	163	34
Caisse d'Epargne Val de France Orléanais -2, rue Lavoisier - 45000 ORLEANS	68	162	20.00%	98	98	16
Ecureuil Vie - Tour Montparnasse - 33, avenue du Maine - 75015 PARIS.....	527	954	41.87%	517	517	20
General information about other subsidiaries and affiliates						
1. Subsidiaries not included in I-1						
a. French subsidiaries				167	167	265
b. Foreign subsidiaries						
2. Affiliates not included in I-2.....						
a. French companies				548	545	829
b. Foreign companies				116	116	
(1) Data at December 31, 2003						

6.2 Related party transactions

	Financial institutions	Other companies	Total at June 30, 2004	Total at Dec. 31, 2003
			(in millions of euros)	
Loans	54,747	119	54,866	45,394
- including subordinated loans.....	1,378	20	1,398	739
Debts.....	24,530	22	24,552	16,512
- including subordinated debt	420	—	420	
Financing commitments given.....	4,582	13	4,596	3,753
Financing commitments received	1,155	—	1,155	296
Guarantee commitments given	428	7	435	142

Note 7 – Loans and Advances Outstanding and Sources of Funds by Maturity

The table below provides an analysis of loans and advances outstanding and sources of funds by maturity (excluding accrued interest). According to convention, non-performing loans and provisions for impairment in value are included in the “Within 3 months” column.

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total at June 30, 2004
					(in millions of euros)
Loans and advances	13,695	8,146	15,105	18,815	55,761
Loans and advances to financial institutions	13,613	7,188	12,761	16,735	50,298
Customer loans.....	39	630	444	880	1,994
Bonds and other fixed-income securities	42	328	1,900	1,200	3,470
Sources of funds	15,744	13,418	16,023	14,482	59,667
Amounts due to financial institutions.....	5,912	7,374	3,996	7,006	24,288
Customer deposits	20	10			30
Debt securities:.....	9,812	6,033	12,027	7,476	35,349
- Interbank and money market securities.....	9,178	915	329	142	10,563
- Bonds	635	5,118	11,698	7,334	24,785

Note 8 – Tangible and Intangible Fixed Assets

8.1 Changes in fixed assets

	Gross value at Jan. 1, 2004	Acquisitions	Sales/ retirements	Other movements	Gross value at June 30, 2004	Depreciation, amortization and provisions at June 30, 2004	Net value at June 30, 2004
							(in millions of euros)
Intangible fixed	33	3		1	37	(26)	11

	Gross value at Jan. 1, 2004	Acquisitions	Sales/ retirements	Other movements	Gross value at June 30, 2004	Depreciation, amortization and provisions at June 30, 2004	Net value at June 30, 2004
						(in millions of euros)	
assets							
Tangible fixed assets	82	4			86	(53)	33
Total	115	7		1	123	(79)	44

8.2 Intangible fixed assets

At June 30, 2004, intangible fixed assets included computer software with a net book value of €7 million.

8.3 Tangible fixed assets

At June 30, 2004, the net book value of land and buildings reserved for the CNCE's own use amounted to €4 million.

Note 9 – Debt Securities

	June 30, 2004	Dec. 31, 2003
	(in millions of euros)	
Bonds ⁽¹⁾	24,785	21,798
Certificates of deposit	9,096	9,798
Negotiable medium-term notes (fungible).....	116	116
Negotiable medium-term notes (structured)	125	155
Other negotiable medium-term notes	1,226	1,369
Accrued interest on bonds	408	373
Accrued interest on negotiable debt instruments	23	32
Total.....	35,780	33,641
(1) Including Euro Medium-Term Notes	11,761	8,350

Unamortized issue and redemption premiums amounted to €38 million.

Note 10 – Accruals and other Assets and Liabilities

Assets	June 30, 2004	Dec. 31, 2003
	(in millions of euros)	
Items in the course of collection	1,814	2,551

Assets	June 30, 2004	Dec. 31, 2003
	<i>(in millions of euros)</i>	
Issue premiums and expenses related to money market securities.....	38	39
Issue premiums and expenses related to bonds.....	145	146
Unrealized hedging losses (financial futures).....	25	15
Pre-paid expenses	76	75
Accrued income.....	175	42
Other	282	42
Total.....	2,555	2,910

Liabilities	June 30, 2004	Dec. 31, 2003
	<i>(in millions of euros)</i>	
Items in the course of collection	1,601	3,097
Issue premiums and expenses related to money market securities.....	1	2
Issue premiums and expenses related to bonds.....	55	56
Unrealized hedging gains (financial futures).....	16	15
Unearned income	182	187
Accrued expenses	164	178
Other	310	50
Total.....	2,329	3,585

Note 11 - Provisions

11.1 Provisions for counterparty risks

	Dec. 31, 2003	Allocations	Reversals	June 30, 2004
	<i>(in millions of euros)</i>			
Provisions carried on the assets side (as deductions.....	14	1	0	15
Provision for customer loans	14	1	0	15
Provisions carried on the liabilities side...	9	4		13
Provision for customer loans	9	4	0	13
Total.....	23	5	0	28

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

The rates are weighted based on assumptions concerning the probability of the amounts involved being recovered in the event of default.

At June 30, 2004, the provision recorded for all the portfolios concerned (HLM social housing organizations and semi-public bodies, professional real estate, local and regional authorities, SMEs, consumer loans, financial markets) amounted to €13 million.

11.2 Provisions for liabilities and charges

	Dec. 31, 2003	Allocations	Reversals	June 30, 2004
				(in millions of euros)
Provision for claims, fines and penalties	5			5
Provisions for potential pension commitments (2).....	32	1		33
Dynamic provisions for counterparty risks..	9	4		13
Provisions for deferred taxes	0			0
Single currency	-			-
Socfim risk.....		11		11
Other subsidies provided for (1)	27			27
Credit risk (1)	15		4	11
Miscellaneous and technical risks.....	17		2	15
Total	105	16	6	115

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

(2) As a precautionary measure, the commitment to finance future deficits of the retirement fund (*Caisse Générale de Retraites du Personnel des Caisses d'Epargne—CGRCE*) has been estimated on an all-inclusive basis at the level of the Caisse d'Epargne Group. A net amount of €0.9 million was charged to the provision for potential pension commitments included in the accounts of the Caisse Nationale des Caisses d'Epargne, reflecting the discounting of the obligation.

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

12.1 Capital funds and reserves

	Capital	Issue premiums	Reserves and retained earnings	Net income for the period	Total (excluding reserve for general banking risks)
	<i>(in millions of euros)</i>				
At December 31, 2002	2,905	527	71	86	3,589
Movements during the year		(92)	6	1	(85)
At December 31, 2003	2,905	435	77	87	3,504
Appropriation of 2003 net income			87	(87)	0
Dividends			(84)		(84)
Capital increase ⁽¹⁾	3,776	1,345			5,121
Merger premium ⁽²⁾		107			107
Net income for the period.....				415	415
At June 30, 2004	6,681	1,887	80	415	9,063

(1) Merger-related costs of €8.2 million were offset against the related issue premium.

(2) The surplus arising on the merger with Compagnie Financière Eulia has been recorded as follows: €78 million – representing the Company’s share in Eulia’s undistributed net income since the acquisition – under “Gains on fixed assets”, and the balance under capital funds and reserves.

At June 30, 2004, the share capital of the CNCE amounted to €6,681 million divided into 438,091,381 shares with a par value of €15.25 each.

12.2 Changes in the reserve for general banking risks

	Dec. 31, 2003	Allocations	Releases	June 30, 2004
	<i>(in millions of euros)</i>			
Reserve for general banking risks.....	48			48

12.3 Subordinated debt

	Maturity Date	Interest Rate	Amountn in 2004	Amount in 2003
<i>(in millions of euros)</i>				
12/1998.....	12/2010	4.50%	91	91
11/1999	11/2011	5.60%	747	747
07/2002.....	07/2014	5.20%	455	455
09/2002.....	07/2014	5.20%	395	395
02/2003.....	02/2015	4.50%	417	417
07/2003.....	07/2015	4.10%	450	450
07/2003.....	12/2015	4.80%	147	147
11/2003		5.25%	800	800
02/2004.....	02/2016	4.60%	308	
06/2004 ⁽¹⁾	07/2099		420	
Total.....			4,230	3,502

(1) Indexed on the 3-month EURIBOR.

In November 1999, the CNCE issued redeemable subordinated debt for a total of €747 million at a fixed rate of 5.6%. These securities will be redeemed in full at their nominal value on November 5, 2011. The CNCE also granted corresponding “mirror” redeemable subordinated loans in favor of the Caisses d’Epargne at the same rates and with the same maturity profile as the subordinated debt. In 2002, the CNCE carried out two issues of redeemable subordinated debt for a total of €850 million at a rate of 5.20%. These securities will be redeemed in full on July 19, 2014.

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

These securities may be categorized as consolidated Tier-1 regulatory capital of the CNCE and the Caisse d’Epargne Group up to a maximum of 15% of the consolidated Tier-1 regulatory capital as applicable to “innovative” financial instruments.

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

OFF-BALANCE SHEET COMMITMENTS

NOTE 13 – COMMITMENTS GIVEN TO AND RECEIVED FROM FINANCIAL INSTITUTIONS

	Financing commitments	Guarantees
	<i>(in millions of euros)</i>	
Commitments given		
to the Caisses d'Epargne network.....	4,258	221
to other establishments	348	547
Total at June 30, 2004.....	4,606	768
Total at December 31, 2003	4,089	663
Commitments received		
from the Caisses d'Epargne network.....	1,155	940
from other establishments.....	148	1,940
Total at June 30, 2004.....	1,303	2,880
Total at December 31, 2003	404	2,961

At the period-end, assets pledged as security for commitments given by the CNCE or by third parties were not material.

NOTE 14 – FINANCIAL INSTRUMENTS

14.1 Commitments on financial instruments

	Hedging transactions	Specialized management	Trading	Total June 30, 2004	Total Dec. 31, 2003
	<i>(in millions of euros)</i>				
Futures					
Over-the-counter transactions					
Interest rate swaps	5,303			5,303	4,474
Currency swaps.....					—
Options					
Over-the-counter transactions					
Index-based options					
Purchased			102	102	59
Sold	70		108	178	133
Total.....	5,373	—	210	5,583	4,666

14.2 Commitments on financial instruments by maturity

	Within 1 year	1 to 5 years	Over 5 years	Total June 30, 2004
		(in millions of euros)		
OVER-THE-COUNTER TRANSACTIONS				
Futures	221	1,094	3,988	5,303
Options	211	64	5	280
Total	432	1,158	3,993	5,583

14.3 Counterparty risk on financial instruments

Counterparty risks are measured as the probable loss that the CNCE would suffer as a result of a counterparty failing to meet its obligations. The CNCE's exposure to counterparty risk in respect of interest rate and currency futures and options can be calculated as the equivalent credit risk as defined by French Banking Commission Instruction 96-06, i.e. by adding together:

- the positive replacement value of the instruments, on the basis of their market value, excluding the effect of netting agreements in accordance with the conditions laid down in article 4 of Rule 91-05 of the French Banking and Financial Services Regulatory Committee,
- the potential credit risk resulting from the application of "add-on" factors defined by the Instruction referred to above, computed on the nominal value of the contracts according to their type and residual term.

	Government and OECD central banks and equivalent	OECD financial institutions and equivalent	Other counter- parties	June 30, 2004
	(in millions of euros)			
Unweighted equivalent credit risk, without considering netting and collateral agreements ⁽¹⁾		137	1	138
Effect of netting agreements				0
Effect of collateral agreements				0
Unweighted equivalent credit risk, after considering netting and collateral agreements	0	137	1	138
Weighted equivalent credit risk, after considering netting and collateral agreements	0	27	1	28
⁽¹⁾ Of which positive net replacement values		73		73

The above table shows only the transactions concerned by French Banking Commission Instruction 96-06, i.e. transactions executed on over-the-counter markets and markets considered as organized markets. However, the table excludes transactions concluded on organized markets and those carried out with credit institutions belonging to the Caisses d'Epargne network for which the counterparty risk is deemed to be non-existent as it is covered by the Group's mutual guarantee and solidarity mechanisms.

At June 30, 2004, the weighted equivalent credit risk set out in the above table represented 0.5% of the total notional amounts of the contracts concerned.

NOTE 15 – OTHER COMMITMENTS NOT CARRIED ON THE BALANCE SHEET

	Commitments given	Commitments received
Outstanding charges related to leasing agreements:		
- Real estate	24	
Total	24	

PROFIT AND LOSS ACCOUNT

NOTE 16 - INTEREST INCOME AND EXPENSE

	Income			Expense		
	First-half 2004	First-half 2003	Fiscal 2003	First-half 2004	First-half 2003	Fiscal 2003
	<i>(in millions of euros)</i>					
Transactions with financial institutions.	879	889	1,827	(296)	(254)	(573)
Customer transactions	27	12	37	(10)	(4)	(14)
Bonds and other fixed-income securities	97	95	194	(623)	(691)	(1,353)
Subordinated debt				(82)	(50)	(116)
Total	1,003	996	2,058	(1,011)	(999)	(2,056)

NOTE 17 - INCOME FROM SHARES AND OTHER VARIABLE-INCOME SECURITIES

	First-half 2004	First-half 2003	Fiscal 2003
	<i>(in millions of euros)</i>		
Shares and other variable-income securities	3	4	1
Equity investments and other long-term securities	0		2
Investments in associated companies ⁽¹⁾	284	12	173
Total	287	16	176

(1) Including €253 million in dividends paid to Eulia by its subsidiaries.

NOTE 18 – COMMISSIONS

	Income			Expense		
	First-half 2004	First-half 2003	Fiscal 2003	First-half 2004	First-half 2003	Fiscal 2003
	<i>(in millions of euros)</i>					
Transactions with financial institutions	0	1	3	0	0	(1)
Customer transactions	2	1	2	0		
Securities transactions	2	2	4	(1)	(1)	(2)
Payment processing	46	42	83	(1)	(1)	(2)
Other commissions	1	2	2	(3)	(2)	(6)
Total	52	48	94	(5)	(4)	(11)

NOTE 19 - GAINS AND LOSSES ON TRADING ACCOUNT SECURITIES

	First-half 2004	First-half 2003	Fiscal 2003
	(in millions of euros)		
Trading account securities			
Foreign exchange.....	0	(1)	1
Financial instruments	1	0	
Total	1	(1)	1

NOTE 20 - GAINS AND LOSSES ON HELD-FOR-SALE PORTFOLIO TRANSACTIONS AND SIMILAR ITEMS

	Securities held for sale	First-half 2004	First-half 2003	Fiscal 2003
		(in millions of euros)		
Income from disposals ⁽¹⁾		34	9	8
Net allocation to (reversal from) provisions.....		(1)	3	8
Total		33	12	16

(1) Including an indemnity of €32 million received in relation to the mechanism implemented to protect the value of CDC IXIS's listed securities portfolio.

NOTE 21 – OTHER OPERATING INCOME AND EXPENSES

	Income			Expense		
	First-half 2004	First-half 2003	Fiscal 2003	First-half 2004	First-half 2003	Fiscal 2003
	(in millions of euros)					
Micro-enterprises business	3	3	6	(2)	(3)	(5)
Bank card business.....	8	8	17	(6)	(7)	(14)
Amortization and cross-charging of issue costs.....	8	9	19	(9)	(9)	(20)
Other	6	6	10	(1)	0	0
Total	25	26	52	(18)	(19)	(39)

NOTE 22– GENERAL OPERATING EXPENSES

	First-half 2004	First-half 2003	Fiscal 2003
	<i>(in millions of euros)</i>		
Personnel costs	(57)	(45)	(94)
- Wages and salaries	(34)	(25)	(54)
- Pension and retirement costs	(5)	(6)	(11)
- Other social security costs and payroll-based taxes	(16)	(13)	(27)
- Profit-sharing and incentive schemes.....	(2)	(1)	(2)
Taxes other than on income	(3)	(2)	(5)
External services	(150)	(103)	(213)
Cross-charged expenses	74	64	126
Total.....	(136)	(86)	(186)

The average number of employees in first-half 2004 can be analyzed as follows by category:

- Managerial	612
- Other	<u>268</u>
	880

NOTE 23 – PROVISIONS FOR LOAN LOSSES

	Customer loans	Other	Total
	<i>(in millions of euros)</i>		
Charges to provisions.....	(4)		(4)
Reversals of provisions		0	0
Losses on irrecoverable debts written off - covered by provisions		0	0
Losses on irrecoverable debts written off - not covered by provisions			
Total, six months ended June 30, 2004.....	(4)	0	(4)
Total, six months ended June 30, 2003.....	(2)	—	(2)
Total 2003	(3)	0	(3)

NOTE 24 – GAINS AND LOSSES ON FIXED ASSETS

	First-half 2004	First-half 2003	Fiscal 2003
	<i>(in millions of euros)</i>		
On tangible fixed assets.....	0		
On equity investments and other long-term securities and investments in associated companies ⁽¹⁾⁽²⁾	97		
On investments securities	0	(2)	0
Total	97	(2)	0

(1) Including €78 million corresponding to a portion of the merger surplus (see note 12.1 for details)

(2) Including €18.9 million in disposal gains recorded by Eulia.

NOTE 25 – EXCEPTIONAL ITEMS

The €100 million recorded as exceptional income in first-half 2004 represents the compensation payments received by the CNCE from the CDC in connection with indemnity clauses provided as part of the “Alliance” operation and concerning the performance of the intermediation activity of the Finance Division contributed to the Alliance by the CNCE, and the realization of potential capital gains by the Crédit Foncier group.

NOTE 26 – INCOME TAX

	Total
	<i>(in millions of euros)</i>
Deferred taxation with respect to capital gains on central guarantee reserves securities disposed of during the period	
Provision for income tax	(1)
First-half 2004	(1)
First-half 2003	—
Total 2003	(3)

NOTE 27 – DEFERRED TAXES

	Standard rate	Reduced rate
	<i>(in millions of euros)</i>	
Income taxed in subsequent periods ⁽¹⁾		(354)
Expenses deducted in subsequent periods	116	
Income subject to early taxation	6	
Total, first-half 2004	122	(354)
Total, first-half 2003	121	(347)
Total 2003	112	(354)

(1) Including €298 million pending taxation related to the Holassure shares contributed by the Caisses d’Epargne within the framework of the Alliance operation.

NOTE 28 – SEGMENT INFORMATION – RETAIL BANKING

Following the transfer of the CNCE's Finance Division to the CDC IXIS Group, effective on December 31, 2001, the CNCE has the following two main roles:

- the central institution of the Group,
- the holding company owning equity interests in companies allowing the development of the full range of the Group's retail banking activities.

As a result, in first-half 2004 the majority of the CNCE's activities related to retail banking.

IV- OTHER INFORMATION**NOTE 29 - CONSOLIDATION**

In compliance with Rule 99-07 of the French Accounting Regulatory Committee, the Caisse Nationale des Caisses d'Epargne prepares consolidated financial statements.

The accounts of the parent company are included in the consolidated financial statements of the Caisse d'Epargne Group.

**STATUTORY AUDITORS' REVIEW REPORT
ON THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004**

PricewaterhouseCoopers Audit

**32, rue Guersant
75017 Paris**

Mazars & Guérard

**Le Vinci
4, allée de l'Arche
92075 La Défense Cedex**

This is a free translation into English of the Auditors' review report and is provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders

CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

77, boulevard Saint Jacques
75014 Paris

As requested from us in our capacity as Statutory Auditors of the Caisse Nationale des Caisses d'Epargne et de Prévoyance, we have performed a limited review of the accompanying interim financial statements for the period from January 1, 2004 to June 30, 2004.

These interim financial statements are the responsibility of the Management Board. Our responsibility, based on our limited review, is to report our conclusions concerning these financial statements.

We conducted our limited review in accordance with the professional standards applied in France. Those standards require that we perform limited procedures to obtain reasonable assurance, below the level resulting from a full audit, that the interim financial statements do not contain any material errors. A limited review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards applied in France.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order to present fairly the results of operations for the six months ended June 30, 2004 and the financial position and assets of the Caisse Nationale des Caisses d'Epargne et de Prévoyance at that date.

Without qualifying our opinion set out above, we draw your attention to Note 1 c to the interim financial statements (“Significant events of the period”) which describe the New Foundations project.

Paris, and Paris la Défense, October 20, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

Mazars & Guérard

Anik Chaumartin

Yves Nicolas

Michel Barbet-Massin

Franck Boyer

CAISSE D'EPARGNE GROUP INTERIM CONSOLIDATED FINANCIAL STATEMENT

as at 30 June 2004

The English language version of these interim financial statements is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation.

Consolidated Balance Sheet of the Caisse d'Epargne Group at June 30, 2004 and December 31, 2003

		June 30, 2004	December 31, 2003
		(in millions of euros)	
Assets	Notes		
Cash, Money Market and Interbank Items.....		156,669	161,665
Customer Items.....	6	176,538	129,919
Lease Financing.....		3,789	2,647
Bonds, Shares and other Fixed- and Variable-Income Securities.....		124,031	56,584
Insurance Company Investments		1,463	672
Investments in Unconsolidated Subsidiaries and Affiliates Accounted for by the Equity Method,		4,590	3,165
Other Long-Term Investments.....			
Tangible and Intangible Assets		4,784	2,835
Goodwill.....	7	909	372
Accruals, other Accounts Receivable and other Assets		40,909	22,816
Total Assets.....		<u>513,682</u>	<u>380,675</u>

Off-balance sheet commitments

		June 30, 2004	December 31, 2003
		(in millions of euros)	
Commitments given:	Notes		
Financing Commitments		62,601	30,428
Guarantee Commitments		53,794	18,424
Commitments made on Securities		5,286	510
Commitments given by the Insurance Business		3,287	1,012

The attached Notes form an integral part of the consolidated financial statements.

**Consolidated Balance Sheet of the Caisse d'Epargne Group
at June 30, 2004 and December 31, 2003**

		June 30, 2004	December 31, 2003
		(in millions of euros)	
	Notes		
Liabilities, capital funds and reserves			
Money Market and Interbank Items		76,107	76,878
Customer Items.....	6	208,750	181,202
Debt Securities.....	8	135,074	75,061
Insurance Company Technical Reserves		962	482
Accruals, other Accounts payable and other liabilities.....		65,368	25,202
Negative Goodwill	7	48	52
Provisions for liabilities and charges.....		3,576	3,036
Subordinated Debt	9	5,672	4,153
Reserve for General Banking Risks	9	2,489	2,400
Minority Interests.....		888	1,921
Capital Funds and Reserves (Excluding Reserve for General Banking Risks)	9	14,748	10,288
Capital		4,939	2,601
Issue premiums		859	199
Reserves and retained earnings.....		8,093	6,372
Net income for the period.....		857	1,116
Total Liabilities, Capital Funds and Reserves.....		513,682	380,675
		June 30, 2004	December 31, 2003
		(in millions of euros)	
	Notes		
Commitments received:			
Financing Commitments		8,024	5,837
Guarantee Commitments.....		15,809	8,950
Commitments Received on Securities.....		9,701	1,404
Commitments Received by the Insurance Business.....		195	77

The attached Notes form an integral part of the consolidated financial statements.

Consolidated profit & loss account

		First-half		Fiscal
		2004	2003	2003
		(in millions of euros)		
	Notes			
Interest income		8,636	8,557	16,648
Interest expense		(6,445)	(6,654)	(12,726)
Income from shares and other variable- income securities.....		84	100	150
Net commission and fee income		1,209	1,042	2,136
Net gains on trading transactions		334	227	487
Net gains on held-for-sale portfolio transactions				
and similar items.....		197	177	400
Other net operating income		30	130	83
Gross margin on insurance business		46	33	69
Net Banking Income		4,091	3,612	7,247
General operating expenses.....		(2,641)	(2,391)	(4,749)
Depreciation and amortization of tangible and intangible assets.....		(167)	(147)	(314)
Gross Operating Income		1,283	1,074	2,184
Provisions for loan losses.....	11	(137)	(151)	(306)
Operating Income		1,146	923	1,878
Share in net income of companies accounted for by the equity method.....		80	67	155
Net gains on fixed assets		13	103	75
Ordinary Income before Tax		1,239	1,093	2,108
Exceptional items	12	95	1	(54)
Income tax.....		(383)	(291)	(503)
Amortization of goodwill.....		(7)	(6)	(15)
Allocations to the reserve for general banking risks.....		(75)	(134)	(294)
Minority interests.....		(12)	(93)	(126)
Net Income		857	570	1,116

The attached Notes form an integral part of the consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30, 2004

The interim financial statements for the six months ended June 30, 2004 provide an overview of the accounting effects of operations and events for the period since December 31, 2003. They do not include all the disclosures made in the annual financial statements.

Note 1 - Significant events of First-Half 2004: Redefining the Partnership between the Caisse D'epargne And Caisse Des Dépôts Et Consignations Groups

1.1 Overview

On May 27, 2004, the Caisse d'Epargne and Caisse des dépôts et consignations Groups signed a memorandum of agreement aimed at redefining the nature of their partnership.

Under this agreement, the Caisse des dépôts et consignations transferred its 50.1% holding in Compagnie Financière Eulia and its 43.55% stake in its investment banking and asset management subsidiary, CDC IXIS, to the Caisse Nationale des Caisses d'Epargne (CNCE), the central institution of the Caisse d'Epargne Group. The contribution of these assets transforms the Caisse d'Epargne Group into a full-service bank in which the Caisse des dépôts et consignations has the status of a strategic shareholder through its 35% interest in the CNCE alongside the individual Caisses d'Epargne.

The agreement provides a long-term foundation to the partnership between the two groups, which have undertaken to maintain their respective shareholdings in the CNCE until the time of any potential IPO. It also defines their respective roles within the new entity:

- The CNCE – which is 65%-owned by the Caisses d'Epargne and 35% by the Caisse des dépôts et consignations – has a strengthened threefold role, i.e. 1) its traditional role as the central institution of the network for all of the companies within the extended Caisse d'Epargne Group, 2) that of central banker to the Group carrying out proprietary transactions, and 3) that of holding company for the subsidiaries it owns directly. It will therefore directly manage the Group's retail banking operations as well as the investment banking business primarily carried out by IXIS.
- The Caisse des dépôts et consignations has confirmed its role as a strategic shareholder of the CNCE and a long-term investor by taking over the proprietary portfolios of CDC IXIS (listed equities, private equity, real estate).

The financial structuring of the operation led the 29 individual Caisses d'Epargne in metropolitan France to issue €3.3 billion worth of Cooperative Investment Certificates (CICs) to the CNCE, giving the CNCE a 20% stake in their capital. As a result, both the CNCE and the Caisse des dépôts et consignations have an interest in the banking operations of the individual Caisses d'Epargne, the former directly, and the latter indirectly through its stake in the CNCE.

1.2 Transactions Completed

The above-mentioned New Foundations agreement provided – prior to any restructuring operations – for CDC IXIS to transfer to the Caisse des dépôts et consignations or its direct subsidiaries, its portfolio of listed equities, its portfolio of securities relating to its real-estate or private equity business, and certain holdings in associated companies.

The portfolio of listed equities and Sogeposte were both transferred by June 30, 2004. The other transfer transactions were still underway at the half-yearly closing and will be completed during the second half of the year. The following IXIS group companies which are currently consolidated will therefore be transferred: CDC Entreprise 1 and 2, CDC Innovation 96, Electropar France, Fondinvest, Part'Com, 65% of CDC IXIS Private Equity, Société Foncière des Pimonts, Logistis and AIH BV.

The true restructuring transactions were carried out either simultaneously or successively on June 30, 2004 as set out below:

- The CNCE carried out a €64 million capital increase which was taken up by the Caisse des dépôts, as payment for the latter's transfer of a 23.66% interest in CDC IXIS Italia Holding, which in turn holds a 2% stake in Sanpaolo IMI,
- The Caisse des dépôts sold to the individual savings banks (Caisses d'Epargne), its entire direct interest in CDC IXIS – representing 43.55% of the latter's capital – for a price of €3,209 million,
- The Caisses d'Epargne transferred to Compagnie Financière Eulia the IXIS shares acquired from the Caisse des depots. The transfer was funded by a €3,209 million capital increase,
- Compagnie Financière Eulia was merged into the CNCE, in return for a €5,065 million capital increase taken up by the Caisses d'Epargne and the Caisse des dépôts,
- In order to maintain the previous capital ownership structure within the CNCE (65% for the individual Caisse d'Epargne and 35% for the Caisse des dépôts), the Caisses d'Epargne purchased CNCE shares from the Caisse des dépôts for an amount of €982 million.
- Each of the 29 individual Caisses d'Epargne in Metropolitan France issued Cooperative Investment Certificates to the CNCE representing 20% of their capital after the issue. The Cooperative Investment Certificates granted to the CNCE represented a total of €3,323 million.

Further to these transactions, the CNCE held 96.55% of CDC IXIS.

1.3 Impact on the Consolidated Financial Statements

Further to the transactions carried out under the New Foundations project, the subsidiaries of Compagnie Financière Eulia which were previously jointly controlled with the Caisse des dépôts et consignations are now controlled exclusively by the Caisse d'Epargne Group through the CNCE. These subsidiaries – including the CDC IXIS group – were therefore fully consolidated in the Caisse d'Epargne Group's balance sheet at June 30, 2004. In view of the effective date when the Caisse d'Epargne Group gained exclusive control of the companies, their contribution to the consolidated profit and loss account is still based on proportional consolidation as they were jointly controlled during the first half of 2004.

The 43.55% interest in IXIS was originally purchased from Caisse des dépôts at a price of €3,209 million. The shares were acquired indirectly by the CNCE through its merger with Compagnie Financière Eulia, and were valued in the merger balance sheet at net book value. In the consolidated financial statements, however, they have been valued at the fair value specified in the merger agreement, and the related fair value adjustment has been taken to reserves. Total fair value adjustments taken to reserves amounted to €846 million, including €577 million related to Compagnie Financière Eulia's interest in CDC IXIS.

Provisional net goodwill on the additional interests acquired by the Group amounted to €263 million. This amount may be adjusted based on the results of detailed valuations of all the assets and liabilities

acquired. Any such adjustments will be made on the basis and within the maximum period prescribed by standard CRC 99-07.

Based on preliminary analyses, the majority of goodwill is expected to be allocated to the corporate and investment banking division.

The impact of the New Foundations project in terms of period-on-period comparisons is described in Note 4.

1.4 Termination of indemnity clauses granted in connection with the “Alliance” Transactions

Pursuant to their agreement to merge a number of their activities within the “Alliance” signed at the end of 2001, the Caisse d’Epargne and Caisse des dépôts Groups decided to grant each other reciprocal indemnity clauses to cover certain possible future developments.

The most significant particular clauses concerned the occurrence of certain future events, namely:

- a substantial change in the value of the listed securities portfolio contributed to the Alliance via CDC IXIS;
- a significant change in the performance of the intermediation activity of the Finance Division contributed to the Alliance by the CNCE;
- the realization of potential capital gains by the Crédit Foncier Group.
- The New Foundations agreement signed in May 2004 provided for the early termination of these clauses by June 30, 2004 in return for the payment to the CNCE of:
- an indemnity of €32 million recorded under net banking income in relation to the mechanism implemented to protect the value of CDC IXIS’s listed securities portfolio.
- a global indemnity of €100 million in respect of the two other clauses, recorded under exceptional items.

1.5 Planned Restructuring

Further to the New Foundations project, the Group intends to reorganize the CDC IXIS group in the second half of 2004, based on three core business lines:

- Corporate and Investment Banking, made up of the capital markets and corporate financing business currently carried out by CDC IXIS Capital Markets (to be renamed Ixis Corporate & Investment Bank). The corresponding assets, liabilities and off-balance sheet items recorded in the accounts of CDC IXIS will be transferred to this business line;
- Asset Management, headed by an asset management holding company (IXIS Asset Management);
- Asset Custody, by spinning off the business carried out directly by CDC IXIS, Fund Administration and Issuer Services (Ixis Investor Services).

Further to this reorganization, the Group intends to merge CDC IXIS into the CNCE.

Note 2 - Principles and methods of consolidation of the Caisse D'épargne Group

2.1 Principles

The consolidated financial statements include the accounts of the individual Caisses d'Epargne, the Caisse Nationale des Caisses d'Epargne (CNCE) and all subsidiaries and associated companies over which the Group exercises a controlling or significant influence. Note 5 specifies the scope of consolidation of the Caisse d'Epargne Group.

They have been drawn up in accordance with the principles laid down by Standards 99-07 and 2000-04 of the *Comité de la Réglementation Comptable* (CRC), using the same policies and methods as for the financial statements for the year ended December 31, 2003.

2.2 Scope of Consolidation

The scope of consolidation is described in Note 5.

Apart from the transactions carried out in connection with the New Foundations project as described in Note 1, the major changes in scope of consolidation during the period concerned the new definition of the Group's consolidating entity and modifications to the Crédit Foncier group structure.

- **Changes to the Group's consolidating entity**

Since January 1, 2004 the Group's consolidating entity has been made up of the 31 individual Caisses d'Epargne and the CNCE. The new structure of the consolidating entity is described in more detail in Note 3.2 and the impact of these changes on period-on-period comparisons in the financial statements is explained in Note 4.

- **Consolidation of the Entenial group**

The Entenial group – which is a 99.9%-owned subsidiary of Crédit Foncier de France – has been fully consolidated within the Caisse d'Epargne Group since January 1, 2004. The total cost of the shares acquired was €587 million and initial negative goodwill of €9 million was recorded on the acquisition.

At June 30, 2004, the first-time consolidation of the Entenial group had an €11.7 billion impact on "Customer items" on the assets side of the consolidated balance sheet, and a €10.4 billion impact on "Debt securities" on the liabilities side. The Entenial group contributed some €105 million to net banking income, €26 million to gross operating income and €21 million to consolidated net income.

- **Acquisition of the Cicobail group by the Crédit Foncier group**

In first-half 2004, l'Auxiliaire du Crédit Foncier de France acquired 60% of Cicobail from Compagnie Financière Eulia, thus acquiring control of the company and its wholly-owned subsidiaries, Cinergie and Mur Ecureuil. This internal restructuring operation did not have a material impact on the Caisse d'Epargne Group's consolidated financial statements.

2.3 Consolidation Adjustments

The consolidation adjustments recorded in the financial statements for the six months ended June 30, 2004 are the same as those made at December 31, 2003.

Note 4 - Accounting Policies

3.1 Valuation Methods and Rules of Presentation

The interim consolidated financial statements of the Caisse d'Epargne Group for the six months ended June 30, 2004 have been prepared and presented in accordance with the policies defined by the Caisse Nationale des Caisses d'Epargne (CNCE), which comply with French generally accepted accounting principles and the valuation methods recommended by the *Conseil National de la Comptabilité* (CNC Recommendation 2001-R-02).

The accounting policies and methods applied are the same as those used to draw up the annual financial statements. Revenues and expenses have been recorded by the accruals method, in accordance with the principle of segregation of accounting periods.

The Group records commitments for pensions, supplementary pensions, retirement bonuses and other post-employment benefits as provisions in the balance sheet, as recommended by French generally accepted accounting principles. In accordance with recommendation no. 2003-R.01 published by the French National Accountancy Council concerning the rules for recognizing and measuring commitments related to employee pensions and other post-employment benefits, the Group intends to value its residual obligation in this respect in 2004, but to record said obligation subsequently when it prepares its opening balance sheet under IFRS.

3.2 Changes of Accounting Methods

The New Foundation agreements clearly position the CDC as a strategic partner of the Group, both through the CNCE and the issue of Cooperative Investment Certificates, which was a key factor for the signature of the agreements. Therefore, as provided for in para. 1001 of Rule CRC 99-07, the Group has decided to include its central institution, the CNCE, within the consolidating entity.

As from January 1, 2004, the CNCE has been part of the consolidating entity and is therefore no longer consolidated as a subsidiary. The Group's stake in the CNCE has increased from 65% to 100%.

As a result of the increase in the Group's percentage interest in CNCE (and all of its subsidiaries), the minority interests recorded in this respect have now been reclassified.

Note 4 - Period-on-Period Comparisons

4.1 Changes to the Group's Consolidating Entity

The only impact on period-on-period comparisons caused by the changes in the Group's consolidating entity concerns capital funds and reserves and minority interests in the consolidated profit and loss account.

The impact on opening reserves and retained earnings of the reclassification of minority interests was €1,549 million.

Adjusted for this reclassification, minority interests recorded in the profit and loss account would have amounted to €137 million compared with €12 million, and consolidated net income (excluding minority interests) would have totaled €732 million (see Note 4.3).

4.2 Impact of the New Foundations Transactions

- **Profit & loss account**

As the effective date for these transactions was June 30, 2004, they did not have any impact on the consolidated profit and loss account.

- **Balance sheet**

As the Group acquired exclusive control of CDC IXIS and the other subsidiaries previously jointly controlled through Compagnie Financière Eulia at June 30, 2004, these companies were fully consolidated rather than proportionally consolidated in the financial statements at that date.

Therefore the contribution of these companies to the consolidated financial statements has changed significantly. A pro forma balance sheet at June 30, 2004 is provided in Note 4.3 in order to enable comparisons with the balance sheet published at December 31, 2003.

4.3 Pro Forma Balance Sheet At June 30, 2004

This pro forma balance sheet sets out the assets, liabilities, capital funds and reserves of the Group at June 30, 2004 as if the New Foundation transactions did not take place before the half-year closing (see Note 4.2) and as if the CNCE had not been part of the consolidating entity at January 1, 2004 (seen note 4.1).

Assets			Liabilities, capital funds and reserve		
	June 30, 2004	Dec. 31, 2003		June 30, 2004	Dec. 31, 2003
			(in millions of euros)		
Cash, Money Market and Interbank Items	165,741	161,665	Money Market and Interbank Items	81,274	76,878
Customer Items	143,476	129,919	Customer Items	184,290	181,202
Lease Financing	3,241	2,647	Debt Securities	89,299	75,061
Bonds, Shares And Other Fixed- and Variable-Income Securities	58,043	56,584	Insurance Company Technical Reserves	570	482
Insurance Company Investments	739	672	Accruals, other Accounts Payable and other Liabilities	25,822	25,202
Investments in Unconsolidated subsidiaries and Affiliates Accounted for by the Equity Method, other Long-Term Investments	3,293	3,165	Negative Goodwill	46	52
Tangible and Intangible Assets	3,485	2,835	Provisions for liabilities and charges	3,147	3,036
Goodwill	344	372	Subordinated Debt	4,745	4,153
Accruals, other Accounts Receivable and other Assets .	26,299	22,816	Reserve For General Banking Risks	2,483	2,400
			Minority Interests	2,044	1,921
			Capital Funds And Reserves (Excluding Reserve For General Banking Risks)	10,941	10,288
			Capital	2,601	2,601
			Issue premiums	199	199

Assets			Liabilities, capital funds and reserve		
	June 30, 2004	Dec. 31, 2003		June 30, 2004	Dec. 31, 2003
			(in millions of euros)		
			Reserves and retained earnings	7,409	6,372
			Net income for the period	732	1,116
Total Assets.....	404,661	380,675	Total Liabilities, Capital Funds and Reserves.....	404,661	380,675

Note 5 - Scope of Consolidation

Consolidating entity	
Caisse d'Epargne des Alpes	Caisse d'Epargne Ile-de-France Paris
Caisse d'Epargne d'Alsace	Caisse d'Epargne Languedoc-Roussillon
Caisse d'Epargne Aquitaine-Nord	Caisse d'Epargne Loire-Drôme-Ardèche
Caisse d'Epargne d'Auvergne et du Limousin	Caisse d'Epargne de Lorraine
Caisse d'Epargne de Basse-Normandie	Caisse d'Epargne de Martinique
Caisse d'Epargne de Bourgogne	Caisse d'Epargne de Midi-Pyrénées
Caisse d'Epargne de Bretagne	Caisse d'Epargne du Pas-de-Calais
Caisse d'Epargne Centre-Val de Loire	Caisse d'Epargne des Pays de l'Adour
Caisse d'Epargne Champagne-Ardenne	Caisse d'Epargne des Pays de la Loire
Caisse d'Epargne Côte d'Azur	Caisse d'Epargne des Pays du Hainaut
Caisse d'Epargne de Flandre	Caisse d'Epargne de Picardie
Caisse d'Epargne de Franche-Comté	Caisse d'Epargne Poitou-Charentes
Caisse d'Epargne de Guadeloupe	Caisse d'Epargne Provence-Alpes-Corse
Caisse d'Epargne de Haute-Normandie	Caisse d'Epargne Rhône-Alpes-Lyon
Caisse d'Epargne Ile-de-France Nord	Caisse d'Epargne du Val de France Orléanais
Caisse d'Epargne Ile-de-France Ouest	Caisse Nationale des Caisses d'Epargne et de Prévoyance

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
	Method (1)	% voting rights interest		Method (1)	% voting rights interest		% voting rights	% interest	% voting rights	% interest
Direct subsidiaries										
Banking and financial institutions										
Banque Inchauspe.....	Full	100.00%	99.34%	Full	100.00%	99.34%	100.00%	99.34%	100.00%	99.34%
Batimap	Full	100.00%	91.81%	Full	100.00%	91.81%	100.00%	91.81%	100.00%	91.81%
Batimur.....	Full	100.00%	96.19%	Full	100.00%	96.19%	100.00%	96.19%	100.00%	96.19%
Batiroc Pays de Loire ...	Full	100.00%	93.14%	Full	100.00%	93.14%	100.00%	93.14%	100.00%	93.14%
Caisse d'Epargne Financement	Full	100.00%	67.00%	Full	100.00%	67.00%	100.00	65.25	100.00%	65.25%
Caisse Nationale des Caisses d'Epargne et de Prévoyance	-	-	-	-	-	-	100.00%	65.00%	100.00%	65.00%
Capitole Finance	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	99.99%	100.00%	99.99%
Expanso	Full	100.00%	89.77%	Full	100.00%	89.77%	100.00%	89.77%	100.00%	89.77%
Picardie Bail.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SDR Champex	Full	100.00%	99.19%	Full	100.00%	99.19%	100.00%	99.19%	100.00%	99.19%
SDR Sodler	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Sodero	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Sud Ouest Bail	Full	100.00%	89.76%	Full	100.00%	89.76%	100.00%	89.76%	100.00%	89.76%
Tofinso	Full	100.00%	98.82%	Full	100.00%	98.82%	100.00%	98.82%	100.00%	98.82
Tofinso Investissements	Full	100.00%	98.88%	Full	100.00%	98.88%	100.00%	98.88%	100.00%	98.88%
Holassure Group										
Holassure.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	65.00%	100.00%	65.00%
Sopassure	Prop.	49.98%	49.98%	Prop.	49.98%	49.98%	49.98%	32.49%	49.98%	32.49%
Caisse Nationale de Prévoyance	Equity	17.74%	17.74%	Equity	17.74%	17.74%	17.85%	11.61%	17.85%	11.61%
Oceor Group										
Financière Océor	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	71.34%	100.00%	78.40%
Banque de la Réunion ..	Full	100.00%	81.61%	Full	100.00%	81.61%	100.00%	58.22%	100.00%	62.73%
Banque de Nouvelle- Calédonie	Full	100.00	95.80%	Full	100.00%	95.80%	100.00%	68.35%	100.00%	75.08%
Banque de Tahiti.....	Full	100.00%	95.46%	Full	100.00%	95.46%	100.00%	68.10%	100.00%	74.78%
Banque des Antilles Françaises	Full	100.00%	97.50%	Full	100.00%	97.50%	100.00%	69.57%	100.00%	76.29%
Banque des Iles Saint- Pierre-et-Miquelon....	Full	100.00%	97.15%	Full	100.00%	97.15%	100.00%	69.17%	100.00%	75.88%
Banque Internationale des Mascareignes	Full	100.00%	88.05%	Full	100.00%	88.05%	100.00%	62.82%	100.00%	31.68%
Caisse d'Epargne de Nouvelle-Calédonie ..	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	71.34%	100.00%	78.40%
Credipac Polynésie	Full	100.00%	95.43%	Full	100.00%	95.43%	100.00%	68.08%	100.00%	74.76%
Crédit Commercial de Nouméa.....	Full	100.00%	89.43%	Full	100.00%	89.43%	100.00%	63.80%	100.00%	70.09%
Crédit Saint Pierrais	Equity	47.12%	47.12%	Equity	47.12%	47.12%	47.12%	33.62%	47.12%	36.94%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
		%			%		%	%	%	%
	Method (1)	voting rights	% interest	Method (1)	voting rights	% interest	voting rights	interest	voting rights	% interest
Direct subsidiaries										
Mascareigne Investors Services Ltd.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	70.63%	-	-
Slibail Réunion	Full	100.00%	81.58%	Full	100.00%	81.58%	100.00%	58.20%	100.00%	62.71%
Société Havraise Calédonienne	Full	100.00%	86.56%	Full	100.00%	86.56%	100.00%	61.75%	100.00%	67.84%
Banque Sanpaolo Group										
Banque Sanpaolo	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Banque Michel Inchauspé	Equity	20.00%	12.00%	Equity	20.00%	12.00%	20.00%	7.80%	-	-
Conservateur Finance ...	Equity	20.00%	12.00%	Equity	20.00%	12.00%	20.00%	7.80%	-	-
Eurosic Sicomi SA	Full	100.00%	19.66%	Full	100.00%	19.66%	100.00%	12.78%	-	-
Uni – Invest SAS	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Société Foncière Joseph Vallot	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Sanpaolo Asset Management	Full	100.00%	60.00%	Full %	100.00%	60.00%	100.00%	39.00%	-	-
Société Foncière d’investissement	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Société immobilière d’investissement	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Socavie SNC	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Sanpaolo Bail SA	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Sanpaolo Fonds Gestion SNC.....	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Sanpaolo Mur SNC	Full	100.00%	60.00%	Full	100.00%	60.00%	100.00%	39.00%	-	-
Other entities										
Auto Location Pau.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	99.90%
Capitole Négoce	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cofismed	Full	100.00%	66.69%	Full	100.00%	66.69%	100.00%	66.69%	100.00%	66.69%
Ecureuil Proximité.....	Full	100.00%	99.87%	Full	100.00%	99.83%	100.00%	99.83%	100.00%	99.83%
Ecureuil Services	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	99.99%	-	-
EURL Beaulieu Immo..	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	-	-
Expanso Investissements	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Groupe Ellul.....	Equity	48.95%	48.95%	Equity	48.95%	48.95%	49.00%	49.00%	49.00%	49.00%
Muracef	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Primaveris	Full	100.00%	40.19%	Full	100.00%	40.19%	100.00%	40.19%	100.00%	40.19%
Proencia.....	Full	100.00%	50.46%	Full	100.00%	50.46%	100.00%	47.33%	100.00%	47.33%
Proxipaca.....	Full	100.00%	40.19%	Full	100.00%	40.19%	100.00%	40.19%	100.00%	40.19%
Samenar.....	Full	100.00%	32.66%	Full	100.00%	32.66%	100.00%	32.66%	100.00%	32.66%
SARL Méditerranée	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SAS Foncière Ecureuil.	Full	100.00%	93.52%	Full	100.00%	90.28%	100.00%	89.15%	100.00%	89.13%
SCI du Conservatoire ...	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	99.00%	100.00%	99.00%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
		%			%		%	%	%	%
	Method (1)	voting rights	% interest	Method (1)	voting rights	% interest	voting rights	interest	voting rights	% interest
Direct subsidiaries										
SCI Ecureuil										
Exploitation	Full	100.00%	99.99%	Full	100.00%	99.99%	100.00%	99.99%	100.00%	99.99%
SCI Ecureuil Réunion ..	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SCI Foncière 1	Full	100.00%	93.51%	Full	100.00%	90.28%	100.00%	89.15%	100.00%	89.13%
SCI Foncière 2	Full	100.00%	93.51%	Full	100.00%	90.28%	100.00%	89.15%	100.00%	89.13%
SCI GPE	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SCI GPE2.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SCI Midaix.....	Full	100.00%	99.00%	Full	100.00%	99.00%	100.00%	99.00%	100.00%	99.00%
SCI Midi Patrimoine	Full	100.00%	99.00%	Full	100.00%	99.00%	100.00%	99.00%	100.00%	99.00%
SCI Midoccitane	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SCI Tournon	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Sodero Participations....	Full	100.00%	48.12%	Full	100.00%	48.12%	100.00%	46.36%	100.00%	46.36%
Sorepar	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Walter Spanghero	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	99.90%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
		%			%		%	%	%	%
	Method (1)	voting rights	% interest	Method (1)	voting rights	% interest	voting rights	interest	voting rights	% interest
IT technical centers and software houses										
Arpège Investissement .	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-	-
Cnéti	Full	100.00%	95.96%	Full	100.00%	94.34%	100.00%	67.77%	100.00%	59.00%
CTCENO.....	-	-	-	-	-	-	-	-	100.00%	100.00%
CTICEP	-	-	-	-	-	-	-	-	100.00%	100.00%
CTIRCEAL.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	98.31%	100.00%	98.30%
CTR Est.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	99.98%
CTR Midi 1.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
CTR Midi 2.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	99.97%
CTRCEAPC.....	-	-	-	-	-	-	-	-	100.00%	100.00%
CTRCEB	-	-	-	-	-	-	-	-	100.00%	100.00%
GEMO RSI	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-	-
GIE Arpège	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	99.79%
Girce Ingénierie	Full	100.00%	99.68%	Full	100.00%	99.43%	100.00%	87.08%	100.00%	87.08%
Girce Stratégie	Full	100.00%	99.49%	Full	100.00%	99.37%	100.00%	87.38%	100.00%	87.38%
Giretice	Full	100.00%	99.99%	Full	100.00%	100.00%	100.00%	99.99%	100.00%	100.00%
GT3I	-	-	-	-	-	-	-	-	100.00%	100.00%
IRICE	Full	100.00%	100.00%	Full	100.00%	99.99%	100.00%	99.87%	100.00%	99.87%
SED Arpège 2000.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	88.10%	100.00%	88.06%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
	Method (1)	% voting rights	% interest	Method (1)	% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
IT technical centers and software houses										
SED RSI	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	88.10%	100.00%	88.10%
SNC Sersim.....	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Vivalis	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%
Vivalis Investissements	Full	100.00%	100.00%	Full	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cie Financière Eulia Group										
Compagnie Financière Eulia	-	-	-	Prop.	49.90%	49.90%	49.90%	32.43%	49.90%	32.43%
Direct subsidiaries										
Bail Ecureuil	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	32.43%	49.90%	32.43%
CDC Ixis Italia Holding	Full	100.00%	99.31%	Prop.	28.16%	28.11%	33.40%	21.71%	33.40%	21.71%
Ecureuil Assurance IARD	Full	100.00%	65.00%	Prop.	49.90%	32.44%	49.90%	21.08%	49.90%	21.08%
Ecureuil Gestion	Full	100.00%	99.33%	Prop.	49.90%	45.21%	49.90%	29.39%	49.90%	29.39%
Ecureuil Gestion FCP...	Full	100.00%	99.33%	Prop.	49.90%	45.21%	-	-	-	-
Ecureuil Participations .	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	32.43%	49.90%	32.43%
Ecureuil Vie	Equity	50.00%	50.00%	Equity	50.00%	25.06%	25.06%	16.36%	25.06%	16.36%
Gestitres	Full	100.00%	65.32%	Prop.	49.90%	28.29%	49.90%	18.39%	49.90%	18.39%
Holgest	Full	100.00%	98.97%	Prop.	49.90%	42.86%	49.90%	27.86%	49.90%	27.86%
CDC IXIS Group.....										
CDC IXIS.....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
Anatol Invest (group) ...	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
CDC Entreprises 1.....	Full	100.00%	85.76%	Prop.	26.45%	23.49%	26.45%	16.47%	26.45%	16.47%
CDC Entreprises 2.....	Full	100.00%	35.64%	Prop.	26.45%	9.76%	26.45%	6.51%	26.45%	6.51%
CDC Innovation 96	Full	100.00%	93.37%	Prop.	26.45%	25.58%	26.45%	16.62%	26.45%	16.62%
CDC IXIS Asset Management (group).	Full	100.00%	77.24%	Prop.	26.45%	21.16%	26.45%	13.75%	26.45%	13.75%
CDC IXIS Capital Market (group)	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
IXIS AEW Europe (ex. CDC IXIS immo).....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
CDC IXIS North America (group).....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
CDC IXIS Financial Guaranty (group).....	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
CDC IXIS Private Equity (group)	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
CDC Urquijo.....	Full	100.00%	49.24%	Prop.	26.45%	13.49%	26.45%	8.77%	26.45%	8.77%
Electropar France.....	Full	100.00%	48.28%	Prop.	26.45%	13.23%	26.45%	8.60%	26.45%	8.60%
Euromontaigne (group)	-	-	-	-	-	-	26.45	17.19	26.45	17.19

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
		%			%		%	%	%	%
	Method (1)	voting rights	interest	Method (1)	voting rights	interest	voting rights	interest	voting rights	interest
IT technical centers and software houses										
Foncière des Pimonts (group)	Full	100.00%	70.98%	Prop.	26.45%	19.45%	26.45%	12.64%	26.45%	12.64%
Fondinvest	-	-	-	-	-	-	26.45%	17.19%	26.45%	17.19%
CDC IXIS										
Administration de Fonds (ex GSF)	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
Logistis (group)	Equity	32.18%	32.18%	Equity	8.81%	8.82%	8.81%	5.73%	8.81%	5.73%
Magnant (group)	-	-	-	-	-	-	-	-	26.45%	17.19%
Martignac Finance	Full	100.00%	96.55%	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
Nexgen (group)	Equity	38.70%	37.36%	Equity	10.24%	10.24%	10.24%	6.65%	-	-
PART'COM	Full	100.00%	96.55	Prop.	26.45%	26.45%	26.45%	17.19%	26.45%	17.19%
Sogeposte	-	-	-	-	-	-	12.96%	8.42%	12.96%	8.42%
Vega Finance (group)...	Full	100.00%	82.07%	Prop.	26.45%	22.48%	26.45%	14.61%	26.45%	14.61%
Crédit Foncier Group										
Crédit Foncier de France	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
A3C	Full	100.00%	95.41%	Prop.	75.05%	75.05%	-	-	-	-
Auxiliaire du Crédit Foncier de France	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
Cofimab	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
Compagnie de Financement Foncier.	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
Compagnie Foncière de Crédit	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
Crédit de l'Arche	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
Crédit Foncier Assurance Courtage ..	Full	100.00%	95.30%	Prop.	75.05%	74.96%	72.42%	47.02%	72.39%	47.00%
Crédit Foncier Banque .	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.07%	72.39%	47.06%
Dom2	-	-	-	-	-	-	-	-	72.39%	47.06%
Entenial (group)	Full	100.00%	95.42%	Prop.	75.05%	75.05%	-	-	-	-
FCC Teddy	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
Financière Desvieux	Full	100.00%	95.41%	Prop.	75.05%	75.05%	72.42%	47.07%	72.39%	47.05%
Foncier Assurance	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.07%	72.39%	47.05%
Foncier Bail	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.07%	72.39%	47.05%
Foncier Participations...	Equity	100.00%	95.42%	MEE	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
SICP (group)	Equity	100.00%	95.42%	MEE	75.05%	75.05%	72.42%	47.08%	68.77%	44.70%
Soclim	Full	100.00%	95.42%	Prop.	75.05%	75.05%	72.42%	47.08%	72.39%	47.06%
Cicobail Group										
Cicobail	Full	100.00%	97.01%	Prop.	75.05%	64.87%	49.90%	32.36%	49.90%	32.36%
Cinergie	Full	100.00%	97.01%	Prop.	75.05%	64.87%	49.90%	32.39%	49.90%	32.39%
Mur Ecureuil	Full	100.00%	97.01%	Prop.	75.05%	64.87%	49.90%	32.39%	49.90%	32.39%
Socfim Group										
Socfim	Full	100.00%	99.90%	Prop.	49.90%	49.85%	49.90%	32.40%	49.90%	32.40%

Consolidated entities	2004 Balance Sheet			2004 P&L First-half			2003		2002	
		%			%		%	%	%	
	Method (1)	voting rights	% interest	Method (1)	voting rights	% interest	voting rights	interest	voting rights	% interest
IT technical centers and software houses										
SNC SEI Logement	Full	100.00%	99.90%	Prop.	49.90%	49.85%	49.90%	32.40%	49.90%	32.40%
SNC SEI Tertiaire	Full	100.00%	99.90%	Prop.	49.90%	49.85%	49.90%	32.40%	49.90%	32.40%
Socfim Participations ...	Full	100.00%	99.90%	Prop.	49.90%	49.85%	49.90%	32.40%	49.90%	32.40%
Socfim Transaction	Full	100.00%	99.90%	Prop.	49.90%	49.85%	49.90%	32.40%	49.90%	32.40%
Société Européenne d'Investissement	Full	100.00%	99.90%	Prop.	49.90%	49.85%	49.90%	32.40%	49.90%	32.40%
Eulia Caution Group										
Eulia Caution	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	32.44%	49.90%	32.44%
Cegi	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	22.71%	49.90%	22.71%
Financière Cegi	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	22.71%	49.90%	22.71%
Saccef	Full	100.00%	100.00%	Prop.	49.90%	49.90%	49.90%	32.44%	49.90%	32.44%
Socamab	Full	100.00%	40.00%	Prop.	49.90%	19.96%	49.90%	12.98%	49.90%	12.97%

(1) Consolidation method: Full = Full consolidation, Equity = Accounted for by the equity method, Prop. = Consolidated on a proportional basis

Note 6 - Customer Items

Assets			Liabilities		
	June 30, 2004	Dec. 31, 2003		June 30, 2004	Dec. 31, 2003
(in millions of euros)					
Customer loans.....	174,053	128,021	Regulated savings accounts...	146,305	147,393
- Individuals: property loans....	75,267	59,363	Other customer deposits.....	59,905	33,162
- Individuals: other loans.....	8,921	8,210	Accrued interest	2,540	647
- Self-employed professionals.	11,726	7,847			
- SMEs	7,262	6,889			
- Local and regional authorities	25,864	23,964			
- Other customer loans	45,013	21,748			
Non-performing loans	4,572	3,663			
-o/w doubtful	2,715	1,985			
Provisions on non-performing loans	(2,087)	(1,765)			
-o/w doubtful	(1,503)	(1,125)			
Total	176,538	129,919	Total	208,750	181,202

Note 7 - Goodwill

	Acquisition date	Dec, 31 2003	Change in consolidation method	Changes in Group structure and other movements	Amort.	June, 30 2004
			(in millions of euros)			
Subsidiary concerned						
Banque de Tahiti	Jan. 1, 2002	16			(1)	15
	Dec. 31, 2003	242		(44)	(10)	188
Banque Sanpaolo France ⁽¹⁾	Oct. 30, 2000	114	329	5	(14)	434
CDC IXIS Group	June 30, 2004	0		9		9
Financière CEGI	June 30, 2004			5	(5)	0
A3C	June 30, 2004			263		263
Net goodwill arising on the New Foundations project						
Total goodwill		372	329	238	(30)	909

- (1) Further to the completion in first-half 2004 of the analyses and appraisals required to value the assets and liabilities of the Banque Sanpaolo Group, fair value adjustments of €120 million (€77.5 million net of deferred taxes) were recorded relating to Banque Sanpaolo's intermediation business. These fair value adjustments are being written off to the income statement according to an amortization schedule that reflects the recognition of the net interest margin on the underlying loan book. The residual goodwill of €197.4 million will be amortized over ten years.

	Acquisition date	Dec, 31 2003	Change in consolidation method	Changes in Group structure and other movements	Amort.	June, 30 2004
			(in millions of euros)			
Subsidiary concerned						
	Dec. 31, 2000	(35)				(35)
CNP.....		(17)			13	(4)
Consolidated mutual funds.....						
Entenial.....	Jan. 1, 2004		(2)	(7)		(9)
Total negative goodwill		(52)	(2)	(7)	13	(48)

Note 8 - Note Debt Securities

	June 30, 2004	Dec. 31, 2003
	(in millions of euros)	
Retail certificates of deposit and savings certificates.....	989	1,088
Inter-bank and money market securities.....	53,165	24,300
Bonds	80,920	49,673
Total	135,074	75,061

Note 9 - Capital Funds and Reserves, Reserve for General Banking Risks and Subordinated Debt

(a) Capital funds and reserves, excluding reserve for general banking risks

	Capital	Issue premiums	Reserves and retained earnings	Net income for the period	Total
	(in millions of euros)				
At December 31, 2002	2,873		5,473	952	9,298
Movements during the year.....	(272)	199	899	164	990
At December 31, 2003	2,601	199	6,372	1,116	10,288
Appropriation of 2003 net income			1,116	(1,116)	
Dividends			(98)		(98)
Changes to consolidating entity.....	1,017	152	380		1,549
CNCE capital increase and impact of the New Foundations project.....	1,321	508	308		2,137
Translation adjustments.....			11		11
Other movements			4		4
Net income for the period.....				857	857
At June 30, 2004	4,939	859	8,093	857	14,748

(b) Changes in reserve for general banking risks

	Dec. 31, 2003	Allocations	Reversals	Other movements	June 30, 2004
Reserve for general banking risks	2,400	82	(7)	14	2,489

(c) Subordinated debt

No significant issues, purchases and/or redemptions of subordinated debt took place during first-half 2004.

Note 10 - Note Commitments on Financial Instruments

Commitments on financial instruments primarily concern interest-rate instruments traded over the counter.

	Nominal contract amounts				
	Interest-rate instruments	Currency instruments	Other instruments	Total June 30, 2004	Total Dec. 31, 2003
(in millions of euros)					
Transactions on Organized Markets					
Futures	197,553	0	237,415	434,968	87,552
Options	455,064	0	143,860	598,924	105,477
Over-the-Counter Transactions					
Futures	2,005,502	6,319	0	2,011,821	426,586
Options	262,813	10,662	39,033	312,508	80,149
Total	2,920,932	16,981	420,308	3,358,221	699,764

The significant increase in off-balance sheet commitments between December 2003 and June 2004 is due to the change from proportional consolidation to full consolidation for certain companies, particularly the CDC IXIS group.

Note 11 - Provisions for Loan Losses

	Customer loans	Other	Total
(in millions of euros)			
Charges to provisions	(303)	(40)	(343)
Reversals of provisions	245	15	260
Other	(52)	(2)	(54)
Total, six months ended June 30, 2004	(110)	(27)	(137)
Total, six months ended June 30, 2003	(138)	(13)	(151)

To reflect counterparty risks more accurately, a provision is recorded under liabilities covering sound loans and off-balance sheet commitments for which statistical data are available to assess the probability of default. The provision is calculated by applying different rates to loans analyzed by credit rating and remaining term. The rates are weighted based on assumptions concerning the probability of the amounts involved being recovered in the event of default.

Note 12 - Exceptional Items

Exceptional income and expenses are income and expenses which are unusual in terms of their frequency and which fall outside the scope of the Group's ordinary activities. In first-half 2004, exceptional items included a €100 million indemnity payment received from the Caisse des dépôts et consignations (see Note 1.4).

Note 13 - Segment Information – Retail Banking

	Group total		Retail Banking	
	First-half 2003	First-half 2004	First-half 2003	First-half 2004
	(in millions of euros)			
Net banking income	3,612	4,091	3,071	3,406
Operating expenses	(2,538)	(2,808)	(2,316)	(2,567)
Gross operating income.....	1,074	1,283	755	839
Provisions for loan losses	(151)	(137)	(120)	(94)
Share in net income of companies accounted for by the equity method	67	80	65	78
Gains on fixed assets.....	103	13	3	9
Ordinary income before tax.....	1,093	1,239	703	832

Retail banking includes the following activities:

- commercial banking activities (savings deposits and loans granted to customers),
- operations designed to support these activities, including hedging operations,
- assets required for the pursuit of banking activities and financial assets invested in the retail banking business,
- insurance subsidiaries, along with the majority of non-banking subsidiaries, form part of this business because they represent an extension of the Group's retail banking activity.

Net banking income includes the return on equity allocated to retail banking activities. The amount of this equity is determined in accordance with the applicable regulations.

Operating expenses include the following items:

- general operating expenses,
- depreciation, amortization and provisions for impairment in value.

**STATUTORY AUDITORS' REVIEW REPORT
ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004**

PricewaterhouseCoopers Audit

**32, rue Guersant
75017 Paris**

Mazars & Guérard

**Le Vinci
4, allée de l'Arche
92075 La Défense Cedex**

This is a free translation into English of the Auditors' review report and is provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

CAISSE D'EPARGNE GROUP

77, boulevard Saint Jacques
75014 Paris

As requested from us in our capacity as Statutory Auditors of the Caisse Nationale des Caisses d'Epargne et de Prévoyance, we have performed a limited review of the accompanying interim consolidated financial statements of the Caisse d'Epargne Group for the period from January 1, 2004 to June 30, 2004, and of the information contained in the interim report.

These interim consolidated financial statements are the responsibility of the Management Board. Our responsibility, based on our limited review, is to report our conclusions concerning these financial statements.

We conducted our limited review in accordance with the professional standards applied in France. Those standards require that we perform limited procedures to obtain reasonable assurance, below the level resulting from a full audit, that the interim consolidated financial statements do not contain any material errors. A limited review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards applied in France.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements in order to present fairly the consolidated results of operations for the six months ended June 30, 2004 and the consolidated financial position and assets of the Caisse d'Epargne Group at that date, in conformity with the accounting rules and principles applied in France.

Without qualifying our opinion set out above, we draw your attention to:

- Notes 1, 4.2 and 4.3 to the interim consolidated financial statements, which describe the New Foundations project and its impact on period-on-period comparisons;
- Notes 3.2 and 4.1, which set out the reasons for and the impact of the change in accounting method, whereby the CNCE is now included within the consolidating entity of the Caisse d'Epargne Group.

In accordance with professional standards applied in France, we have also reviewed the information given in the interim report accompanying the interim consolidated financial statements that were the subject of our limited review.

We have no matters to report as to its fair presentation and conformity with the interim consolidated financial statements.

Paris, and Paris la Défense, October 20, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

Mazars & Guérard

Anik Chaumartin

Yves Nicolas

Michel Barbet-Massin

Franck Boyer

SUBSCRIPTION AND SALE

Summary of Amended and Restated Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 28 October 2004 (the “**Amended and Restated Dealer Agreement**”) between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Amended and Restated Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Amended and Restated Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

France

Each of the Dealers and the Issuer has represented and agreed that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any Notes by way of a public offering in France (an *appel public à l'épargne*, as defined in Article L.411-1 of the Code).

If necessary these selling restrictions will be supplemented in the relevant Pricing Supplement.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Materialised Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Amended and Restated Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the

restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (i) in relation to any Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Accordingly, each of the Dealers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. .

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement and neither the Issuer nor any other Dealer shall have responsibility therefore.

Each of the Dealers and the Issuer has represented and agreed that Materialised Notes may only be issued outside France.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche is set out below:

Pricing Supplement

[LOGO, if document is printed]

CAISSE NATIONALE DES CAISSES D'ÉPARGNE ET DE PRÉVOYANCE

Euro 20,000,000,000
Euro Medium Term Note Programme
for the issue of Notes

Due from one month from the date of original issue

SERIES NO: [•]

TRANCHE NO: [•]

[Brief Description and Amount of Notes]

Issue Price: [•] per cent.

[Name(s) of Dealer(s)]

The date of this Pricing Supplement is [•]

This Pricing Supplement, under which the Notes described herein (the “Notes”) are issued, contains the final terms of the Notes, and is supplemental to, and should be read in conjunction with, the Offering Circular (the “Offering Circular”) dated 28 October 2004 issued in relation to the Euro 20,000,000,000 Euro Medium Term Note Programme of the Issuer. Terms defined in the Offering Circular have the same meaning in this Pricing Supplement. The Notes will be issued on the terms of this Pricing Supplement read together with the Offering Circular. The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular, contains all information that is material in the context of the issue of the Notes.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms defined in the Offering Circular dated [original date] have the same meaning in this Pricing Supplement. This Pricing Supplement contains the final terms of the Notes and should be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [•]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date].]

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer of, or an invitation by or on behalf of anyone to subscribe or purchase any of the Notes.

[Except as disclosed in this document, there/There]* has been no significant change in the financial or trading position of the Issuer since [date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer and its consolidated subsidiaries and affiliates (*filiales consolidées et participations consolidées*) taken as a whole since [date of last published annual accounts].¹

The Offering Circular, together with this Pricing Supplement, contains all information relating to the assets and liabilities, financial position, profits and losses of the Issuer which is material in the context of the issue and offering of the Notes and nothing has happened which would require the Offering Circular to be [further] supplemented or to be updated in the context of the issue and offering of the Notes.²

Signed:

Authorised Officer

**[In connection with this issue, [name of the Stabilising Manager] (the “Stabilising Agent”) or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period[.]. However, there may be no obligation on the Stabilising Agent or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.]³
[Any such transaction will be carried out in accordance with applicable laws and regulations.]⁴**

¹ N.B. If any such change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

² An issue of Notes, to the extent that such Notes constitute *obligations*, requires the prior authorisation of (i) the *Directoire* of the Issuer or (ii) the Ordinary General Meeting of the Issuer’s shareholders if (a) the *statuts* of the Issuer so require (at the date hereof the *statuts* of the Issuer do not require a resolution of the Ordinary General Meeting) or (b) the shareholders at an Ordinary General Meeting decide to authorise an issue of *obligations*, all pursuant to article L.228-40 of the French Code of Commerce. The *Directoire* may in turn delegate its power to any person for up to a year.

³ Delete if there is no Stabilising Agent.

⁴ Delete if there is no Stabilising Agent.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|---|---|---|
| 1 | Issuer: | Caisse Nationale des Caisses d’Epargne et de Prévoyance |
| 2 | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |
| | [(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)] | |
| 3 | Specified Currency or Currencies: | [•] |
| 4 | Aggregate Nominal Amount: | |
| | (i) Series: | [•] |
| | (ii) Tranche: | [•] |
| 5 | (i) Issue Price: | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| | (ii) [Net proceeds: | [•] (Required only for listed issues)] |
| 6 | Specified Denominations ¹ : | [•] (one denomination only for Dematerialised Notes) |
| | | [•] |
| 7 | (i) Issue Date: | [•] |
| | (ii) [Interest Commencement Date: | [•] |
| 8 | Maturity Date: | [specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year] |

¹ Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” (or another application exemption from section 19 of the FSMA must be available) and (b) provide that no part of any such Notes may be transferred unless the redemption value of that part is not less than £100,000 (or its equivalent in other currencies).

- 9 Interest Basis: **[•] per cent. Fixed Rate]**
[specify reference rate] +/- [•] per cent.
Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (specify)]
(further particulars specified below)
- 10 Redemption/Payment Basis: **[Redemption at par]**
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
- 11 Change of Interest or Redemption/Payment Basis: **[Specify details of any provision for**
convertibility of Notes into another interest or
redemption/payment basis]
- 12 Options: **[Issuer Call]**
[(further particulars specified below)]
[Other Option specify details of provisions]
- 13 Status: **[Unsubordinated/Subordinated] Notes**
[Specify details of any provision for
Subordinated Notes in particular whether the
proceeds of which constitute Tier 1, Tier 2 or
Tier 3 Capital, as the case may be, whether
such Notes are dated or undated, whether
ordinary or deeply, whether interest deferral
provisions apply and whether any additional
events of default should apply]
- 14 Listing: **[Luxembourg/Other (specify)/None]**
- 15 Method of distribution: **[Syndicated/Non-syndicated]**

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 16 Fixed Rate Note Provisions **[Applicable/Not Applicable]**
(If not applicable, delete the remaining sub-
paragraphs of this paragraph)
- (i) Rate [(s)] of Interest: **[•] per cent. per annum [payable**
[annually/semi-annually/quarterly/ monthly] in
arrear]
- (ii) Interest Payment Date(s): **[•] in each year [adjusted in accordance with**
[specify Business Day Convention and any
applicable Business Centre(s) for the definition
of “Business Day”]/not adjusted]
- (iii) Fixed Coupon Amount [(s)]: **[•] per [•] in nominal amount**

	(iv) Broken Amount(s):	<i>[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]</i>
	(v) Day Count Fraction (Condition 5(a)):	[30/360 / Actual/Actual (ISMA/ISDA) / other]
	(vi) Determination Date(s) (Condition 5(a)):	[•] in each year <i>(insert regular Interest Payment Dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last Coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ISMA))</i> ¹
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
17	Floating Rate Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph).</i>
	(i) Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[•]
	(iii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
	(iv) Business Centre(s) (Condition 5(a)):	[•]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other <i>(give details)</i>]
	(vi) Interest Period Date(s):	[Not Applicable/specify dates]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[•]
	(viii) Screen Rate Determination (Condition 5(c)(iii)(B)):	
	– Relevant Time:	[•]
	– Interest Determination Date:	[[•] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
	– Primary Source for Floating Rate:	[Specify relevant screen page or “Reference Banks”]

¹ Only to be completed for an issue denominated in Euro where Day Count Fraction is Actual/Actual-ISMA

	– Reference Banks (if Primary Source is “Reference Banks”):	[Specify four]
	– Relevant Financial Centre:	[The financial centre most closely connected to the Benchmark - specify if not London]
	– Benchmark:	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]
	– Representative Amount:	[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]
	– Effective Date:	[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]
	– Specified Duration:	[Specify period for quotation if not duration of Interest Accrual Period]
(ix)	ISDA Determination (Condition 5(c)(iii)(A)):	
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	– ISDA Definitions: (if different from those set out in the Conditions)	[•]
(x)	Margin(s):	[+/-] [•] per cent. per annum
(xi)	Minimum Rate of Interest:	[•] per cent. per annum
(xii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiii)	Day Count Fraction (Condition 5(a)):	[•]
(xiv)	Rate Multiplier:	[•]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
18	Zero Coupon Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Amortisation Yield (Condition 6(e)(i)):	[•] per cent. per annum
(ii)	Day Count Fraction (Condition 5(a)):	[•]
(iii)	Any other formula/basis of determining amount payable:	[•]

19	Index Linked Interest Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Index/Formula:	[Give or annex details]
	(ii) Calculation Agent responsible for calculating the interest due:	[•]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[•]
	(iv) Interest Period(s):	[•]
	(v) Specified Interest Payment Dates:	[•]
	(vi) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
	(vii) Business Centre(s) (Condition 5(a)):	[•]
	(viii) Minimum Rate of Interest:	[Not Applicable/[•] per cent. per annum]
	(ix) Maximum Rate of Interest:	[Not Applicable/[•] per cent. per annum]
	(x) Day Count Fraction (Condition 5(a)):	[•]
20	Dual Currency Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[•]
	(v) Day Count Fraction (Condition 5(a)):	[•]

PROVISIONS RELATING TO REDEMPTION

21	Call Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	

	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Note [of [•] Specified Denomination]*
	(iii) If redeemable in part:	[•]
	(c) Minimum nominal amount to be redeemed:	[•]
	(d) Maximum nominal amount to be redeemed:	[•]
	(iv) Option Exercise Date(s):	[•]
	(v) Description of any other Issuer's option:	[•]
	(vi) Notice period ¹ :	[•]
22	Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Note [of [•] Specified Denomination]*
	(iii) Option Exercise Date(s):	[•]
	(iv) Description of any other Noteholders' option:	[•]
	(v) Notice period ² :	[•]
23	Final Redemption Amount of each Note	[[•] per Note [of [•] Specified Denomination]* Other/ See Appendix]

¹ If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems, as well as any other notice requirements which may apply, for example, as between the Issuer and its Fiscal Agent or the notice to the Noteholders in accordance with Condition 15.

² If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems, as well as any other notice requirements which may apply, for example, as between the Issuer and its Fiscal Agent or the notice to the Noteholders in accordance with Condition 15.

* Delete the sentence in brackets in the case of Dematerialised Notes

- 24** Early Redemption Amount
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(f)), for illegality (Condition 6(j)) or an event of default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions): **[•]**
 - (ii) Redemption for taxation reasons permitted on days others than Interest Payment Dates (Condition 6(f)): **[Yes/No]**
 - (iii) Unmatured Coupons to become void upon early redemption (Materialised Bearer Notes only) (Condition 7(f)): **[Yes/No/Not Applicable]**

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25** Form of Notes: **[Dematerialised Notes/ Materialised Notes]**
(Materialised Notes are only in bearer form)
[Delete as appropriate]
- (i) Form of Dematerialised Notes: **[Not Applicable/if Applicable specify whether]**
[Bearer dematerialised form (*au porteur*) /
Registered dematerialised form (*au nominatif*)]
 - (ii) Registration Agent: **[Not Applicable/if Applicable give name and details]** *(Note that a Registration Agent must be appointed in relation to Registered Dematerialised Notes only)*
 - (iii) Temporary Global Certificate: **[Not Applicable/if Applicable: Temporary Global Certificate exchangeable for Definitive Materialised Bearer Notes on [•] (the “Exchange Date”), being 40 days after the Issue Date subject to postponement as provided in the Temporary Global Certificate]**
 - (iv) Applicable TEFRA exemption: **[C Rules/D Rules/Not Applicable]** *(Only applicable to Materialised Notes)*
- 26** Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: **[Not Applicable/Give details]** *(Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16 (ii), 17(iv) and 19(vii) relate)*
- 27** Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): **[Yes/No/Not Applicable. If yes, give details]**
(Only applicable to Materialised Notes)

28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/give details]
29	Details relating to Instalment Notes:	[Not Applicable/give details]
	(v) Instalment Amount(s):	[•]
	(vi) Instalment Date(s):	[•]
	(vii) Minimum Instalment Amount:	[•]
	(viii) Maximum Instalment Amount:	[•]
30	Redenomination, renominatisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 1(d)] [annexed to this Pricing Supplement] apply]
31	Consolidation provisions:	[Not Applicable/The provisions [in Condition 14(b)] [annexed to this Pricing Supplement] apply]
32	Masse (Condition 11):	[Applicable/Not Applicable/Condition 11 replaced by the full provisions of the French <i>Code de commerce</i> relating to the Masse] (Note that: (i) in respect of any Tranche of Notes issued <u>outside</u> France, Condition 11 <u>may</u> be waived, amended or supplemented, and (ii) in respect of any Tranche of Notes issued <u>inside</u> France, Condition 11 <u>must</u> be waived in its entirety and replaced by the full provisions of the French <i>Code de commerce</i> relating to the Masse ¹ . If Condition 11 (as it may be amended or supplemented) applies or if the full provisions of the French <i>Code de commerce</i> relating to the Masse apply, insert details of Representative and Alternative Representative and remuneration, if any) ² .
33	Other terms or special conditions:	[Not Applicable/give details]
DISTRIBUTION		
34	(i) If syndicated, names of Managers:	[Not Applicable/give names]
	(ii) Stabilising Manager (if any):	[Not Applicable/give name]

¹ Article L.228-65 II of the French *Code de commerce* provides that decisions at general meetings of Noteholders shall be taken by a two-third majority of votes cast by Noteholders attending such general meeting or represented thereat. Condition 11 provides that such decisions shall be taken by the simple majority.

² At the date of this Pricing Supplement the *statuts* of the Issuer [do not contemplate (to be amended if the *statuts* of the Issuer have been modified)] the right for a Noteholder to participate in a General Meeting by videoconference or any other means of telecommunication allowing the identification of the participating Noteholders.

	(iii) Dealer's Commission:	[•]
35	If non-syndicated, name of Dealer:	[Not Applicable/give name]
36	Additional selling restrictions:	[Not Applicable/give details]
OPERATIONAL INFORMATION		
37	ISIN Code:	[•]
38	Common Code:	[•]
39	Depository(ies)	
	(i) Euroclear France to act as Central Depository	[Yes/No]
	(ii) Common Depository for Euroclear and Clearstream, Luxembourg	[Yes/No]
40	Any clearing system(s) other than Euroclear France, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
41	Delivery:	Delivery [against/free of] payment
42	The Agents appointed in respect of the Notes are:	[•]
GENERAL		
43	The aggregate principal amount of Notes issued has been translated into Euro at the rate of [•], producing a sum of:	[Not Applicable/Euro[•]] (<i>Only applicable for Notes not denominated in Euro</i>)
44	Rating	[[•] by Fitch Ratings, [[•] by Moody's Investors Services, Inc.] and [[•] by Standard & Poor's Ratings Services .]
A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency		

GENERAL INFORMATION

- (1) In connection with the application to list the Notes issued under the Programme on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copies of the *statuts* of the Issuer will be deposited with the Commercial Register in Luxembourg (*Registre du commerce et des sociétés*) where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated to the Programme the number 12451 for listing purposes.
- (2) The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in the Republic of France in connection with the establishment and update of the Programme. The establishment of the Euro 10 billion Euro Medium Term Note Programme was authorised by a decision of the *Directoire* of the Issuer made on 29 May 2000. The increase of the aggregate nominal amount of outstanding Notes was authorised by a decision of the *Directoire* of the Issuer dated 21 July 2003. Any drawdown of Notes under the Programme, to the extent that such Notes constitute *obligations*, require the prior authorisation of (i) of the *Directoire* of the Issuer or (ii) the Ordinary General Meeting of the shareholders of the Issuer if (a) the *statuts* of the Issuer so require (at the date hereof the *statuts* of the Issuer do not require a resolution of the Ordinary General Meeting), or (b) the shareholders at an Ordinary General Meeting decide to authorise an issue of *obligations*, all pursuant to Article L.228-40 of the French Code of Commerce. Pursuant to the same Article the *Directoire* may delegate to any person the power to issue *obligations* for up to a year. Any drawdown of Notes, to the extent that such Notes do not constitute *obligations*, fall within the general powers of the *Président* of the *Directoire* or a *directeur général* of the Issuer.
- (3) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2004, and no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2003.
- (4) Except as disclosed in this Offering Circular, neither the Issuer nor any member of the Group is or has been involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Notes nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.
- (5) Each Definitive Bearer Materialised Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.
- (7) For so long as Notes may be issued under the Programme are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent or each of the Paying Agents:
 - (iii) the Amended and Restated Agency Agreement (which includes the form of the *Lettre Comptable*, the Temporary Global Certificates, the Definitive Materialised Bearer Notes, the Coupons, the Receipts and the Talons),
 - (iv) the Amended and Restated Dealer Agreement,

- (v) the *statuts* of the Issuer,
 - (vi) the published annual report and audited non-consolidated and consolidated accounts of the Issuer for the two financial years ended 31 December 2002 and 2003 and its published interim accounts for the period ended 30 June 2004,
 - (vii) each Pricing Supplement for Notes that are listed on the Luxembourg Stock Exchange or any other stock exchange,
 - (viii) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular,
 - (ix) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Luxembourg Stock Exchange or any other stock exchange and
 - (x) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular in respect of each issue of Notes.
- (8) For so long as Notes issued under the Programme are outstanding, the following documents will be available free of charge, during usual business hours on any weekday (Saturdays and public holidays excepted), at the office of the Fiscal Agent or of each of the Paying Agents:
- (i) the published annual report and audited non-consolidated and consolidated accounts of the Issuer for the two financial years ended 31 December 2002 and 2003 and its published interim accounts for the period ended 30 June 2004,
 - (ii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular in respect of each issue of Notes,
 - (iii) each Pricing Supplement for Notes that are listed on the Luxembourg Stock Exchange or any other stock exchange and
 - (iv) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular.
- (9) The accounts of the Issuer are published on an annual and semi-annual basis. Copies of the latest annual report and non-consolidated and consolidated accounts of the Issuer (including any published interim consolidated accounts) (in English and French) (in each case as soon as they are published) may be obtained, and copies of the Amended and Restated Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
- (10) On 3 June 2003, the Council of the European Union adopted a new directive regarding the taxation of savings income received in the form of interest payments (the “**Directive**”). Subject to certain conditions being met, member States will be required from a date not earlier than 1 January 2005 to provide the tax authorities of another member State with, *inter alia*, details of payments of interest within the meaning of the Directive (interest, products, premiums or other debt income) made by a paying agent located within its jurisdiction to or for the benefit of an individual resident in that other member State (the “**Disclosure of Information Method**”).

For these purposes, the term “paying agent” is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

However, throughout the transitional period, certain member States (the Grand-Duchy of Luxembourg, Belgium and Austria), instead of using the Disclosure of Information Method used by other member States, would withhold an amount on interest payments.

The rate of such withholding tax will equal 15 per cent. during the first three years, 20 per cent. during the subsequent three years and 35 per cent. until the end of the transitional period. Such transitional period will end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (the United States, Switzerland, Liechtenstein, San Marino, Monaco and Andorra).

The Directive was implemented into French law by the Amended Finance Law for 2003, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest payments made on or after 1 January 2005, but paying agents are required to identify the beneficial owners of such payments as from 1 January 2004, pursuant to modalities to be provided in regulations not yet published.

In principle, it was expected that the Directive would be implemented as from 1 January 2005. However, the implementation of the Directive has been postponed until 1 July 2005.

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