CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

Issue of EUR 350,000,000 Deeply Subordinated Fixed to Floating Rate Notes

The Euro ("**EUR**") 350,000,000 Deeply Subordinated Fixed to Floating Rate Notes (the "**Notes**") of Caisse Nationale des Caisses d'Epargne et de Prévoyance (the "**Issuer**" or "**CNCEP**") will bear interest at 4.75 per cent. per annum payable annually in arrear on or about 1 February in each year commencing on or about 1 February 2007 until on or about 1 February 2016 (included) and thereafter at Euribor 3 months + 1.35 per cent. per annum payable quarterly in arrear on or about 1 May, 1 August, 1 November and 1 February in each year commencing on or about 1 May 2016, as more fully described herein.

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

Accrued Interest and the Principal Amount of the Notes may be reduced following a Supervisory Event, on a semi-annual basis (see Condition 5.1 (*Loss Absorption*)).

The Notes may be redeemed (in whole but not in part) on 1 February 2016 and on any Interest Payment Date (as defined in Condition 4 (*Interest and Interest Suspension*)) thereafter, at the option of the Issuer. The Issuer will also have the right to redeem the Notes (in whole but not in part) for certain tax and regulatory reasons.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**"), for its approval of this Prospectus. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market (the "**EU-regulated market of the Luxembourg Stock Exchange**") and to be listed on the Luxembourg Stock Exchange.

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

See "*Risk Factors*" beginning on page 20 for certain information relevant to an investment in the Notes.

The Notes will, upon issue on 1 February 2006, be entered in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined in Condition 2 (*Form, Denominations and Title*)) including the depositary bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**").

The Notes will be issued in denominations of EUR 50,000 and will at all times be represented in book entry form (*dématérialisés*) in compliance with article L.211-4 of the French *Code monétaire et financier* in the books of the Account Holders.

Joint Bookrunners and Joint Lead Managers

HSBC | **IXIS CORPORATE & INVESTMENT BANK**

MERRILL LYNCH INTERNATIONAL | **UBS INVESTMENT BANK**

Senior Co-Lead Managers

ABN AMRO | **DEUTSCHE BANK** | **LEHMAN BROTHERS**

The date of this Prospectus is 30 January 2006.

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the "Prospectus Directive") in respect of, and for the purpose of giving information with regard to Caisse Nationale des Caisses d'Epargne et de Prévoyance (the "Issuer" or "CNCE" or "CNCEP"), the Issuer and its subsidiaries (the "CNCE Group") and the Groupe Caisse d'Epargne (the "Group") which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus is to be read in conjunction with any documents and/or information which is incorporated herein by reference in accordance with Article 28 of the Commission Regulation (EC) no. 809/2004.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus 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 Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers (each as defined in the Summary below). Neither the delivery of this Prospectus 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 that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or that any other information supplied in connection with the issue or sale of the Notes 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 Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers 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"). 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"). For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers to subscribe for, or purchase, any Notes.

The Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers have not separately verified the information contained in this Prospectus. None of the Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus 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 Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers that any recipient of this Prospectus 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 Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the

Notes of any information coming to the attention of any of the Joint Bookrunners and Joint Lead Managers and the Senior Co-Lead Managers.

In this Prospectus, unless otherwise specified, references to a "Member State" are references to a Member State of the European Economic Area, references to "U.S.$", "U.S. dollars" or "dollars" are to United States dollars and references to "EUR" or "euro" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

In connection with the issue of the Notes, IXIS Corporate & Investment Bank (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) 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 is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin at any time after the adequate public disclosure of this Prospectus and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilisation will be carried out in accordance with all applicable laws and regulations and will be undertaken solely for the account of the Managers and not for or on behalf of the Issuer.

CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(i) the unaudited interim non-consolidated financial statements of the Issuer as of and for the six months ended 30 June 2005 and the related notes and Auditors' "limited review" report (as included in the "Interim Report June 2005" referred to in the cross-reference list hereinafter);

(ii) the audited non-consolidated financial statements of the Issuer as of and for the years ended 31 December 2003 and 31 December 2004 and the related notes and Auditors' reports (as included in the "Financial Statements 2003" and in the "Financial Statements 2004", respectively, referred to in the cross-reference list hereinafter);

(iii) the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2003 and the related notes and Auditors' report (as included in the "Management Report for the 2003 Financial Year" referred to in the cross-reference list hereinafter);

(iv) the audited consolidated financial statements of Groupe Caisse d'Epargne as of and for the years ended 31 December 2003 and 31 December 2004 and the related notes and Auditors' reports (as included in the "Management Report for the 2003 Financial Year" and in the "Management Report for the 2004 Financial Year", respectively, referred to in the cross-reference list hereinafter);

(v) the unaudited interim consolidated financial statements of Groupe Caisse d'Epargne as of and for the six-months ended 30 June 2005 and the related notes and Auditors' "limited review" report (as included in the "Management Report First Half 2005" referred to in the cross-reference list hereinafter),

which have been previously published or are published simultaneously with this Prospectus and that have been filed with the Luxembourg competent authority for the purpose of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg, and shall be incorporated in, and form part of, this Prospectus.

This Prospectus and the documents incorporated by reference in this Prospectus are available for viewing at www.bourse.lu

Any information not listed in the following cross-reference lists but included in the documents incorporated by reference in this Prospectus is given for information purposes only.

CROSS-REFERENCE LIST IN RESPECT OF THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 IN RESPECT OF CNCE GROUP

Regulation – Annex XI in respect of CNCE Group		Management Report for the 2003 Financial Year
11. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	11.1 Historical Financial Information	
	Audited historical financial information	p. 1 et seq.
	Audit reports	p. 46
	Balance sheet	p. 1
	Profit and loss account	p. 3
	Accounting policies	p. 10
	Explanatory notes	p. 4 et seq.
	11.2 Financial Statements	
	Consolidated financial statements	p. 1 et seq.
	11.3 Auditing of historical annual financial information	
	11.3.1	
	Statement indicating that the historical financial information has been audited	p. 46 et seq.
	Refusal, qualifications or disclaimers of the audit reports, as the case may be, and reasons for such refusal, qualifications or disclaimers	p. 46
	11.3.2 Other information included audited by the auditors	N/A
	11.3.3 If financial data included is not extracted from the issuer's audited financial statements, source of the data and indication that the date is unaudited	N/A

CROSS-REFERENCE LIST IN RESPECT OF THE FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003 AND FOR THE SIX-MONTHS ENDED 30 JUNE 2005 IN RESPECT OF THE GROUPE CAISSE D'EPARGNE

Regulation – Annex XI in respect of the Groupe Caisse d'Epargne		**Management Report for the 2004 Financial Year**	**Management Report for the 2003 Financial Year**	**Management Report First Half 2005**
11. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	11.1 Historical Financial Information			
	Audited historical financial information	p. 42 et seq.	p. 41 et seq.	
	Audit reports	p. 87 and seq.	p. 86	
	Balance sheet	p. 42	p. 41	
	Profit and loss account	p. 44	p. 43	
	Accounting policies	pp. 4, 49, 53, 58, 83, 88	pp. 51, 56	
	Explanatory notes	p. 45 et seq.	p. 44 et seq.	
	11.2 Financial Statements			
	Consolidated financial statements	p. 42 et seq.	p. 41 et seq.	
	11.3 Auditing of historical annual financial information			
	11.3.1			
	Statement indicating that the historical financial information has been audited	p. 87 et seq.	p. 86 et seq.	
	Refusal, qualifications or disclaimers of the audit reports, as the case may be, and reasons for such refusal, qualifications or disclaimers	pp. 87, 88	p. 86	
	11.3.2 Other information included audited by the auditors	N/A	N/A	
	11.3.3 If financial data included is not extracted from the issuer's audited financial statements, source of the data and indication that the date is unaudited	N/A	N/A	
	11.5.1 Unaudited half yearly financial information			
	Limited review report			p. 77
	Balance sheet			37
	Profit and loss account			39
	Accounting policies			pp. 5, 45, 51, 54
	Explanatory notes			p. 40 et seq.

CROSS-REFERENCE LIST IN RESPECT OF THE FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003 AND FOR THE SIX-MONTHS ENDED 30 JUNE 2005 IN RESPECT OF CNCE

Regulation – Annex XI in respect of CNCE		**Financial Statements 2004**	**Financial Statements 2003**	**Interim Report June 2005**
11. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	11.1 Historical Financial Information			
	Audited historical financial information	p. 1 et seq.	p. 1 et seq.	
	Audit reports	p. 24	p. 25	
	Balance sheet	p. 1 et seq.	p. 1 et seq.	
	Profit and loss account	p. 3	p. 3	
	Accounting policies	p. 7	p. 5	
	Explanatory notes	p. 4 et seq.	p. 4 et seq.	
	11.2 Financial Statements			
	Own financial statements	p. 1 et seq.	p. 1 et seq.	
	11.3 Auditing of historical annual financial information			
	11.3.1			
	Statement indicating that the historical financial information has been audited	p. 24 et seq.	p. 25 et seq.	
	Refusal, qualifications or disclaimers of the audit reports, as the case may be, and reasons for such refusal, qualifications or disclaimers	p. 24	p. 25	
	11.3.2 Other information included audited by the auditors	N/A	N/A	
	11.3.3 If financial data included is not extracted from the issuer's audited financial statements, source of the data and indication that the date is unaudited	N/A	N/A	
	11.5.1 Unaudited half yearly financial information			
	Limited review report			p. 26
	Balance sheet			pp. 2, 3
	Profit and loss account			p. 4
	Accounting policies			p. 6
	Explanatory notes			p. 5 et seq.

PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS

To the best knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility accordingly.

Caisse Nationale des Caisses d'Epargne et de Prévoyance
5, rue Masseran
75007 Paris
France

Duly represented by:

Mr Pierre Servant, *Membre du Directoire*

SUMMARY

*This summary must be read as an introduction to this Prospectus. Any decision by any investor to invest in the Notes should be based on a consideration of this Prospectus as a whole. The Issuer may have civil liability in respect of this summary, but only if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a European Economic Area State (an "**EEA State**"), the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

*Words and expressions defined in "*Terms and Conditions of the Notes*" below shall have the same meanings in this summary.*

I. The Notes

Issuer:	Caisse Nationale des Caisses d'Epargne et de Prévoyance
Description:	EUR 350,000,000 Deeply Subordinated Fixed to Floating Rate Notes (the "**Notes**")
Joint Bookrunners and Joint Lead Managers:	HSBC Bank plc, IXIS Corporate & Investment Bank, Merrill Lynch International and UBS Limited
Senior Co-Lead Managers:	ABN AMRO Bank N.V., Deutsche Bank AG, London Branch and Lehman Brothers International (Europe)
Amount:	EUR 350,000,000
Issue Price:	99.922 per cent.
Fiscal Agent, Principal Paying Agent and Calculation Agent:	Deutsche Bank AG, London Branch
Luxembourg Paying Agent:	Deutsche Bank Luxembourg S.A.
Paris Paying Agent:	Deutsche Bank AG, Paris Branch
Luxembourg Listing Agent:	Deutsche Bank Luxembourg S.A.
Method of Issue:	The Notes will be issued on a syndicated basis.
Maturity:	The Notes are undated securities in respect of which there is no fixed redemption or maturity date.
Currency:	EUR
Denomination:	The Notes will be issued in denominations of EUR 50,000.
Status of the Notes:	The Notes are deeply subordinated notes (*obligations*) of the Issuer issued pursuant to the provisions of article L. 228-97 of

the French *Code de commerce*, as amended by law n° 2003-706 on financial security dated 1 August 2003.

The principal and interest on the Notes constitute direct, unconditional, unsecured, undated and deeply subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future deeply subordinated notes issued by the Issuer but shall be subordinated to the *prêts participatifs* granted to the Issuer and *titres participatifs*, ordinarily subordinated notes and unsubordinated notes issued by the Issuer. In the event of liquidation, the Notes shall rank in priority to any payments to holders of any classes of shares and of any other equity securities issued by the Issuer.

Use of Proceeds:	The proceeds of the issue of the Notes will be treated for regulatory purposes as consolidated *fonds propres de base* for the Issuer. *Fonds propres de base* ("**Tier 1 Capital**") shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated 23 February 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the "**CRBF Regulation**"), or otherwise recognised as *fonds propres de base* by the *Secrétariat général of the Commission bancaire* ("**SGCB**"). The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated 27 October 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**"). The French language version of the BIS Press Release is attached to the report published annually by the SGCB entitled "*Modalités de calcul du ratio international de solvabilité*".
Negative Pledge:	There is no negative pledge in respect of the Notes.
Event of Default:	The events of default in respect of the Notes are limited to liquidation, as set out in Condition 9 (*Event of Default*).
Principal Amount of the Notes/Loss Absorption/Reinstatement:	The principal amount of the Notes may be reduced following a Supervisory Event, on a semi-annual basis. The principal amount of the Notes will be reinstated following a Return to Financial Health of the Issuer.
Supervisory Event:	Supervisory Event means the first date of either of the following events: (i) the total risk-based consolidated capital ratio of the Issuer and its consolidated subsidiaries and affiliates, calculated in accordance with the Applicable Banking Regulations, falls below the minimum percentage required in accordance with Applicable Banking Regulations

or below any other future minimum regulatory threshold applicable to the Issuer, or (ii) the notification by the SGCB, in its sole discretion, to the Issuer, that it has determined, in view of the financial condition of the Issuer, that the foregoing clause (i) would apply in the near term.

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

Return to Financial Health: Return to Financial Health means a positive Consolidated Net Income recorded for at least two consecutive fiscal years following the End of Supervisory Event.

Optional Redemption/Early Redemption: The Notes may be redeemed (in whole but not in part) at the Original Principal Amount together with any amounts outstanding thereon, including Accrued Interest, on 1 February 2016 and on any Interest Payment Date thereafter, at the option of the Issuer.

The Issuer will also have the right to redeem the Notes (in whole but not in part) at the Original Principal Amount together with any amounts outstanding thereon, including Accrued Interest, for certain tax and regulatory reasons.

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

Taxation: The Notes will, upon issue, benefit from an exemption from deduction of French tax at source. If French law shall require any such deduction, the Issuer shall, to the extent permitted by law and subject to certain exceptions, pay additional amounts.

Interest: The Notes will bear interest at 4.75 per cent. per annum payable annually in arrear on or about 1 February in each year commencing on or about 1 February 2007 until on or about 1 February 2016 (included) and thereafter at Euribor 3 months +

1.35 per cent. per annum payable quarterly in arrear on or about 1 May, 1 August, 1 November and 1 February in each year commencing on or about 1 May 2016, as more fully described in the Terms and Conditions of the Notes.

Payment of interest will be compulsory on any Compulsory Interest Payment Date in the conditions specified in the Terms and Conditions of the Notes.

For so long as the compulsory interest provisions do not apply, the Issuer may pay interest on any Optional Interest Payment Date in accordance with Condition 4.4 (*Interest Payable*).

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

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

The modalities and basis of calculation and accrual of interest payable on any Optional Interest Payment Date are specified in Condition 4 (*Interest and Interest Suspension*).

Representation of Noteholders: Noteholders will form a *masse* governed by the provisions of the French *Code de commerce* and by French decree no. 67-236 dated 23 March 1967, subject to certain exceptions, in defense of their common interests.

Selling Restrictions: The Notes have not been and will not be registered under the U.S. Securities Act and are being offered and sold only outside the United States in accordance with Regulation S thereunder. Moreover, the Notes have not been and will not be registered in any country or jurisdiction in order to permit a public offering and related selling restrictions therefore apply in various jurisdictions.

Form of Notes: The Notes will, upon issue on 1 February 2006, be entered in the books of Euroclear France which shall credit the accounts of the Account Holders including the depositary bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**").

The Notes will be issued in bearer dematerialised form (*au porteur*) and will at all times be represented in book entry form in compliance with Article L.211-4 of the French *Code*

	monétaire et financier.
Governing Law:	French law

II. Key information about the Issuer

A. Key information about the Issuer

Legal name:	Caisse Nationale des Caisses d'Epargne et de Prévoyance
Registered office:	5, rue Masseran – 75007 Paris – France
Head office for business purposes:	50, avenue Pierre Mendès-France – 75013 Paris – France
Legal form, management and supervisory bodies:	A bank organized as a *société anonyme* (corporation) governed by a Management Board and a Supervisory Board subject to the provisions of the French Commercial Code with respect to commercial companies, and, in particular articles L.225-57 to L.225-93, the provisions of Decree 67-236 of March 23, 1967, Law No. 84-46 of January 24, 1984, and notably its articles embodied in the Monetary and Financial Code, and the legal and regulatory provisions adopted for the implementation or amendment of the legal provisions mentioned above.
Share capital:	The issuer's share capital is €7,251,677,773.50 divided into 475,519,854 fully paid-up shares with a par value of €15.25 each. 65% of the share capital are held by the Groupe Caisse d'Epargne and 35% are held by the CDC Group. The Issuer's shares are not listed on the stock exchange.
Organisational structure:	The Issuer is a part of the Groupe Caisse d'Epargne (the "**Group**") which forms a financial network around a central institution, CNCE. Its four main functions are as follows: - As the central institution of the Group (as defined by French banking law), it takes all measures in respect of the organisation and administration of the *Caisses d'Epargne* and the other affiliated entities with a view to ensuring the cohesion, and guaranteeing the liquidity and solvency of the network as a whole; - As the head of the network, it is responsible, in particular, for deciding strategy pursued by the Group, approving the appointment of senior management staff, defining the products and services distributed by the *Caisses d'Epargne*, protecting customer deposits and guaranteeing the financial solidarity mechanisms within the Group; - As the holding company, it owns equity interests in the national subsidiaries and defines the development policy of the different core business lines; - As the banker to the Group, it is responsible, in particular, for centralising the management of any surplus funds held by the *Caisses d'Epargne* and for proceeding with any financial transactions useful for the development and refinancing of the

network.

B. Key information concerning selected financial data of the CNCE Group as at December 31, 2004

Very strong growth in consolidated results, reflecting the CNCE Group's new scale

2004 CNCE Group Consolidated Balance Sheet

Pro forma consolidated financial statements of the CNCE Group have been prepared to enhance comparability and to reflect the Group's assets, liabilities and results as if the following restructuring operations had taken place at January 1, 2002:

- all of the operations relating to the New Foundations agreement as described in Note 2 to the consolidated financial statements: these involved, in particular, the consolidation of the 29 individual Caisses d'Epargne et de Prévoyance in Metropolitan France under the equity method on the basis of the Corporate Investment Certificates (CIC) held by the CNCE, representing 20% of their capital,
- the acquisition of the OCEOR Group by the CNCE (effective from December 31, 2002);
- the acquisition of Banque Sanpaolo by the CNCE (effective from December 31, 2003);
- the acquisition of Entenial by the Crédit Foncier Group (effective from January 1, 2004);
- the tender offer followed by a compulsory buy-out procedure ("OPR-RO") launched by the CNCE for Crédit Foncier shares.

The assumptions used in the pro forma accounts are described in Note 35 to the consolidated financial statements. Further details on the acquisitions of Banque Sanapolo and Entenial are provided in paragraphs 2 and 3.3 of the Groupe Caisse d'Epargne Management report and in the notes to the consolidated financial statements.

	2002	**2003**	**2003 proforma**	**2004**	**Change**	
Cash and due from banks	69 544	76 123	123 896	160 520	36 624	29,6%
Customer loans (leasing included)	30 596	38 406	78 132	91 761	13 629	17,4%
Securities portfollio	31 008	34 920	100 222	100 779	557	0,6%
Fixed assets	775	899	1 932	2 274	342	17,7%
Other assets	12 875	12 323	30 743	32 424	1 681	5,5%
Total assets	**144 798**	**162 671**	**334 925**	**387 758**	**52 833**	**15,8%**
Cash and due to banks	44 350	43 792	95 098	118 721	23 623	24,8%
Customer deposits	6 907	13 488	35 130	42 290	7 160	20,4%
Debt represented by a security and subordinated debt	68 639	78 326	132 481	150 237	17 756	13,4%
Other liabilities	20 657	22 577	61 364	65 025	3 661	6,0%
Consolidated Capital funds and reserves	4 245	4 488	10 852	11 485	633	5,8%
Total liabilities	**144 798**	**162 671**	**334 925**	**387 758**	**52 833**	**15,8%**

2004 CNCE Group Income statement (Pro forma)

Pro forma	**2002**	**2003**	**2004**
Net banking income	3230	3666	3980
General operating expenses	-2683	-2840	-3150
Gross operating income	**547**	**826**	**830**
Operating efficiency ratio	*83,1%*	*77,5%*	*79,1%*
Net additions to provisions	-117	-224	-145
Share in net income of companies accounted for by the equity method	394	443	522
Gains/(losses) on fixed assets	136	170	-40
Net ordinary income before tax	**960**	**1215**	**1167**
Exceptional items	27	-4	-20
Income tax	-163	-129	-93
Amortization of goodwill	-286	-83	-89
Allocations to the reserve for general banking risks	2	-237	0
Minority interests	49	-34	-47
Net income (excluding minority interests)	**589**	**728**	**918**
Earning capacity*	587	965	918

*Earning capacity: net income (excluding minority interests) - amounts allocated to the reserve for general banking risks

III. Risk factors

A. Risk factors relating to the Issuer

There are certain factors that may affect the Issuer's ability to fulfil its respective obligations under Notes issued under the Notes.

Key information concerning risk factors of the Issuer

The risks are mainly interest rate risk, liquidity risk and market risks. As the central institution of the Groupe Caisse d'Epargne, CNCE is in charge of the risk management of the Group taken as a whole and of the management of its own risks, in the course of its own activities.

B. Risk factors relating to the Notes

An investment in the Notes involves certain risks which are material for the purpose of assessing the market risks associated with Notes. While all of these risk factors are contingencies which may or may not occur, potential investors should be aware that the risks involved with investing in the Notes may lead to a volatility and/or decrease in the market value of the Notes whereby the market value falls short of the expectations (financial or otherwise) of an investor upon making an investment in the Notes.

In addition, there are certain other factors that are material for the purpose of assessing the risks related to the Notes, including the following:

(i) The Notes are deeply subordinated obligations, which are the most junior debt instruments of the Issuer; in the event of liquidation, the Issuer’s obligations under the Notes rank in priority only to any payments to holders of its equity securities;

(ii) The Notes are being issued for capital adequacy regulatory purposes and it is the Issuer's intention that they qualify as Tier 1 capital for itself, although no representation is given that this is or will remain the case during the life of the Notes;

(iii) Accrued Interest may be reduced and forfeited (in whole or in part) following a Supervisory Event, on a semi-annual basis;

(iv) The Principal Amount of the Notes may be reduced following a Supervisory Event, on a semi-annual basis;

(v) The holders of the Notes may receive less than the nominal amount of the Notes and may incur a loss of their entire investment;

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

(vii) There is no restriction on the amount of debt that the Issuer may issue or guarantee;

(viii) Any loss absorption will be implemented on a semi-annual basis and as a result, the modalities of loss absorption for the Noteholders may be different from those applicable to the holders of previously issued deeply subordinated obligations where loss absorption is implemented on an annual basis;

(ix) The Notes are undated securities in respect of which there is no fixed redemption or maturity date; with certain exceptions, the Issuer is under no obligation to redeem the Notes at any time;

(x) The Notes may be redeemed at the option of the Issuer under certain circumstances and there can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes;

(xi) There is currently no existing market for the Notes, and there can be no assurance that any market will develop for the Notes; and

(xii) A Noteholder’s effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes.

However, each prospective investor of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

These risk factors are more detailed in the section “Risk factors” of this Prospectus.

RISK FACTORS

The following is a summary of certain aspects of the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including in particular the following risk factors detailed below (which the Issuer believes represents or may represent the risk factors known to it which may affect the Issuer's ability to fulfil its obligations under the Notes and that are material to the Notes in order to assess the market risks associated with the Notes). This summary is not intended to be exhaustive and prospective investors should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus.

Risks relating to the Issuer

The Issuer and its subsidiaries (the "**Group**") are mainly exposed to interest rate risk, liquidity risk and market risks. The risk management of the Group's risks and of its own risks is conducted by CNCE, as the cental institution of the Groupe Caisse d'Epargne.

Risk management within the Groupe Caisse d'Epargne

As the central institution of the network, CNCE is responsible for guaranteeing the consistency of the policies adopted by the Group's risk management departments, by:

- setting exposure limits for each entity in the Group or for certain major counterparties when transactions involve amounts that fall outside the remit of such entities. These limits are fixed by a number of decisions-making committees;
- monitoring entities' compliance with these exposure limits and tracking any cases where the limits are exceeded;
- validating the methods used to rate and compute risks throughout the entire Group;
- defining the policies regarding risk management and control and ensuring that these policies are duly applied by the entities of the Group.

The majority of these functions are covered by the system overseen by the Group Risk Management department. In 2004, the Group Risk Management reorganized and enhanced the overall risk management system. This organization is more fully described in the chapter "Risk management" attached to the management report of Groupe Caisse d'Epargne.

<u>Liquidity risk:</u> the Group's overall liquidity position and the positions of each individual entity are monitored by the CNCE and the annual financing plans cover the long-term requirements of the Group's entities based on their projected needs.

As regards to the <u>overall interest rate risk</u>, the Assets & Liabilities Management department factors in the consequences – in terms of volumes and net banking income – of shifts in savings between deposits and life insurance and securities-based products, and uses the modeling applied for implicit options whose methodological principles are based on the socio-economic characteristics specific to the customer catchment area in which each Group's entity operates. The management of overall interest rate risk takes advantage of the Group's decentralized commercial banking structures: entities are responsible for managing their own risk exposures, while ALM fort he Group as a whole is coordinated at the level of CNCE.

<u>Credit risk management</u>. During the last quarter of 2004, the Group reorganized and retooled its analysis and credit/counterparty risk departments. The credit analysis department is tasked with the upstream analysis of counterparties and transactions which go beyond the remit of the decision-making powers of the individual

Caisses d'Epargne or their subsidiaries. The credit/counterparty risk department is responsible for setting up a mechanism for tracking credit risk and ensuring that internal rating systems are used correctly throughout the Group. These two departments cover all entities within the Groupe Caisse d'Epargne, including the investment banking division (IXIS CIB) and the various entities making up the commercial banking division (Caisses d'Epargne, Crédit Foncier de France, Banque Palatine, OCEOR, etc..).

All the entities of the Group are included in the scope of analysis of market and fund-related risks (mutual funds and non regulated funds, excluding private equity funds). These entities are divided into two main divisions: investment banking and commercial banking, comprising the Caisses d'Epargne, the Group's specialised subsidiaries (Crédit Foncier de France, Banque Palatine, Financière Oceor) and the CNCE. As of the summer of 2004, the market and fund-related risks department took a series of measures to restructure and strengthen its teams. A target risk management process was established in a bid to set up a secure mechanism for monitoring market risks, and resulted in the launch of a number of projects. These measures should be finalized by the end of 2005.

All these procedures and the data figures are described in the "Risk management" attached to the Management Report of Groupe Caisse d'Epargne herein contained.

Risk management within CNCE

The procedures overseen by the CNCE in its role as the central institution and holding company of the Group are the same for the CNCE Group and the Groupe Caisse d'Epargne as a whole.

Interest-rate risks concern a potential decline in the CNCE's revenues or capital funds following changes in market interest rates. The CNCE's liquidity risk is determined by its ability to raise capital at a reasonable cost on a permanent basis. This ability partly depends on general market liquidity and more particularly on the institution's credit rating.

Liquidity risk concerning the CNCE is chiefly related to three factors:

- investors' confidence in the Bank,
- the general liquidity of the market,
- the balance sheet risk inherent in mismatches.

Foreign exchange risk can be defined as the potential loss incurred by adverse changes in exchange rates against the euro. This risk appears when the Bank holds assets valued in foreign currencies and maintains an open position.

The measurement of foreign exchange risk is also based on two approaches:

- the prudential approach (capital adequacy or the exchange positions monitoring ratio),
- the operational approach (sensitivity of net banking income to exchange-rate fluctuations, etc.).

All holdings carried in foreign currencies in the securities portfolio are strictly match-funded. The same is true for foreign currency-denominated loans.

Counterparty risks in relation to positions held in the Bank's investment and held-for-sale portfolios are subject to ceilings set for each counterparty by the Investment Committee. These include a general ceiling based on rating levels and a counterparty-specific ceiling. At the same time, the Banking & Financial Activities Department (BFAD) ensures that counterparty risks are diversified by applying indicators to the breakdown of outstandings by industry and rating level. The ratings used for this purpose correspond to internal ratings issued by the Group Risk Management Department.

All these procedures and the data figures are described in the management report of CNCE.

Risks relating to the Notes

Independent Review and Advice

Each prospective investor of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

A prospective investor may not rely on the Issuer or the Manager(s) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

Potential Conflicts of Interest

The Issuer may from time to time be engaged in transactions involving an index or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Potential conflicts of interest may arise between the Calculation Agent and the Noteholders, including with respect to certain discretionary determinations and judgements that such calculation agent may make pursuant to the Terms and Conditions of the Notes that may influence the amount receivable under the Notes.

Legality of Purchase

Neither the Issuer, the Manager(s) nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Modification, Waivers and Substitution

The conditions of the Notes contain provisions for calling General Meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant General Meeting and Noteholders who voted in a manner contrary to the majority.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial Notes such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

EU Savings Directive

On 3 June 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Directive**"). The Directive entered into force on 1 July 2005.

The Directive requires, subject to a number of conditions being met, Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income within the meaning of the Directive ("**Interest**") made by a paying agent located within its jurisdiction to the benefit of an individual or an entity without legal personality that meets certain conditions and has not opted to be treated as UCITS for purposes of the Directive (together "**Beneficial Owners**") resident in another Member State.

For purposes of the Directive, a paying agent is broadly defined and especially includes any economic operator who pays Interest to or secures the payment of Interest for the immediate benefit of a Beneficial Owner.

However, during a transitional period, Belgium, Luxembourg and Austria will not apply this automatic exchange of information system and will instead levy a withholding tax on Interest unless the Beneficial Owner of this Interest payment elects for the exchange of information. The rate of this withholding tax will be 15% during the first three years as from the entry into force of the Directive, 20% for the subsequent three years and 35% until the end of the transitional period. Such transitional period will end at the end of the first full fiscal year following the latest of (i) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request and (ii) the date of entry into force of an agreement between the European Community, following a unanimous decision of the Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra providing for the exchange of information upon request with respect to payments of Interest.

If an Interest payment were to be made or collected through a Member State which has opted for a withholding tax system and an amount of, or in respect of tax were to be withheld from that Interest payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on Interest payment made by a paying agent, the Issuer will be required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

With effect from 1 July 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) have agreed to adopt similar measures (transitional withholding or, upon specific election, provision of information) in relation to payments made by a paying agent located within its jurisdiction to, or collected by such a paying agent for, a Beneficial Owner resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Netherlands Antilles and Aruba) in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for, a Beneficial Owner resident in one of those territories.

Change of Law

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in French law or the official application or interpretation of French law after the date of this Prospectus.

No Active Secondary/Trading Market for the Notes

The Notes will be new securities which may not be widely distributed and for which there may be no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Luxembourg Stock Exchange has been made, there is no assurance that an active trading market will develop.

Currency Risk

Prospective investors of the Notes should be aware that an investment in the Notes may involve exchange rate risks. The Notes may be denominated in a currency other than the currency of the purchaser's home jurisdiction. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macro economic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of the Notes.

Credit Ratings may not Reflect all Risks

A rating is expected to be assigned to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

Market Value of the Notes

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including market interest and yield rates.

The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes. The price at which a Noteholder will be able to sell the Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

Fixed Rate

The Notes bearing interest at a fixed rate until on or about 1 February 2016, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Floating Rate

Unless previously redeemed, the Notes will bear interest at a floating rate as from on or about 1 February 2016. The floating rate then applicable to the Notes will comprise (i) a reference rate and (ii) a margin to be added to such base rate. The relevant margin will not change throughout the life of the Notes but there will be a periodic adjustment of the reference rate (every three months) which itself will change in accordance with general market conditions. Accordingly, the market value of the Notes may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Notes upon the next periodic adjustment of the relevant reference rate.

Fixed to Floating Rate

The Notes initially bear interest at a fixed rate; conversion from a fixed rate to a floating rate then takes place automatically. The conversion of the interest rate will affect the secondary market and the market value of the

Notes since the conversion may lead to a lower overall cost of borrowing. If a fixed rate is converted to a floating rate, the spread on the fixed to floating rate Notes may be less favourable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes.

Risk Associated with the Financial Condition of the Issuer

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

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

Securities Qualifying as Tier 1 Capital

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

Restrictions on Payment

- Interest

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

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

Payment of interest will automatically be suspended upon the occurrence of a Supervisory Event, unless such interest is compulsorily due (as set out in Condition 4.4 (*Interest Payable*)).

In accordance with Condition 5.1 (*Loss Absorption*), Accrued Interest (as defined in Condition 1 (*Definitions*)) may be reduced, as required, on one or more occasions, following a Supervisory Event, on a semi-annual basis.

- Principal Amount

In accordance with Condition 5.1 (*Loss Absorption*), the principal amount of the Notes may be reduced, as required, on one or more occasions, following a Supervisory Event, on a semi-annual basis.

No Limitation on Issuing Debt

There is no restriction on the amount of debt which the Issuer may issue. The Issuer and its affiliates may incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Notes.

If the Issuer's financial condition were to deteriorate, the holders of the Notes could suffer direct and materially adverse consequences, including suspension of interest, the reduction of the principal amount of the Notes and, if the Issuer were liquidated (whether voluntarily or involuntarily), loss by holders of the Notes of their entire investment.

Semi-Annual Loss Absorption

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

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

Undated Securities

The Notes are undated securities in respect of which there is no fixed redemption or maturity date. The Issuer is under no obligation to redeem the Notes at any time (except as provided in Condition 6.2(b)(ii) for certain taxation reasons).

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

Redemption Risk

The Notes may be redeemed in whole (but not in part), at the option of the Issuer, (i) on 1 February 2016 or on any Interest Payment Date thereafter, (ii) at any time for certain tax reasons and (iii) at any time upon the occurrence of certain regulatory events.

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

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

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

TAXATION

FRENCH TAX CONSIDERATIONS

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

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

RESIDENTS OF FRANCE FOR TAX PURPOSES

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

(a) Interest on the Notes

Interest accrued on the Notes over a given fiscal year is included in the corporate income tax basis at the rate of 33 1/3 per cent.

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

(b) Gains upon Disposal of the Notes

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

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

NON RESIDENTS OF FRANCE FOR TAX PURPOSES

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

(a) Interest on the Notes

The Notes constituting *obligations* under French law and being denominated in Euro and accordingly deemed to be issued outside France for taxation purposes, interest and other revenue in respect of the Notes benefit from the exemption provided for in Article 131 *quater* of the French *Code Général des Impôts* from deduction of tax at source (*Bulletin Officiel des Impôts* 5 I-11-98, Instruction dated 30 September 1998). Accordingly, such payments do not give the right to any tax credit from any French source.

(b) Gains upon Disposal of the Notes

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

LUXEMBOURG TAX CONSIDERATIONS

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the securities withheld at source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Prospectus. The information contained within this section are limited to certain taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Withholding Tax

All payments of interest and principal made by the Issuer to non-residents of Luxembourg under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg laws and administrative practice, subject however to the application of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive (see "**General Information**"), which may be applicable in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned Directive.

A 10% withholding tax has been introduced, as from 1 January 2006 on interest payments made by a Luxembourg paying agent to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of this withholding tax. Furthermore, interest which is accrued once a year on savings accounts (short and long term) and which does not exceed €250 per person and per paying agent is exempt from the withholding tax. This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers.

TERMS AND CONDITIONS OF THE NOTES

The issue outside the Republic of France of the Euro ("**EUR**") 350,000,000 Deeply Subordinated Fixed to Floating Rate Notes (the "**Notes**") was decided on 17 January 2006 by Mr Pierre Servant, *Membre du Directoire* of the Issuer, acting pursuant to a resolution of the *Directoire* of the Issuer dated 6 June 2005. The Notes are issued with the benefit of a fiscal agency agreement (the "**Fiscal Agency Agreement**") dated 1 February 2006 between the Issuer, Deutsche Bank AG, London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being of the Fiscal Agent), as calculation agent (the "**Calculation Agent**", which expression shall, where the context so admits, include any successor for the time being of the Calculation Agent), Deutsche Bank Luxembourg S.A as Luxembourg paying agent (the "**Luxembourg Paying Agent**", which expression shall, where the context so admits, include any successor for the time being of the Luxembourg Paying Agent) and Deutsche Bank AG, Paris Branch as Paris paying agent (the "**Paris Paying Agent**", which expression shall, where the context so admits, include any successor for the time being of the Paris Paying Agent). Reference below to the "**Agents**" shall be to the Fiscal Agent, the Luxembourg Paying Agent, the Paris Paying Agent and/or the Calculation Agent, as the case may be. Copies of the Fiscal Agency Agreement are available for inspection at the specified offices of the Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1 DEFINITIONS

For the purposes of these Conditions:

"**A Interest**" has the meaning set forth in Condition 4.4 (*Interest Payable*).

"**Actual/360**" means, in respect of any period, the actual number of days in the relevant period divided by 360.

"**Actual/Actual - ISMA**" means, in respect of any period, the number of days in any portion of a Regular Period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls.

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

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

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

(i) declared or paid a dividend (whether in cash, shares or any other form), or more generally made a payment of any nature, on any classes of shares, on other equity securities issued by the Issuer or on other deeply subordinated notes or any other securities which rank *pari passu* with the Notes, in each cases to the extent categorised as Tier 1 Capital, unless such payment on other deeply subordinated notes or other securities which rank *pari passu* with the Notes was required to be made as a result of a dividend or other payment having been made on any classes of shares or on other equity securities issued by the Issuer; or

(ii) redeemed, either by cancellation or by means of *amortissement* (as defined in Article L.225-198 of the French *Code de commerce*), repurchased or otherwise acquired any shares, whatever classes of shares, if any, they belong to, or any other equity securities issued by the Issuer, by any means, provided, however, that if a Supervisory Event occurred during the Interest Period immediately preceding such Interest Payment Date, such Interest Payment Date shall only be a Compulsory Interest Payment Date if such Supervisory Event occurred prior to the relevant event described in the two sub-paragraphs above.

"**Consolidated Net Income**" means the consolidated net income (excluding minority interests) of the Issuer as set out in the consolidated accounts of the Issuer (whether audited annual or unaudited, but having been subject to a “limited review”, semi-annual).

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

"**Euro-zone**" means the region comprised of member states of the European Union which have adopted or adopt the Euro in accordance with the Treaty establishing the European Community, as amended.

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

"**First Call Date**" means 1 February 2016.

“**Fixed Rate Interest Amount**” means the amount of interest, if any, payable in respect of the Notes in accordance with Condition 4.2 (*Fixed Interest Rate*).

“**Fixed Rate Interest Payment Date**” has the meaning set forth in Condition 4 (*Interest and Interest Suspension*).

"**Fixed Rate Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date.

“**Fixed Interest Rate**” has the meaning set forth in Condition 4 (*Interest and Interest Suspension*).

“**Floating Rate Interest Amount**” means the amount of interest, if any, payable in respect of the Notes in accordance with Condition 4.3 (*Floating Interest Rate*).

“**Floating Rate Interest Payment Date**” has the meaning set forth in Condition 4 (*Interest and Interest Suspension*).

"**Floating Rate Interest Period**" means the period beginning on (and including) 1 February 2016 and ending on (but excluding) the first Floating Rate Interest Payment Date and each successive period beginning on (and including) a Floating Rate Interest Payment Date and ending on (but excluding) the next succeeding Floating Rate Interest Payment Date.

“**Floating Interest Rate**” has the meaning set forth in Condition 4 (*Interest and Interest Suspension*).

“**Interest Amount**” means the Fixed Rate Interest Amount and the Floating Rate Interest Amount.

“**Interest Payment Date**” means the Fixed Rate Interest Payment Dates and the Floating Rate Interest Payment Dates.

"**Interest Period**" means the Fixed Rate Interest Periods and the Floating Rate Interest Periods.

“**Interest Rate**” means the Fixed Interest Rate and the Floating Interest Rate.

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

"**Loss Absorption**" has the meaning set forth in Condition 5.1 (*Loss Absorption*).

"**Noteholders**" means the holders of the Notes.

"**Optional Interest Payment Date**" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"**Original Principal Amount**" means the nominal amount of each Note on the Issue Date, not taking into account any reduction of the Principal Amount of the Notes or any Reinstatement pursuant to Condition 5 (*Loss Absorption and Return to Financial Health*).

"**Principal Amount**" means at any time the principal amount of the Notes, calculated on the basis of the Original Principal Amount of the Notes as the same may have been reduced under Condition 5.1 (*Loss Absorption*) and/or reinstated under Condition 5.2 (*Return to Financial Health*).

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

"**Reinstatement**" has the meaning set forth in Condition 5.2 (*Return to Financial Health*).

"**Replacement Supervisory Authority**" means any other authority having supervisory authority with respect to the Issuer, it being specified that any reference to the SGCB shall be construed as including any Replacement Supervisory Authority.

"**Return to Financial Health**" has the meaning set forth in Condition 5.2 (*Return to Financial Health*).

"**SGCB**" means the *Secrétariat général de la Commission bancaire* which reference shall, where applicable, include any other authority having supervisory authority with respect to the Issuer.

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

"**TARGET Business Day**" means a day on which the TARGET System is operating.

"**TARGET System**" means the Trans European Automated Real Time Gross Settlement Express Transfer System or any successor thereto.

“**Tier 1 Capital**” has the meaning set forth in Condition 3 (*Status of the Notes and subordination*).

2 FORM, DENOMINATIONS AND TITLE

The Notes are issued in dematerialised bearer form (*au porteur*) in denominations of EUR 50,000. Title to the Notes will be evidenced in accordance with article L.211-4 of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France S.A. ("**Euroclear France**") which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holder**" shall mean any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes the depositary banks for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

3 STATUS OF THE NOTES AND SUBORDINATION

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

The proceeds of the issue of the Notes will be treated for regulatory purposes as consolidated *fonds propres de base* for the Issuer. *Fonds propres de base* ("**Tier 1 Capital**") shall have the meaning given to it in Article 2 of *Règlement* n° 90-02 dated 23 February 1990, as amended, of the *Comité de la Réglementation Bancaire et Financière* (the "**CRBF Regulation**"), or otherwise recognised as *fonds propres de base* by the SGCB, or any Replacement Supervisory Authority. The CRBF Regulation should be read in conjunction with the press release of the Bank for International Settlements dated 27 October 1998 concerning instruments eligible for inclusion in Tier 1 Capital (the "**BIS Press Release**"). The French language version of the BIS Press Release is attached to the report published annually by the SGCB entitled "*Modalités de calcul du ratio international de solvabilité*".

The principal and interest on the Notes constitute direct, unconditional, unsecured, undated and deeply subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future deeply subordinated notes of the Issuer but shall be subordinated to the *prêts participatifs* granted to the Issuer and *titres participatifs*, ordinarily subordinated notes and unsubordinated notes issued by the Issuer. In the event of liquidation, the Notes shall rank in priority to any payments to holders of any classes of shares and of any other equity securities issued by the Issuer.

The rights of the Noteholders in the event of the judicial liquidation (*liquidation judiciaire*) of the Issuer will be calculated on the basis of the Principal Amount of the Notes together with Accrued Interest (subject to Condition 5.1 (*Loss Absorption*)) and any other outstanding payments under the Notes.

If the Original Principal Amount has been reduced in the context of one or more loss absorption(s) pursuant to Condition 5.1 (*Loss Absorption*), the rights of the Noteholders are calculated on the basis of the Original Principal Amount, to the extent that all other creditors of the Issuer (including unsubordinated creditors of the Issuer, holders of ordinarily subordinated notes issued by the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer and holders of *titres participatifs* issued by the Issuer) have been or will be fully reimbursed, as ascertained by the liquidator.

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

4 INTEREST AND INTEREST SUSPENSION

4.1 General

The Notes bear interest on their Principal Amount from (and including) 1 February 2006 (the "**Issue Date**") at 4.75 per cent. per annum (the "**Fixed Interest Rate**") payable annually in arrear on or about

1 February in each year (each a "**Fixed Rate Interest Payment Date**") commencing on or about 1 February 2007 until on or about 1 February 2016 (included) and thereafter at Euribor 3 months + 1.35 per cent. per annum (the "**Floating Interest Rate**") as determined by the Calculation Agent in accordance with Condition 4.3 (*Floating Interest Rate*) below payable quarterly in arrear on or about 1 May, 1 August, 1 November and 1 February in each year (each a " **Floating Rate Interest Payment Date**") commencing on or about 1 May 2016; *provided, however, that*, if any Floating Rate Interest Payment Date would otherwise fall on a date which is not a TARGET Business Day, it will be postponed to the next TARGET Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding TARGET Business Day:

For the avoidance of doubt:

(i) until 1 February 2016 (included), Interest Amounts will not be adjusted if an Interest Payment Date is not a business day;

(ii) after 1 February 2016 (excluded), Interest Amounts will be adjusted if an Interest Payment Date is not a business day.

Interest will cease to accrue on the Notes on the due date for redemption thereof unless, upon such due date, payment of principal is improperly withheld or refused or if default is otherwise made in respect of payment thereof. In such event, interest will continue to accrue at the relevant rate as specified in the preceding paragraph (as well after as before judgment) on the Original Principal Amount of the Notes until the day on which all sums due in respect of the Notes up to that day are received by or on behalf of the relevant Noteholder.

4.2 Fixed Interest Rate

4.2.1 The amount of interest (the "**Fixed Rate Interest Amount**") payable on each Fixed Rate Interest Payment Date will be the product of the then Principal Amount of such Note and the Fixed Interest Rate, multiplied by the Actual/Actual – ISMA day count fraction and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

4.2.2 If interest is required to be calculated in respect of a Fixed Rate Interest Period where the then Principal Amount of a Note is less than its Original Principal Amount for a portion thereof, it shall be calculated by the Calculation Agent by applying the Fixed Interest Rate to the then Principal Amount of such Note and multiplying such product by the Actual/Actual – ISMA day count fraction for each relevant portion of the Interest Period, adding the results for all such portions and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards). The Calculation Agent will cause such Fixed Rate Interest Amount to be notified to the Issuer, the Fiscal Agent and the Luxembourg Stock Exchange and will cause the publication thereof in accordance with Condition 11 (*Notices*) as soon as possible after its calculation but in no event later than the fourth TARGET Business Day thereafter.

4.3 Floating Interest Rate

4.3.1 The Notes bear interest at the Floating Interest Rate from and including 1 February 2016, payable on each Floating Rate Interest Payment Date. The Floating Interest Rate for each Floating Rate Interest Period will be determined by the Calculation Agent on the following basis:

(a) the Calculation Agent will determine the rate for deposits in Euro for a period equal to the relevant Floating Rate Interest Period which appears on the display page designated 248 on the Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m., (Brussels time), on the second TARGET Business Day before the first day of the relevant Floating Rate Interest Period (the "**Floating Rate Interest Determination Date**"); and

(b) if such rate does not appear on the relevant screen page, the Calculation Agent will:

(A) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in Euro are offered by it at approximately 11.00 a.m. (Brussels time) on the Floating Rate Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Floating Interest Period and in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and

(c) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone, selected by the Calculation Agent, at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Floating Rate Interest Period for loans in Euro to leading European banks for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Interest Rate for such Floating Rate Interest Period shall be the sum of 1.35 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Interest Rate applicable to the Notes during such Floating Rate Interest Period will be the sum of 1.35 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Floating Rate Interest Period.

4.3.2 Determination of Floating Interest Rate and calculation of Floating Rate Interest Amount by the Calculation Agent

The Calculation Agent will, as soon as practicable after 11.00 a.m. (Brussels Time) on each Floating Rate Interest Calculation Date in relation to each Floating Rate Interest Period, calculate the Floating Rate Interest Amount payable in respect of each Note for such Floating Rate Interest Period. The Floating Rate Interest Amount will be calculated by applying the Floating Rate Interest Rate for such Floating Rate Interest Period to the Principal Amount of such Note as determined, if the Principal Amount of the Notes is less than the Original Principal Amount for a portion of such Floating Rate Interest Period, from time to time within such Floating Rate Interest Period, multiplying the product by the Actual/360 day count fraction for each relevant portion of such Interest Period, adding the results for all such portions and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

4.3.3 Publication of Floating Interest Rate and Floating Rate Interest Amount

The Calculation Agent will cause the Floating Interest Rate and the Floating Interest Amount for each Floating Rate Interest Period and the relevant Floating Rate Interest Payment Date to be notified to the Issuer, the Fiscal Agent and the Luxembourg Stock Exchange and any other stock exchange on which the Notes are for the time being listed and the Calculation Agent will cause publication thereof in accordance with Condition 11 (*Notices*) as soon as possible after their calculation but in no event later than the fourth TARGET Business Day thereafter. The Floating Rate Interest Payment Date so published may subsequently be amended (or appropriate arrangements made by way of adjustment).

4.4 Interest Payable

4.4.1 On Optional Interest Payment Dates

(i) Payment of Interest on Optional Interest Payment Dates

The Issuer may pay interest on any Optional Interest Payment Date. The Issuer may elect not to pay interest on any Optional Interest Payment Date in particular with a view to allowing the Issuer to ensure the continuity of its activities without weakening its financial structure. Interest with respect to any Interest Period shall accrue on the Principal Amount, on the basis of the number of days elapsed during the relevant Interest Period, in accordance with Condition 4.2.2 or 4.3.2, as the case may be.

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

(ii) Occurrence of a Supervisory Event

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

- Interest with respect to the period between the preceding Interest Payment Date and the Supervisory Event shall accrue on the Principal Amount of the Notes, on the basis of the number of days elapsed between such preceding Interest Payment Date and such Supervisory Event (the "**A Interest**"). However, the payment of such A Interest shall automatically be suspended. In addition, the amount of A Interest may be reduced to absorb losses pursuant to Condition 5.1 (*Loss Absorption*). A Interest may be payable in accordance with the provisions of paragraph (iii) below.

- No Interest shall accrue nor be payable by the Issuer with respect to any Interest Period during the period starting on the date of the Supervisory Event and ending on the date of the End of Supervisory Event.

(iii) After End of Supervisory Event

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

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

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

Any interest accrued during such period not paid by the Issuer on the relevant Interest Payment Date(s) will be forfeited.

At the option of the Issuer, any A Interest, to the extent not reduced to absorb losses pursuant to Condition 5.1 (*Loss Absorption*), may be paid on the first Interest Payment Date following the End of Supervisory Event, to the extent any such payment would not trigger the occurrence of a Supervisory Event. Any A Interest not paid by the Issuer on the first Interest Payment Date following the End of Supervisory Event will be forfeited.

4.4.2 On Compulsory Interest Payment Dates

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

Interest payable on any Compulsory Interest Payment Date will always be calculated on the basis of the entire relevant Interest Period.

Interest payable on any Compulsory Interest Payment Date will be calculated on the basis of the then Principal Amount, in accordance with Condition 4.2.2 or 4.3.2, as the case may be.

5 LOSS ABSORPTION AND RETURN TO FINANCIAL HEALTH

5.1 Loss Absorption

In the event that the occurrence of the Supervisory Event requires, in the opinion of the SGCB, a strengthening of the regulatory capital of the Issuer, the management board of the Issuer will convene an extraordinary shareholders' meeting during the 3 months following the occurrence of the Supervisory Event in order to propose a share capital increase or any other measure to remedy the Supervisory Event.

If the share capital increase or any other proposed measures are not accepted by the extraordinary shareholders' meeting of the Issuer, or if the share capital increase adopted by such extraordinary shareholders' meeting is insufficiently subscribed to remedy the Supervisory Event in full, or if the Supervisory Event remains on the last day of the relevant Interim Period during which the Supervisory Event has occurred, the management board of the Issuer will implement within ten days following the last day of the relevant Interim Period a reduction of the amount of Accrued Interest, and if necessary of the Principal Amount of the Notes so as to enable the Issuer to continue its activities.

A loss absorption pursuant to this Condition will firstly be implemented by a partial or full reduction in the amount of Accrued Interest. If the total reduction of Accrued Interest is not sufficient for the purposes of such loss absorption, a further loss absorption will be implemented by partially or fully reducing the Principal Amount. Such reductions will be recorded as a profit in the Issuer's financial consolidated accounts (whether audited annual or unaudited semi-annual).

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

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

Such reductions will be made without prejudice to the rights of the Noteholders under Condition 5.2 (*Return to Financial Health*) below and to the rights of the Noteholders to obtain the payment of amounts due under the Notes in accordance with the provisions of the Terms and Conditions. For the avoidance of doubt, no provision of the Terms and Conditions shall affect the rights of the Noteholders to obtain the payment of amounts due under the Notes in accordance with the provisions of the Terms and Conditions.

Accrued Interest payable on any Compulsory Interest Payment Date is not subject to reduction in accordance with this Condition 5.1 (*Loss Absorption*).

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

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

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

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

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

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

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

Notice of any Supervisory Event and of any End of Supervisory Event shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 11 (*Notices*) and to the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable, following the occurrence of a Supervisory Event and of any End of Supervisory Event.

Notice of any reduction of Accrued Interest or of the Principal Amount shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 11 (*Notices*) and to the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant reduction of Accrued Interest or of the Principal Amount.

5.2 Return to Financial Health

If a positive Consolidated Net Income (as defined above) is recorded for at least two consecutive fiscal years following the End of Supervisory Event (a "**Return to Financial Health**"), the Issuer shall increase the Principal Amount of the Notes up to the Original Principal Amount (a "**Reinstatement**") to the extent any Reinstatement (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount) does not trigger the occurrence of a Supervisory Event.

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

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

A Reinstatement shall not exceed the amount of the latest Consolidated Net Income of the Issuer.

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

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

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

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

(iii) any optional redemption by the Issuer of (1) the Notes, in accordance with Condition 6.2(a) (*General Call Option*) or 6.2(b) (*Redemption for Taxation Reasons or Regulatory Reasons*), or (2) any other deeply subordinated notes or other securities which rank *pari passu* with the Notes, in accordance with their terms.

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

Notice of any Return to Financial Health shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 11 (*Notices*) and to the Luxembourg Stock Exchange. Such notice shall be given as soon as practicable, following the occurrence of a Return to Financial Health. Notice of any Reinstatement shall (for so long as the rules of the Luxembourg Stock Exchange so require) be given to the Noteholders in accordance with Condition 11 (*Notices*) and to the Luxembourg Stock Exchange. Such notice shall be given at least seven days prior to the relevant Reinstatement.

6 REDEMPTION AND PURCHASE

The Notes may not be redeemed otherwise than in accordance with this Condition 6 (*Redemption and Purchase*).

6.1 No Final Redemption

The Notes are undated securities in respect of which there is no fixed redemption or maturity date.

6.2 Issuer's Call Options Subject to the Approval of the SGCB

(a) General Call Option

On the First Call Date and on any Interest Payment Date thereafter, the Issuer, subject to having given not less than 30, and not more than 60, days' prior notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 11 (*Notices*), and subject to the prior approval of the SGCB, may, at its option, redeem all but not some of the Notes at their Original Principal Amount, together with any amounts outstanding thereon, including Accrued Interest.

(b) Redemption for Taxation Reasons or Regulatory 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 (*Taxation*) below, the Issuer may, at its option, at any time prior to 1 February 2016 (included) and thereafter on any Interest Payment Date, 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 11 (*Notices*) and, subject to the prior approval of the SGCB, redeem all, but not some only, of the Notes at their Original Principal Amount together with any amounts outstanding thereon including Accrued 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 of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8 (*Taxation*) 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 11 (*Notices*) and, subject to the prior approval of the SGCB, redeem all, but not some only, of the Notes then outstanding at their Original Principal Amount together with any amounts outstanding thereon including Accrued Interest on 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.

(iii) If, by reason of any change in French law, any change in the official application or interpretation of such law, or any other change in the tax treatment of the Notes, becoming effective after the Issue Date, interest payment under the Notes is no longer tax-deductible by the Issuer for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11 (*Notices*), and subject to the prior approval of the SGCB, redeem all, but not some only, of the Notes at their Original Principal Amount together with any amounts outstanding thereon including Accrued 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 such payment with interest payable being tax deductible for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes.

(iv) If, by reason of any change in French law, any change in the official application or interpretation of such law, becoming effective after the Issue Date, the proceeds of the Notes cease to qualify as Tier 1 Capital, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11 (*Notices*), and subject to the prior approval of the SGCB, redeem all, but not some only, of the Notes at their Original Principal Amount together with amounts outstanding thereon including Accrued Interest, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest date on which the proceeds of the Notes could qualify as Tier 1 Capital.

6.3 Purchases

The Issuer may at any time purchase Notes in the open market or otherwise at any price provided that the prior approval of the SGCB shall have to be obtained.

6.4 Cancellation

All Notes which are purchased or redeemed by the Issuer pursuant to paragraphs 6.2 (*Issuer's Call Options Subject to the Approval of the SGCB*) to 6.3 (*Purchases*) of this Condition 6 (*Redemption and Purchase*) will be cancelled.

7 PAYMENTS AND CALCULATIONS

7.1 Method of Payment

Payments in respect of principal and interest on the Notes will be made in Euro by credit or transfer to a Euro denominated account (or any other account to which Euro may be credited or transferred) specified by the payee with a bank in a country within the TARGET System. Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments validly made to such Account Holders in favour of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments in respect of principal and interest on the Notes will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments but without prejudice to the provisions of Condition 8 (*Taxation*). No commission or expenses shall be charged by the Issuer, the Fiscal Agent or any Paying Agent to the Noteholders in respect of such payments.

7.2 Payments on Business Days

Until 1 February 2016 (included), if the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day, and the Noteholder shall not be entitled to any interest or other sums in respect of any postponed payment.

After 1 February 2016 (excluded), if the due date for payment of any amount of principal or interest in respect of any Note is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day, unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day, and the Noteholder shall only be entitled to any interest or other sums in respect of any postponed payment in accordance with Condition 4.1 (*General*).

For the purposes of this Condition, "**Business Day**" means any day which is a TARGET Business Day.

7.3 Fiscal Agent, Paying Agents and Calculation Agent

The name and specified office of the initial Fiscal Agent, the name and specified office of the other initial Paying Agent and the name and specified office of the initial Calculation Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LUXEMBOURG PAYING AGENT
Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

PARIS PAYING AGENT
Deutsche Bank AG, Paris Branch
2, avenue de Friedland
75008 Paris
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Paying Agent(s), Calculation Agent and/or appoint a substitute Fiscal Agent, Paying Agent, Calculation Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, the Calculation Agent or any Paying Agent acts, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent), (iii) so long as any Note is outstanding, a Calculation Agent having a specified office in a European city and (iv) 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. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Notes, the Issuer shall appoint some other leading European bank engaged in the Euro inter-bank market (acting through its principal Paris or Luxembourg office) to act in its place, subject to having given notice to the Noteholders in accordance with Condition 11 (*Notices*) not more than 45 nor less than 30 days prior to such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed. Any notice of a change in Fiscal Agent, Paying Agent, Calculation Agent or their specified office shall be given to Noteholders as specified in Condition 11 (*Notices*).

7.4 Certificates to be final

All certificates, communications, opinion, determinations, calculation, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of these Conditions whether by the Calculation Agent or the relevant banks in the Euro-zone interbank market (or any of them) shall (in the absence of wilful default or manifest error) be binding on the Issuer, the Calculation Agent, the

Paying Agents, the Fiscal Agent and all the Noteholders. No Noteholder shall (in the absence as aforesaid) be entitled to proceed against the Calculation Agent in connection with the exercise or non-exercise by them of their powers, duties and discretions.

8 TAXATION

8.1 Withholding Tax Exemption

The Notes constituting *obligations* under French law and being denominated in Euro and accordingly deemed to be issued outside France for taxation purposes, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents who do not invest from a permanent establishment or a fixed base situated in France benefit under present law (as interpreted in the *Instruction* of the *Direction Générale des Impôts* 5 I-11-98 dated 30 September 1998) from the exemption provided for in article 131 *quater* of the French *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.

8.2 Additional Amounts

If French law should require that payments of principal or interest in respect of any Note be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Noteholders of such amounts as would have ben received by them had no such withholding or deduction been required; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note:

(a) to, or to a third party on behalf of, a Noteholder who is subject to such taxes, duties, assessments or other governmental charges in respect of such Note by reason of his having some present or former connection with the Republic of France other than the mere holding of such Note; or

(b) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or

(c) where such deduction or withholding 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 conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For this purpose, the "**Relevant Date**" in relation to any Note means whichever is the later of (A) the date on which the payment in respect of such Note first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Note has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 11 (*Notices*) to Noteholders that such moneys have been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 8 (*Taxation*).

9 EVENT OF DEFAULT

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 Notes shall become immediately due and payable, in accordance with Condition 3 (*Status of the Notes and subordination*).

10 REPRESENTATION OF THE NOTEHOLDERS

The holders of the Notes will be grouped for the defence of their common interest in a masse (the "**Masse**").

The Masse will be governed by the provisions of the French *Code de Commerce* (with the exception of the provisions of articles L. 228-48 and L. 228-59 thereof) and by French *décret* no. 67-236 dated 23 March 1967, as amended (with the exception of the provisions of Articles 218, 222 and 224 thereof) subject to the following provisions.

10.1 Legal Personality

The Masse will be a separate legal entity and will be acting in part through one representative (hereinafter called "**Representative**") and in part through a general assembly of the Noteholders.

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.

10.2 Representative

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

(a) 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

(b) 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

(c) 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

(d) 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 following person is designated as Representative of the Masse:

MURACEF
5, rue Masseran
75007 Paris
France
Represented by its *Directeur Général*

The alternative representative (the "**Alternative Representative**") of the Masse shall be:

Monsieur Hervé-Bernard VALLEE
5, rue Masseran
75007 Paris
France

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by the Alternative Representative and all references to the "Representative" will be deemed to be references to the "Alternative Representative". The Alternative Representative shall have the same powers as the Representative.

In the event of death, incompatibility, resignation or revocation of the Alternative Representative, a replacement will be elected by a meeting of the general assembly of the Noteholders.

The Representative will not be entitled to any remuneration.

All interested parties will at all times have the right to obtain the name and address of the Representative and the Alternative Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

10.3 Powers of the Representative

The Representative shall, in the absence of any decision to the contrary of the general assembly of Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders. All legal proceedings against the Noteholders or initiated by them, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

10.4 General Assemblies of Noteholders

General assemblies of the Noteholders 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 outstanding Notes may address to the Issuer and the Representative a demand for convocation of the general assembly. If such general assembly has not been convened within two months from such demand, such Noteholders may commission one of themselves to petition a Court sitting in the jurisdiction of the Court of Appeal of Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda of any general assembly will be published as provided under Condition 11 (*Notices*).

Each Noteholder has the right to participate in general assemblies in person or by proxy, correspondence, or if the *Statuts* of the Issuer so specify[1], videoconference or any other means of telecommunication allowing the identification of the participating Noteholders. Each Note carries the right to one vote.

[1] At the date of this Prospectus the *Statuts* of the Issuer do not contemplate the right for a Noteholder to participate in a General Assembly by videoconference or any other means of telecommunication allowing the identification of the participating Noteholders.

10.5 Powers of General Assemblies

A general assembly is empowered to deliberate on the dismissal or replacement of the Representative and the Alternative 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 as plaintiff or defendant.

A general assembly may further deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes 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 a general assembly may not increase amounts payable by Noteholders, nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares, and that no amendment to the status of the Notes may be approved until the consent of the SGCB has been obtained in relation to such amendment.

Meetings of a general assembly may deliberate validly on first convocation only if Noteholders present or represented hold at least a fifth 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 the Noteholders attending such meeting or represented thereat.

Decisions of the general assemblies must be published in accordance with the provisions set forth in Condition 11 (*Notices*).

10.6 Information to the Noteholders

Each Noteholder or representative thereof will have the right, during the 15 day period preceding the holding of each general assembly, 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 assembly, which will be available for inspection at the principal office of the Issuer, at the specified offices of the Paying Agents and at any other place specified in the notice of the general assembly given in accordance with Condition 11 (*Notices*).

10.7 Expenses

The Issuer will pay all expenses incurred in the operation of the Masse, including expenses relating to the calling and holding of general assemblies, and more generally all administrative expenses resolved upon by a general assembly of the Noteholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

11 NOTICES

Any notice to the Noteholders will be valid if delivered to the Noteholders through Euroclear France, Euroclear or Clearstream, Luxembourg, for so long as the Notes are cleared through such clearing systems. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, at the option of the Issuer, in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *d'Wort* or the *Tageblatt*). If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having 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 first date on which such publication is made.

12 PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

13 FURTHER ISSUES

The Issuer may from time to time, subject to the prior written approval of the SGCB but without the consent of the Noteholders, issue further notes to be assimilated (*assimilées*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation. In the event of such assimilation, the Noteholders and the holders of any assimilated (*assimilées*) notes will for the defence of their common interests be grouped in a single Masse having legal personality.

14 GOVERNING LAW AND JURISDICTION

The Notes are governed by, and shall be construed in accordance with, the laws of the Republic of France.

In relation to any legal action or proceeding arising out of or in connection with the Notes, the Issuer irrevocably submits to the jurisdiction of the competent courts in Paris.

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

European Solvency Ratio Equivalent ("ESR Equivalent")

The Issuer's ESR Equivalent (equal to 8% of the CAD Coverage Ratio as defined below) as of June 30th 2005 was 13.21%, including a Tier 1 Ratio Equivalent (equal to 8% of the Tier 1 Coverage Ratio as defined below) of 12.65%.

Capital adequacy

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

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

The European Capital Adequacy Directive

General features

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

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

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

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

At June 30th 2005, the Issuer's CAD Coverage Ratio and ESR Equivalent stood at 165% and 13.21% respectively (compared with 171% and 13.69% respectively at December 31st 2004).

CNCE Group / CAD Coverage Ratio

(in millions of euros)	**30/06/2005**	**31/12/2004**	**31/12/2003**
RISKS			
Credit risk			
Total weighted risks	79,581	74,131	34,339
Capital requirement for credit risk	6,366	5,931	2,747
Market risks			
Capital requirements calculated using the standard method			
Capital requirement for interest rate risk	1,012	951	237
• Specific risk	938	893	198
• General market risk	74	58	39
Capital requirement for equity position risk	199	130	14
• Specific risk	37	28	3
• General market risk	106	88	7
• Residual risk on option positions (gamma and vega risks)	42	6	2
• “Simplified method”	4	-	-
• Residual risk on arbitrage strategies (spot / forward)	10	8	2
Capital requirement for counterparty settlement risk	41	23	5
Capital requirement for foreign exchange risk	0	0	1
Capital requirement for commodities risk	-	-	-
Total capital requirements / standard method	**1,252**	**1,104**	**257**
Capital requirements calculated using an internal model[1]	**126**	**138**	**56**
Total capital requirements for market risks	**1,378**	**1,242**	**313**
Total capital requirements (credit risk + market risks)	**7,744**	**7,173**	**3,060**
AVAILABLE CAPITAL			
Tier 1	12,249	12,047	4,461

(in millions of euros)	30/06/2005	31/12/2004	31/12/2003
Tier 2	5,259	4,748	929
Tier 3	-	-	-
Deductions	- 4,723	- 4,513	- 726
Total available capital	**12,785**	**12,282**	**4,664**
RATIOS			
CAD Coverage Ratio (Total available capital / Total capital requirements	165%	171%	152%
ESR Equivalent (8% x CAD Coverage Ratio)	**13.21%**	**13.69%**	**12.19%**
Tier 1 Coverage Ratio (Tier 1 / Total capital requirements)	158%	168%	146%
Tier 1 Ratio Equivalent (8% x Tier 1 Coverage Ratio)	**12.65%**	**13.44%**	**11.66%**

[1] Figures of IXIS Corporate & Investment Bank consolidated on a proportional basis, IXIS Corporate & Investment Bank being the only consolidated entity using an internal model approved by SGCB to calculate its capital requirements for market risks.

The International Solvency Ratio

General features

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

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

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

Planned reform of BIS standards

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

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

For banks applying IRBF method, introduction is planned for 31 December 2006, following a year (2006) in which both ratios (the existing Cooke ratio and the McDonough reform) will be calculated. The recent CRD European directive allows the banks to delay by one year the IRBF implementation.

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

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

The main objectives of the Group’s Project are:

- To make sure that the Group qualifies for the Foundation Internal Ratings Based Approach (known as IRB Foundation – only probability of default is assessed with internal method ; loss given default and exposure at default given by regulatory authority) to calculate its capital requirements for credit risk, from the very day when the New Accord is in effect (December 31st, 2006);

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

- To implement the method selected to calculate the Group’s capital requirements for operational risk, which is the Standard Approach, while starting to collect the historical data necessary to opt for a more advanced method later on.

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

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

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

- Version 1 (known as V1) is based on an internal rating being assigned to a counterparty or an obligation when a new loan or a new commitment is in the process of being granted; it will cover new internal rating assignment, adaptation of the current organization, new decision making process based on internal ratings and collection of risk related historical data at Group level. V1 is operational since April 1st, 2004.

- Version 2 (known as V2): V1 will be upgraded with the addition of a monthly review of Retail counterparties and commitments of the Group; collection of historical data will be continued and completed. V2 has been implemented in November 2004.
- Version 3 (known as V3): V3 will enable the internal rating assignment process to all the counterparties, the commitments as well as some of the guarantees received and collateral, to implement an automated process to take into account the ratings in the risk management, to have available all the necessary monitoring and reporting tools, to complete the risk related historical data and upgrade the way these data are securely stored and processed. V3 will also, using a specific software, enable the regulatory capital needed to cover the risks. *V3 is currently being rolled over (November 2005).*

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

(M€)	**30/06/2005**	**31/12/2004**	**31/12/2003**
Capital and consolidated retained earnings	11,843	11,948	3,988
Hybrid tier 1 capital	2,082	2,034	669
Minority interests	622	567	370
Reserve for general banking risks	263	257	286
Deductions of intangible assets and goodwill	2,561	2,759	852
Tier 1	**12,249**	**12,047**	**4,461**
Subordinated debt	5,259	4,748	929
Tier 2	**5,259**	**4,748**	**929**
Deductions of holdings in credit institutions	4,723	4,513	726
Total deductions	**4,723**	**4,513**	**726**
Total available capital	**12,785**	**12,282**	**4,664**

The Hybrid tier 1 component of the total available Tier 1 capital of CNCE Group as at 30/06/2005 can be detailed as follows:

Issuer	**Issue date**	**Maturity date**	**Interest rate**	**Amount outstanding (M€)**	**Amount eligible as tier 1 (M€)**
CNCE	11/2003	Perpetual, possible Early redemption 07/2014	5.250%	800	800
CNCE	10/2004	Perpetual, possible Early redemption 07/2015	4.625%	700	700

CNCE	10/2004	Perpetual	CMS 10 ans	80	80
CNCE	11/2004	Perpetual, possible Early redemption 11/2014	Eur3M + 71bp	390	337
TOTAL				**1,970**	**1,917**

Issuer	Issue date	Maturity date	Interest rate	Amount outstanding (M$)	Amount eligible as tier 1 (M€)
CNCE	07/2004	Perpetual	USD-CMT-T7051+30bp capé à 9%	200	165
TOTAL				**200**	**165**

The tier 2 component of the total available capital of CNCE Group as at 30/06/2005 can be detailed as follows:

Issuer	Issue date	Maturity date	Interest rate	Amount outstanding (M€)	Amount declared as potential tier 2 (M€)	Amount not eligible as tier 2 (M€)	Tier 2 amount (M€)
Dated subordinated debt							
CNCE	12/1998	12/2010	4.500%	91	91		
CNCE	11/1999	11/2011	5.600%	746	63		
IXIS CIB	08/2000	08/2010	6.125%	250	250		
CNCE	07/2002	07/2014	5.200%	455	420		
CNCE	09/2002	07/2014	5.200%	395	362		
IXIS CIB	09/2002	09/2022	EURIBOR 6M	20	20		
IXIS CIB	11/2002	11/2027	5.375%	46	46		
IXIS CIB	01/2003	01/2033	5.400%	60	60		
CNCE	02/2003	02/2015	4.500%	418	410		
IXIS CIB	04/2003	04/2015	4.500%	77	77		
IXIS CIB	04/2003	04/2023	5.250%	22	22		
IXIS CIB	06/2003	03/2018	EURIBOR 6M	10	10		
IXIS CIB	07/2003	07/2018	4.375%	500	500		
CNCE	07/2003	07/2015	4.100%	450	445		
CNCE	12/2003	12/2015	4.800%	148	148		
CNCE	02/2004	02/2016	4.600%	308	308		
CNCE	07/2004	07/2016	4.800%	481	481		
CNCE	10/2004	10/2016	4.500%	498	498		

Issuer	Issue date	Maturity date	Interest rate	Amount outstanding (M€)	Amount declared as potential tier 2 (M€)	Amount not eligible as tier 2 (M€)	Tier 2 amount (M€)
CNCE	12/2004	12/2016	4.200%	252	252		
CNCE	02/2005	02/2017	4.000%	499	499		
CFF		06/2012	6.250%	20	20		
CFF		07/2022	6.500%	30	9		
FIDEV				207	207		
CNCE	11/2003	Perpetual, possible Early redemption 07/2014		800	53		
	Sub-total			**6,783**	**5,251**		
Undated subordinated debt							
BDAF				8	8		
	Sub-total			**8**	**8**		
TOTAL				**6,791**	**5,259**	**- 1,532**	**5,259**

INFORMATION ABOUT THE ISSUER

1 Legal and commercial name of the Issuer

Caisse Nationale des Caisses d'Epargne et de Prévoyance

2 Place of registration and Trade and Companies Registry number

RCS Paris No. 383 680 220 APE (business activity) Code: 652 C

The Issuer was registered on November 26, 1991.

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

4 Domicile Registered office: 5, rue Masseran, 75007 Paris

Head office for business purposes: 50, avenue Pierre Mendès-France, 75201 Paris Cedex 13 – France

Tel: (33) (0)1 58 40 41 42 – Fax: (33) (0)1 58 40 48 00

Internet: http://www.groupe.caisse-epargne.com

Applicable law: the issuer is governed by the laws of France.

Legal form

A bank organized as a *société anonyme* (corporation) governed by a Management Board and a Supervisory Board subject to the provisions of the French Commercial Code with respect to commercial companies, and, in particular articles L.225-57 to L.225-93, the provisions of Decree 67-236 of March 23, 1967, Law No. 84-46 of January 24, 1984, and notably its articles embodied in the Monetary and Financial Code, and the legal and regulatory provisions adopted for the implementation or amendment of the legal provisions mentioned above.

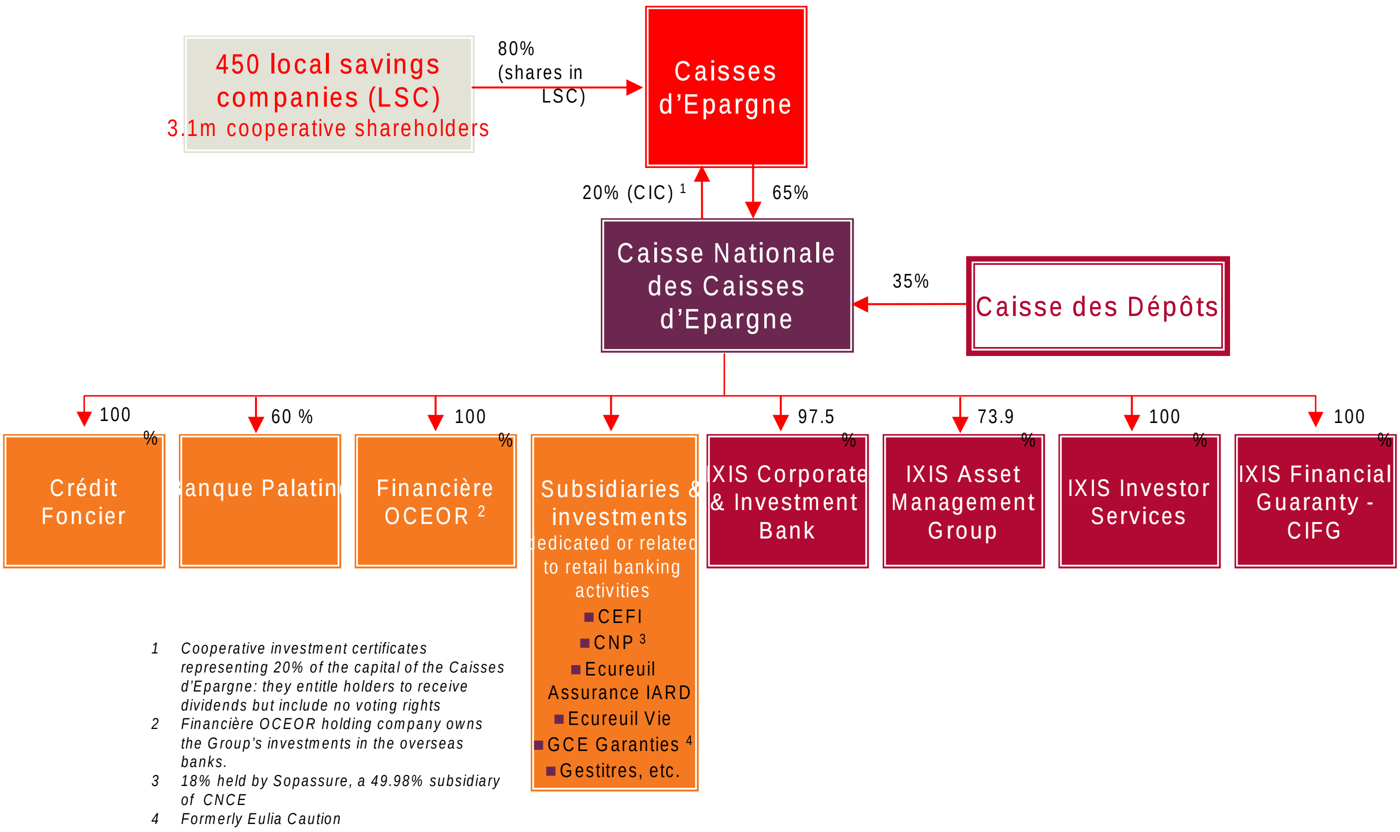
The Caisse Nationale des Caisses d'Epargne et de Prévoyance was granted final approval as a Bank by the *Comité des établissements de crédit et des entreprises d'investissement* (credit institutions and investment services companies Committee) on October 27, 1995 when it was still called Caisse Centrale des Caisses d'Epargne et de Prévoyance.

Pursuant to article 29 of Law No. 99-532 of June 25, 1999, during the Special Shareholders' Meeting and the Management Board Meeting convened on September 29, 1999, the CNCEP (previously known as the Caisse Centrale des Caisses d'Epargne et de Prévoyance) took over from the Centre National des Caisses d'Epargne et de Prévoyance as the central company of the Groupe Caisse d'Epargne as provided for by articles L.511-30, L.511-31 and L.511-32 of the Monetary and Financial Code.

ORGANISATIONAL STRUCTURE

The Issuer is a part of the Groupe Caisse d'Epargne which forms a financial network around a central institution, CNCE.

Simplified organization chart at January 1, 2005



The *Caisses d'Epargne* (savings banks)

The *Caisses d'Epargne*, which represent the very foundations upon which the Group is built, are cooperative savings banks; 80% of their share capital is owned by local savings companies, which also hold 100% of the voting rights.

The cooperative shareholders and the local savings companies

As at December 31, 2004, the Groupe Caisse d'Epargne boasted 3.1 million cooperative shareholders grouped together within 450 local savings companies.

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

The FNCE is a non-profit making association dedicated to the reflection, expression and representation of the individual *Caisses d'Epargne* and their cooperative shareholders.

The FNCE has five main assignments:

- it coordinates the 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 Groupe Caisse d'Epargne in the general public interest;

- it contributes to the definition of the national focus adopted by CNCE in management-worker relations in the network; and

- working closely with CNCE, it organises training sessions for the representatives of cooperative shareholders and for the Group's senior management team.

The Issuer, the Caisse Nationale des Caisses d'Epargne et de Prévoyance ("CNCE")

The Issuer is a *société anonyme* (corporation) governed by a Management Board (*Directoire*) and a Supervisory Board (*Conseil de Surveillance*).

The Issuer has four main functions:

- As the central institution of the Group (as defined by French banking law), it takes all measures in respect of the organisation and administration of the *Caisses d'Epargne* and the other affiliated entities with a view to ensuring the cohesion, and guaranteeing the liquidity and solvency of the network as a whole;

- As the head of the network, it is responsible, in particular, for deciding strategy pursued by the Group, approving the appointment of senior management staff, defining the products and services distributed by the *Caisses d'Epargne*, protecting customer deposits and guaranteeing the financial solidarity mechanisms within the Group;

- As the holding company, it owns equity interests in the national subsidiaries and defines the development policy of the different core business lines;

- As the banker to the Group, it is responsible, in particular, for centralising the management of any surplus funds held by the *Caisses d'Epargne* and for proceeding with any financial transactions useful for the development and refinancing of the network.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

1 The Supervisory Board

The Supervisory Board has 20 members: 12 representing the Caisses d'Epargne, 6 representing the Caisse des dépôts et consignations and 2 representatives being elected by the network personnel. The Supervisory Board also includes 4 non-voting directors (*censeurs*): one senior executive from the Group and three independent directors from major corporations. Although they do not vote on motions, they bring the advantage of their independent advice, their knowledge of the economic and financial environment, and their expertise as managers.

Three specialized committees – whose existence and composition are provided for by the articles of association – also assist the Supervisory Board in its deliberations. The hereafter listed three committees are composed of seven members (including the Chairman): four representing the *Caisses d'Epargne* and three representing the Caisse des depôts:

- development and strategy committee,
- remuneration and selection committee,
- audit committee.

Membership of the Supervisory Board

	Other functions
Chairman of the Supervisory Board:	
Mr. Jacques Mouton	Chairman of the Steering and Supervisory Board of the Caisse d'Epargne Aquitaine-Nord
Vice-Chairmen of the Supervisory Board:	
Mr. Bernard Comolet	Chairman of the Management Board of the Caisse d'Epargne Ile-de-France Paris
Mr. Francis Mayer	Chief Executive Officer of the Caisse des dépôts et consignations
Members of the Supervisory Board representing the holders of class "A" shares:	
Mr. Jean-Charles Cochet	Chairman of the Management Board of the Caisse d'Epargne de Lorraine
Mr. Dominique Courtin	Chairman of the Steering and Supervisory Board of the Caisse d'Epargne de Bretagne
Mr. Jean-Claude Créquit	Chairman of the Management Board of the Caisse d'Epargne de Côte d'Azur
Mr. Michel Dosière	Chairman of the Management Board of the Caisse d'Epargne de Poitou-Charentes
Mr. Marcel Duvant	Chairman of the Steering and Supervisory Board of the Caisse d'Epargne des Pays du Hainaut

Mr. Yves Hubert	Chairman of the Steering and Supervisory Board of the Caisse d'Epargne de Picardie
Mr. Alain Lemaire	Chairman of the Management Board of the Caisse d'Epargne Provence-Alpes-Corse
Mr. Jean Levallois	Chairman of the Steering and Supervisory Board of the Caisse d'Epargne de Basse-Normandie
Mr. Bernard Sirol	Chairman of the Steering and Supervisory Board of the Caisse d'Epargne Midi-Pyrénées
Mr. Hervé Vogel	Chairman of the Management Board of the Caisse d'Epargne Rhône-Alpes Lyon

Members of the Supervisory Board representing the holders of class "B" shares:

Caisse des dépôts et consignations	Represented by Mr. Dominique MARCEL, Senior Executive Vice-President, Finance and Strategy of the Caisse des dépôts Group
Mr. Etienne Bertier	Chairman and Chief Executive Officer of ICADE
Mr. Albert Ollivier	Chairman of CDC-PME, member of the Management Committee of the Caisse des dépôts Group
Mr. Jean Sebeyran	Corporate Secretary of the Caisse des dépôts Group
Mr. Franck Silvent	Executive Vice-President, Finance and Strategy of the Caisse des dépôts Group

Members of the Supervisory Board representing the employees of the Caisses d'Epargne network:

Serge Huber

Jacques Moreau

Non-voting members of the Supervisory Board:

Mr. Joël Bourdin	Chairman of the Steering and Supervisory Board of the Caisse d'Epargne de Haute-Normandie, Senator
Mr. Jean-Marc Espalioux	Chairman of the Management Board of Accor
Mr. Jean-Charles Naouri	Chairman and Chief Executive Officer of Casino group
Mr. Henri Proglio	Chairman of the Management Board of Véolia Environnement

Government representative:

Mr. Antoine Mérieux

Representatives of the Workers' Committee on the Supervisory Board:

Mrs. Corine Mériot (Meetings of May 26 and July 1, 2004)

Mr. Patrick Mellul

Mr. Jean-Luc Debarre

Mrs. Françoise Amilhat (as from Supervisory Board Meeting on November 16, 2004)

Mr. Samuel André (as from Supervisory Board Meeting on May 26, 2004)

For the purposes of their functions in the Issuer, the above listed members of the Supervisory Board elect domicile at the registered office of the Issuer.

2 Membership of the Management Board

Charles Milhaud	Chairman
Guy Cotret	Member of the Management Board, responsible for human resources, IT and banking operations
Nicolas Mérindol	Member of the Management Board, responsible for retail banking activities and local customer services
Anthony Orsatelli	Member of the Management Board, responsible for investment banking activities
Pierre Servant	Member of the Management Board responsible for finance and Group risk management

For the purposes of their functions in the Issuer, the above listed members of the Management Board elect domicile at the registered office of the Issuer.

There are no potential conflicts of interests between any duties to the Issuer of the persons mentioned above – members of the Supervisory Board and members of the Management Board – and their private interests.

MAJOR SHAREHOLDERS

As at December 31, 2004 the Issuer's share capital was €6,905,865,632 divided into 452,843,648 fully paid-up shares with a par value of €15.25 each.

There are three classes of shares: "A", "B" and "C":

– the class "A" shares being those held by the Groupe Caisse d'Epargne that is defined as follows: Caisses d'Epargne et de Prévoyance, any company under the control - as provided for in article L. 233-3 of the French Commercial Code - of one or several Caisses d'Epargne et de Prévoyance, as well as (i) by all individuals holding a position of responsibility within the Groupe Caisse d'Epargne or for whom the ownership of shares is required for their position as a member of the Supervisory Board of the Issuer in their capacity as candidates presented by the holders of class "A" shares, and (ii) by all members of the Supervisory Board elected by the employees of the Caisses d'Epargne network in accordance with the provisions contained in the bylaws;

– the class “B” shares being those held by the CDC Group and by any individuals for whom the ownership of shares is required for their position as a member of the Supervisory Board of the Issuer in their capacity as candidates presented by the holders of class “B” shares;

–the class “C” shares being those held by all other shareholders.

Breakdown at December 31, 2004

Class	Number of shares	% of share capital	
Class “A”	294,346,551 shares	65%	Groupe Caisse d’Epargne
Class “B”	158,497,097 shares	35%	CDC Holding Finance

No class “C” shares have been issued.

This breakdown may vary in accordance with the provisions of the bylaws. There are no shares granting multiple voting rights. The Issuer’s shares are not listed on the stock exchange.

In accordance with the resolution adopted by the ordinary general shareholders’ meeting held on 26 May 2005 it was decided that the dividend payout can be settled in cash or in newly issued shares carrying dividend rights from January 1, 2005 at the choice of the shareholders. Subsequent to the demands of the shareholders, the Management Board held on September 5, 2005 noted that 22.676.206 new shares of €15.25 nominal value each were issued, representing a share capital increase of €345,812,141.50 and a global share premium of €107,031,692.32. Consequently, as from September 5, 2005 the share capital amounts to €7,251,677,773.50 divided into 475,519,854 fully paid-up ordinary shares of € 15.25 each.

There are no arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

BUSINESS OVERVIEW

A new dimension of the Groupe Caisse d'Epargne

With the acquisition:

- In December 2003, of Banque Sanpaolo (now named Banque Palatine), a financial institution extremely active among medium-sized enterprises,
- In January 2004, of Entenial, a bank specializing in property financing, by Crédit Foncier,
- And, in June 2004, of the IXIS investment bank,

Groupe Caisse d'Epargne (the "**Group**") confirms its status as a multi-brand, multi-business universal bank pursuing activities with multiple types of clientele.

Boasting a powerful commercial banking business and one of the top-ranking property financing and real-estate services divisions in France, the Group is now present via its IXIS division in the principal international financial markets: London, Frankfurt, New York, Tokyo and Hong Kong.

In 2004, Groupe Caisse d'Epargne considerably increased its size with significant changes in the structure and relative weight of its different activities. Commercial banking activities now generate more than 70% of the Group's results, including 62% contributed by the *Caisses d'Epargne* alone.

It is also enjoying enhanced prospects for further growth and greater profitability: the Group is in a strong position to launch the international expansion of its core business activities from its strong domestic base, and rise to the challenge of the future consolidation of the European banking industry.

• Financial figures

(in billions of euros)	**2003**	**2004** ***pro forma***
Net banking income	7.2	9.7
Gross operating income	2.2	2.6
Earning capacity	1.4	1.8
Capital funds*	12.7	18
Employees	44,700	52,800

* Excluding minority interests

• 2004 earning capacity (pro forma)

Commercial banking	72%
Investment banking	26%
Holding company	2%

A new organization for the CNCE

To keep pace with changes in the Group, to mobilize synergies between the Group's different activities, to take advantage of their full potential, the Caisse Nationale des Caisses d'Epargne - which plays a triple role as network head, banker to the Group and holding company - has reorganized its structures into two core business divisions and two functional divisions.

Core business divisions

Commercial Banking

- Retail banking: individual and professional customers
- SMEs
- Local communities and institutionals
- Social economy and subsidized housing
- Insurance
- Real estate

Investment Banking

- Financing and capital markets
- Asset management
- Custody and services for institutionals
- Financial guaranty

Functional divisions

Finance and Risk Management

- Risk management
- Group finance
- Group financial control and management processes
- Consolidation, regulations, taxation
- Basel II reform

Human Resources and Banking Operations

- Human resources, social affairs
- Group information systems
- Group banking production
- Procurement
- Major initiatives
- Internal communications
- Security

In its capacity as banker to the Group, the CNCE centralizes cash transactions and refinancing operations between the different companies in the Group. It supervises and coordinates the market refinancing policy through four issuers:

- The CNCE, for the optimization of the Group's capital funds and financing operations required by the commercial banking activities (excluding Crédit Foncier),
- Compagnie de Financement Foncier and Vauban Mobilisation Garanties for Crédit Foncier and, more generally, for the financing of property loans and loans granted to local communities, notably through the issue of covered bonds *(obligations foncières),*
- IXIS Corporate & Investment Bank for the refinancing of its own capital market activities and major corporation financing operations.

Groupe Caisse d'Epargne is the largest private bond issuer after the French State, and the largest issuer of covered bonds (*obligations foncières*).

Additional information and figures are provided in section "Management Report of the Groupe Caisse d'Epargne for the 2004 Financial Year' herein contained.

The core business lines of Groupe Caisse d'Epargne: Commercial banking and Investment banking

I - Commercial banking

Groupe Caisse d'Epargne provides banking services to 26 million individual and professional customers, and a total of 60,000 local communities, companies and institutions.

Boasting a rich portfolio of major brand names - Caisse d'Epargne, Crédit Foncier, Entenial and Banque Palatine (formerly known as Banque Sanpaolo) in metropolitan France, Océor in French overseas departments and territories - with 4,700 branches and nearly 5,300 cash dispensers and ATMs, the Group is the third largest banking network in France.

1/ The local bank for individual and professional customers

■ Historically dedicated to receiving deposits on *Livret A* passbook accounts, the Caisses d'Epargne have significantly expanded their range of savings and investment products. The French savings banks have become a large distributor of guaranteed return funds and a major distributor of popular retirement savings plans (PERP), the new retirement product launched in 2004.

The Group has also been successful in its drive to develop strong positions in the insurance market, being now a *bancassurance* specialist distributing life insurance products and providing general insurance cover with more than one million contracts under management.

The Group forged a strategic alliance at the end of 2004 with two major mutual insurance companies, Macif and Maif. This partnership will be concretized in 2005 by a broader range of insurance products covering fire, accidents and miscellaneous risks and, ultimately, by a range of new services.

With the 31 individual Caisses d'Epargne, Crédit Foncier/Entenial, the OCEOR network in French overseas possessions and Banque Palatine (formerly known as Banque Sanpaolo), the Group has also launched plans to set up a private banking institution serving the domestic French market, operating as an ordinary bank. Based on the existing IXIS subsidiary Vega Finance, with which the Group had already entered into an alliance, this new structure, named La Compagnie 1818, was presented to the press in May 2005 and has been operational since the end of the first half of 2005.

■ In the area of banking services, the Group's networks are the everyday banks for 6.6 million individual and professional customers. Indeed, the Caisses d'Epargne are the largest issuer of banker's card in France.

■ As far as loans to private individuals are concerned, the Group boasts strong positions in the property market: one out of every five real-estate projects is financed by one of its networks. The Group is also making rapid progress in the consumer credit market, particular in the revolving loan segment where the Group's subsidiary, Caisse d'Epargne Financement (CEFI), created in partnership with Cetelem, offers considerable scope for further growth.

2/ The specialist bank for regional development

■ Deeply rooted in its different regions, Groupe Caisse d'Epargne is one of the principal financial partners of social housing organizations, local government, local communities and public health institutions, associations and all players active in the social economy. It offers this clientele an extremely wide range of investment and financing solutions along with cash management services and secure online payment systems.

The Group's enterprises have taken full advantage of their specialized know-how and resourcefulness to develop financing solutions based on public-private partnerships, an area offering considerable promise for future development.

■ A major French private banking investor in regional venture capital, the Group is increasingly active among local and regional enterprises, working through the Caisses d'Epargne for firms enjoying a regional dimension, and Banque Sanpaolo, a financial institution particularly active among medium-sized companies.

3/ The bank for real-estate transactions

Major banker for private individuals' real-estate transactions, Groupe Caisse d'Epargne is also one of the principal banking partners, and one of the leading insurers, of real-estate professionals, a major provider of specialized services and an investor.

■ Together, the Caisses d'Epargne, Socfim, Crédit Foncier, and Entenial finance one out of every five real-estate development operations in France. The CEGI subsidiary is an issuer of guaranties for the builders of single-family houses with a market share of almost 25%. The Group is also a large provider of long-term financing to professional real-estate investors in the form of conventional capital repayment loans or leasing solutions.

Thanks to Entenial and Banque Palatine (formerly known as Banque Sanpaolo), the Group is also a major bank for real-estate management companies and property managing agents, and a large guarantor of real-estate professionals with Socamab Assurances and CEGI.

■ Groupe Caisse d'Epargne is also strongly involved in property valuation with Foncier Expertise and in the area of transactions, administration and property managing agents with, in particular, Gestrim, a subsidiary of Perexia.

The Group also provides selection services related to real-estate schemes for investors.

Apart from the subsidized housing segment, where the Caisses d'Epargne are the front-ranking private shareholder, the Group is a major institutional investor through its subsidiaries Foncière Ecureuil and Ecureuil Vie.

II - Investment banking

The CNCE and its subsidiaries IXIS Corporate & Investment Bank, IXIS Asset Management Group, IXIS Investor Services and IXIS Financial Guaranty (CIFG) offer financial institutions, major corporations and local communities a range of high value-added services related to financing and capital market operations, asset management, asset custody and investor services, and financial guaranties.

1/ Financing operations and capital markets

■ In the capital markets, the Group offers a wide range of services in the fixed-income, foreign exchange and equities markets, including origination, market-making, brokerage, structuring, financing as well as financial engineering and economic research.

IXIS CIB has built a partnership with the Lazard investment bank in the primary equity market, a relationship that has acquired a new dimension with the signature of a financial and industrial agreement in March 2005. Within the Group, IXIS CIB and Banque Palatine (formerly known as Banque Sanpaolo) have signed a cooperation agreement for transactions related to mid-cap stock.

IXIS Securities, a subsidiary of IXIS CIB, is one of the top 5 equity brokers in the Paris financial market.

■ The financing division handles arranging, co-arranging, underwriting and syndication operations.

The Group is also a front-ranking specialist arranging shipping and aircraft asset financing solutions via its subsidiary Ingepar.

The Group is also a leader in advisory services and project financing, and extremely active in financial engineering related to infrastructures, the environment and energy.

2/ Asset management

The IXIS AM Group is a holding company that controls a number of specialized asset management companies offering a range of expertise covering all asset classes and all management styles in Europe, the USA, and the Asia/Pacific region including Japan. Reorganized in 2004, this core business line specializing in the management of financial and real-estate assets works on behalf of all types of clientele: institutionals, corporates, distribution networks and private individuals.

In the financial assets sector, it bases its operations on a dozen management companies (IXIS AM France, Loomis Sayles, Harris Alternatives, Harris Associates, etc.) and on three distribution companies: IXIS Advisors in the Unites States, IXIS Global Associates for cross-border activities and Ecureuil Gestion for business in France.

Boasting a total of 28 marketing offices in Europe, the USA and the Asia/Pacific region, IXIS AM Group works closely with several partners and selected networks.

With AEW Capital Management in Boston and IXIS AEW Europe, investors are provided a comprehensive range of real-estate investment management services: direct or indirect investment advice, management of assets or real-estate portfolios, financial engineering and the arrangement of complex operations.

3/ Custody and services for institutionals

Since January 1, 2005, IXIS Investor Services has been Groupe Caisse d'Epargne's new bank specializing in institutional custody and investor services, and the parent company of three subsidiaries: IXIS Administration de fonds, Euro Emetteurs Finance (EEF) and IXIS Urquijo in Madrid. IXIS Investor Services is a major French player in this market with total outstandings of €685 billion for institutional custodian services alone. A custodian bank with more than 800 mutual funds and 80 management companies, IXIS IS is also responsible for managing some 700 funds. It pursues its institutional custodian activities in Spain through a joint venture set up with Banco Urquijo.

IXIS IS and its subsidiaries provide asset management companies, institutional investors and non-resident banks with account management/custody services, institutional custodian services, fund administration and services for issuers in addition to all related banking services covering the full range of financial instruments.

An agreement was signed in December 2004 with a view to merging IXIS Investor Services with Crédit Agricole Investor Services into a joint venture at the end of the first half of 2005. With an aggregate custody business of €1,600 billion, the new entity will be a leading player in the French market, and one of the front-ranking European institutional custodians.

4/ Financial guaranty

Created in 2003, CIFG is a company specializing in financial guaranties. By enhancing the quality of securities issued (thanks to an unconditional and irrevocable commitment to pay all principal and interest when first requested), CIFG enables its customers to benefit from its own credit rating (triple A).

CIFG pursues this activity through two insurance companies specifically dedicated to financial guaranties:

- CIFG Europe, based in Paris with offices in London, is authorized to provide guaranties in most of the countries in the European Union,
- CIFG NA, based in New York has obtained licences enabling it to operate in 45 states of the union.

The only European financial guarantor present in both Europe and the United States, CIFG is pursuing its activities in every market segment: structured finance, local government, public-private partnerships, project financing.

CIFG reached the breakeven point only 18 months after the company was created.

MANAGEMENT REPORT OF THE CAISSE NATIONALE DES CAISSES D'EPARGNE GROUP FOR THE YEAR ENDED DECEMBER 31, 2004 (CNCE GROUP)

1 – Significant events of 2004

The significant events of the year are described in paragraph 1 of the management report of the Groupe Caisse d'Epargne.

2 – Very strong growth in consolidated results, reflecting the CNCE Group's new scale

(in millions of euros)

	2002	2003	2004	Change	
Net banking income	1,126	1,545	3,194	1,649	107%
General operating expenses	(963)	(1,155)	(2,512)	(1,357)	117%
Gross operating income	**163**	**390**	**682**	**292**	**75%**
Operating efficiency ratio	*85.5%*	*74.8%*	*78.6%*	*3.8 pts*	
Net additions to provisions	(52)	(71)	(44)	27	– 38%
Share in net income of companies accounted for by the equity method	138	144	337	193	134%
Gains/(losses) on fixed assets	69	107	(8)	(115)	– 107%
Net ordinary income before tax	**318**	**570**	**967**	**397**	**70%**
Exceptional items	28	(1)	80	81	nm
Income tax	(88)	(54)	(81)	(27)	50%
Amortization of goodwill	(57)	(22)	(67)	(45)	205%
Allocations to the reserve for general banking risks	(18)	(155)	40	195	– 126%
Minority interests	13	(11)	(54)	(43)	391%
Net income (excluding minority interests)	**196**	**327**	**885**	**558**	**171%**
Earning capacity*	**214**	**482**	**845**	**363**	**75%**

* Earning capacity = net income (excluding minority interests) + amounts allocated to the reserve for general banking risks (excluding minority interests).

The results achieved by the Caisse Nationale des Caisses d'Epargne Group were up sharply on 2003, reflecting the Group's enlarged scope of consolidation. Consolidated capital funds (including the reserve for general banking risks) increased 2.6-fold to €11.5 billion compared with €4.5 billion a year earlier. Net banking income doubled to almost €3.2 billion, and earning capacity increased 1.8 times, reaching €845 million. In addition, despite expanding and restructuring, the CNCE Group maintained high capital adequacy ratios, with its equivalent Tier One ratio coming out at 9.7%.

Meaningful year-on-year comparisons of results are extremely difficult due to the impact in 2004 of the restructuring operations carried out mid-year under the New Foundations project, and the respective December 2003 and January 2004 acquisitions of Banque Sanpaolo and Entenial.(1) Pro forma accounts have therefore been prepared, based on the same accounting principles and methods as those used by the CNCE Group for its consolidated financial statements. The assumptions used in the pro forma accounts are described in Note 35 to the consolidated financial statements.

(1) Further details on these operations are provided in paragraphs 2 and 3.3 of the Groupe Caisse d'Epargne management report and in the notes to the consolidated financial statements.

3 – Robust pro forma results with net income at over €9 million

3.1. Pro forma results of the Caisse Nationale des Caisses d'Epargne (CNCE) Group

(in millions of euros)

	2002	2003	2004	Change	
Net banking income	3,230	3,666	3,980	314	9%
General operating expenses	(2,683)	(2,840)	(3,150)	(310)	11%
Gross operating income	**547**	**826**	**830**	**4**	**0%**
Operating efficiency ratio	*83.1%*	*77.5%*	*79.1%*	*1.6 pts*	
Net additions to provisions	(117)	(224)	(145)	79	– 35%
Share in net income of companies accounted for by the equity method	394	443	522	79	18%
Gains/(losses) on fixed assets	136	170	(40)	(210)	nm
Net ordinary income before tax	**960**	**1,215**	**1,167**	**– 48**	**– 4%**
Exceptional items	27	(4)	(20)	(16)	nm
Income tax	(163)	(129)	(93)	36	– 28%
Amortization of goodwill	(286)	(83)	(89)	(6)	7%
Allocations to the reserve for general banking risks	2	(237)	0	237	nm
Minority interests	49	(34)	(47)	(13)	38%
Net income (excluding minority interests)	**589**	**728**	**918**	**190**	**26%**
Earning capacity*	**587**	**965**	**918**	**(47)**	**– 5%**

* Earning capacity = net income (excluding minority interests) + amounts allocated to the reserve for general banking risks (excluding minority interests).

Based on pro forma data, the CNCE Group's earning capacity surged between 2002 and 2003 before contracting slightly in 2004. Exceptional income was high in 2003, due to a significant €224 million capital gain recorded on the sale of office buildings housing the headquarters of Crédit Foncier. Based on adjusted figures that exclude the impact of this exceptional transaction, the CNCE Group posted a steady rise of some 25% in earning capacity over the three years, with the 2004 figure topping €900 million.

- Pro forma net banking income for 2004 climbed 9% to €4 billion, fueled by a higher sales performance, especially in insurance, as well as a strong showing by the capital markets and financing businesses.
    - Commercial Banking's pro forma net banking income amounted to €1.7 billion in 2004, contributing some 40% of the CNCE Group's total. This division encompasses the CFF Group and retail banks (OCEOR, Banque Sanpaolo, Véga Finance and the individual Caisses d'Epargne accounted for by the equity method based on a 20% interest), as well as entities that provide support services to the retail network – such as Caisse d'Epargne Financement, and Gestitres – and insurance companies, including Ecureuil Vie, CNP Assurances, Garantie GCE, and Ecureuil IARD. The primary growth drivers in 2004 were robust performance by GCE Garantie and a strong showing from the CFF Group, which recorded a 16% increase in new lending.
    - The Investment Banking division (comprising IXIS Corporate & Investment Bank, IXIS Asset Management Group, IXIS Investor Services and CIFG) performed outstandingly in 2004 across all business lines. The division's pro forma net banking income rose 15% to almost €2.4 billion, accounting for 60% of the CNCE Group's pro forma net banking income.
- Pro forma general operating expenses totaled €3.1 billion, up by a significant 11%. At €1.7 billion, personnel costs accounted for 55% of these expenses, and represented an increase of 9% over the previous year. This rise was primarily due to an increase in the variable portion of employee compensation, reflecting the higher contribution of Investment Banking to net banking income, and the extension of variable pay agreements within the Commercial Banking division, notably with respect to the CFF Group. In addition, the number of staff employed by the CNCE Group edged up 1.7% to some 14,000 full-time

equivalent employees.

Other operating expenses climbed by 13%. This sharp increase was due to the combination of several factors: a greater number of leadership and monitoring roles and definition of a new risk management structure within the Group's divisions; heavy investment in the Basel II and IFRS projects, as well as in measures to enhance internal control and risk management functions; restructuring costs; and migration of IT systems within the Commercial Banking entities.

- In view of this outlay, pro forma gross operating income remained on a par with the year-earlier figure, coming in at €830 million.
- The higher pro forma operating efficiency ratio for 2003 compared with the published ratio is mainly due to the full consolidation of subsidiaries with higher operating efficiency ratios, such as CFF, Banque Sanpaolo, and IXIS Asset Management Group.
- Pro forma net additions to provisions amounted to €145 million, down 35% on the prior year, reflecting an overall decrease in defaults recorded by Commercial Banking and Investment Banking. The Group nevertheless maintained its prudent provisioning policy, and continued to add to provisions for general credit and sector-based risks, in an overall amount of €108 million, versus €123 million in 2003.
- Pro forma net ordinary income before tax totaled €1.2 billion in 2004, representing a slight year-on-year decrease despite an 18% rise in the share in net income of companies accounted for by the equity method. The decline is mostly attributable to a high basis of comparison, as 2003 saw a significant capital gain on the sale of the Crédit Foncier office building. Excluding this exceptional item, net ordinary income before tax would have risen by 18%.
- 2004 pro forma earning capacity was on a par with the previous year, at €0.9 billion, reflecting the impact of the exceptional real-estate capital gain on the Crédit Foncier building.

3.2. Sharp rise in results posted by each division

The presentation of results by business line follows the same logic as that of the segmentation adopted by the Groupe Caisse d'Epargne, but is impacted by different structural factors:
- The individual Caisses d'Epargne in which the CNCE holds a 20% interest are accounted for by the equity method within the Commercial Banking division.
- Caisse d'Epargne Financement (CEFI) and Muracef are not included in the CNCE Group's scope of consolidation.
Commercial Banking encompasses:
- Subsidiaries that carry out operations related to lending, savings, and other banking services (Crédit Foncier, Banque Sanpaolo, OCEOR, and Véga Finance) and the individual Caisses d'Epargne (accounted for by the equity method).
- Subsidiaries that provide support functions to the retail banking networks.
- Insurance subsidiaries, including CNP Assurances, Ecureuil Vie, and GCE Garanties (formerly Eulia Caution).
The Investment Banking division is structured around four business units:
- IXIS Corporate & Investment Bank, the Group's capital markets and financing arm. Based in Paris, this division operates on an international scale, through its New York and Hong Kong subsidiaries, as well as through branch offices in Frankfurt, London and Tokyo.
- IXIS Asset Management Group, responsible for financial and real-estate asset management in Europe, Asia and North America.
- IXIS Investor Services, specialized in asset custody and fund administration, as well as European institutional investor services.
- IXIS Financial Guaranty, which spearheads operations related to financial guarantees, mainly located in the United States.

A holding structure completes the line-up, encompassing: proprietary portfolio transactions; central financing operations conducted by the CNCE and Martignac Finance for the entire Group; CNCE support functions, excluding those directly relating to management of the Group's business lines; and management of both investments in non-consolidated undertakings and exceptional income-statement items, such as the capital gain generated on the Crédit Foncier building and provisions for general credit risks.

The breakdown by division is aimed at providing a clear picture of the results and profitability of the areas of business in which the Group operates. This breakdown is based on the following rules and methods:

Net banking income

The breakdown of net banking income by division includes revenues generated by the business concerned, excluding exceptional items for the period included under the holding structure.

General operating expenses

General operating expenses of the divisions primarily correspond to total expenditure of the legal entities concerned, and direct costs borne by the CNCE in relation to managing and monitoring each business segment.

General operating expenses included under the holding structure comprise costs related to managing proprietary portfolio transactions, as well as to exceptional expenditure and structural costs that cannot be directly allocated to the operating divisions.

Provisions for contingencies and impairment in value

Provisions are booked to cover the risks inherent to each division. Provisions for general risks recorded by the Group's various legal entities are classified under the holding structure.

Gains/(losses) on fixed assets

This items concerns capital gains or losses generated by the divisions on the sale of investments. Part of the gain posted following the sale in 2003 of the Crédit Foncier headquarters building was recorded under the holding structure.

Net income by division

	CNCE Group		**of which Commercial Banking subsidiaries**		**of which Investment Banking subsidiaries**	
Pro forma	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**
Net banking income	3,666	3,980	1,492	1,634	2,055	2,371
General operating expenses	(2,840)	(3,150)	(1,126)	(1,230)	(1,458)	(1,599)
Gross operating income	**826**	**830**	**366**	**404**	**597**	**772**
Operating efficiency ratio	*77.5%*	*79.1%*	*75.5%*	*75.3%*	*70.9%*	*67.4%*
Net additions to provisions	(224)	(145)	(18)	(8)	(83)	(30)
Share in net income of companies accounted for by the equity method	443	522	439	512	7	8
Gains/(losses) on fixed assets	170	(40)	43	(3)	9	12
Net ordinary income before tax	**1,215**	**1,167**	**830**	**905**	**530**	**762**

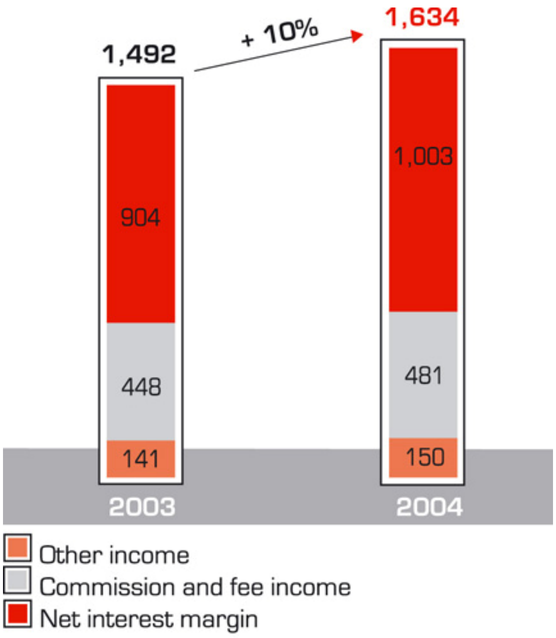
3.3. Commercial Banking subsidiaries – a steady increase in results

The Commercial Banking subsidiaries enjoyed a solid growth momentum, posting a 9% rise in net ordinary income before tax.

- Net banking income climbed 10% to €1,634 million, with all the banners contributing to this positive performance.
- Gross operating income expanded 10% to €404 million, and the operating efficiency ratio saw a 0.2-point improvement, coming in at 75.3%.

▪ Net additions to provisions decreased by 56% to €8 million, reflecting significant reversals recorded during the year in relation to Crédit Foncier.
▪ Share in net income of companies accounted for by the equity method rose 17%, fuelled by strong operating performance by the insurance subsidiaries and the individual Caisses d'Epargne.
▪ Net ordinary income before tax advanced 9% to €905 million, although was adversely impacted by the contraction in gains on fixed assets as Entenial recorded €37 million worth of gains on the sale of investments in 2003.

3.3.1 Net banking income up 10%, propelled by solid business levels



COMMERCIAL BANKING NET BANKING INCOME

(in millions of euros)

Net interest margin

Net interest margin climbed 11% to €1 billion, reflecting the combination of a strong 8% rise in outstanding loans, a 13% increase in outstanding deposits and a tighter overall intermediation margin. In line with the overall market trend, the intermediation margin was, however, boosted by lower borrowing costs, which partly offset the erosion of margins on customer items.

Commission and fee income

Total commission and fee income expanded 7% to €481 million, and represented nearly one third of net banking income.

Commissions and fees received on savings products (mainly mutual funds) came to €58 million, up 9% on 2003.

Commissions and fees from loans surged 21% to €123 million. Loan insurance accounted for €30 million, versus €20 million in 2003, primarily driven by a buoyant property loan market and payment of an exceptional policyholders' dividend. Early loan repayment penalties rose 3% to €40 million. Incidental commissions on loans increased by 23% to €53 million.

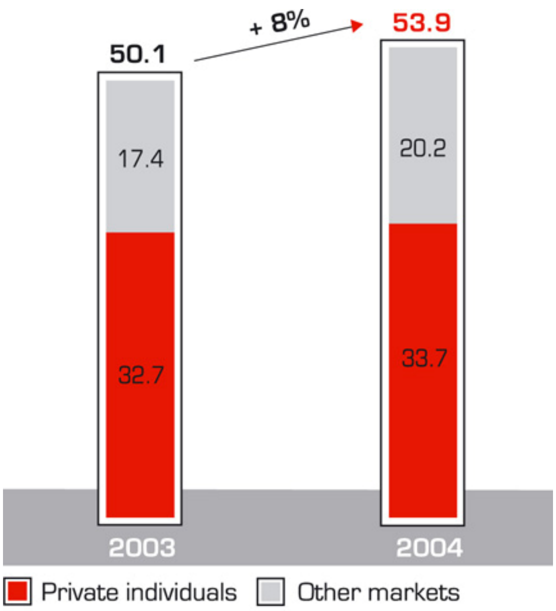
Commissions and fee income from banking services rose 3% to €300 million, including €100 million from electronic banking services.

Other income

Other income, which totalled €150 million in 2004, mainly corresponds to gross margin on insurance business which advanced 5% to €125 million, fuelled by growth in guarantees and non-life insurance.

A record year for loans

Total outstandings (including finance leases) surged 8%, spurred by the buoyant property loan market. The Commercial Banking division experienced a bumper year of mortgage lending, against a backdrop of stiff competition that generated difficult negotiating conditions.

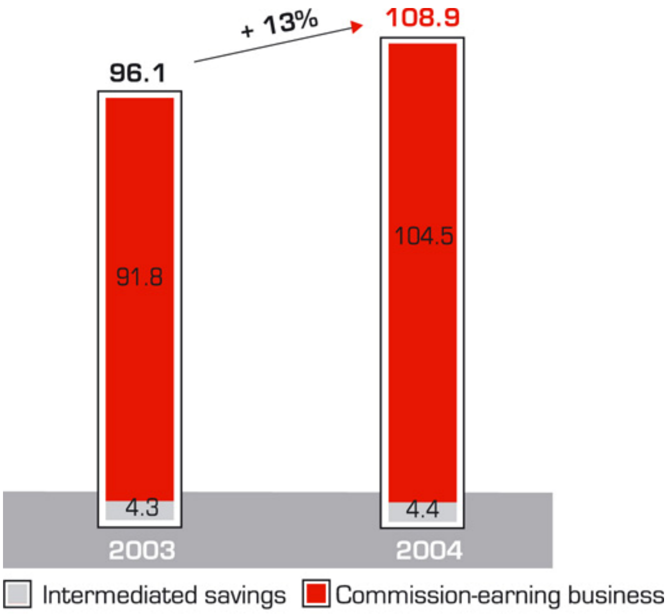


Commercial Banking customer loans
(in billions of euros)

The CNCE Group continued to expand in commercial banking markets and pursued its drive to diversify into specialized markets, including small- and medium-sized enterprises, through Banque Sanpaolo. Outstanding loans to private individuals accounted for almost 63% of total outstanding loans, up 3% over the period.

Customer savings up 13%

Banque Sanpaolo and Véga Finance reported a sharp rise in inflows of new money, especially in life insurance. Altogether, customer savings climbed by some €13 billion.



Customer deposits and funds under management excluding demand deposits

(in billions of euros)

Customer deposits and funds under management from the Group's commission-earning activities climbed 14% to €104.5 billion. This rise was mainly driven by life insurance, which reported a record level of inflows in 2004 and total outstandings of €66.1 billion at the year-end. Savings invested in mutual funds advanced 13% to over €38 billion, reflecting good market conditions. Intermediated savings (excluding demand deposits) came to €4.4 billion, on a par with the previous year. Passbook savings accounts rose to €1.2 billion, mainly corresponding to deposits in "Livret B" passbook accounts. Customer time deposit accounts also totaled €1.2 billion, against the backdrop of a sharp fall in market interest rates.

3.3.2 General operating expenses up 9%

(in millions of euros)

	2003	2004	Change	
Personnel costs	(601)	(649)	(48)	8%
Other general operating expenses	(525)	(581)	(56)	11%
Total general operating expenses	**(1,126)**	**(1,230)**	**(104)**	**9%**

Personnel costs – which accounted for almost 53% of pro forma general operating expenses – stood at €649 million in 2004. The 8% year-on-year increase in these costs was essentially due to changes in salary costs, particularly as a result of the following:

- Continued efforts to modernize the remuneration policy, as reflected in the new profit-sharing and incentive bonus agreement signed within Crédit Foncier, representing an additional cost of €7 million.
- The ramp-up of Commercial Banking subsidiaries such as CEFI and the overseas banks, as well as the restructuring of business and risk monitoring procedures within the CNCE.

Other general operating expenses totaled €581 million. The 11% increase in these costs was primarily attributable to:

- A €6 million rise in taxes other than on income to €34 million, reflecting the combined impact of increases in “organic” tax and local business tax and the abolition of the tax on general operating expenses payable by financial institutions.

- An approximately €20 million increase in IT costs due to the modernization of systems at Crédit Foncier (Copernic project) and Banque Sanpaolo, and of the IT platform shared by the Group's overseas subsidiaries.
- A €13 million expansion in rental and facilities management charges and a €6 million rise in advertising costs due to increased outlay in marketing and corporate communications. Professional fees also came in higher than the previous year as a result of internal restructuring (such as the creation of the commercial real-estate division within Crédit Foncier), external growth operations (Banque Sanpaolo and Entenial) and regulatory compliance projects including Basel II and IFRS (see paragraph 4.2 of the management report of the Groupe Caisse d'Epargne).

o Net depreciation and amortization expense amounted to €100 million, on a par with the 2003 figure.

3.3.3 Gross operating income up 10%

Gross operating income came in at €404 million, an increase of 10% compared with 2003. The Commercial Banking **operating efficiency ratio** improved by 0.2 points to 75.3%.

3.3.4 Contained net additions to provisions for loan losses

Net additions to provisions for loan losses decreased significantly over the year, falling to €8 million from €18 million. This figure remains low compared with customer outstandings which total €54 billion.
The proportion of non-performing loans in Commercial Banking's total customer outstandings declined compared with 2003, coming in at 3.7%. "Dynamic" and sector-based provisions provided additional cover of €67 million at the year-end.

3.3.5 Net ordinary income before tax up 9%

Net ordinary income before tax rose 9% in 2004 to €905 million. This increase reflects the rise in gross operating income, combined with measures to contain the level of provisions for loan losses, as well as the following factors:
– A €73 million increase in net income from companies accounted for by the equity method – which contributed a total of €512 million during the year – attributable to the life insurers CNP Assurances and Ecureuil Vie and to the increase in net income recorded by the individual Caisses d'Epargne.
– A reduction in net gains on disposals of fixed assets after the €37 million gain recorded in 2003 by Entenial relating to the sale of shares.

3.4. An excellent year for Investment Banking

The contribution of Investment Banking's subsidiaries is identical for the Groupe Caisse d'Epargne and the CNCE Group. Comments on the operations and results of this division are provided In the relevant part of the management report of the Groupe Caisse d'Epargne.

4 – Comments on the activities and results of the CNCE

4.1. Changes in the balance sheet of the CNCE parent company

Total assets came to €124.6 billion, up €57.2 billion over the previous year. This 85% increase mainly stemmed from the mergers with Compagnie Financière Eulia (CFE) and CDC IXIS. The significant increase in customer loans reflects growth in the CNCE's lending activities, combined with transfers of outstanding loans and customer accounts from IXIS.

4.2. Changes in income posted by the CNCE parent company

The structure of the CNCE's profit and loss account was substantially impacted by exceptional items related to the New Foundations project and the mergers with CF Eulia and CDC IXIS (with retroactive effect from January 1, 2004). In order to provide more meaningful comparisons, 2004 income has been broken down into items related to the former CNCE and IXIS and those concerning mergers or other operations carried out in connection with the New Foundations project.

(in millions of euros)

	Former CNCE	Former IXIS	CF Eulia + New Foundations project	Total 2004
Net banking income	**321**	**1,203**	**(24)**	**1,501**
Expenses	(275)	(280)	(8)	(563)
Gross operating income	**46**	**923**	**(32)**	**938**
Net additions to provisions	(5)	(140)	0	(145)
Merger premiums/deficits			(55)	(55)
Gains/(losses) on fixed assets	(3)	64	20	80
Exceptional items			100	100
Pre-tax income	**38**	**847**	**33**	**918**
Income tax	4	(200)	55	(141)
Net income	**42**	**646**	**88**	**777**

4.2.1 Net banking income

(in millions of euros)

	2003	2004	Change	% change
Net interest income	2	30	28	1,400%
Net income from securities transactions	193	1,265	1,072	555%
Commission and fee income	83	198	115	139%
Other net income	13	8	(5)	– 38%
Net banking income	**291**	**1,501**	**1,210**	**416%**

Net banking income amounted to €1,501 million in 2004, compared with €291 million the previous year.

The sharp increase in **net income from securities transactions** was attributable to the inclusion of income generated by IXIS, notably encompassing €409 million in dividends, and €585 million in gains on the sales of CDC IXIS' listed securities portfolios to CDC.
A separate analysis of CDC IXIS' net income for 2004 is provided in paragraph 4.2.5 below.

4.2.2 General operating expenses

(in millions of euros)

	2003	2004	Change	% change
General operating expenses	**(198)**	**(563)**	**(365)**	**184%**

General operating expenses are presented net of operating costs cross-charged without a margin. These cross-charged expenses mainly represent amounts charged to the network to cover the operating costs of the central body and expenses incurred in connection with nation-wide projects undertaken as part of the CNCE's strategic business plan and monitored by the CNCE on behalf of Group entities.

The CNCE Group ended the year with general operating expenses of €563 million, up 184% on 2003, including €280 million corresponding to the operating expenses of CDC IXIS. The remainder of this sharp increase corresponds to:

- Personnel costs, as employees are gradually carrying out the CNCE's new tasks.
- An increase in research concerning regulatory issues.
- Larger office space and double costs incurred in relation to Avant-Seine, the Group's future headquarters building.

Gross operating income totaled **€938 million.**

4.2.3. Other profit and loss account items

Net additions to provisions totaled €145 million, of which €140 million concerned the structured financing activities of IXIS, the majority of which have been transferred to IXIS Corporate & Investment Bank.

Amounts recorded under Gains/(losses) on fixed assets are non-recurring items. They include the following:
– Capital gains generated by CDC IXIS on the sale of its real-estate and private equity investment portfolios to CDC.
- Provisions for hedging instruments which were reclassified at the time of asset transfers to IXIS CIB.
- Merger premiums and deficits.

Exceptional items correspond to compensation received in connection with the early unwinding of clauses included in the Alliance agreement with CDC, following the New Foundations project.

After corporate income tax of €141 million, **net income recorded by the CNCE parent company came to €777 million in 2004**, up €690 million on the year-earlier figure.

In addition to the interim dividend of €203.7 million decided by the Management Board on October 25, 2004, at the Annual General Meeting shareholders will be asked to approve a **dividend payout of €452.8 million** (after allocating €38.8 million to the legal reserve and €81.6 million to retained earnings), representing a net per share dividend of €1.
Dividends paid over the last three years and the corresponding *avoir fiscal* tax credits were as follows:

(in euros)

	Net dividend	***Avoir fiscal* tax credit**	**Gross dividend**
2001	€0.40	0.20 (1) 0.06 (2)	0.60 (1) 0.46 (2)
2002	€0.42	0.21 (1) 0.04 (2)	0.63 (1) 0.46 (2)
2003	€0.44	0.22 (1) 0.04 (2)	0.66 (1) 0.48 (2)

(1) For natural persons or legal entities with parent company tax status.
(2) For other legal entities.

4.2.4. Results of the former CNCE parent company

Adjusted for the impacts of mergers during the year and the New Foundations Project, the CNCE's net banking income came to €321 million in 2004, up 10% (€30 million) on the 2003 figure of €291 million. Total net banking income breaks down as follows:

(in millions of euros)

	2003	2004	Change	% change
Proprietary activities	19	29	10	52%
Lending	9	14	5	49%
Net banking income from financial services	**28**	**42**	**14**	**51%**
Electronic banking	49	56	7	13%
Exchange systems	27	29	1	5%
Banking services	23	23	1	3%
Net banking income from other banking services	**99**	**108**	**9**	**9%**
Capital funds and investments	**164**	**171**	**7**	**4%**
Net banking income	**291**	**321**	**30**	**10%**

Net banking income generated from proprietary transactions and lending surged by €14 million, driven by capital gains on marketable securities and corporate lending transactions carried out in the early part of second-half 2004.

Net banking income from other banking services climbed 9%, primarily fuelled by an increase in income from electronic banking (bank cards) spurred by a rise in both the number of transactions and cardholders.

Operating expenses, excluding those relating to IXIS and CF Eulia, rose 39% and can be analyzed as follows:

(in millions of euros)

	2003	2004	Change	% change
Research	(96)	(117)	(21)	22%
Advertising	(29)	(33)	(4)	15%
Personnel costs	(94)	(109)	(15)	16%
Operations	(41)	(49)	(9)	21%
Property costs and joint expenses	(30)	(48)	(18)	61%
General operating expenses	(42)	(56)	(14)	34%
Total, gross	**(331)**	**(413)**	**(82)**	**25%**
Cross-charged expenses	**133**	**138**	**5**	**4%**
Total, net	**(198)**	**(275)**	**(77)**	**39%**

Work on certain major projects was stepped up during 2004 which accounted for a large portion of the increase in this item during the year. These projects related to regulatory issues such as Basel II and IFRS and were therefore compulsory. The New Foundations transactions and setting up the CNCE's new organization structure also led to an increase in operating expenses. Average employee numbers were up by 92 in 2004, accounting for 65% of the year-on-year rise in personnel costs, and the profile of new recruits changed in line with the Group's reorganization.

Lastly, property costs and joint expenses rose significantly in 2004. This increase reflected the use of additional temporary premises by the CNCE as a result of its expansion, and the costs of integrating employees from Eulia and IXIS prior to the move to the new Avant-Seine headquarters building.

4.2.5 Results of the former IXIS

CDC IXIS's contribution to consolidated results is set out below:

(in millions of euros)

	2003	2004	Change	in %
Net banking income	750	1,203	453	60%
General operating expenses	(229)	(263)	(34)	15%
Depreciation, amortization and provisions – fixed assets	(24)	(17)	7	– 29%
Gross operating income	**497**	**923**	**426**	**86%**
Net additions to provisions	(113)	(140)	(27)	24%
Operating income	**384**	**783**	**399**	**104%**
Gains/(losses) on fixed assets	(33)	64	97	– 294%
Net ordinary income before tax	**351**	**847**	**496**	**141%**
Exceptional items		0	0	nm
Net allocation to reserve for general banking risks	(40)	0	40	– 100%
Income tax	(137)	(201)	(64)	46%
Net income	**174**	**646**	**472**	**271%**

CDC IXIS reported a surge in net income for 2004, led by capital gains generated on transfers of its portfolios to the CDC as part of the New Foundations project.

In the first half of the year, CDC IXIS's sale of its portfolio securities (listed shares) to CDC gave rise to a pre-tax gain of €585 million. This was followed by the sale of the company's portfolios of investments, and its non-listed portfolio securities related to its private equity and real estate businesses, which generated a pre-tax gain of around €140 million (recorded under net banking income and gains on fixed assets).

Dividends received by CDC IXIS were also up strongly in 2004, to €409 million from €231 million one year earlier, primarily reflecting an increase in dividends from investments in subsidiaries and affiliates, including:
– €186 million paid by CDC IXIS Capital Markets, compared with 2003 when no dividend was paid in order to enable the company to increase its capital funds.
– €40 million paid by CDC Entreprises 1, further to gains generated on disposals, versus no dividend paid in 2003.
€70 million paid by CDC IXIS North America, up from €45 million in 2003.

Net additions to provisions came to €140 million, primarily relating to industry risks on project and asset financing transactions. These financing files were transferred to IXIS CIB on October 31, 2004.

Operating expenses were 15% (€34 million) higher than in 2003, and broke down as follows.

(in millions of euros)

	2003	2004	Change	% change
Personnel costs	(111)	(134)	(23)	21%
Other administrative costs	(161)	(172)	(11)	7%
Cross-charged expenses	43	42	(1)	– 1%
General operating expenses	**(229)**	**(263)**	**(34)**	**15%**
Depreciation and amortization	(24)	(17)	7	– 29%

The strong rise in personnel costs reflects provisions recorded in relation to employee benefits further to the implementation of the New Foundations agreement.

Other administrative costs include restructuring costs relating to the New Foundations project and research costs in the fourth quarter of the year concerning the spin-off of the depository services business with the creation of IXIS Investor Services.

At the same time, depreciation and amortization expense declined sharply during the year, primarily due to a reduction in IT investments as a result of the reorganization operations under way. The other contributory factor to this decrease was that no depreciation or amortization was recorded in 2004 in relation to the Frankfurt subsidiary, which ceased operations on December 31, 2003.

4.2.6 Changes in accounting method

No changes in accounting method were implemented in 2004.

4.3. Five-year financial summary

(in euros)

	2000 CNCE	**2001 CNCE**	**2002 CNCE**	**2003 CNCE**	**2004 CNCE**
Financial position					
Capital funds	1,800,724,895	2,905,079,235	2,905,079,235	2,905,079,235	6,905,865,632
Number of shares	**118,080,321**	**190,496,999**	**190,496,999**	**190,496,999**	**452,843,648**
Overall results					
Revenues	4,430,421,370	4,972,542,841	2,172,301,666	2,387,471,347	5,874,994,587
Profit before income tax, depreciation, amortization and provisions	178,528,338	82,462,665	89,118,725	84,495,747	825,520,624
Income tax	**34,694,899**	**583,253**	**159,016**	**0**	**149,483,133**
Profit net of income tax, depreciation, amortization and provisions	104,737,674	136,913,494	86,105,054	86,530,714	776,800,149
Total dividend	**99,187,470**	**76,198,800**	**80,008,740**	**83,818,680**	**656,513,688**
Per share data					
Revenues	38	26	11	13	13
Profit before income tax, depreciation, amortization and provisions	1.51	0.43	0.47	0.44	1.82
Income tax	**0.29**	**0**	**0**	**0**	**0.33**
Profit net of income tax, depreciation, amortization and provisions	0.89	0.72	0.45	0.45	1.72
Dividend per share	**0.84**	**0.40**	**0.42**	**0.44**	**1.45***
Employee data					
Average number of employees	663	754	694	789	1,712
- Management staff	355	437	413	520	1,203
- Non-management staff	308	317	281	269	509
Total payroll	**36,866,011**	**45,684,101**	**43,683,337**	**49,990,322**	**119,402,998**

* Including an interim dividend of €0.45 paid in 2004.

5 – Analysis of the consolidated balance sheet and capital funds

5.1. Comments on the consolidated balance sheet

(in millions of euros)

	2002	2003	2003 pro forma	2004	Change Amount	%
Due from banks	69,544	76,123	123,896	160,520	36,624	29.6%
Customer loans (including finance leases)	30,596	38,406	78,132	91,761	13,629	17.4%
Securities transactions	31,008	34,920	100,222	100,779	557	0.6%
Fixed assets	775	899	1,932	2,274	342	17.7%
Other assets	12,875	12,323	30,743	32,424	1,681	5.5%
Total assets	**144,798**	**162,671**	**334,925**	**387,758**	**52,833**	**15.8%**
Due to banks	44,350	43,792	95,098	118,721	23,623	24.8%
Customer deposits	6,907	13,488	35,130	42,290	7,160	20.4%
Securities and subordinated debt	68,639	78,326	132,481	150,237	17,756	13.4%
Other liabilities	20,657	22,577	61,364	65,025	3,661	6.0%
Capital funds	4,245	4,488	10,852	11,485	633	5.8%
Total liabilities	**144,798**	**162,671**	**334,925**	**387,758**	**52,833**	**15.8%**

At December 31, 2004, total consolidated assets of the Caisse Nationale des Caisses d'Epargne Group amounted to €387.8 billion, representing a 2.4-fold increase compared with December 31, 2003. The main adjustments to the 2003 pro forma balance sheet concerned the consolidation of Entenial and the full consolidation of IXIS which was proportionally consolidated based on 26.45% at December 31, 2003.

Outstanding **customer loans** advanced by over €13 billion, up 17% on the 2003 pro forma figure. They now account for 24% of total consolidated assets.

Further to the consolidation of IXIS, outstandings from **securities transaction** increased almost three-fold between the 2003 published and pro forma balance sheets. At December 31, 2004 these outstandings exceeded €100 billion.

Consolidated capital funds (excluding minority interests but including the reserve for general banking risks) rose 2.6-fold on a published basis, mainly reflecting the €6.3 billion impact of the New Foundations project. The Group ended the year with consolidated capital funds (excluding minority interests but including the reserve for general banking risks) of €11.5 billion, versus €4.5 billion at December 31, 2003 (published data).

5.2. Regulatory capital and capital adequacy ratio

(in millions of euros)

	2002	2003	2004	Change
Total capital	**3,697**	**4,664**	**12,282**	**163%**
of which Tier-1 capital	*3,759*	*4,461*	*12,047*	*158%*
Capital funds requirements	**2,557**	**3,060**	**7,173**	**134%**
Loan loss risks	*2,220*	*2,747*	*5,931*	*116%*
Market risks	*337*	*313*	*1,242*	*297%*
Capital adequacy ratio	**145%**	**152%**	**171%**	**19 pts**

The New Foundations project significantly changed the capital structure of the CNCE Group. Total capital climbed 163% in 2004, primarily as a result of the share issue taken up by the individual Caisses d'Epargne and the Caisse des Dépôts et Consignations. The 134% increase in capital funds requirements is due to the full consolidation of the Eulia group companies, which were consolidated on a 50% basis in 2003.

The consolidated capital adequacy ratio of the CNCE amounted to 171% at December 31, 2004, well in excess of the minimum regulatory ratio of 100%.

6 – Outlook for 2005

2004 saw a profound change in the structure of the CNCE and its subsidiaries as the New Foundations project was implemented.

The strategic priorities presented at the Group’s November 4, 2004 National Convention have led to new objectives for the CNCE, notably a strengthening of its role of managing and monitoring the Group’s businesses and subsidiaries. This will require additional resources and 2005 will see further reorganization, on the back of the measures begun in 2004.

The CNCE will also be involved in the continuing projects relating to compulsory regulatory issues including Basel II and IFRS, with the publication of IFRS financial statements in 2006. In addition, the IXIS and CNCE interbank transfer platforms will be merged from October 2005.

Finally, at the end of 2005, all employees of the CNCE and its major subsidiaries will be brought together at the Avant-Seine site, which will be the CNCE’s new headquarters.

7 – Risk management

7.1. Internal control and Group-level risk management

The CNCE’s internal control system is described in the Chairman’s report on the work of the Supervisory Board and on internal control procedures for the year ended December 31, 2004. This report sets out the general principles of the internal control system and the three key areas of the organization of the CNCE’s internal control procedures:
- the CNCE’s activities as the central institution and holding company of the Group – both permanent controls carried out by the various CNCE departments and periodical controls performed by the Internal Audit department;
- the CNCE’s proprietary banking activities;
- the CNCE’s activities as a provider of services to the Group, primarily in exchange systems, electronic money systems, custody services for financial instruments and book-keeping.

The report also describes the procedures applicable to the control, preparation and publication of financial and accounting information.
Further information relating to measuring, monitoring and managing credit risks, market risks, operating risks, interest rate risks and liquidity risks is provided in the "Risk Management" section of the financial report relating to the Groupe Caisse d'Epargne. The procedures overseen by the CNCE in its role as the central institution and holding company of the Group are the same for the CNCE Group and the Groupe Caisse d'Epargne as a whole.

7.2. Risk management at the level of the CNCE

7.2.1 Overall interest-rate risk

Interest-rate risks concern a potential decline in the CNCE’s revenues or capital funds following changes in market interest rates. The source of this risk is chiefly related to:
- changes in the structure of the interest rate curve and its impact on the balance sheet;
- the indexation of assets and liabilities on different interest-rate indices;
- the existence of options granted to customers and counterparties (early redemption, interest-rate guarantees, etc.).

For the CNCE, interest-rate risks take three main forms:
- decrease in the value of assets, or increase in the value of liabilities;
- a decline in net interest margins and profitability;
- the triggering of off-balance sheet commitments (implicit options).

The measurement of interest-rate risks is based on two approaches:

- a regulatory approach in order to comply with banking ratios (notably the capital adequacy ratio on the trading portfolio),
- an operational approach.

Regarding the operational approach, analyses are carried out at two levels:

A global level:
- the calculation of static and dynamic liquidity gaps;
- the monitoring of credit risk limits on the full range of positions:
- sensitivity of capital funds to changes in the interest rate curve;
- sensitivity of net banking income to interest-rate fluctuations with stress tests;
- sensitivity of income to interest-rate and foreign exchange options.

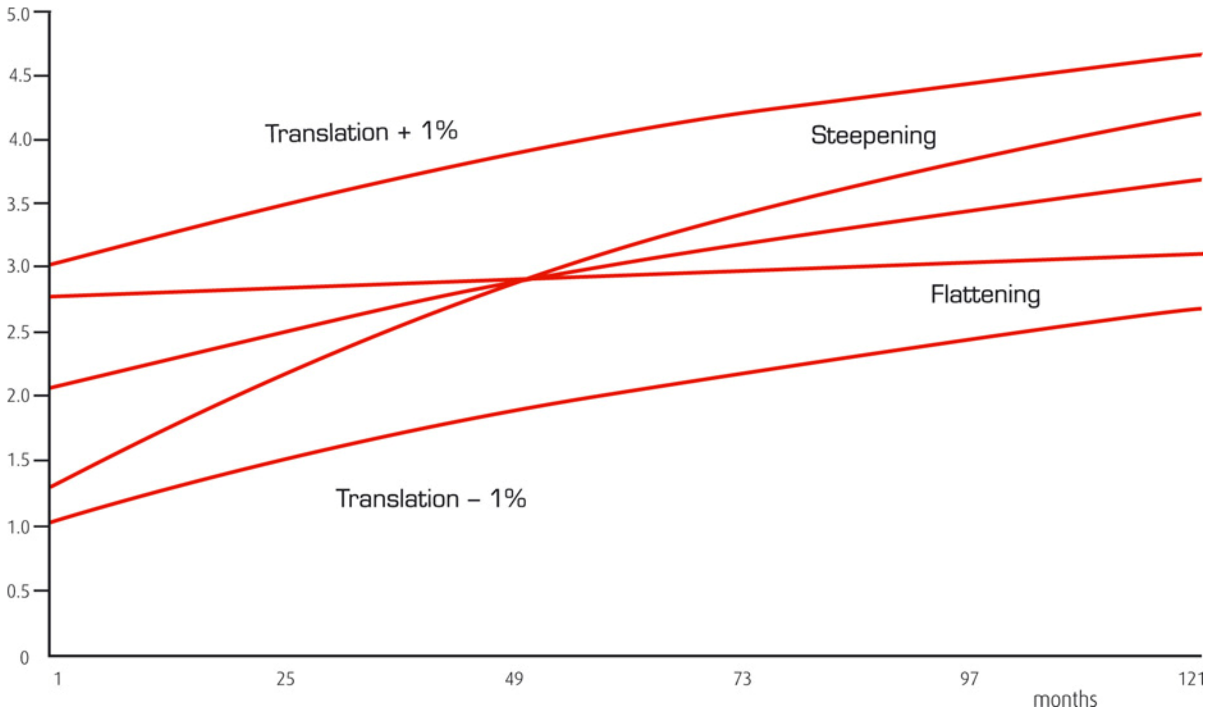
A specific level for the held-for-sale portfolio:
- VaR (Value-at-Risk) limit;
- limit of interest-rate risk calculated for interest rate curve stress test scenarios.

Based on this system, the ALM function aims to limit the impact of changes in interest rates and therefore to preserve the Group's future results and capital funds.

At December 31, 2004, the CNCE’s exposure to interest rate risk was very low. All interest rate positions held by the capital markets business were closed by the year-end. The CNCE has approximately €30 million in interest rate positions corresponding to loans which for specific reasons cannot be match funded. No interest rate positions were taken on by the CNCE when it took over CDC IXIS’s lending business.

The ALM Department monitors the actuarial sensitivity of capital funds by calculating the sensitivity of the CNCE’s fixed-rate static gap to interest rate fluctuations. The sensitivity limit is determined by means of stress tests using the following stress scenarios:
- a parallel translation of interest rates of + 1%;
- a parallel translation of interest rates of -1%;
- a distortion in the curve with a change in the slope of + 1% (Steepening);
- a distortion in the curve with a change in the slope of - 1% (Flattening).

Stress test scenarios for the euro interest-rate curve (%)



The limit set for the actuarial sensitivity of capital funds is – 12%, which represents one year's earnings.
The following table summarizes the results of the monitoring process applied to the overall actuarial sensitivity limit of the CNCE's capital funds.

Monitoring the overall actuarial sensitivity limit of capital funds

(in euros)

	Present value of the fixed rate gap of the Banking and Financial Activities Department	Parallel translation of +1%	Parallel translation of – 1%	1% flattening	1% steepening
	26,212,311	25,044,862	27,464,667	26,454,255	25,980,552
Change		-0.39%	0.42%	0.08%	– 0.08%
Limit		– 12%	– 12%	– 12%	– 12%

Source: ALM department.

The maximum loss of capital funds due to a parallel + 1% translation of the curve is -0.39%, significantly less than the limit set.
The following table summarizes the monitoring of the interest-rate risk limit of the trading portfolio at December 31, 2004.

Interest rate risk on the trading and held-for-sale portfolio

	Nominal amount (in €)	Present value (in €)	Stress test Parallel translation of +1%	Stress test Parallel translation of - 1%	Stress test Steepening	Stress test Flattening
Positions	1,259,648,473	1,620,003,811	– 0.18%	0.18%	0.07%	- 0.07%
Underlying mutual funds	1,503,214,405	1,503,214,405	– 0.18%	0.18%	0.07%	- 0.07%
Mutual fund hedging	(313,117,501)	10,970,709				
Fixed-rate bonds	29,698,353	35,620,147	– 0.33%	0.34%	0.10%	- 0.10%
Asset swaps	(29,698,353)	(35,709)				
Variable rate bonds	69,551,569	70,234,259	– 0.10%	0.10%	0.09%	- 0.09%

NB: mutual fund hedges and asset swaps are recognized on a symmetrical basis with the underlying mutual funds and fixed-rate bonds.

This analysis includes the portfolios transferred from IXIS at year-end 2004 which represented total positions excluding hedging of €1,602 million. Of this amount €1,247 million related to the transferred mutual fund portfolio.
The maximum loss incurred on the trading portfolio due to a change in the interest-rate curve structure is -0.18% of the present value of the portfolio, representing €(3) million. This complies with the €8 million limit set.

7.2.2 Liquidity risk

The CNCE's liquidity risk is determined by its ability to raise capital at a reasonable cost on a permanent basis. This ability partly depends on general market liquidity and more particularly on the institution's credit rating.

Liquidity risk concerning the CNCE is chiefly related to three factors:
- investors' confidence in the Bank,
- the general liquidity of the market,
- the balance sheet risk inherent in mismatches.

Liquidity risk is monitored based on the regulatory liquidity ratio. Changes in the CNCE's liquidity ratio since December 2002 are summarized in the following table:

	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Liquidity ratio	110%	131%	169%

In view of the merger with IXIS which was underway at end-December 2004, the liquidity ratio was managed in an extremely prudent fashion during the year.

7.2.3 Foreign exchange risk

Foreign exchange risk can be defined as the potential loss incurred by adverse changes in exchange rates against the euro. This risk appears when the Bank holds assets valued in foreign currencies and maintains an open position.

The measurement of foreign exchange risk is also based on two approaches:
- the prudential approach (capital adequacy or the exchange positions monitoring ratio),
- the operational approach (sensitivity of net banking income to exchange-rate fluctuations, etc.).
All holdings carried in foreign currencies in the securities portfolio are strictly match-funded. The same is true for foreign currency-denominated loans.

7.2.4 Control of counterparty risks

Counterparty risks in relation to positions held in the Bank's investment and held-for-sale portfolios are subject to ceilings set for each counterparty by the Investment Committee. These include a general ceiling based on rating levels and a counterparty-specific ceiling. At the same time, the Banking & Financial Activities Department (BFAD) ensures that counterparty risks are diversified by applying indicators to the breakdown of outstandings by industry and rating level. The ratings used for this purpose correspond to internal ratings issued by the Group Risk Management Department.

Current outstanding bond positions for the CNCE's held-for-sale and investment portfolios total €858 million. Further to a reduction in held-for-sale portfolio securities, outstandings are now weighted towards A+ and BBB+ rated counterparties and towards manufacturing and cyclical consumer goods.

At December 31, 2004, the credit commitments of the BFAD – which do not include outstandings relating to the former IXIS – stood at almost €6 billion, and primarily related to operations in France. These commitments can be analyzed as follows by geographical region:

Geographical region	**%**
France	70.7%
Germany	3.3%
Italy	2.9%
Canada	2.8%
Sweden	2.8%
USA	2.4%
United Kingdom	2.1%
Netherlands	1.6%
Belgium	0.4%
Liberia	0.4%
Other	10.6%
Total	**100.0%**

The credit commitments of the BFAD can be analyzed as follows by economic sector at December 31, 2004:

Economic sector	**%**
Real estate	15.0%
Agri-foodstuffs	12.4%
Business services	10.3%
Utilities	9.3%
Insurance	8.9%
Motor industry/auto equipment manufacturers	7.1%
Airline companies	5.2%
Retail distribution	3.4%
Pharmaceutical industry	3.0%
Tourism	2.8%
Media (TV/Press/Cinema)	2.7%
Materials	2.4%
Telecoms operators	2.1%
Aeronautical industry	1.6%
Sea transport/shipping	1.5%
Other transport	1.2%
Home equipment industry	1.0%
Iron and steel/metals industry	1.0%
Other	9.1%
Total	**100.0%**

At December 31, 2004, the outstandings of the BFAD broke down as follows by internal rating.

Internal rating	Dec. 31, 2004
A	8.4%
A-	25.3%
A+	7.2%
AA	2.8%
AA+	0.4%
AAA	7.4%
BBB	21.7%
BBB+	26.9%
Total	**100.0%**

7.2.5 Risks related to capital market activities

The ALM Department of the BFAD monitors market risks on a daily basis with a view to ensuring compliance with exposure limits. It monitors two types of market risk limits:

- a specific stress test limit on stock market positions,
- a global VaR limit for the held-for-sale portfolio of the BFAD.

The specific stress test limit is a limit on exposure to fluctuations in stock market prices. For a fluctuation of 20% in the CAC40 stock index, the market risk related to these positions must not exceed a predetermined amount.
The Value-at-Risk (VaR) limit of the held-for-sale portfolio is based on a 1-day holding period and a confidence level of 99%, as recommended by the Basel II committee.

Three distinct methods are used to calculate the VaR limit:

- the Monte-Carlo simulation method based on 50,000 risk scenarios, derived from a law of log-normal probabilities;
- a method based on the historical data of the previous five years;
- the parametric method, based on matrices of variances and covariances between the prices of various assets.

The highest VaR is always used for the purposes of monitoring this limit.

Exposure of the Banking & Financial Activities Department to market risks

The table below shows the VaR of the trading portfolio at December 31, 2004 calculated using the Monte Carlo, historical and parametric methods based on a 1-day holding period and a 99% confidence level. This analysis includes the mutual fund portfolio transferred from IXIS at the end of December.

VaR of the trading portfolio

(in euros)

	Nominal amount (in €)	VaR Monte Carlo 99 % 1-day	VaR Historical 99% 1-day	VaR Parametric 99% 1-day
Positions	1,259,648,473	7,001,734	13,849,743	7,134,303
Underlying mutual funds	1,503,214,405	6,934,454	14,842,840	7,043,074
Mutual fund hedging	(313,117,501)	1,047,287	1,929,418	1,060,891
Variable rate bonds	69,551,569	2,646	11,114	2,619
Fixed-rate bonds	29,698,353	87,746	127,862	87,427
Asset swaps	(29,698,353)	73,518	78,436	73,443

VaR amounts to €7 million calculated by the Monte Carlo and parametric methods, and €14 million using the historical data method. Therefore, based on the highest amount obtained under these three calculations, the total VaR of the trading portfolio after hedging is €14 million. The diversification effect on this VaR amounts to €3 million.

CNCEP CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004 (CNCE GROUP)

ASSETS

(in millions of euros)

	Notes	**2004**	**2003**	**2002**
Cash, money market and interbank items	7, 12	**160,520**	**76,123**	**69,544**
Customer items	8, 12	**88,933**	**36,813**	**29,569**
Lease financing and similar items	9	**2,828**	**1,593**	**1,027**
Bonds, shares and other fixed- and variable-income securities	10, 12	**91,913**	**31,873**	**28,314**
Investments by insurance companies	32	**1,581**	**602**	**425**
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	11	**7,285**	**2,445**	**2,269**
Tangible and intangible assets	13	**2,274**	**899**	**775**
Goodwill	17	**947**	**436**	**227**
Accruals, other accounts receivable and other assets	15	**31,477**	**11,887**	**12,648**
Total assets		**387,758**	**162,671**	**144,798**

Off-balance sheet commitments

(in millions of euros)

	Notes	**2004**	**2003**	**2002**
Commitments given	19, 20			
Financing commitments		**44,425**	**17,107**	**15,104**
Guarantees received		**15,334**	**23,608**	**18,894**
Commitments made on securities		**728**	**479**	**248**
Commitments given by the insurance business		**23,138**	**1,012**	**–**

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

LIABILITIES, CAPITAL AND RESERVES

(in millions of euros)

	Notes	2004	2003	2002
Money market and interbank items	7, 12	**118,721**	**43,792**	**44,350**
Customer items	8, 12	**42,290**	**13,488**	**6,907**
Debts represented by a security	12, 14	**142,324**	**74,191**	**66,466**
Technical reserves of insurance companies	33	**1,052**	**437**	**329**
Accruals, other accounts payable and other liabilities	15	**62,219**	**21,237**	**19,639**
Negative goodwill	17	**0**	**4**	**6**
Provisions for liabilities and charges	16	**1,133**	**518**	**434**
Subordinated debt	18	**7,913**	**4,135**	**2,173**
Reserve for General Banking Risks	18	**256**	**286**	**131**
Minority interests		**621**	**381**	**249**
Consolidated capital funds and reserves (excluding the Reserve for General Banking Risks)	18	**11,229**	**4,202**	**4,114**
Capital		6,906	2,905	2,905
Additional paid-in capital		1,939	435	527
Consolidated reserves and retained earnings		1,499	535	486
Net income for the year		885	327	196
Total liabilities, capital funds and reserves		**387,758**	**162,671**	**144,798**

Off-balance sheet and commitments

(in millions of euros)

	Notes	2004	2003	2002
Commitments received	19, 20			
Financing commitments		**7,154**	**3,209**	**3,145**
Guarantee commitments		**12,005**	**7,054**	**5,455**
Commitments received on securities		**3,554**	**1,349**	**443**
Commitments received from the insurance business		**495**	**73**	**11**

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE CAISSE NATIONALE DES CAISSES D'EPARGNE GROUP FOR 2004, 2003 AND 2002

(in millions of euros)

	Notes	**2004**	**2003**	**2002**
Interest and similar income	21	10,710	6,643	6,423
Interest and similar expense	21	(10,568)	(6,402)	(6,748)
Income from shares and other variable-income securities	22	111	53	68
Net commission and fee income	23	1,246	491	437
Net gains on trading transactions	24	1,313	456	590
Net gains on held-for-sale portfolio transactions and similar items	25	196	120	224
Other net operating income	26	37	120	92
Gross margin on insurance business	34	149	64	40
Net banking income		**3,194**	**1,545**	**1,126**
General operating expenses	27	(2,362)	(1,089)	(914)
Depreciation and amortization of tangible and intangible assets		(150)	(66)	(49)
Gross operating income		**682**	**390**	**163**
Net additions to provisions	28	(44)	(71)	(52)
Operating income		**638**	**319**	**111**
Share in net income of companies accounted for by the equity method	11	337	144	138
Net gains/(losses) on fixed assets	29	(8)	107	69
Net ordinary income before tax		**967**	**570**	**318**
Exceptional items	30	80	(1)	28
Tax on profits	31	(81)	(54)	(88)
Amortization of goodwill	17	(67)	(22)	(57)
Allocations to/(releases from) the Reserve for General Banking Risks		40	(155)	(18)
Minority interests		(54)	(11)	13
Consolidated net income (excluding minority interests)		**885**	**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, 2004

NOTE 1 – LEGAL AND FINANCIAL FRAMEWORK

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

The central institution of the Groupe Caisse d'Epargne 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, 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 individual Caisses d'Epargne 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.

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 (Cnéti) and regional processing centers.

1.2 Guarantee system

Pursuant to the Act of June 25, 1999, the CNCE, acting as the central institution of the Groupe Caisse d'Epargne, 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 affiliates of the Group, in accordance with article L.511-31 of the French Monetary and Financial Code.

The individual Caisses d'Epargne participate in the guarantee system through a Network Mutual Guarantee and Solidarity Fund (*Fonds de garantie et de solidarité du Réseau,* FGSR), carried in the books of the CNCE and provided with an immediate intervention capacity of €250 million. This amount is invested in a dedicated mutual fund. Should it prove insufficient, the Management Board of the CNCE may call on appropriate additional resources further to a rapid decision-making process, which ensures timely action.

The purpose of this fund is to promote solidarity between the individual Caisses d'Epargne. It may be used by the CNCE, particularly where it has to intervene on behalf of one of its affiliated entities and where the amount in question exceeds its financial capabilities. In such a case, the intervention of the individual Caisses d'Epargne, organized via the FGSR, would also be accompanied by the intervention of the Caisse des dépôts et consignations in its capacity as a shareholder and acting as an informed market investor.

The guarantee systems' objective of averting default is complementary to the chiefly curative objective of the market guarantee systems to which the Groupe Caisse d'Epargne also subscribes.

NOTE 2 – 2004 SIGNIFICANT EVENTS: Redefining the partnership between the Groupe Caisse d'Epargne and Caisse des dépôts et consignations

2.1 Overview

On May 27, 2004, the Groupe Caisse d'Epargne and Caisse des dépôts et consignations 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 Groupe Caisse d'Epargne. The contribution of these assets transforms the Groupe Caisse d'Epargne 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 individual Caisses d'Epargne – 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 Groupe Caisse d'Epargne, 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.

-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.

2.2 Operations carried out

Prior to any restructuring operations, the New Foundations agreement provided for the transfer to the Caisse des dépôts et consignations or its directly-controlled subsidiaries, of CDC IXIS' portfolio of listed equities, its securities, property and private equity portfolios, and certain investments. The following entities were therefore removed from the CNCE Group scope of consolidation: CDC Entreprises 1 and 2, CDC Innovation 96, Electropar France, Fondinvest, Part'Com, 65 % of CDC IXIS Private Equity, now known as CDC Entreprises Capital Investissement, Société Foncière des Pimonts, Logistis, Sogeposte and AIH BV.

The true restructuring transactions were carried out either successively or simultaneously at 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 et consignations, 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 et consignations sold to the 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 dépôts et consignations. 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 et consignations;

- in order to maintain the previous capital ownership structure within the CNCE (65% for the individual Caisses d’Epargne and 35% for the Caisse des dépôts et consignations), the Caisses d’Epargne purchased CNCE shares from the Caisse des dépôts et consignations for an amount of €982 million;

- each of the 29 individual Caisses d’Epargne in Metropolitan France issued Cooperative Investment Certificates (CICs) to the CNCE representing 20% of their capital after the issue. The Cooperative Investment Certificates granted to the CNCE represented a total amount of €3,323 million.

After carrying out these operations, in the second half of the year the CNCE proceeded to reorganize the activities of the CDC IXIS Group into three core divisions:

– Corporate and investment banking activities consisting of capital market and corporate finance activities carried out by CDC IXIS Capital Markets (now IXIS CIB). On November 1, 2004, the corresponding assets, liabilities and off-balance sheet commitments carried on the books of CDC IXIS were transferred to IXIS CIB;

– Asset management activities grouped together in the holding company IXIS Asset Management Group;

– Custody, fund management and investor services are carried out by IXIS Investor Services which was set up on December 31, 2004 via a contribution of equity interests and the spin-off of the business previously carried out directly by CDC IXIS.

At the end of the year, Sanpaolo IMI reallocated its 3.45% minority holding in CDC IXIS across the new core business activities. Sanpaolo IMI now has a 2.45% holding in IXIS CIB and a 12% stake in IXIS Asset Management Group.

Following completion of this operation, CDC IXIS was merged into the CNCE.

2.3 Impact on the consolidated financial statements

Following completion of the operations relating to the New Foundations agreement, the subsidiaries of Compagnie Financière Eulia previously controlled jointly with the Caisse des dépôts et consignations are now controlled exclusively by the CNCE Group. These subsidiaries, fronted by the CDC IXIS Group, are now fully consolidated within the CNCE Group.

In terms of the consolidated profit and loss account, the results of these subsidiaries for the first half of the year are accounted for by the proportional consolidation method based on the situation of joint control applicable up to June 30, 2004. Their second-half results are fully consolidated, as exclusive control was exercised as from said date.

The cost of the 43.55% interest in IXIS acquired directly from the Caisse des dépôts et consignations was €3,209 million. The shares acquired indirectly by the CNCE through its merger with Compagnie Financière Eulia 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. In consequence, a consolidation adjustment was booked for their acquisition cost for an amount of €859 million.

Provisional net goodwill on the additional interests acquired by the Group amounted to €258 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.

To enhance comparability, pro forma consolidated financial statements are presented in Note 35 in order to reflect the Group's assets and liabilities, financial position and results had the operations relating to the New Foundations agreement taken place on January 1, 2002.

2.4 – 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 towards the end of 2001, the Groupe Caisse d'Epargne and Caisse des dépôts et consignations decided to grant each other reciprocal indemnity clauses to cover certain possible future developments. The most significant particular clauses concern the occurrence of certain 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 recognized in net banking income as part of the mechanism for hedging the value of the portfolio of CDC IXIS listed securities;

– a global indemnity for an amount of €100 million in respect of the last two clauses, recorded under exceptional items.

NOTE 3 - PRINCIPLES AND METHODS OF CONSOLIDATION OF THE CNCE GROUP

3.1 General principles

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

3.2 Methods and scope of consolidation

The consolidated financial statements include the accounts of the CNCE and all subsidiaries and associated companies over which the Group exercises a controlling or significant influence. Note 6 specifies the Group's scope of consolidation.

- Full consolidation

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.

- Proportional consolidation

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.

- Equity method

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.

-Specific case of *ad hoc* entities

When the Group, or a company within the Group, by virtue of a contract or clause in the company's articles of association, controls an entity, this entity is consolidated, even in the absence of any capital links.

The criteria for determining control of *ad hoc* entities, defined as structures created specifically to manage one or a number of operations on a company's behalf, are based on the power to manage the entity's day-to-day activities or assets, the capacity to benefit from all or most of its income and on exposure to substantially all of the risks to which the entity is exposed.

- Exclusions

A company controlled by, or subject to significant influence from 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".

3.3 Changes in the scope of consolidation

Apart from the operations carried out in connection with the New Foundations agreement, as described in Note 2, the major changes to the scope of consolidation during the period concerned the new structure of the Crédit Foncier Group.

- Consolidation of the Entenial group

Effective January 1, 2004, the Entenial Group, which is 99.9%-owned by the Crédit Foncier Group, is fully consolidated within the CNCE Group. The total cost of the shares was €587 million, generating a provisional amount of negative goodwill of €7 million, which was immediately taken to income for the period. In order to enhance comparability, the pro forma consolidated financial statements prepared by the CNCE Group have backdated the inclusion of the Entenial Group within the scope of consolidation to January 1, 2002 (see note 35).

- Public tender offer followed by a compulsory buy-out procedure ("OPR-RO") launched by the CNCE for Crédit Foncier shares

This operation, which took place in the fourth quarter of 2004, generated goodwill of €37 million in the CNCE Group's consolidated financial statements.

- Acquisition of the Cicobail Group by the Crédit Foncier Group

In the first half of the year, Auxiliaire du Crédit Foncier de France acquired a 60% stake in Cicobail from Compagnie Financière Eulia, thus acquiring complete control of this company and its wholly-owned subsidiaries, Cinergie and Mur Ecureuil. This internal restructuring operation had no material impact on the consolidated financial statements of the Group.

3.4 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 4 of these 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 Group is the lessor are accounted for as financing transactions, with the rental considered as 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 main items concerned are investment grants and 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 in which 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.

3.5 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.

3.6 Goodwill

The “Goodwill” item represents the outstanding differences not attributed elsewhere on the balance sheet between the cost of the investment and the book value of the underlying net assets at the date of acquisition of the related 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.

3.7 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 capital funds translated at historical rates) and profit and loss items are translated using an average annual rate. Any gains or losses arising on translation are included in consolidated reserves under the heading “Translation adjustments.”

3.8 Consolidation method adopted for insurance companies

Groupe Caisse d'Epargne includes seven insurance companies: Cegi, Ecureuil Assurances IARD, Foncier Assurance, Muracef, Saccef, Socamab Assurances and the CIFG 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 similar-type accounts of the CNCE Group balance sheet and profit & loss account, 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 profit and loss account, the “gross margin on insurance business” caption 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 4 - 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 applicable, net of the related depreciation and any provisions or other value adjustments.

4.1 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.

4.2 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. Provisions are systematically booked for unrealized capital losses, while unrealized capital gains are not recognized.

4.3 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, from the 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 being 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 classified as **securities held for sale**.

At their date of acquisition, securities held for sale are carried in the balance sheet at original purchase cost, excluding ancillary costs. In the case of money market instruments, the accrued interest at the date of their acquisition is included in their purchase cost.

Any differences between the purchase price and redemption value (premiums or discounts) of fixed-income securities are taken to the profit and loss account over the remaining life of the security. In the balance sheet, the book value of the security is gradually adjusted in line with its redemption value, on a straight-line basis for fixed income securities or using the yield-to-maturity method for money market instruments.

Accrued interest on fixed-income securities is recognized in “Accrued interest” in the balance sheet, with a contra-entry to “Interest and similar income” in the profit and loss account.

Securities held for sale are valued at the lower of their cost or probable market price. A provision is made for unrealized capital losses, while unrealized capital gains are not recognized. Unrealized capital losses take account of any gains generated by hedging instruments that may have been set up.

Capital gains or losses on the disposal of securities held for sale, as well as impairment charges and write-backs are recorded in “Net gains/(losses) on held-for-sale portfolio transactions and similar items”. However, in the case of a recognized risk in relation to fixed-income securities, a provision is carried for non-performing loans in the profit and loss account under “Net additions to provisions”.

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. Securities that were previously included in the "held-for-sale" portfolio are carried at their acquisition cost and any provisions previously set aside are written back over the remaining life of the security. Any differences between the purchase price and redemption value of the securities, as well as any related accrued interest, are recognized in accordance with the same rules as those applicable to fixed-income securities held for sale.

A provision for impairment in value may be recorded if it is highly probable that the entity will not hold securities until maturity owing to changes in circumstances. If a default risks exists regarding the issuer, a provision is carried for non-performing loans in the profit and loss account under “Net additions to provisions”.

Provisions for impairment of the value of securities held for sale and investment securities are supplemented by a provision for certain counterparty risks (Note 16).

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 investments are 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**.

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 their 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.

4.4 Customer loans

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

Guarantees received are accounted for and described in Note 19. 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" when 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 (nine 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, with the exception of loans whose contractual clauses have either been complied with or which provide for guarantees in respect of their collection.

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 with regard to the present value of guarantees received. For smaller loans with 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 16).

Interest on non-performing loans continues to be accrued, with the exception of loans classified as doubtful, for which interest is not recognized in accordance with French Accounting Regulatory Committee (CRC) Rule 2002-03.

For the presentation of the accounts in the Notes to the financial statements (Note 8a), the breakdown of outstandings adopted is that used within the Group for internal management purposes, notably in areas related to sales, finance and risks.

4.5 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.

4.6 Bonds issued

Bonds issued by the Groupe Caisse d'Epargne 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.

4.7 Employee benefits

Commitments in respect of employees are generally covered by contributions charged to the profit and loss account and paid to retirement or insurance funds. Commitments which are not covered by these funds, in particular the Group's potential pension liabilities (Note 16) are fully provided for in liabilities. Lump-sum indemnities paid to employees upon retirement and bonuses related to long-service awards are appraised in accordance with an actuarial calculation that takes account of the age, length of service and probability of staff being employed by the Group at retirement age and of receiving long-service awards.

Pursuant to French National Accounting Board Recommendation CNC 2003-R-01, when preparing the opening IFRS balance sheet for the Groupe Caisse d'Epargne, residual pension commitments and similar benefits should be recorded as a deduction from consolidated capital funds and reserves, in accordance with the benchmark treatment.

The residual commitments in question were analyzed during the year and mainly relate to accrued paid leave based on length of service, benefits granted to retired employees and the pension commitments of CGR (general retirement fund) with regard to the provisions of the so-called "Fillon Law".

4.8 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 Groupe Caisse d'Epargne entities' overall interest rate positions are reflected in the profit and 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 recorded directly in the profit & loss account, irrespective of whether or not they have been realized. 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. Market values are calculated based on the nature of the markets concerned: organized exchanges (or equivalent) or over-the-counter. 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.

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.

4.9 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 exchange positions and that of the converted amounts, fluctuations in the 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.

4.10 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.

4.11 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 insurance companies’ balance sheet, 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 under 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 and loss account on an accrual basis including an adjustment for accrued income on premiums not notified to policyholders at year-end (Group policies that included 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 the 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 the 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 set up as required by the variations in claims experience in compliance with legislation governing such reserves. This applies 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 based 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 resulted in amounts whose impact on the capital funds and reserves and consolidated net income is not material. Consequently, acquisition costs are not deferred.

NOTE 5 - CHANGES IN ACCOUNTING METHOD

No changes in accounting methods occurred during the year.

NOTE 6 – SCOPE OF CONSOLIDATION AT DECEMBER 31, 2004

Consolidated entities	2004			First half of 2004 (2)		
	Consolidation method (1)	**Percentage consolidation**	**Percentage interest**	**Consolidation method (1)**	**Percentage consolidation**	**Percen ge intere**
Caisse Nationale des Caisses d’Epargne et de Prévoyance	Parent company	Parent company	Parent company	Parent company	Parent company	Paren compa
Direct subsidiaries						
Caisse d’Epargne des Alpes	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne d’Alsace	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Aquitaine-Nord (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne d’Auvergne et du Limousin	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Basse-Normandie	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Bourgogne	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Bretagne	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Centre-Val de Loire	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Champagne-Ardenne (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Côte d’Azur	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Flandre	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Franche-Comté	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Haute-Normandie	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Ile-de-France Nord	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Ile-de-France Ouest	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Ile-de-France Paris	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Languedoc–Roussillon (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Loire-Drôme-Ardèche	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Lorraine	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Midi-Pyrénées (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne du Pas-de-Calais	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne des Pays de l’Adour (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne des Pays de la Loire (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne des Pays du Hainaut	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne de Picardie (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Poitou-Charentes	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Provence-Alpes-Corse (Group)	Equity	20.00%	20.00%	–	–	
Caisse d’Epargne Rhône-Alpes-Lyon	Equity	20.00%	20.00%	–	–	

Consolidated entities	2004			First half of 2004 (2)		
	Consolidation method (1)	**Percentage consolidation**	**Percentage interest**	**Consolidation method (1)**	**Percentage consolidation**	**Percen ge intere**
Caisse d'Epargne du Val de France Orléanais	Equity	20.00%	20.00%	–	–	
Holassure Group						
Holassure	Full	100.00%	100.00%	–	–	
Sopassure	Prop.	49.98%	49.98%	–	–	
Caisse Nationale de Prévoyance	Equity	17.74%	17.74%	–	–	
Océor Group						
Financière Océor	Full	100.00%	100.00%	–	–	
Banque de la Réunion	Full	100.00%	81.90%	–	–	
Banque de Nouvelle-Calédonie	Full	100.00%	95.80%	–	–	
Banque de Tahiti	Full	100.00%	95.46%	–	–	
Banque des Antilles Françaises	Full	100.00%	97.50%	–	–	
Banque des Iles Saint-Pierre-et-Miquelon	Full	100.00%	97.15%	–	–	
Banque Internationale des Mascareignes	Full	100.00%	88.24%	–	–	
Caisse d'Epargne de Nouvelle-Calédonie	Full	100.00%	100.00%	–	–	
Credipac Polynésie	Full	100.00%	95.43%	–	–	
Crédit Commercial de Nouméa	Full	100.00%	89.43%	–	–	
Crédit Saint-Pierrais	Equity	47.08%	47.08%	–	–	
Mascareigne Investors Services Ltd	Full	100.00%	100.00%	–	–	
Slibail Réunion	Full	100.00%	81.87%	–	–	
Société Havraise Calédonienne	Full	100.00%	86.56%	–	–	
GIE Océor Informatique	Full	100.00%	84.39%	–	–	
Banque Sanpaolo Group						
Banque Sanpaolo	Full	100.00%	60.00%	–	–	
Banque Michel Inchauspé	Equity	20.00%	12.00%	–	–	
Conservateur Finance	Equity	20.00%	12.00%	–	–	
Eurosic Sicomi SA	Full	100.00%	19.66%	–	–	
Uni – Invest SAS	Full	100.00%	60.00%	–	–	
Société Foncière Joseph Vallot	Full	100.00%	60.00%	–	–	
Sanpaolo Asset Management	Full	100.00%	60.00%	–	–	
Société Foncière d'investissement	Full	100.00%	60.00%	–	–	
Société immobilière d'investissement	Full	100.00%	60.00%	–	–	
Socavie SNC	Full	100.00%	60.00%	–	–	

Consolidated entities	2004			First half of 2004 (2)		
	Consolidation method (1)	**Percentage consolidation**	**Percentage interest**	**Consolidation method (1)**	**Percentage consolidation**	**Percen ge intere**
Sanpaolo Bail SA	Full	100.00%	60.00%	–	–	
Sanpaolo Fonds Gestion SNC	Full	100.00%	60.00%	–	–	
Sanpaolo Mur SNC	Full	100.00%	60.00%	–	–	
Bail Ecureuil	Full	100.00%	60.00%	Prop.	49.90%	49.9
IT technical centres and software houses						
Cnéti	Full	100.00%	73.42%	–	–	
ex-Groupe Cie Financière Eulia						
Compagnie Financière Eulia	–	–	–	Prop.	49.90%	49.9
Direct subsidiaries				Prop.		
Ecureuil Assurance IARD	Full	100.00%	65.00%	Prop.	49.90%	32.4
Ecureuil Participations	Full	100.00%	100.00%	Prop.	49.90%	49.9
SNC SEI Logement	Full	100.00%	100.00%	Prop.	49.90%	49.8
SNC SEI Tertiaire	Full	100.00%	100.00%	Prop.	49.90%	49.8
Mifcos (formerly Socfim Participations)	Full	100.00%	100.00%	Prop.	49.90%	49.85
Société Européenne d'Investissement	Full	100.00%	100.00%	Prop.	49.90%	49.8
Ecureuil Vie	Equity	49.78%	49.78%	Equity	49.78%	24.8
Gestitres	Full	100.00%	66.00%	Prop.	49.90%	28.2
Holgest	Full	100.00%	100.00%	Prop.	49.90%	42.8
SCI Avant Seine 1	Full	100.00%	100.00%	–	–	
SCI Avant Seine 2	Full	100.00%	100.00%	–	–	
Quai de Seine Gestion et Location	Full	100.00%	100.00%	–	–	
SNC Participations Ecureuil	Full	100.00%	100.00%	–	–	
Formerly Groupe IXIS						
IXIS (formerly CDC IXIS)	–	–	–	Prop.	26.45%	26.4
Anatol Invest (groupe)	–	–	–	Prop.	26.45%	26.4
CDC Entreprises 1	–	–	–	Prop.	26.45%	25.2
CDC Entreprises 2	–	–	–	Prop.	26.45%	10.0
CDC Innovation 96	–	–	–	Prop.	26.45%	25.5
IXIS Asset Management (groupe)	Full	100.00%	73.90%	Prop.	26.45%	21.1
Ecureuil Gestion*	Full	100.00%	73.90%	Prop.	49.90%	45.2
Ecureuil Gestion FCP*	Full	100.00%	73.90%	Prop.	49.90%	45.2

Consolidated entities	2004			First half of 2004 (2)		
	Consolidation method (1)	**Percentage consolidation**	**Percentage interest**	**Consolidation method (1)**	**Percentage consolidation**	**Percen ge intere**
IXIS AEW Europe (formerly CDC IXIS immo)*	–	–	–	Prop.	26.45%	26.45
IXIS Corporate and Investment Bank	Full	100.00%	97.55%	Prop.	26.45%	26.45
CLEA2	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Securities	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Investor Services	Full	100.00%	100.00%	–	–	
IXIS North America	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Capital Market North America	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Funding Corp.	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Commercial Paper Corp.	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Securities North America Inc.	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Financial Products Inc.	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Municipal Products Inc.	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Derivatives Inc.	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Real Estate Capital Inc.	Full	100.00%	97.55%	Prop.	26.45%	26.45
CDC Holding Trust	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Securitization Corp.	Full	100.00%	97.55%	Prop.	26.45%	26.45
BGL	Full	100.00%	97.55%	Prop.	26.45%	26.45
IXIS Investment Management Corp.	Full	100.00%	97.23%	Prop.	26.45%	26.45
IXIS Financial Guaranty (group)	Full	100.00%	100.00%	Prop.	26.45%	26.45
CDC Entreprises Capital Investissement	Equity	35.00%	35.00%	Prop.	26.45%	26.45
IXIS Urquijo	Prop.	100.00%	51.00%	Prop.	26.45%	13.49
Electropar France	–	–	–	Prop.	26.45%	13.22
Euromontaigne (group)	–	–	–	–	–	
Foncière des Pimonts (group)	–	–	–	Prop.	26.45%	19.44
Fondinvest	–	–	–	–	–	
IXIS Administration de Fonds	Full	100.00%	100.00%	Prop.	26.45%	26.45
Logistis (group)	–	–	–	Equity	8.81%	8.81
Magnant (group)	–	–	–	–	–	
Martignac Finance	Full	100.00%	100.00%	Prop.	26.45%	26.45
Nexgen (group)	Equity	37.75%	37.75%	Equity	10.24%	10.24
PART'COM	–	–	–	Prop.	26.45%	26.45
Sogeposte	–	–	–	–	–	
Vega Finance (group)	Full	100.00%	100.00%	Prop.	26.45%	22.48
CDC Ixis Italia Holding	Full	100.00%	100.00%	Prop.	33.40%	33.40

Consolidated entities	2004			First half of 2004 (2)		
	Consolidation method (1)	**Percentage consolidation**	**Percentage interest**	**Consolidation method (1)**	**Percentage consolidation**	**Percen ge intere**
Crédit Foncier Group						
Crédit Foncier de France	Full	100.00%	100.00%	Prop.	75.05%	75.05
A3C	Full	100.00%	99.99%	Prop.	75.05%	75.05
Auxiliaire du Crédit Foncier de France	Full	100.00%	99.99%	Prop.	75.05%	75.05
Cofimab	Full	100.00%	99.99%	Prop.	75.05%	75.05
Compagnie de Financement Foncier	Full	100.00%	99.99%	Prop.	75.05%	75.05
Compagnie Foncière de Crédit	Full	100.00%	99.98%	Prop.	75.05%	75.05
Crédit de l'Arche	Full	100.00%	99.98%	Prop.	75.05%	75.05
Crédit Foncier Assurance Courtage	Full	100.00%	99.88%	Prop.	75.05%	74.90
Crédit Foncier Banque	Full	100.00%	99.99%	Prop.	75.05%	75.05
Dom2	–	–	–	–	–	
FCC Teddy	Full	100.00%	100.00%	Prop.	75.05%	75.05
Financière Desvieux	Full	100.00%	99.99%	Prop.	75.05%	75.05
Foncier Assurance	Full	100.00%	99.99%	Prop.	75.05%	75.05
Foncier Bail	Full	100.00%	99.98%	Prop.	75.05%	75.05
Foncier Participations	Equity	100.00%	100.00%	Equity	75.05%	75.05
SICP (group)	Equity	100.00%	100.00%	Equity	75.05%	75.05
Soclim	Full	100.00%	99.99%	Prop.	75.05%	75.05
CFCAL Banque	Full	100.00%	66.39%	–	–	
CFCAL SCF	Full	100.00%	66.39%	–	–	
Entenial	Full	100.00%	100.00%	Prop.	75.05%	75.05
Capri Résidences	Equity	35.00%	35.00%	Equity	26.27%	26.27
CFG Cie Financière de Garantie	Full	100.00%	100.00%	Prop.	75.05%	75.05
Gramat Balard	Full	100.00%	79.88%	Prop.	75.05%	75.05
Investimur	Full	100.00%	100.00%	Prop.	75.05%	75.05
Quatreinvest	Full	100.00%	100.00%	Prop.	75.05%	75.05
RIVP	Equity	27.63%	27.63%	Equity	20.74%	20.74
Titrisation	Full	100.00%	100.00%	Prop.	75.05%	75.05
VMG	Full	100.00%	100.00%	Prop.	75.05%	75.05
Vendôme Investissements	Full	100.00%	100.00%	Prop.	75.05%	75.05
Environnement Titrisation Entenial	Full	100.00%	100.00%	Prop.	75.05%	75.05
Entenial Conseil	Full	100.00%	100.00%	Prop.	75.05%	75.05
Cicobail Group						

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Consolidated entities	2004			First half of 2004 (2)		
	Consolidation method (1)	**Percentage consolidation**	**Percentage interest**	**Consolidation method (1)**	**Percentage consolidation**	**Percen ge intere**
Cicobail	Full	100.00%	99.75%	Prop.	75.05%	64.8
Cinergie	Full	100.00%	99.75%	Prop.	75.05%	64.8
Mur Ecureuil	Full	100.00%	99.75%	Prop.	75.05%	64.8
Socfim Group						
Socfim	Full	100.00%	99.91%	Prop.	49.90%	49.8
Socfim Transaction	Full	100.00%	99.91%	Prop.	49.90%	49.8
Socfim Participations Immobilières	Full	100.00%	99.91%	Prop.	49.90%	49.8
Groupe GCE Garanties (formerly Eulia Caution)						
GCE Garanties (formerly Eulia Caution)	Full	100.00%	100.00%	Prop.	49.90%	49.9
Cegi	Full	100.00%	100.00%	Prop.	49.90%	49.9
Financière Cegi	Full	100.00%	100.00%	Prop.	49.90%	34.9
Saccef	Full	100.00%	100.00%	Prop.	49.90%	49.9
Socamab	Full	100.00%	40.00%	Prop.	49.90%	19.9

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

(2) Share in income prior to the New Foundations agreement. * Entities consolidated on a proportional basis by IXIS Asset Management.

NOTE 7 - CASH, MONEY MARKET AND INTERBANK ITEMS

(in millions of euros)

	Assets 2004	Assets 2003	Liabilities 2004	Liabilities 2003
Cash, central banks and post office banks	**6,107**	**4,303**	**2**	**2**
Financial institutions	**154,413**	**71,820**	**118,719**	**43,790**
Demand accounts	37,888	9,984	39,653	9,498
Term accounts	116,525	61,836	79,066	34,292
Total	**160,520**	**76,123**	**118,721**	**43,792**

Deposits with banks and related accrued interest amounted respectively to €692 million and €724 million at December 31, 2004. Provisions relating to amounts due from financial institutions amounted to €2 million at December 31, 2004.

NOTE 8 - CUSTOMER ITEMS

(in millions of euros)

Assets	2004	2003	Liabilities	2004	2003
Commercial loans	**806**	**238**	**Regulated savings accounts**	**2,271**	**1,870**
Other customer loans	**83,950**	**34,263**	Livret A	63	65
Short term credit facilities	6,250	2,437	Livret Jeune, Livret B and Codevi	1,215	978
Equipment loans	11,746	5,117	Pel and Cel	874	743
Regulated home purchase loans	31	33	Lep	6	5
Other mortgage lending	39,887	20,757	Pep	50	54
Other loans	26,036	5,919	Other	63	25
Current accounts in debit	**2,408**	**1,159**	**Other customer deposits**	**39,914**	**11,552**
Accrued interest	**381**	**221**	Ordinary accounts (deposits)	5,564	3,274
Non-performing loans	**2,135**	**1,450**	Other	34,350	8,278
Provisions on non-performing loans	**(747)**	**(518)**	**Accrued interest**	**105**	**66**
Total	**88,933**	**36,813**	**Total**	**42,290**	**13,488**

NOTE 8A - ANALYSIS OF LOANS OUTSTANDING BY COUNTERPARTY AT DECEMBER 31, 2004

(in millions of euros)

	Performing loans	Doubtful loans	Non-performing loans	Subtotal – non-performing loans	Provision
Loans and advances to financial institutions	**160,518**	**4**	**1**	**5**	**(3)**
Loans and advances to customers (1)	**90,395**	**1,169**	**987**	**2,156**	**(790)**
Individuals: property loans	23,460	401	170	571	(109)
Individuals: other loans	9,929	228	73	301	(94)
Self-employed professionals	3,534	65	99	164	(71)
SMEs	2,982	76	76	152	(95)
Local and regional authorities	7,713	5	1	6	
Other	42,777	394	568	962	(421)

(1) Including finance-lease transactions.

NOTE 9 - LEASE FINANCING AND LEASES WITH PURCHASE OPTIONS (WHERE THE GROUP IS THE LESSOR)

(in millions of euros)

	2004	2003
Equipment	594	566
Property	2,023	1,179
Other finance leases	177	90
Accrued interest	77	42
Provisions	(43)	(284)
Total	**2,828**	**1,593**

NOTE 10 - BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES

(in millions of euros)

	Trading account	Securities held for sale	Investment	Portfolio activity	Accrued interest(1)	Total 2004	Total 2003
Treasury bills and similar securities	10,492	292	435		13	11,232	4,374
Bonds and other fixed-income securities (2)	27,271	16,703	15,055		345	59,374	22,840
Shares and other variable-income securities (3)	16,741	4,527		38	1	21,307	4,659
Total 2004	**54,504**	**21,522**	**15,490**	**38**	**359**	**91,913**	
Total 2003	**14,637**	**7,143**	**9,311**	**592**	**190**		**31,873**

(1) Including €140 million of accrued interest on investment securities, €187 million on securities held for sale, and €32 million on securities held in the portfolio activity.
(2) Including listed securities: €21,137 million in 2004 against €20,997 million in 2003.
(3) Including listed securities: €12,477 million in 2004 against €3,436 million in 2003.

The aggregate difference between the acquisition price and the redemption price amounted to €77 million in 2004 against €13 million in 2003 for securities held for sale, and €3 million in 2004, against €2 million in 2003 for investment securities.

The amount of bonds and other fixed-income securities issued by public bodies stands at €5,044 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**	**2004**	**2003**
Trading account securities	Securities held for sale	614	264
Trading account securities	Investment securities	–	–
Securities held for sale	Investment securities	–	–
Investment securities	Securities held for sale	0	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	
	2004	**2003**	**2004**	**2003**
Net book value	21,708	7,206	38	591
Market value	23,419	7,478	39	767
Unrealized capital gains (1)	1,711	272	1	176
Unrealized losses provided for	84	51	3	132

(1) Including €134 million on Treasury bills and similar securities, €1,454 million on bonds and other fixed-income securities, and €123 million on shares and other variable-income securities.

NOTE 11 – INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES, AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD AND OTHER LONG-TERM INVESTMENTS

(in millions of euros)

	2004	**2003**
Investments and shares in unconsolidated subsidiaries	1,256	648
Investments in affiliates accounted for by the equity method	5,786	1,706
Other long-term investments	243	91
Total	**7,285**	**2,445**
Of which listed securities	345	93

Total provisions for the impairment in value of investments stood at €316 million in 2004 (€218 million in 2003).

11.1 Investments in unconsolidated subsidiaries and other long-term investments

(in millions of euros)

	Net book value		% interest held by Group companies	
	2004	**2003**	**2004**	**2003**
Sanpaolo IMI	323	108	2.00%	2.00%
Crédit Logement	198	107	15.49%	15.49%
Banca Carige	178	73	9.50%	9.82%
Veolia Environnement	140	90	1.42%	0.93%
Foncier Vignobles	41	30	100.00%	100.00%
Air Calin	31	31	12.23%	12.23%
Socrelog	14	10	100.00%	100.00%
Immobilière CE Denfert	13	10	71.62%	71.62%
Gerer Participations	12	6	100.00%	100.00%
Euronex	11		0.89%	
A3C 1 (1)	–	11	100.00%	100.00%
Total	**961**	**476**		
Other securities	302	146		
Accrued interest and current accounts	236	117		
Total	**1,499**	**739**		

(1) Fully consolidated during 2004

11.2 Affiliates accounted for by the equity method

(in millions of euros)

	Net book value at December 31, 2004	Share in the affiliate's 2004 net income	Net book value at December 31, 2003	Share in the affiliate's 2003 net income
29 individual Caisses d'Epargne et de prévoyance in Metropolitan France	3,345	132	–	–
Caisse Nationale de Prévoyance (group)	1,121	101	1,060	94
Ecureuil Vie	841	67	428	36
SICP (group)	207	15	143	10
CDC Entreprises Capital Investissement	111	5		
Nexgen Financial Holding	73	3		
Other	88	14	75	4
Total	**5,786**	**337**	**1,706**	**144**

NOTE 12 - LOANS AND ADVANCES OUTSTANDING AND SOURCES OF FUNDS BY MATURITY DATE

(in millions of euros)

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total 2004
Loans and advances	**132,663**	**21,100**	**51,233**	**77,268**	**282,264**
Loans and advances to financial institutions	105,516	9,878	20,966	24,160	160,520
Customer loans	24,390	9,125	19,781	35,637	88,933
Bonds and other fixed-income securities	2,757	2,097	10,486	17,471	32,811
Sources of funds	**162,313**	**25,177**	**57,033**	**58,812**	**303,335**
Amounts due to financial institutions	84,536	7,222	12,780	14,183	118,721
Customer deposits	34,246	2,166	3,210	2,668	42,290
Debts represented by a security:	43,531	15,789	41,043	41,961	142,234
Retail certificates of deposit and savings certificates	*42*	*26*	*18*	*0*	*86*
Interbank and other negotiable debt instruments	*38,636*	*9,596*	*12,028*	*9,864*	*70,124*
Bonds issued	*4,766*	*6,167*	*28,997*	*31,980*	*71,910*
Other debts represented by a security	*87*	*0*	*0*	*117*	*204*

NOTE 13 - TANGIBLE AND INTANGIBLE FIXED ASSETS

13.1 Changes in fixed assets

(in millions of euros)

	Gross value at December 31, 2003	Acquisitions	Sales or retirements	Other movements	Gross value at December 31, 2004	Depreciation, amortization and provisions at December 31, 2004	Net value at December 31, 2004
Intangible fixed assets	449	170	(28)	831 (1)	1,422	(301)	1,121
Tangible fixed assets	963	565	(58)	265 (2)	1,735	(582)	1,153
Total	**1,412**	**735**	**(86)**	**1,096**	**3,157**	**(883)**	**2,274**

(1) Including the allocation of €120 million arising on the first-time consolidation of Banque Sanpaolo; the impact of a change in consolidation method from proportional consolidation to full consolidation for the former IXIS, Eulia and CFF Groups; the negative €60 million impact of the translation adjustment on the market share of the IXIS Asset Management Group and the net goodwill of €109 million generated by consolidation of the individual Caisses d'Epargne under the equity method.
(2) Consists mainly of the impacts of a change in consolidation method.

13.2 Intangible fixed assets

At December 31, 2004 the main items of intangible fixed assets related to (net values in millions of euros):

– market share (contribution from the CDC IXIS Group)	731
– goodwill	194
- the net goodwill generated by consolidation of the individual Caisses d'Epargne under the equity method	109
– computer software	85
– certificates of association of deposit guarantee funds	1

13.3 Tangible fixed assets

At December 31, 2004 the net book value of land and buildings amounted to €753 million, including €631 million relating to premises for the Group's own use, and €122 million in respect of investment properties derived from the contribution of the Crédit Foncier Group.

NOTE 14 - DEBTS REPRESENTED BY A SECURITY

(in millions of euros)

	2004	2003
Retail certificates of deposit and savings certificates	86	69
Interbank and money market securities	70,124	24,456
Bonds	71,910	49,666
Other debts represented by a security	204	0
Total	**142,324**	**74,191**

Unpaid accrued interest carried under the item "Debts represented by a security" stands at €2,470 million.
Unamortized issue and redemption premiums amount to €337 million.

NOTE 15 - ACCRUALS AND OTHER ASSETS AND LIABILITIES

(in millions of euros)

	Assets	Liabilities
Off-balance sheet transactions on securities (1)	3,560	32,152
Foreign currency commitments	8,134	8,548
Unrealized hedging losses and gains	1,140	1,239
Deferred expenses and income	805	0
Prepaid expense and unearned income	446	708
Accrued expense and accrued income	1,546	1,211
Items in course of collection	2,317	1,955
Other (2)	13,529	16,406
Total 2004	**31,477**	**62,219**
Total 2003	**11,887**	**21,237**

(1) This item mainly includes options purchased and sold, amounts due for securities and settlement accounts relating to securities transactions.

(2) This item mainly includes other accruals, other insurance assets, deferred tax and miscellaneous receivables and payables.

NOTE 16 - PROVISIONS

16.1 Provisions booked in respect of counterparty risks

(in millions of euros)

	Jan. 1, 2004	Allocations	Releases	Changes in scope of consolidation	Other movements	Dec. 31, 2004
Provisions carried in assets (as deductions)	**557**	**249**	**(280)**	**365**	**1**	**892**
Provision for customer loans	517	215	(262)	287	(10)	747
Other provisions	40	34	(18)	78	11	145
Provisions carried in liabilities	**126**	**165**	**(54)**	**189**	**46**	**472**
Provision for signature commitments	12	6	(5)	8	1	22
Provision for customer loans	13	38	(21)	76	1	107
Country risks	5	6	(1)	6	0	16
“Dynamic” provisions	51	14	(3)	19	(1)	80
Other counterparty risks	45	101	(24)	80	45	247
Total	**683**	**414**	**(334)**	**554**	**47**	**1,364**

To reflect counterparty risks more accurately, a provision is recorded covering the Group’s entire performing on- and off-balance sheet commitments for which statistical data are available to assess the probability of default. This 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 December 31, 2004, the provision recorded for all the portfolios concerned – HLM social housing associations and semi-public companies, professional real estate, local and regional authorities, small- and medium-sized enterprises, consumer loans, financial markets – amounted to €80 million.

16.2 Provisions for liabilities and charges (excluding counterparty risks)

(in millions of euros)

	Jan. 1, 2004	Allocations	Releases	Changes in scope of conso.	Other movements	Dec. 31, 2004
Provision for claims, fines and penalties	43	62	(65)	66	7	113
Provision for retirement indemnities	51	8	(4)	21	(9)	67
Provision for the Group's estimated potential pension commitments (CGRCE)	35	3	(8)	1	(1)	30
Provision for capital market activities	29	112	(69)	79	(8)	143
Provision for Crédit Foncier Group restructuring	12	0	(8)	4	(1)	7
Provision for modernization initiatives	27	0	(1)	0	0	26
Other provisions for banking and non-banking operations	195	111	(46)	73	(58)	275
Total	**392**	**296**	**(201)**	**244**	**(70)**	**661**

NOTE 17 - 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 2004	Assets 2003	Liabilities 2004	Liabilities 2003
Net amount at January 1	436	227	4	6
Movements during the year	602	237	11	4
Goodwill on Banque Sanpaolo securities (1)	*(45)*	*242*	–	–
Negative goodwill on Entenial securities	–	–	*7*	–
Net goodwill relating to the New Foundations agreements	*258*	–	–	–
Goodwill on Crédit Foncier de France securities - Additional acquisition following the public tender offer followed by compulsory buyout procedure	*37*	–	–	–
Goodwill on Financières OCEOR securities – Additional acquisition by the CNCE	*27*	–	–	–
Change in consolidation method	*325*	–	*4*	–
Translation adjustments (2)	*(30)*	*(20)*	–	–
Other (3)	*30*	*15*		*2*
Amortization for the year	(91)	(28)	(15)	(6)
Net amount at December 31	**947**	**436**	**0**	**4**

(1) Following the additional analyses and expert appraisals carried out during the first half of the year, a fair value adjustment was recorded for an amount of €120 million (€79 million net of deferred taxes) in relation to the intermediation activity of Banque Sanpaolo. This fair value adjustment is taken to the profit and loss account according to an amortization schedule that reflects the recognition of the net interest margin on the underlying loan book. The residual goodwill of €196.7 million will be amortized over ten years.
(2) Including the impact of the translation adjustment on the goodwill relating to the IXIS Asset Management North America Group - €(52) million.
(3) Other movements mainly concern the internal acquisitions of the IXIS Asset Management Group for an amount of €20 million (Hansberger Group Inc., Curzon Global UK, etc.) and the goodwill booked by GCE Garantie (formerly Eulia Caution) on the acquisition of additional Financière CEGI securities for an amount of €9 million.

NOTE 18 - CONSOLIDATED CAPITAL FUNDS, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED DEBT

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

(in millions of euros)

	Capital	Additional paid-in capital	Consolidated retained earnings	Net income for the period	Consolidated capital funds (excluding minority interests and the Reserve for General Banking Risks)
At December 31, 2002	**2,905**	**527**	**486**	**196**	**4,114**
Movements during 2003	0	(92)	49	131	88
At December 31, 2003	**2,905**	**435**	**535**	**327**	**4,202**
Appropriation of 2003 net income			327	(327)	0
Distribution and interim dividends (1)	225	63	(288)		0
Impact of operations relating to the New Foundations agreement	3,776	1,441	1,046		6,263
Translation adjustments			(121)		(121)
2004 net income				885	885
At December 31, 2004	**6,906**	**1,939**	**1,499**	**885**	**11,229**

(1) Given the payment in shares of the 2003 dividend and the 2004 interim dividend.

18.2 Changes in the Reserve for General Banking Risks

(in millions of euros)

	Jan. 1, 2004	Allocations	Releases	Other movements	Dec. 31, 2004
Reserve for general banking risks	286	7	(47)	10	**256**

18.3 Subordinated debt

(in millions of euros)

	2004	2003
Dated subordinated notes	5,423	3,070
Dated subordinated debt	–	10
Undated subordinated debt	237	186
Non-cumulative, undated deeply subordinated notes (1)	2,105	800
Accrued interest	148	69
Total	**7,913**	**4,135**

(1) During the year, the Group issued non-cumulative, undated deeply subordinated notes for a total of €1,882 million. This issue was arranged in application of the provisions of article L228-97 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 Group's consolidated tier-1 regulatory capital up to a maximum of 15% of the consolidated tier-1 regulatory capital as applicable to "innovative" financial instruments.

Dated subordinated notes:

(in millions of euros)

Amount	Currency	Interest rate	Maturity
91	EUR	4.50%	12/2010
749	EUR	5.60%	02/2011
455	EUR	5.20%	07/2014
486	EUR	4.80%	07/2016
257	EUR	4.20%	12/2016
406	EUR	5.20%	07/2014
421	EUR	4.50%	02/2015
455	EUR	4.10%	07/2015
312	EUR	4.60%	02/2016
150	EUR	4.80%	12/2015
507	EUR	4.50%	10/2016
250	EUR	3-month Euribor	08/2010
20	EUR	6-month Euribor	09/2022
46	EUR	3-month Euribor	11/2027
53	EUR	3-month Euribor	01/2033
22	EUR	3-month Euribor	04/2023
7	EUR	3-month Euribor	01/2033
77	EUR	3-month Euribor	04/2015
10	EUR	6-month Euribor	03/2018
500	EUR	3-month Euribor	07/2018
38	EUR	EUR1C	05/2005
15	EUR	6.25%	06/2012
20	EUR	6.50%	07/2022
20	EUR	6.60%	01/2022
42	EUR	6.60%	01/2010
5	EUR	3-month Euribor	06/2012
10	EUR	CMS20	03/2023
694 (1)	EUR	4.625%	–
796 (1)	EUR	5.25%	–
145 (1)	USD	CMT USD 10 year + 0.30	–
80 (1)	EUR	CMS EUR 10 year	–
390 (1)	EUR	CMS 3-month Euribor + 0.71%	
218	EUR	3-month Euribor	–
8	EUR	3-month Euribor + 0.50%	–
5	EUR	5.17%	–
5	EUR	4.39%	–
7,765			

(1) Deeply subordinated notes.

18.4 Minority interests

Minority interests increased by €240 million and stood at €621 million at December 31, 2004. This increase is mainly due to the change in percentage holdings and consolidation methods that took place within the scope of the New Foundations agreement. Minority interests in the IXIS Asset Management Group and in IXIS Corporate and Investment Bank thus increased by €139 million and €85 million, respectively.

NOTE 19 - COMMITMENTS GIVEN AND RECEIVED

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

(in millions of euros)

	Given		Received	
	2004	**2003**	**2004**	**2003**
Financing commitments				
Given to/received from banking institutions	18,462	7,752	7,154	3,209
Given to customers	25,963	9,355	–	–
Total	**44,425**	**17,107**	**7,154**	**3,209**
Guarantee commitments				
Given to/received from banking institutions	9,653	17,414	12,005	7,054
Given to customers	5,681	6,194	–	–
Total	**15,334**	**23,608**	**12,005**	**7,054**
Commitments on securities				
Other commitments given/received	728	479	3,554	1,349
Commitments given by/received from the insurance business				
Other commitments given/received	23,138	1,012	495	73

NOTE 20 - TRANSACTIONS IN FINANCIAL FUTURES OUTSTANDING

20.1 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 2004**	**Total 2003**
Transactions on organized markets					
Futures	251,725		5,942	257,667	87,552
Options	273,755		61,004	334,759	105,450
Over-the-counter transactions					
Futures	2,242,664	6,199	3,921	2,252,784	419,112
Options	323,015	7,078	38,111	368,204	74,206
Total	**3,091,159**	**13,277**	**108,978**	**3,213,414**	**686,320**

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	Macro hedging	Isolated open positions	Specialized futures operations	Total
Futures	**70,704**	**18,798**	**776**	**2,152,386**	**2,242,664**
Options	**6,300**	**1,717**	**268**	**314,730**	**323,015**
Bought	5,666	1,717	268	131,493	139,144
Sold	634	0	0	183,237	183,871
Total at December 31, 2004	**77,004**	**20,515**	**1,044**	**2,467,116**	**2,565,679**
Total at December 31, 2003	**37,590**	**8,048**	**968**	**431,829**	**478,435**

As regards transactions on organized markets, the market values of futures and options are €60 million and €(257) million, respectively.
For over-the-counter transactions, the market values of futures and options are €134 million and €146 million, respectively.

20.2 Commitments on futures by residual maturity

(in millions of euros)

	Up to 1 year	1 to 5 years	Over 5 years	Total 2004
Transactions on organized markets				
Futures	185,305	67,278	5,084	257,667
Options	310,880	23,242	637	334,759
Over-the-counter transactions				
Futures	1,223,693	538,838	490,253	2,252,784
Options	110,704	157,495	100,005	368,204
Total	**1,830,582**	**786,853**	**595,979**	**3,213,414**

20.3 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 issued by 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;
– signing 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 2004
Unweighted equivalent credit risk, without considering netting and collateral agreements [(1)]	7,207	50,351	8,194	65,752
Effect of netting agreements	(4,045)	(34,772)	(1,776)	(40,593)
Effect of collateral agreements	(560)	(3,401)	(114)	(4,075)
Unweighted equivalent credit risk, after considering netting and collateral agreements	**2,602**	**12,178**	**6,303**	**21,083**
Weighted equivalent credit risk, after considering netting and collateral agreements	**0**	**2,436**	**3,152**	**5,588**
(1) Including positive net replacement values	2,355	9,661	3,106	15,122

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 exchanges. The table excludes transactions on organized markets as well as those carried out with credit institutions belonging to the Caisses d'Epargne network, for which the corresponding counterparty risk is deemed to be non-existent as it is considered to be covered by the Groups' mutual guarantee and solidarity mechanisms.

At December 31, 2004, the weighted equivalent credit risk set out in the above table represented 0.2% of the notional values of these outstanding positions, against 0.3% at December 31, 2003.

NOTE 21 - INTEREST AND SIMILAR INCOME AND EXPENSE

(in millions of euros)

	Income		Expense	
	2004	**2003**	**2004**	**2003**
Transactions with financial institutions	4,594	2,606	(3,438)	(1,566)
Customer transactions	3,137	1,761	(694)	(274)
Bonds and other fixed-income securities	2,418	1,425	(5,024)	(3,514)
Subordinated debt	–	–	(235)	(136)
Lease financing transactions	166	69	(38)	(11)
Other interest income and similar revenues and charges	395	782	(1,139)	(901)
Total	**10,710**	**6,643**	**(10,568)**	**(6,402)**

NOTE 22 - INCOME FROM VARIABLE INCOME SECURITIES

(in millions of euros)

	2004	2003
Shares and other variable-income securities	79	27
Investments in unconsolidated subsidiaries, and other long-term portfolio securities	32	24
Affiliates accounted for by the equity method	0	2
Total	**111**	**53**

NOTE 23 - NET COMMISSION AND FEE INCOME

(in millions of euros)

	Expense	Income
Transactions with financial institutions	(9)	14
Customer transactions	(2)	154
Securities transactions	(57)	1,156
Payment processing	(26)	102
Sale of life-insurance products		37
Other commissions	(324)	201
Total 2004	**(418)**	**1,664**
Total 2003	**(110)**	**601**

NOTE 24 - NET GAINS/(LOSSES) ON TRADING TRANSACTIONS

(in millions of euros)

	2004	2003
Trading account securities	1,043	529
Foreign exchange	(9)	(4)
Financial instruments	279	(69)
Total	**1,313**	**456**

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

(in millions of euros)

	Securities held for sale	Similar securities	Total 2004	Total 2003
Income from disposals	6	79	85	83
Net allocation to (release from) provisions	21	90	111	37
Total	**27**	**169**	**196**	**120**

NOTE 26 - OTHER NET OPERATING INCOME

(in millions of euros)

	Income	Expense
Share generated on joint ventures	–	(7)
Transfer of expenses	49	–
Other income and expenses	335	(340)
Total 2004	**384**	**(347)**
Total 2003	**338**	**(218)**

NOTE 27 - GENERAL OPERATING EXPENSES

(in millions of euros)

	2004	2003
Personnel costs	(1,327)	(641)
– Wages and salaries	*(935)*	*(426)*
– Pension and retirement costs	*(54)*	*(46)*
– Other social security costs and payroll-based taxes	*(293)*	*(154)*
– Profit-sharing and incentive schemes	*(45)*	*(15)*
Taxes other than on income	(60)	(35)
External services and other administrative expense	(975)	(413)
Total	**(2,362)**	**(1,089)**

The average number of employees working during the year, broken down by professional category, is as follows: for fully consolidated companies: 13,534, consisting of 7,749 managerial and 5,785 non-managerial staff.

NOTE 28 - NET ADDITIONS TO PROVISIONS

(in millions of euros)

	Customer transactions	Other transactions	Total
Provisions booked	(142)	(74)	(215)
Provisions released	192	45	237
Losses on irrecoverable debts written off - covered by provisions	(84)	(8)	(92)
Losses on irrecoverable debts written off - not covered by provisions	(8)	0	(8)
Recovery of debts written off as irrecoverable	24	10	34
Total 2004	**(18)**	**(27)**	**(44)**
Total 2003	**(27)**	**(44)**	**(71)**

NOTE 29 - NET GAINS/(LOSSES) ON FIXED ASSETS

(in millions of euros)

	2004	2003
Tangible fixed assets	1	104
Intangible fixed assets	(12)	(1)
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	30	3
Investment securities	(27)	1
Total	**(8)**	**107**

NOTE 30 - EXCEPTIONAL ITEMS

Exceptional income and expenses are non-recurring and do not fall within the scope of the Group’s usual activities. In 2004, exceptional items include a €100 million indemnity payment received from the Caisse des dépôts et consignations (see Note 2.4).

NOTE 31 - TAX ON PROFITS

(in millions of euros)

	2004	2003
Current tax at the standard rate	(44)	(156)
Current tax at the reduced rate, additional taxes, tax credits and other taxes	(64)	100
Movements in provisions	27	2
Total	**(81)**	**(54)**

The difference between the theoretical tax rate of 33.33% and the effective tax rate of 11.88% mainly reflects:

- the use of the CNCE tax loss carryforwards, representing tax savings of 7.82 points;
- recognition of certain tax assets relating to the CNCE given its new, post-merger tax situation, resulting in a decrease in the theoretical tax rate by 5.83 points.

NOTE 32 - INVESTMENTS BY INSURANCE COMPANIES

(in millions of euros)

	Net book value		Realizable value	
	2004	2003	2004	2003
Property	29	15	40	20
Bonds and other fixed-income securities	787	290	816	308
Equities and variable-income securities (excluding mutual funds)	36	16	40	18
Mutual funds holding exclusively fixed-income securities	54	37	56	38
Other mutual funds	582	220	592	223
Other investments and related accrued income	29	4	65	4
Assets representing unit-linked policies	64	20	64	20
Total	**1,581**	**602**	**1,673**	**631**

NOTE 33 - TECHNICAL RESERVES OF INSURANCE COMPANIES

(in millions of euros)

	2003	Allocations	Releases	Other movements	2004
Technical reserves, life insurance	184	70	0	71	325
Technical reserves, non-life insurance	228	392	(245)	284	659
Equalization reserves	5	0	(3)	2	4
Technical reserves for unit-linked policies	20	37	0	7	64
Total	**437**	**499**	**(248)**	**364**	**1,052**

NOTE 34 - GROSS MARGIN ON INSURANCE BUSINESS

(in millions of euros)

	Life	Non-life	2004	2003
Net premium income	102	200	302	103
Underwriting and financial income	21	24	45	33
Net claims and reserves for claims payable	(14)	(90)	(104)	(42)
Expenses net of technical reserves	(86)	14	(72)	(22)
Underwriting and financial expense	(17)	(65)	(82)	(51)
Underwriting result	**6**	**83**	**89**	**21**
Acquisition, administration and other claims management expenses	0	64	64	33
Consolidation adjustments and elimination of reciprocal transactions	1	(5)	(4)	10
Gross margin on insurance business	**7**	**142**	**149**	**64**

NOTE 35 - PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

35.1 Principles

The pro forma consolidated financial statements of the CNCE Group have been prepared to enhance comparability and to reflect the Group's assets, liabilities and results as if the following restructuring operations had taken place at January 1, 2002:

– all of the operations relating to the New Foundations agreement as described in Note 2: these involved, in particular, the consolidation of the 29 individual Caisses d'Epargne et de Prévoyance in Metropolitan France under the equity method on the basis of the Corporate Investment Certificates (CIC) held by the CNCE, representing 20% of their capital,

– the acquisition of the OCEOR Group by the CNCE (effective from December 31, 2002);

– the acquisition of Banque Sanpaolo by the CNCE (effective from December 31, 2003);

– the acquisition of Entenial by the Crédit Foncier Group (effective from January 1, 2004);

– the tender offer followed by a compulsory buy-out procedure ("OPR-RO") launched by the CNCE for Crédit Foncier shares.

35.2 Accounting methods

As a general rule, the accounting methods used in drawing up the pro forma financial statements are the same as those used by the Group to prepare its consolidated financial statements at the same year-end dates.
With the exception of the change made to the consolidating entity (Note 5), any changes in accounting methods are also applied in the pro forma financial statements at the same dates as in the published financial statements.
Except for the operations referred to in Note 35.1, the pro forma scopes of consolidation are based on the entities consolidated by the Group at the year-end dates referred to.

35.3 Consolidation adjustments

The following assumptions were used in drawing up the pro forma consolidated financial statements.
The yield applied to liquid assets (€3.2 billion) generated from transfers of assets by the CDC IXIS to the Caisse des dépôts et consignations (portfolio of listed equities and investments, see Note 2.2) was 2.5%. Correlatively, the contribution to consolidated income of the portfolio of listed equities was neutralized (the other securities transferred related to changes in the scope of consolidation backdated to January 1, 2002, as they consisted of investments in consolidated entities).
Goodwill relating to backdated restructuring operations was calculated on a notional basis at January 1, 2002, bringing it in line with the goodwill actually generated at the effective date of the operations after deduction of the corresponding theoretical amortization.
An annual rate of 3.5% was used to calculate the cost of refinancing operations set up as part of the restructuring (€5.3 billion).
A number of items included in 2004 consolidated income that are specifically related to operations carried out within the scope of the New Foundations agreement were neutralized for the purpose of calculating pro forma income. These include:
– the indemnities paid to the CNCE as described in Note 2.4;
– the charges relating to early anticipated unwinding of certain hedging instruments within the scope of the restructuring of the IAM Division;
– general operating expenses incurred specifically for the purpose of carrying out the operations or specifically relating to the agreements between the parties.

35.4 Pro forma consolidated balance sheet

ASSETS

(in millions of euros)

	2004	2003	2002
Cash, money market and interbank items	**160,520**	**123,896**	**129,401**
Customer items	**88,933**	**75,491**	**65,704**
Lease financing	**2,828**	**2,641**	**2,408**
Bonds, shares and other fixed- and variable-income securities	**91,913**	**91,847**	**85,770**
Investments by insurance companies	**1,581**	**1,291**	**858**
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	**7,285**	**7,084**	**6,721**
Tangible and intangible assets	**2,274**	**1,932**	**2,180**
Goodwill	**947**	**998**	**1,149**
Accruals, other accounts receivable and other assets	**31,477**	**29,745**	**32,665**
Total assets	**387,758**	**334,925**	**326,856**

LIABILITIES

(in millions of euros)

	2004	2003	2002
Cash, money market and interbank items	**118,721**	**95,098**	**114,557**
Customer items	**42,290**	**35,130**	**21,136**
Debts represented by a security	**142,324**	**127,171**	**119,865**
Technical reserves of insurance companies	**1,052**	**776**	**559**
Accruals, other accounts payable and other liabilities	**62,219**	**58,888**	**55,487**
Negative goodwill	**0**	**16**	**25**
Provisions for liabilities and charges	**1,133**	**945**	**774**
Subordinated debt	**7,913**	**5,310**	**2,965**
Reserve for General Banking Risks	**256**	**297**	**139**
Minority interests	**621**	**739**	**831**
Consolidated capital funds and reserves (excluding the Reserve for General Banking Risks)	**11,229**	**10,555**	**10,518**
Capital	6,906	6,681	6,681
Additional paid-in capital	1,939	1,788	1,788
Consolidated reserves and retained earnings	1,466	1,358	1,460
Net income for the year (+/–)	918	728	589
Total liabilities, capital funds and reserves	**387,758**	**334,925**	**326,856**

35.5 Pro forma consolidated profit and loss account

(in millions of euros)

	2004	2003	2002
Interest and similar income	12,443	13,051	13,561
Interest and similar expense	(12,581)	(12,935)	(15,243)
Income from shares and other variable-income securities	129	92	125
Net commission and fee income	1,579	1,307	1,343
Net gains on trading transactions	2,457	1,731	2,234
Net gains/(losses) on held-for-sale portfolio transactions and similar items	(263)	67	925
Other net operating income	56	219	202
Gross margin on insurance business	160	134	83
Net banking income	**3,980**	**3,666**	**3,230**
General operating expenses	(2,978)	(2,667)	(2,524)
Depreciation and amortization of tangible and intangible assets	(172)	(173)	(159)
Gross operating income	**830**	**826**	**547**
Net additions to provisions	(145)	(224)	(117)
Operating income	**685**	**602**	**430**
Share in net income of companies accounted for by the equity method	522	443	394
Net gains/(losses) on fixed assets	(40)	170	136
Net ordinary income before tax	**1,167**	**1,215**	**960**
Exceptional items	(20)	(4)	27
Tax on profits	(93)	(129)	(163)
Amortization of goodwill	(89)	(83)	(286)
Allocations to/(releases from) the Reserve for General Banking Risks	0	(237)	2
Minority interests	(47)	(34)	49
Pro forma consolidated net income	**918**	**728**	**589**

NOTE 35.6 – SEGMENT INFORMATION

Pro forma	**CNCE Group**		**Including commercial banking subsidiaries**		**Including commercial banking subsidiaries**	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**
Net banking income	3,666	3,980	1,492	1,634	2,055	2,371
General operating expenses	(2,840)	(3,150)	(1,126)	(1,230)	(1,458)	(1,599)
Gross operating income	**826**	**830**	**366**	**404**	**597**	**772**
Operating efficiency ratio	*77.5%*	*79.1%*	*75.5%*	*75.3%*	*70.9%*	*67.4%*
Net additions to provisions	(224)	(145)	(18)	(8)	(83)	(30)
Share in net income of companies accounted for by the equity method	443	522	439	512	7	8
Net gains/(losses) on fixed assets	170	(40)	43	(3)	9	12
Net ordinary income before tax	**1,215**	**1,167**	**830**	**905**	**530**	**762**

STATUTORY AUDITORS' REPORT
ON THE CNCEP CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 (CNCE GROUP)

This is a free translation into English of the Statutory Auditors' report issued in the French language an 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, 2004.

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 Notes 2, 13, 17, 18.1 and 35 to the consolidated financial statements which describe the transactions related to the New Foundations project and their impact on the financial statements for the year ended December 31, 2004.

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, we bring to your attention the following matters:

Accounting policies

Notes 2 and 35 to the consolidated financial statements describe the accounting rules and methods applied to the New Foundations project. As part of our assessment of the accounting policies applied by the Group, 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.

Accounting estimates

- As indicated in Note 4.4 of the notes to the consolidated financial statements relating to the valuation rules, the Group records provisions to cover the credit risks inherent to its operations. As part of our assessment of the significant 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.

- As indicated in Note 4.8 and 20 of the notes to the consolidated financial statements relating to the valuation rules, the Group uses internal models to value positions on financial instruments which are not listed on the organized market. We examined the control procedures put in place to check the models and determine the parameters used.

- Note 4.2 of the notes to the consolidated financial statements describes the rules used by the Group to value investments in unconsolidated subsidiaries. We reviewed the approaches and assumptions used and verified that these accounting estimates were based on documented methods in accordance with the principles described in this note.
- For the purposes of preparing the consolidated financial statements, the Group also makes accounting estimates in order to determine and record deferred tax assets (Note 3.4), intangible assets (Notes 3.6, 4.1, 13 and 17), insurance companies' technical reserves (Notes 4.11 and 33) and pension commitments (Notes 4.7 and 16.2). We reviewed the assumptions used and verified that these accounting estimates were based on documented methods in accordance with the principles described in the above-mentioned notes.

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 and Paris La Défense, May 10, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit — Mazars & Guérard

Anik Chaumartin — Michel Barbet-Massin — Yves Nicolas — Charles de Boisriou

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT OF CAISSE NATIONALE DES CAISSES D'EPARGNE (CNCE GROUP)

In the absence of standards governing the presentation of cash flow statements applicable to credit institutions reporting under French GAAP, a consolidated cash flow statement has been prepared based on the principles set out below.

- Quantitative reference data

Data included in the consolidated cash flow statement has been taken from the consolidated financial statements for the six months ended June 30, 2005 and the pro forma financial statements presented in note 35 to the 2004 consolidated financial statements of the Caisse Nationale des Caisses d'Epargne et de Prévoyance Group.

- Basis of preparation

The cash flow statement sets out the sources and uses of funds of the Caisse Nationale des Caisses d’Epargne et de Prévoyance Group, based on balance sheet differences:

- long-term sources of funds;
- other sources of funds;
- uses of funds.

As these sources of funds are provided by operations, Group income has been restated to include:

- net additions to provisions;
- depreciation and amortization on assets and goodwill; and
- the share of earnings of companies accounted for by the equity method,

but excludes any other non-cash item included in net consolidated income.

Therefore, as depreciation and amortization expense is restated, the following items are not included:

- amortization charged against equalization payments;
- amortization charged against issuance expenses;
- expense transfers.

Consequently, the impact of these items is reflected in the change in other sources and uses of funds.

At the request of the Issuer, the independent auditors of Caisse Nationale des Caisses d’Epargne et de Prévoyance have solely performed the following procedures:

a) compared the amounts included in the consolidated cash flow statements to corresponding amounts appearing in the schedules and analysis prepared by the Issuer from its accounting records, and found such amounts to be in agreement,

b) determined that the schedule was mathematically correct, and

c) verified that the schedule was prepared in accordance with the methodology described above.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	30/06/2005 Published	31/12/2004 Proforma	31/12/2003 Proforma
Long-term sources of funds			
Funds provided by shareholders' equity			
Funds provided by operations:			
Consolidated net income (Group share and minority interests)	621	965	762
Depreciation and amortization	131	257	251
Net additions to provisions	(88)	194	263
Share of earnings of companies accounted for by the equity method	(258)	(522)	(443)
Total funds provided by operations	**406**	**894**	**833**
Dividends paid	(394)	0	(171)
Other changes in shareholders' equity:			
Group share	47	(244)	(520)
Minority interests	1	(165)	(126)
Increase (decrease) in Reserve for General Banking Risks	7	(41)	158
Increase (decrease) in subordinated debts	590	2 603	2 345
Increase in long-term sources of funds	**657**	**3 047**	**2 519**
Funds provided by other sources			
Increase (decrease) in interbank items	(4 596)	23 623	(19 459)
Increase (decrease) in customer deposits	10 878	7 160	13 994
Increase (decrease) in debt securities	2 372	15 153	7 306
Increase (decrease) in other financial items	5 643	1 582	6 410
Increase (decrease) in other sources of funds	**14 297**	**47 518**	**8 251**
Total increase (decrease) in sources of funds	**14 954**	**50 565**	**10 770**
Uses:			
Increase (decrease) in interbank items (assets)	4 601	36 624	(5 505)
Increase (decrease) in customer loans and lease financing	5 988	13 580	9 866
Increase (decrease) in insurance company securities and investments	4 242	303	6 486
Increase (decrease) in long-term investments	(41)	(460)	(9)
Increase in tangible and intangible assets	164	518	(68)
Total increase (decrease) in uses of funds	**14 954**	**50 565**	**10 770**

MANAGEMENT REPORT CNCE GROUP – FIRST-HALF 2005 (CNCE GROUP)

1. Significant events during first-half 2005

1.1 Macro-economic environment

With the exception of Europe, growth in the world economy was brisk during the first quarter of 2005. The second quarter witnessed a slowdown in economic growth in the United States, Japan and Europe. This situation, combined with Brent crude prices above US$50 a barrel (raising the specter of a further economic contraction), triggered a decline in long-term interest rates. Despite the weakness of the global economy, equity markets held up well. This was especially true in Europe, where markets benefited from the stronger US dollar and record-low long-term interest rates.

*** International situation**

After averaging roughly 4% for five successive quarters, annualized GDP growth in the United States moderated slightly to 3.3% in the second quarter of 2005 after 3.8% in the first quarter. Despite rising oil prices, domestic demand (excluding stock-building) was persistently healthy and prices remained at reasonable levels (3% rise in the GDP deflator in the first quarter, followed by a 2.5% rise in the second quarter). Strong growth in consumer spending was supported by a lower savings rate. Housing investment remained robust and manufacturing spending regained momentum.

In Japan, economic growth decelerated from the first quarter's 5.8% annual rate to 3.4% in the second quarter, owing to weak external demand and a downturn in domestic demand. Growth nevertheless seemed to be on more solid ground, with exports driving both manufacturing spending and personal consumption.

In Europe, the slump in economic activity and trade during the second quarter triggered a collapse in business confidence. Exports outside the region, already hobbled by the euro's earlier appreciation, were further penalized by the economic slowdown suffered by Europe's principal trading partners. Internal demand was dragged down by weak household purchasing power, ascribable to static salaries and employment uncertainty. Surveys conducted in Europe suggest that the negative trend in consumer sentiment persisted through to June.

*** Interest rates and equity markets**

Following the two rate hikes by the US Federal Reserve during the first quarter of 2005 (which contrasted with the much more gradual rise in European long rates), US 10-year treasury yields again contracted in the second quarter in response to the economic outlook. In all, US 10-year yields dropped more than 20 basis points from 4.22% in December 2004 to under 4.0% in June 2005. Long-term interest rates in France continued to trail their US counterparts, retreating from 3.7% at end-December 2004 to 3.2% at end-June 2005. The growing discrepancy between US and French key rates now stands at about 80 basis points. It reflects the differing growth and inflation prospects on either side of the Atlantic, as well as continued monetary tightening in the United States (where the base rate is now 3.25%) compared with the expected inaction on the ECB's currently 2% benchmark rate for the foreseeable quarters. The euro has dropped more than 10% against the US dollar since the beginning of the year and the euro/dollar exchange rate has returned to the year-earlier level of 1.20. The euro's decline against the dollar is partly the result of the euro zone's poor economic prospects and the rejection of the European Constitution by France and the Netherlands.

The performance of equity markets in the United States and Europe diverged during the first half of 2005. The Dow Jones index lost 2% amid uncertainty about growth prospects, oil prices and long-term interest rates, which prompted investors to mull over their investment strategies. The over-11% rise in the CAC 40 index over the same period reflects the positive impact on share prices of healthier corporate finances, very low long-term interest rates and the decline of the euro.

*** Situation in France**

French GDP rose at a 0.5% annual rate in the second quarter, following the 1.6% increase during the first three months of the year. The country recorded an external trade deficit for the seventh consecutive quarter and domestic demand, excluding stock-building, decelerated sharply in the second quarter. Consumer spending, the buttress of growth in previous quarters, also registered a downturn (down 1% on an annualized basis, compared with a rise of 3.2% previously). Business investment likewise slackened (declining 4.7% on an annualized basis, compared with the previous 7.6% increase) as companies returned to a wait-and-see mindset.

The lackluster 1.2% GDP growth for the first six months of the year rules out any real improvement in job prospects. At end-June 2005, unemployment stood at 10.2% of the working-age population, up from the December 2004 reading of 10%. In parallel, consumer confidence, which had shown a modest improvement in February, petered out over the second quarter.

The steep decline in consumer spending and savings indicators suggests that the rise in household purchasing power moderated in the second quarter. The resulting lesser propensity to spend would be consistent with a slight increase in the household savings rate.

1.2 Continued reorganization of the business portfolio

*** Redefinition of the partnership between Groupe Caisse d'Epargne and the Caisse des dépôts et consignations**

2004 saw the redefinition of the partnership between Groupe Caisse d'Epargne and the Caisse des dépôts et consignations. The latter has transferred its stake in investment banking and asset management subsidiary CDC IXIS to Groupe Caisse d'Epargne and is now entitled to a share of the profits of the individual Caisses d'Epargne thanks to the 20% stake held in them by the CNCE pursuant to the issuance of Cooperative Investment Certificates (CICs) by those companies.

The main effects of the related agreement, signed on May 27, 2004, on consolidated net income for first-half 2004 were as follows:

- the transfer of the portfolio securities, property and private equity portfolios and certain investments of CDC IXIS, leading to the recognition of a pre-tax capital gain of €170 million in the CNCE Group's pro forma consolidated financial statements;
- the activation of the reciprocal indemnity clauses granted to each other by the CNCE and the Caisse des dépôts et consignations in 2001 for Alliance purposes, resulting in the payment to the CNCE of indemnities totaling €131 million (including €100 million posted to exceptional items) during the first half of the year;
- the incurrence of costs directly related to the "New Foundations agreement", in an amount of €41 million (before tax);
- the assumption of exclusive control over CDC IXIS and the other subsidiaries previously controlled jointly through Compagnie Financière Eulia, leading to a change in the consolidation method applied from proportional to full as from the second half of 2004.

In light of the impact of these operations on the presentation and scope of Group income, the accounts for first-half 2004 have been restated and pro forma interim net income calculated (see below). This should permit a meaningful analysis of changes in the principal income and expense items between first-half 2004 and first-half 2005.

*** Reorganizational measures during first-half 2005**

The reorganization of the Group’s business base around commercial banking and investment banking continued during the first six months of 2005 and involved a number of restructuring operations, described below.

Commercial Banking division:

- Banque Sanpaolo has been renamed Banque Palatine and is to spearhead the Group’s advance in the SME segment.
- La Compagnie 1818, the Group’s Private Banking subsidiary, was created on June 1, 2005 through partial transfers of the Group’s private asset management activities (within Crédit Foncier, Crédit Foncier Banque and Banque Palatine) to Véga Finance, which was subsequently renamed. The new company is 99.4%-owned by Groupe Caisse d’Epargne.
- On June 1, 2005, the Entenial, Crédit Foncier Banque and A3C subsidiaries were merged into the parent, Crédit Foncier. The enlarged company is now the leading specialist provider of real estate financing solutions.

Investment Banking division:

- The merger of IXIS into the CNCE was carried out in January 2005 and the custodian and fund administrator IXIS Investor Services was created. This completed the formation of Groupe Caisse d’Epargne’s Investment Banking division.
- IXIS CIB’s European financing and lending activities were restructured to speed up their development. Activities have been mapped into business lines that provide value-added structured products for corporations, local government and European investors in selected areas – acquisition and LBO financing, asset financing, infrastructure and project financing, public-private partnerships, real estate financing and public sector financing.
- The organizational structure of asset management operations was simplified, with IXIS AM SA’s international activities transferred to the IXIS AM group holding company.

1.3 An evolving group

Alongside the internal reorganization process, Groupe Caisse d’Epargne has adopted a forward-looking product policy for all Commercial Banking operations.

On April 14, 2005, Groupe Caisse d'Epargne became the first French banking institution to pay interest on current accounts. Checking accounts provided within a service package now bear interest, with no minimum limit. This new feature has been introduced without increasing the cost of existing services or charging for checks.

The Group’s business lines also forged a number of strategic partnerships during the first half of 2005 and the Investment Banking division remained committed to targeted international expansion.

Operations in the commercial banking sphere included:

- membership of the S’Miles multi-brand loyalty program, in association with Casino, Galeries Lafayette, BHV, Monoprix, SNCF and others.
- the furtherance of the MACIF/MAIF agreements concerning the creation of a common platform for the delivery of personal care services. This project, which has won the approval of the Ministry of Employment and Social Cohesion, covers four main service areas – day-to-day services for vulnerable persons, help with day-to-day household tasks, child care and tutoring, and general residential support services.
- the formation of a partnership with ABN Amro in trade finance.

- the acquisition of a 34% stake in I – Sélection to gain ground in the marketing of rental property.

Operations in the Investment Banking sphere included:

- the strengthening of the industrial and financial cooperation agreement with Lazard through the acquisition of a stake in Lazard by IXIS CIB for US$50 million at the time of the IPO and of US$150 million worth of three-year equity notes.
- the continued development of IXIS CIB, with the establishment of a branch in Italy and a subsidiary in Luxembourg.
- the finalization of the agreement with Crédit Agricole governing the creation of the CACEIS 50/50 joint venture specializing in services for institutional investors in Europe. CACEIS will house both Groups' securities custody operations (Crédit Agricole IS and IXIS IS).

1.4 Changes in accounting method

Several changes in accounting method came into effect at January 1, 2005:

- Under *Comité de la réglementation comptable* (French Accounting Regulatory Committee, CRC) Rule 2002-03 on accounting for credit risks, provisions covering expected losses on non-performing and doubtful loans must be carried at present value. At January 1, 2005, this regulatory change led to a €48 million decrease in opening capital funds and reserves, net of deferred taxes.
- CRC Rule 2002-10 has established new regulations regarding the depreciation, amortization and impairment of assets. In particular, major fixed asset components are now accounted for separately and depreciated over their respective useful lives. At January 1, 2005, this change of accounting method led to a €30 million decrease in opening capital funds and reserves, net of deferred taxes.
- CRC Rule 2004-06 concerning the definition, recognition and measurement of assets introduced a change, effective January 1, 2005, in the accounting treatment of acquisition costs relating to fixed assets, which are now included in the amount at which the item is initially recognized on the balance sheet. The new regulations nevertheless allow entities to continue expensing such acquisition costs in their individual financial statements. However, in keeping with International Financial Reporting Standards, where no such option exists, the Group has decided to apply the new accounting treatment. This new rule led to a €2 million increase in opening capital funds and reserves, net of deferred taxes.

The assessment of the impact of these changes in accounting method on capital funds and reserves is likely to be revised during the second half of the year.

1.5 Basel II program

The aim of the Basel II program is to define a better risk monitoring system and to bring capital funds and reserves in line with 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 actually default. The Basel II initiative is a cross-functional project under the responsibility of the CNCE and involves an extremely large number of participants from the CNCE and the individual Caisses d'Epargne, subsidiaries and IT communities.

During the first half of 2005, development of the third version of the rating tools installed in 2004 continued. Equally importantly, the entire system came into operation: in addition to commitments being rated and the corresponding data compiled, since end-2004 all such information may be accessed in a central data warehouse.

These advances have taken the Basel II program from the specification phase into the fully operational phase. The preliminary tasks are, of course, the analysis of the quality of the data collated, performance of any necessary adjustments and implementation of an industrial mechanism for monitoring and analyzing the output of the risk measurement system.

The first half of 2005 also witnessed the introduction of a self-assessment process, entailing the formation of an internal review team duly equipped with tools for monitoring and measuring the progress of the project relative to the regulatory timetable. The team is on hand to provide any additional assistance to ensure the Group's preparedness for all inspections.

1.6 Transition to IAS/IFRS (International Accounting Standards/International Financial Reporting Standards)

- **Group IAS/IFRS transition project**

With a view to improving the functioning of the European internal market, in July 2002 the European Parliament adopted a rule requiring companies that are not officially quoted in the European Union but whose debt securities are listed on a regulated market to prepare their consolidated financial statements in compliance with the international accounting standards drawn up by the International Accounting Standards Board (IASB), by 2007 at the latest.

Fully aware of the work involved in meeting this deadline, in spring 2003 Groupe Caisse d'Epargne launched an IFRS transition project, divided into three phases:

- preliminary work carried out in the first half of 2003, dedicated to assessing the impact of IFRS in terms of both accounting policies and information systems;
- a detailed analysis performed between October 2003 and April 2004 of the main differences identified relative to IFRS during the first phase. As a result of the dedicated input of the numerous participants involved, various transition options were pinpointed that were best suited to the Group;
- a roll-out phase, begun in May 2004, which will lead to the implementation of the systems and organization structures required in order to apply IFRS.

The IFRS project is organized around three supervisory bodies:

- a Strategic Committee, comprising two members of the CNCE Management Board and senior managers from the individual Caisses d'Epargne, which approves the various accounting options;
- a Steering Committee, chaired by the member of the CNCE Management Board responsible for financial management. This committee is responsible for tactical decisions, approves project developments, and ensures that objectives are met;
- an Operational Committee, which coordinates the overall project, ensures that work proceeds smoothly, and appraises any operational risks and corrective action that may be required.

Thanks to this structure, and by drawing significantly on the expertise of the Group as a whole, the project is proceeding as planned. Consequently, the Group can swiftly identify any problematic issues related to the application of the new standards, notably regarding information systems.

The CNCE Group will be in a position to produce IFRS consolidated financial statements for the first half of 2007 at the latest, as required for institutions issuing debt securities that are listed on a regulated market in the European Union.

- **Main differences between the Group's current accounting principles and IAS/IFRS**

The key differences between IAS/IFRS and the accounting principles applied by Groupe Caisse d'Epargne for the preparation of its consolidated financial statements concern the following items:

- Revenue (IAS 18)
- Employee Benefits (IAS 19)

- Goodwill (IAS 36, IFRS 3)
- Provisions, Contingent Liabilities and Contingent Assets (IAS 37)
- Financial Instruments (IAS 39)
- Insurance Contracts (IFRS 4).

2. Very strong growth in consolidated results, reflecting the CNCE Group's new scale

€ millions	*2003 H1*	*2004 H1*	*2005 H1*	*Change*	
Net banking income	827	1,194	2,285	1,091	91%
General operating expenses	(548)	(810)	(1,690)	-880	109%
Gross operating income	**279**	**384**	**595**	**211**	**55%**
Operating efficiency ratio	*66.3%*	*67.8%*	*74.0%*	*6.2 pts*	--
Net additions to provisions	(39)	(52)	(5)	47	-90%
Net income of equity-accounted affiliates	60	73	258	185	253%
Net gains/(losses) on fixed assets	103	1	18	17	nm
Ordinary income before tax	**403**	**406**	**866**	**460**	**113%**
Exceptional items		94	(8)	-102	nm
Income tax	(49)	(117)	(184)	-67	57%
Amortization of goodwill	(4)	(22)	(44)	-22	nm
Additions to the Reserve for General Banking Risks	(87)	(15)	(9)	6	-40%
Minority interests	(8)	(13)	(42)	-29	nm
Consolidated net income	**255**	**333**	**579**	**246**	**74%**
Earning capacity*	**342**	**348**	**588**	**240**	**69%**
*Return on equity***	--	--	*10.1%*		--

* Earning capacity = net income (excl. minority interests) + net additions to Reserve for General Banking Risks (excl. minority interests)
** Calculated based on average capital funds and reserves

The results achieved by the Caisse Nationale des Caisses d'Epargne Group rose sharply in first-half 2005, reflecting the Group's enlarged scope of consolidation further to the restructuring carried out in 2004. Net banking income almost doubled compared to the same period in 2004, coming in at some €2.3 billion, and earning capacity grew almost 70% to €588 million. For comparisons with 2003, it is important to note that exceptional income was high in that year, due to a significant €224 million capital gain recorded on the sale of office buildings housing the headquarters of Crédit Foncier.

At June 30, 2005, the CNCE Group's consolidated capital funds and reserves[1] stood at €11.7 billion. In addition, despite its pro-active development and restructuring policy, the CNCE Group maintained high ratios, with its return on equity coming out at 10.1%.

Meaningful year-on-year comparisons of results are extremely difficult due to the impact in 2004 of the restructuring operations carried out mid-year under the New Foundations project, and Crédit Foncier's January 2004 acquisition of Entenial[2]. Pro forma accounts have therefore been prepared for the first-half

[1] Share capital and Reserve for General Banking Risks

[2] Details are provided in sections 2 and 3.3 of the Groupe Caisses d'Epargne management report and in the notes to the consolidated financial statements.

of 2004, based on the same accounting principles and methods as those used by the CNCE Group for its consolidated financial statements. The assumptions used in the pro forma accounts are described in Note 34 to the consolidated financial statements.

3. Earning capacity at close to €600 million

3.1 Results of the CNCE Group compared with pro-forma figures for first-half 2004

€ millions	2004 H1	2004 PF H1	2005 H1	Change	
Net banking income	1,194	2,031	2,285	254	13%
General operating expenses	(810)	(1,499)	(1,690)	-191	13%
Gross operating income	**384**	**532**	**595**	**63**	**12%**
Operating efficiency ratio	*67.8%*	*73.8%*	*74.0%*	*0.2 pts*	*--*
Net additions to provisions	(52)	(154)	(5)	149	-97%
Net income of equity-accounted affiliates	73	225	258	33	15%
Net gains/(losses) on fixed assets	1	(15)	18	33	nm
Ordinary income before tax	**406**	**588**	**866**	**278**	**47%**
Exceptional items	94	(11)	(8)	3	nm
Income tax	(117)	(120)	(184)	-64	53%
Amortization of goodwill	(22)	(45)	(44)	1	nm
Additions to the Reserve for General Banking Risks	(15)	(55)	(9)	46	-84%
Minority interests	(13)	(19)	(42)	-23	nm
Consolidated net income	**333**	**338**	**579**	**241**	**71%**
Earning capacity*	**348**	**393**	**588**	**195**	**50%**
*Return on equity***	*--*	*7.2%*	*10.1%*	*2.9 pts*	*--*

* Earning capacity = net income (excl. minority interests) + net additions to Reserve for General Banking Risks (excl. minority interests)
** Calculated based on average capital funds and reserves

Compared with the pro forma figures for the first half of 2004, the CNCE Group's earning capacity for first-half 2005 was up 50% to €588 million.

- Net banking income for first-half 2005 rose 13% year-on-year to €2.3 billion. This advance was fueled by growth in commercial banking activities – particularly insurance, combined with healthy capital markets and financing operations.
  - The Commercial Banking division encompasses the CFF Group and retail banks (OCEOR, Banque Palatine, Compagnie 1818 and the individual Caisses d'Epargne accounted for by the equity method based on a 20% interest), as well as entities that provide support services to the retail network – such as Caisse d'Epargne Financement, and Gestitres – and insurance companies, including Ecureuil Vie, CNP Assurances, GCE Garantie, and Ecureuil IARD. Commercial Banking's net banking income amounted to €0.9 billion in first-half 2005, contributing some 40% to the CNCE Group's total. The primary growth drivers were a robust performance by GCE Garantie and strong lending activity.
  - The Investment Banking division (comprising IXIS Corporate & Investment Bank, IXIS Asset Management Group, IXIS Investor Services and CIFG) turned in a strong performance in first-half 2005 across all business lines. Compared with the first-half

2004 pro forma figure, the division's net banking income rose 11% to almost €1.3 billion in first-half 2005, accounting for 60% of the CNCE Group’s net banking income.

- General operating expenses totaled €1.7 billion, up by a significant 13%.

  At €0.9 billion, personnel costs accounted for 56% of these expenses, and represented an 8% increase over the first-half 2004 pro forma figure. This rise was primarily due to an increase in the variable portion of employee compensation, reflecting the higher contribution of Investment Banking to net banking income, and the extension of variable pay agreements within the Commercial Banking division, notably with respect to the CFF Group further to the Entenial merger. In addition, the number of staff employed by the CNCE Group edged up some 4% to almost 14,060 full-time equivalent employees.

  Other operating expenses climbed 19%. This sharp increase was due to the combination of several factors: a greater number of leadership and monitoring roles and the definition of a new risk management structure within the Group’s divisions; heavy investment in the Basel II and IFRS projects, as well as in measures to enhance internal control and risk management functions; restructuring costs; and migration of IT systems within the Commercial Banking entities.

- After these outlays, gross operating income advanced 12% year-on-year to €595 million.

- The higher pro forma operating efficiency ratio for first-half 2004 compared with the published ratio was mainly due to the full consolidation of subsidiaries with higher operating efficiency ratios, such as CFF, Banque Sanpaolo, and IXIS Asset Management Group. The operating efficiency ratio came to 74% for the first six months of 2005, representing a slight 0.2 point increase on the pro forma figure for first-half 2004.

- Net additions to provisions amounted to a very low €5 million, down €149 million compared with the pro forma figure for first-half 2004, when the Group recorded €107 million in provisions for general risks in relation to Corporate and Investment Banking.

- Ordinary income before tax came to €0.9 billion in first-half 2005, reflecting significant gains on fixed assets recorded by Crédit Foncier and a 15% rise in net income of affiliates accounted for by the equity method.

- Earning capacity stood at €0.6 billion at end-June 2005, up 50% on the pro forma figure for first-half 2004. Return on equity came to 10.1%.

3.2 Sharp rise in results posted across business lines

The presentation of results by business line follows the same logic as that of the segmentation adopted by Groupe Caisse d'Epargne, but is impacted by different structural factors:

- the individual Caisses d'Epargne in which the CNCE holds a 20% interest are accounted for by the equity method within the Commercial Banking division;
- Caisse d'Epargne Financement (CEFI) and Surassur – which was consolidated for the first time in 2005 – are accounted for the equity method within the CNCE Group, and Muracef is not included in the scope of consolidation.

Commercial Banking encompasses:

- subsidiaries that carry out operations related to lending, savings, and other banking services (Crédit Foncier, Banque Sanpaolo, OCEOR, and Compagnie 1818) and the individual Caisses d'Epargne (accounted for by the equity method);
- subsidiaries that provide support functions to the retail banking networks;
- insurance subsidiaries, including CNP Assurances, Ecureuil Vie, and GCE Garanties.

The Investment Banking division is organized into four business units:

- IXIS Corporate & Investment Bank, the Group's capital markets and financing arm. Based in Paris, this entity operates on an international scale through its New York and Hong Kong subsidiaries, as well as through branches in Frankfurt, London and Tokyo;
- IXIS Asset Management group, responsible for financial and real estate asset management in Europe, Asia and North America.
- IXIS Investor Services, specialized in asset custody and fund administration, and European institutional investor services.
- IXIS Financial Guaranty, which spearheads operations related to financial guaranties, mainly located in the United States.

A holding company completes the line-up, encompassing: the CNCE's proprietary securities transactions; central financing operations conducted by the CNCE and Martignac for the entire Group; CNCE support functions, excluding those directly related to the management of the Group's divisions; and management of both investments in unconsolidated undertakings and income and expense items considered as exceptional.

The breakdown by division is intended to provide a clear picture of the results and profitability of the areas of business in which the Group operates. This breakdown is based on the following rules and methods:

- **Net banking income**

  The breakdown of net banking income by division includes revenues generated by the business concerned, excluding exceptional items for the period which are included under the holding structure.

- **General operating expenses**

  The general operating expenses of the divisions correspond to the total expenditure of the legal entities concerned, and the direct costs borne by the CNCE in connection with the management and monitoring of business lines.

  The general operating expenses of the holding company comprise costs related to the management of proprietary portfolio transactions, as well as structural costs not directly charged to the divisions and expenses of an exceptional nature.

- **Provisions for impairment in value and for liabilities**

Provisions are booked to cover the risks inherent to each division. Provisions for general risks recorded by the Group's various legal entities are carried by the holding company.

- **Net gains/(losses) on fixed assets**

This items records capital gains or losses generated by the divisions on the sale of investments.

- **Exceptional items**

Exceptional income and expenses do not fall within the scope of ordinary operations and are recorded in full by the holding company.

- **Goodwill**

Amortization of goodwill is recorded by the holding company.

- **Tax charge**

The tax charge of the divisions reflects the liability recorded by each legal entity, restated if necessary to take account of items of income included within the holding company. Tax benefits generated by the tax consolidation group headed by the CNCE, as well as exceptional tax items, are recorded by the holding company.

- **Reserve for General Banking Risks**

Movements in the Reserve for General Banking Risks are recorded in full by the holding company.

- **Net income by division**

	CNCE Group		**of which Commercial Banking subsidiaries**		**of which Investment Banking subsidiaries**	
€ millions	**2004 PF** H1	**2005** H1	**2004 PF** H1	**2005** H1	**2004 PF** H1	**2005** H1
Net banking income	2,031	2,285	824	911	1,228	1,363
General operating expenses	(1,499)	(1,690)	(637)	(663)	(802)	(877)
Gross operating income	**532**	**595**	**187**	**248**	**426**	**486**
Operating efficiency ratio	*73.8%*	*74.0%*	*77.3%*	*72.8%*	*65.3%*	*64.3%*
Net additions to/releases from provisions	(154)	(5)	6	(8)	(36)	7
Net income of equity-accounted affiliates	225	258	224	242	4	8
Net gains/(losses) on fixed assets	(15)	18	(3)	21	7	(3)
Ordinary income before tax	**588**	**866**	**414**	**503**	**401**	**498**
Exceptional items	(11)	(8)				
Income tax	(120)	(184)	(53)	(85)	(130)	(158)
Amortization of goodwill	(45)	(44)				
Additions to the Reserve for General Banking Risks	(55)	(9)				
Minority interests	(19)	(42)	(11)	(15)	(18)	(30)
Consolidated net income	**338**	**579**	**350**	**403**	**253**	**310**
Earning capacity	**393**	**588**	**350**	**403**	**253**	**310**

4. Commercial Banking subsidiaries – steady performance gains

€ millions	Commercial Banking 2004 PF H1	2005 H1	Change	
Net banking income	824	911	87	11%
General operating expenses	(637)	(663)	-26	4%
Gross operating income	**187**	**248**	**61**	**33%**
Operating efficiency ratio	*77.3%*	*72.8%*	*-4.5 pts*	*nm*
Net additions to/releases from provisions	6	(8)	-14	nm
Net income of equity-accounted affiliates	224	242	18	8%
Net gains/(losses) on fixed assets	(3)	21	24	nm
Ordinary income before tax	**414**	**503**	**89**	**21%**
Exceptional items				
Income tax	(53)	(85)	-32	60%
Amortization of goodwill				
Additions to the Reserve for General Banking Risks				
Minority interests	(11)	(15)	-4	36%
Consolidated net income	**350**	**403**	**53**	**15%**
Return on allocated equity	--	13.3%	--	--

The Commercial Banking subsidiaries enjoyed a solid growth momentum, posting a 21% rise in ordinary income before tax.

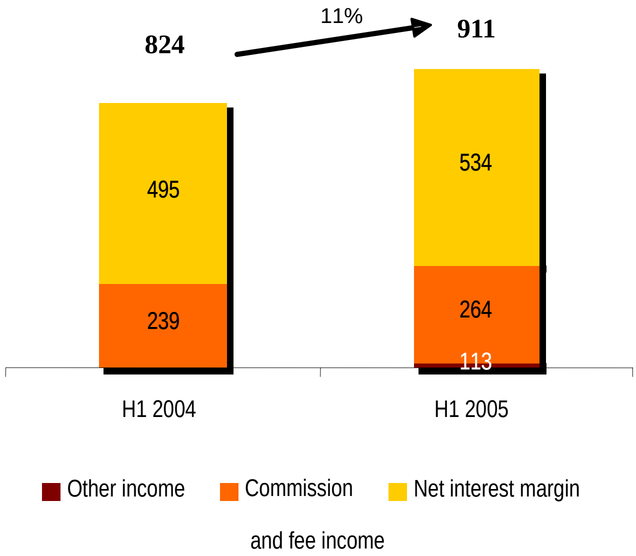
- **Net banking income** climbed 11% to €911 million, with all the banners contributing to this positive performance.
- **Gross operating income** expanded 33% to €248 million. The operating efficiency ratio for the Commercial Banking division contracted by a significant 4.5 points, coming in at 72.8%.
- At a total of €8 million, **net additions to provisions** remained low, in response to reduced individual risks and the Commercial Banking division's judicious approach to expansion.
- **Ordinary income before tax climbed 21%** to €503 million. Contributory factors were the 8% increase in the net income of affiliates accounted for by the equity method (reflecting strong operating performance turned in by the Group's insurance companies and the individual Caisses d'Epargne) and higher net gains on fixed assets, comprising mainly the €38.8 million disposal gain booked by Crédit Foncier in first-half 2005.
- **Interim consolidated net income** surged 15% year-on-year to €403 million.

Return on allocated equity, determined based on regulatory capital requirements (equivalent to 6% of risk-weighted assets for banking activities and 100% of the solvency margin for insurance operations), stood at 13.3% at end-June 2005.

4.1 11% growth in net banking income on the back of brisk demand

Commercial Banking net banking income

(€ millions)



**** Net interest margin***

Net interest margin advanced 8% to €534 million, reflecting the combination of a strong 5% rise in outstanding loans, a 7% increase in outstanding deposits and a tighter overall intermediation margin. In line with the overall market trend, the intermediation margin was, however, boosted by lower borrowing costs, which partly offset the erosion of margins on customer items.

**** Commission and fee income***

Total commission and fee income expanded 10% to €264 million, representing almost 30% of interim net banking income.

Commissions and fees from savings products (mainly mutual funds) grew 7% year-on-year, coming in at €37 million in first-half 2005.

Commissions and fees from loans rose to €69 million in the first six months of 2005. Commissions from loan insurance contributed €22 million during the period and were primarily driven by a buoyant real estate loan market and payment of an exceptional policyholders' dividend. Early loan repayment penalties came to €22 million and incidental commissions on loans amounted to €26 million.

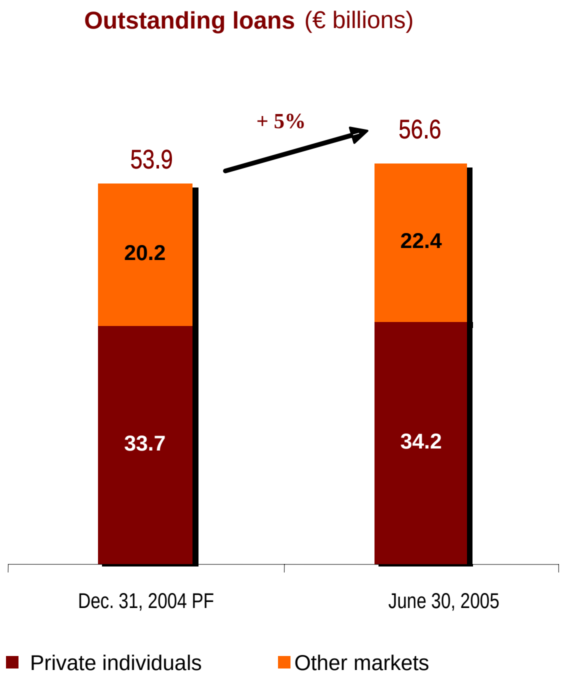
Commission and fee income from banking services rose 9% to €158 million, including some €65 million from electronic banking services.

**** Other income***

Other income, which totaled €113 million in first-half 2005, mainly corresponds to gross margin on insurance business which advanced 7% to €78 million, fueled by growth in guaranties and non-life insurance.

**** Record year for loans***

Total outstandings (including finance leases) rose 5% over the first half of 2005, against a backdrop of intense competition which required a skillful calibration between volumes and margins.

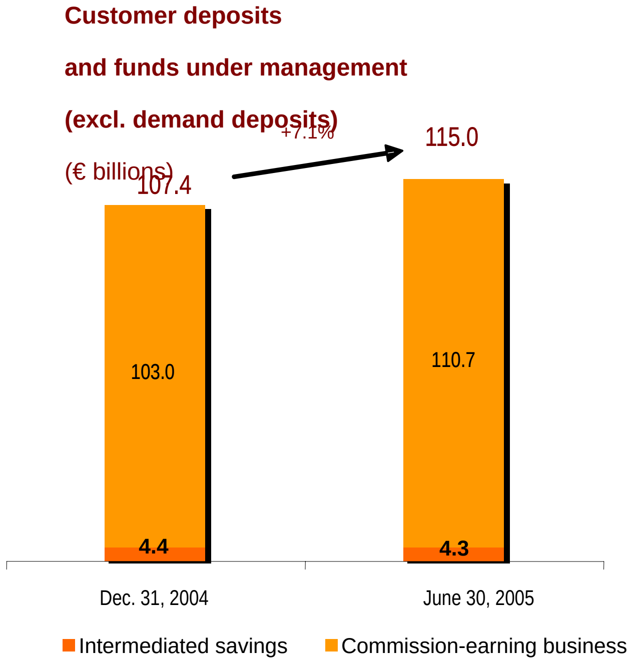


The CNCE Group continued to expand in commercial banking markets and pursued its drive to diversify into specialized markets, including small- and medium-sized enterprises, through Banque Palatine. Outstanding loans to private individuals accounted for almost 60% of total outstanding loans, up 1.5% over the period.

**** Customer savings up 7%***

Banque Palatine and Compagnie 1818 reported a sharp rise in inflows of new money, especially in life insurance. Altogether, customer savings climbed by some €13 billion.

Intermediated savings (excluding demand deposits) edged down to €4.3 billion at end-June 2005. Funds in passbook savings accounts were on a par with the year-end figure for 2004 at €1.2 billion, as were customer time deposit accounts which reached €1.2 billion against a backdrop of steeply downward market interest rates.



Customer deposits and funds under management concerning the Group's commission-earning activities rose 7% to €115 billion over the first six months of 2005. This growth was driven by life insurance, where an unprecedented level of inflows took assets to €68.9 billion at end-June. Savings invested in mutual funds advanced 9% to nearly €42 billion under the impetus of propitious market conditions.

4.2 General operating expenses up 4%

€ millions	2004 PF H1	2005 H1	*Change*	
Personnel costs	(315)	(331)	-16	5%
Other general operating expenses	(322)	(332)	-10	3%
Total general operating expenses	**(637)**	**(663)**	**-26**	**4%**

Personnel costs, which accounted for nearly 50% of general operating expenses, amounted to €331 million. The 5% year-on-year increase is attributable to new hires and increased salary costs, as explained below:

- Over 40% of the increase in personnel costs resulted from an approximate 2% growth in the number of employees during the period. Additional staff members were recruited by all Group banners as well as by the CNCE as a result of the restructuring of its business lines and risk monitoring procedures.
- The likewise significant increase in salary costs partly reflects the impact of measures taken by Crédit Foncier in connection with the merger with Entenial. The extended scope of employee-beneficiaries, combined with the new profit-sharing and incentive scheme and changes to working hours, represented additional expenditure of €8 million. Excluding these factors, the increase in personnel costs was 3%.

Other general operating expenses totaled €332 million. The 3% increase in these costs reflects the combined impact of the following:

- a €2 million decline in **taxes other than on income** to €16 million;
- a €13 million increase in the **cost of external services** to €282 million, mainly owing to upgrades to Crédit Foncier's information systems (Copernic project) and measures related to Banque Palatine's strategic plan.
- a slight €1 million decrease in **net depreciation and amortization expense**, which stood at €34 million for the period.

4.3 Gross operating income up 33%

Gross operating income came in at €248 million for first-half 2005, an increase of 33% compared with the same period of 2004. The Commercial Banking **operating efficiency ratio** improved by 4.5 points to 72.8%.

4.4 Tight control over provision expense

Net additions to provisions came to €8 million in first-half 2005, compared to net releases of €6 million recorded in first-half 2004, primarily by Crédit Foncier. This figure remains low relative to aggregate outstanding customer loans which total €56.6 billion.

The proportion of non-performing loans in Commercial Banking's total customer outstandings declined in first-half 2005, coming in at less than 4%. "Dynamic" and sector-based provisions provided additional cover of €102 million at end-June 2005.

The first-time application of CRC Rule 2002-03 led to a charge against reserves of approximately €60 million following the upward recalculation of non-performing loans on a present-value basis.

4.5 Ordinary income before tax up 21%

Ordinary income before tax climbed to €503 million over the first six months of 2005, reflecting:

- an €18 million increase in the net income of affiliates accounted for by the equity method to €242 million. Of the total increase, €11 million was contributed by the CNP and Ecureuil Vie life insurance companies, and €5 million by the first-time consolidation of Surassur. Another contributory factor was a rise in the net income reported by the individual Caisses d'Epargne.
- a rise in net gains on fixed assets, attributable to the €38.8 million disposal gain recognized by Crédit Foncier during the period.

4.6 Net income of over €400 million

The Commercial Banking division's **interim consolidated net income** surged 15% year-on-year to €403 million.

Return on allocated equity, determined based on regulatory capital requirements (equivalent to 6% of risk-weighted assets for banking activities and 100% of the solvency margin for insurance operations), stood at 13.3% at end-June 2005.

5. Investment Banking: sound results for first-half 2005

Since the end of 2004, the Investment Banking division has operated through four subsidiaries: IXIS Capital & Investment Bank, IXIS Asset Management Group, IXIS Investor Services and CIFG.

The division turned in a solid first-half performance, with 11% growth in net banking income. All business lines contributed to this performance, despite the difficult conditions encountered in some activities. The rise in general operating expenses reflects the increase in the variable portion of employee compensation resulting from the high level of business and continued investments.

The above factors, combined with the absence of additional provisions, drove a 23% surge in net income.

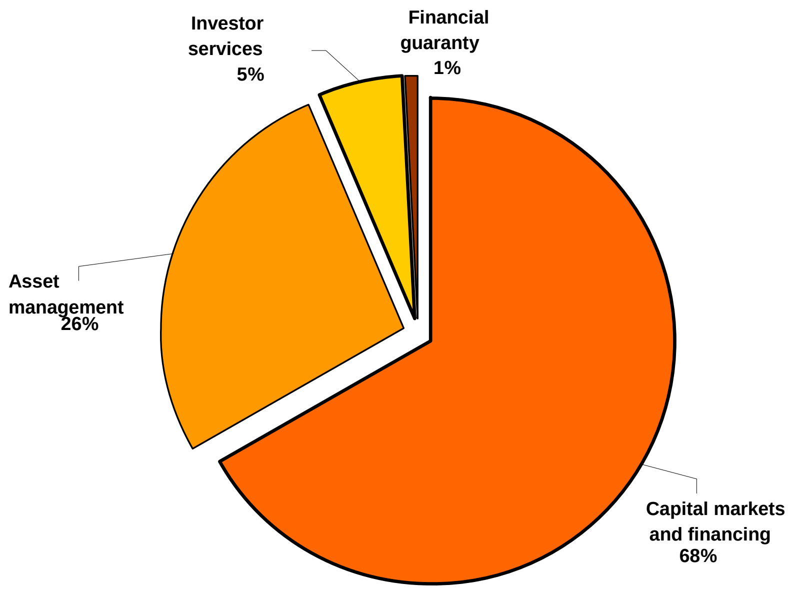
The Capital markets and financing business operated by IXIS CIB was the largest contributor, generating more than 50% of divisional net banking income and 68% of net income. Asset management made the second-largest contribution to divisional net income, generating 26% of the total. Investor services and Financial guaranty contributed 5% and 1% respectively.

Among the significant operations that took shape or were initiated during the first half of 2005 were:

- the strengthening of the partnership with Lazard;
- the finalization of the creation of CACEIS, a 50/50 joint venture with Crédit Agricole, housing both groups' institutional investor services operations.

These developments all testify to the Group's determination to gear its operations towards its strategic goals for the 2004-2007 period.

Consolidated net income up 23% to €310 million



5.1 Capital markets and financing

€ millions	Capital markets and financing				
	2004 PF H1	2005 H1		Change	
Net banking income	697	736		39	6%
General operating expenses	(381)	(429)		-48	13%
Gross operating income	**316**	**307**	(*)	**-9**	**-3%**
Operating efficiency ratio	*54.7%*	*58.3%*		*3.6 pts*	*nm*
Net (additions to)/releases from provisions	(34)	4		38	-112%
Net income of equity-accounted affiliates		4		4	nm
Net gains/(losses) on fixed assets	7	(3)		-10	nm
Ordinary income before tax	**289**	**312**		**23**	**8%**
Income tax	(106)	(97)		9	-8%
Minority interests	(5)	(5)			
Consolidated net income	**178**	**210**		**32**	**18%**
Return on allocated equity	--	17.2%		--	--

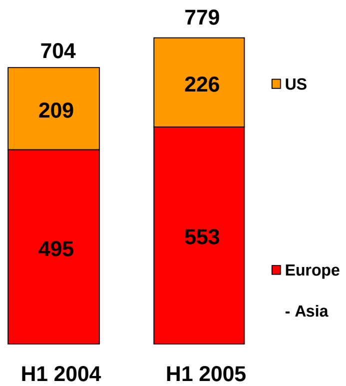
(*) The manner in which these accounts are presented does not fully reflect IXIS CIB's operating profitability, since a portion of its income is recorded under "Gross operating income" (tax income). Assuming a more economic approach, gross operating income would show a 7% rise while the operating efficiency ratio would remain flat.

The first half of 2005 was largely devoted to the continued integration of the businesses and subsidiaries contributed by CDC IXIS in early November 2004.

Efforts also focused on international development, with the establishment of a subsidiary in Luxembourg and a branch in Italy. In addition, the partnership with Lazard was cemented and the reorganization of financing and credit operations got under way.

Net banking income for the first six months of 2005 came to €736 million, representing a 6% increase on the pro forma figure for first-half 2004. On an economic-income basis (i.e. including tax credits generated directly by the business), revenue growth was 11%.

*** Economic income [1]**



Economic income in Europe and Asia amounted to €553 million at end-June 2005, up 12% compared with first-half 2004. Growth in economic net banking income for the North American operations was a solid 13% in US dollar terms.

Operating performance in Europe and Asia was generally gratifying:

- The **fixed income** business posted economic net banking income up 17% on the end-June 2004 level, thanks to sales of complex derivatives. As in 2004, the Group ranked 17th in euro-denominated issues, but moved up one spot to 5th place in the covered bonds league table.
- **Equity & arbitrage** revenues climbed 13%, likewise propelled by derivatives. The pace of growth was maintained thanks to the addition of new sales teams and the trading business's widely recognized technical expertise. Convertible bonds and risk arbitrage operations alone were less profitable than in previous years, because of a lack of new business and issues amid downward pressure on spreads and volatility.
- **Structured financing** turned in a good performance, with 12% income growth relative to the first six months of 2004. Business conducted with the Group showed a marked increase. Further diversification was achieved through the creation of the Captiva IXIS Capital Partners subsidiary, a real estate co-investment vehicle.
- The **credit business** maintained the strong momentum of 2004. On the complex credit & securitization front, proprietary trading slowed due to widening spreads following the downgrade to speculative of Ford's and General Motors' debt.

  Financing activities posted healthy growth over the first half of 2005, the 58% volume expansion in western Europe mirroring the overall market trend. The increase in volumes counterbalanced margin erosion, notably in the sphere of syndicated loans.

In the United States:

- **Securitization** transactions remained the mainstay business. Credit operations, spearheaded by the CDO team, continued to offer new growth avenues and helped cushion the negative impact of widening spreads on MBS/ABS activities amid stresses in fixed income markets.

[1] Economic income represents net banking income for the business line, adjusted for operating revenues that are recorded in other income accounts.

*** General operating expenses**

General operating expenses for IXIS CIB rose 13% over the period, reflecting the increased variable portion of employee compensation resulting from the high level of business and the start of the investments drive, notably for the benefit of structured finance & complex credit operations.

The furtherance of IXIS CIB's recruitment program contributed to the growth in salary costs alongside the rise in variable pay. The increase in other general operating expenses was due to monitoring and regulatory compliance projects.

*** Gross operating income dropped 3%** to €307 million. However, on an economic-income basis (i.e., including recurring tax benefits), gross operating income rose 7%. The **operating efficiency ratio increased by 3.6 points** relative to end-June 2004, but remained stable on an economic-income basis.

* **Net additions to provisions declined** in response to provision releases during the first half of 2005.

* **Ordinary income before tax advanced 8%** to €312 million, reflecting a combination of higher income from affiliates accounted for by the equity method (especially Nexgen over the first six months of 2005) and lower net gains on fixed assets after the non-recurring income generated in 2004.

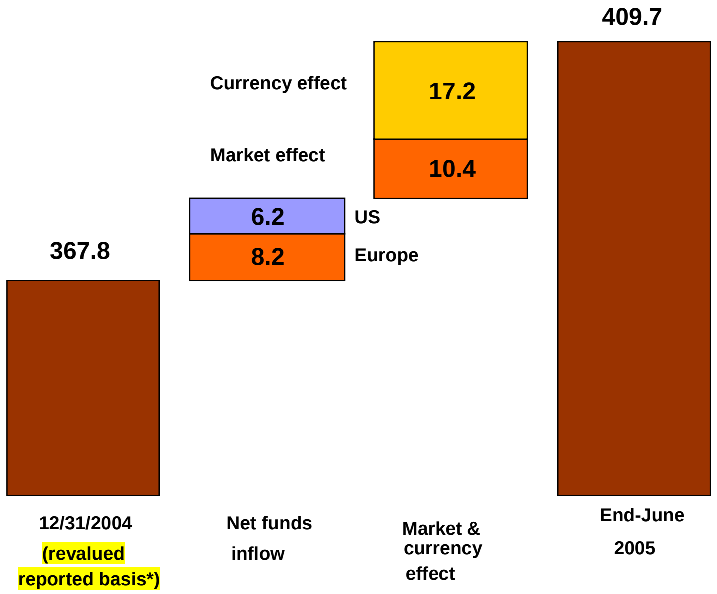
* **Interim net income surged 18%** year-on-year to €210 million. Capital markets and financing ROE stood at 17.2% after tax (based on equity allocation equal to at least 6% of risk-weighted assets).

5.2 Asset management

€ millions	Asset management			
	2004 PF H1	2005 H1	Change	
Net banking income	436	527	91	21%
General operating expenses	(351)	(379)	-28	8%
Gross operating income	**85**	**148**	**63**	**74%**
Operating efficiency ratio	*80.5%*	*71.9%*	*-8.6 pts*	*nm*
Net additions to provisions	(3)		3	n/a
Income from equity-accounted affiliates	3	4	1	33%
Ordinary income before tax	**85**	**152**	**67**	**79%**
Income tax	(16)	(48)	-32	n/a
Minority interests	(12)	(25)	-13	n/a
Consolidated net income	**57**	**79**	**22**	**39%**
Return on allocated equity	--	102.7%	--	--

The IAM group holding company was created on August 31, 2004 to house the asset management operations conducted through the IXIS AM SA, IXIS AEW Europe and Ecureuil Gestion subsidiaries. The pro forma figures for IAM Group cited below include data for IXIS AEW Europe and Ecureuil Gestion as from January 1, 2004.

The Asset management business turned in a strong overall performance over the first six months of 2005. Assets under management rose by €41.9 billion (+11%) over the period to €409.7 billion. This performance was shaped by a net funds inflow of €14.4 billion, a positive market effect of €10.4 billion and a favorable currency impact of €17.2 billion resulting from the appreciation of the US dollar over the period.



* Reflects the revaluation of CDO funds included in assets under management at end-2004.

Net new assets under management for IXIS AM Group amounted to €14.4 billion at end-June 2005, representing 34% of overall growth in managed assets during the period. The inflow of funds was virtually stable relative to the prior-year period (in constant euros).

Total assets under management in Europe and Asia rose by €17.8 billion (+7.6%) over the period to €250.9 billion. Contributory factors were a positive market effect representing €9.7 billion (including €7.0 billion from unit-linked assets and €1.3 billion from equity-based products) and a net funds inflow of €8.2 billion (including €6.1 billion from money-market products and €2.7 billion from unit-linked assets).

Total assets under management in the United States increased by €8.2 billion (+4.5%) over the first half of 2005 to US$190.5 billion. This growth resulted mainly from a net funds inflow of US$7.4 billion. The market effect was relatively weak (+US$0.8 billion), but represented a reversal of the first-quarter trend (-US$1.7 billion).

* **Net banking income** for the Asset management business jumped 21% (+€91 million) year-on-year to €527 million, on the back of growth in managed assets and contrasting circumstances in Europe and the United States.

On a constant exchange-rate basis, Group revenues surged 22%. This growth reflects a 12.1% increase in average funds under management (up €57.7 million, including €49.6 million in the United States), the favorable trend in commission rates and the impact of performance and transaction commissions.

* The 8% advance in **general operating expenses** to €379 million at end-June 2005 should be viewed in relation to growth in assets under management and net banking income. The increase in general operating expenses integrates both higher fixed costs in Europe and the business model for the United States, calibrated to keep growth in net banking income ahead of that in general operating expenses.

*** Gross operating income** soared 74% to €148 million. A happy combination of robust growth in net banking income and expense discipline delivered an 8.6-point year-on-year improvement in the **operating efficiency ratio** to 71.9%.

* **Interim net income** jumped 39% to €79 million on the back of the strong operating performance. The Asset management business ended the period with 102.7% ROE determined based on regulatory capital requirements, equivalent to 25% of general operating expenses.

5.3 Custody and institutional investor services

€ millions	Custody and institutional investor services			
	2004 PF H1	2005 H1	Change	
Net banking income	79	80	1	1%
General operating expenses	(60)	(59)	1	-2%
Gross operating income	**19**	**21**	**2**	**11%**
Operating efficiency ratio	*75.9%*	*73.8%*	*-2.1 pts*	*nm*
Net releases from provisions	1	3	2	nm
Ordinary income before tax	**20**	**24**	**4**	**20%**
Consolidated net income	**13**	**16**	**3**	**23%**

Custody and institutional investor services were reorganized at the end of 2004 within the newly created IXIS Investor Services, wholly owned by the CNCE. IXIS Investor Services operates through three subsidiaries:

- IXIS Urquijo, a Spanish bank specializing in custody and depository services, which is 51%-owned by IXIS Investor Services and 49%-owned by Banco Urquijo;
- IXIS Administration de Fonds, a wholly-owned subsidiary specializing in the administrative and accounting management of French funds;
- Euro Emetteur Finance, equally owned with Crédit Lyonnais and specializing in issuer services.

As IXIS IS did not perform any banking operations or investor services in 2004, pro forma data have been provided for the six months to June 30, 2004.

The first half of 2005 was marked by two major projects:

- spin-off operations: separation of banking tools; takeover of banking functions still performed by the Caisse des dépôts et consignations; establishment of employee representative bodies; organization of employer-employee relations; and initiation of human resources functions and their integration within the broader Group;
- partnership with Crédit Agricole: following the announcement made on December 17, 2004, the partnership agreement was completed in accordance with the scheduled July 4, 2005 launch date.

Assets in custody amounted to €712 billion, up 4% on the end-2004 level, with intra-group business (life insurance) on a steep rising trend. Administered funds amounted to €136 billion at end-June 2005 (+7%).

* **Net banking income** for Custody and institutional investor services posted a slight increase, up €1 million on the June 2004 figure. The substantial growth in custody fees, which contribute to the core revenue base, mirrored the rise in assets in custody. This positive trend is the result of a concerted marketing drive to win new business and sustain market growth.

* **Gross operating income** climbed 11% to €21 million, thanks to growth in net banking income and effective control over general operating expenses. The **operating efficiency ratio** retreated 2.1 points to 73.8%.

* **Interim net income** benefited from the increase in gross operating income and tight control over operational risks, surging 23% year-on-year to €16 million. Releases from provisions also contributed to the advance.

5.4 Financial guaranty

€ millions	Financial guaranty 2004 PF H1	2005 H1	Change	
Net banking income	15	20	5	33%
General operating expenses	(9)	(10)	-1	11%
Gross operating income	**6**	**10**	**4**	**67%**
Operating efficiency ratio	*60%*	*50%*	*-10.0 pts*	
Consolidated net income	**5**	**4**	**-1**	-20%

The Financial guaranty business enables customers to obtain irrevocable guarantees for payments of principal and interest due by borrowers that are rated at least “BBB-” (investment grade). The guarantees are provided by insurance specialists and the business is operated by the Group’s CIFG Europe and CIFG NA subsidiaries.

Thanks to this service, issuers can obtain lower-cost refinancing on the market and investors are given new opportunities in terms of structured products and secured public-private partnership projects.

At the beginning of 2005, the Financial guaranty business encountered difficult market conditions, characterized by weak spreads and lower business volumes. This triggered fierce competition between mono-line insurers.

After a slow start, business picked up strongly in the second quarter and has sustained momentum in the second half of the year.

Total outstanding guarantees amounted to US$28.6 billion at end-June 2005, with adjusted gross premiums written reaching US$37.9 billion. The increase in adjusted gross premiums written in the second quarter will have a significant impact on premiums earned over the full year.

At end-June 2005, 25% of portfolio commitments concerned local government borrowing in the United States, 42% US structured products, 11% European local government and infrastructure funding, and 22% European structured products.

The underlying securities had an average “AA” rating.

Interim net banking income surged 33% year-on-year to €20 million. **Net income** showed a modest decline to €4 million.

6. Comments on the activities and results of the CNCE

€ millions	2004 H1	2005 H1	Change 2005/2004	
Net banking income	367	479	112	31%
General operating expenses	(143)	(195)	-52	36%
Gross operating income	**224**	**284**	**60**	**27%**
Operating efficiency ratio	*39.0%*	*40.7%*	*1.7 pts*	*--*
Net additions to provisions	(4)	(5)	-1	25%
Net gains/(losses) on fixed assets	97	(13)	-110	-113%
Ordinary income before tax	**317**	**266**	**-51**	**-16%**
Exceptional items	100	(3)	-103	nm
Income tax	(1)	86	87	nm
Additions to the Reserve for General Banking Risks	0	0	0	nm
Net income	**416**	**349**	**-67**	**-16%**

6.1 Net banking income up 31%, reflecting the CNCE's new scale

The CNCE's **net banking income** advanced 31% to €479 million in first-half 2005, deriving from dividends, proprietary financial management and lending activities, and banking services including revenues from interbank transfers, electronic money systems and book-keeping services.

** Dividends*

- Dividends received came to €446 million, compared with €284 million in first-half 2004. Growth was fueled by the New Foundations project, with the CNCE's portfolio of subsidiaries tripling since the end of 2003, and can be analyzed as follows:
  - Crédit Foncier made a €151 million dividend payout in the first half of 2005, versus €30 million in the equivalent period of the previous year, reflecting solid results for full-year 2004.
  - The CNCE Group's insurance companies contributed €96 million in dividends, up from €77 million in first-half 2004, powered by a robust sales performance and stronger bottom-line results.
- Six months of dividends – representing €58 million – were received on the Cooperative Investment Certificates through which the CNCE has held a 20% stake in the capital of the regional Caisses d'Epargne since July 1, 2004.

** Financial management, proprietary activities, lending and treasury operations*

Net income from financial management, proprietary activities, lending and treasury operations rose to €39 million from €12 million in the six months to June 30, 2004. This increase was attributable to the integration of IXIS' operations – notably its delegated asset management portfolio, which contributed €36 million – as well as to the benefits reaped from expanding the lending business in the second half of 2004. This business is currently being transferred to specialized subsidiaries of the CNCE and should therefore no longer be included in the CNCE's balance sheet as from December 31, 2005.

** Banking services*

Net banking income generated by banking services provided by the CNCE amounted to €65 million up €11 million, or 20%, on first-half 2004. Of this amount, €6 million stemmed from the contribution of IXIS' operations. The increase in income from electronic banking (bank cards) was spurred by a rise in the volume of transactions.

6.2 Sharp rise in general operating expenses, due to the CNCE's strengthened role as the central institution of Groupe Caisse d'Epargne

General operating expenses rose 36% to €195 million in first-half 2005, propelled by the twofold impact of tightening the CNCE's leadership and monitoring roles and integrating IXIS' operations.

The CNCE's leadership and monitoring roles have been reorganized and strengthened further to the integration of 300 staff from Eulia and IXIS since end-June 2004 and the assignment of its new role as the Group's central institution. In addition, research costs were sustained in first-half 2005, reflecting the large number of projects carried out.

Overall, **gross operating income** expanded 27% on June 30, 2004, to €284 million, and the operating efficiency ratio stood at 40.7%.

6.3 Other income statement items

Net additions to provisions increased to €5 million.

The CNCE recorded a **net loss on fixed assets** in first-half 2005 compared with a net gain in the corresponding prior-year period. The substantial reduction in this item is primarily due to an unfavorable basis of comparison with the first half of 2004, which saw a €19 million disposal gain and a €78 million merger surplus recorded in connection with the New Foundations project.

Exceptional items declined but the amount concerned was not material. The difference reflects the €100 million in exceptional items recorded in 2004 further to the €131 million in indemnity payments made to the CNCE, following activation of the reciprocal indemnity clauses granted in 2001 between the CNCE and Caisse des dépôts et consignations at the time of the "Alliance" transactions.

The €86 million **income tax benefit** posted in first-half 2005 is attributable to the savings arising from tax consolidation.

Interim net income totaled €349 million, down 16% on the atypical banner period of first-half 2004.

7. Analysis of the consolidated balance sheet and capital funds

7.1 Comments on the consolidated balance sheet

€ millions	2003	2004	H1 2005	Change Amount	Change %
Due from banks	123,896	160,520	165,121	4,601	2.9%
Customer loans (including finance leases)	78,132	91,761	97,796	6,035	6.6%
Securities transactions	100,222	100,779	105,316	4,537	4.5%
Fixed assets	1,932	2,274	2,348	74	3.3%
Other assets	30,743	32,424	36,705	4,281	13.2%
Total assets	**334,925**	**387,758**	**407,286**	**19,528**	**5.0%**
Due to banks	95,098	118,721	114,125	-4,596	-3.9%
Customer deposits	35,130	42,290	53,168	10,878	25.7%
Securities and subordinated debt	132,481	150,237	153,199	2,962	2.0%
Other liabilities	61,364	65,025	75,070	10,045	15.4%
Capital funds	10,852	11,485	11,724	239	2.1%
Total liabilities	**334,925**	**387,758**	**407,286**	**19,528**	**5.0%**

At June 30, 2005, total consolidated assets of the Caisse Nationale des Caisses d'Epargne Group amounted to €407.3 billion, representing a 5% increase compared with December 31, 2004. The main adjustments to the 2003 pro forma balance sheet concerned the consolidation of Entenial and the full consolidation of IXIS which was proportionally consolidated based on 26.45% at December 31, 2003.

Outstanding **customer loans** advanced by over €6 billion, up 6.6 % on the 2004 figure. They now account for 24% of total consolidated assets.

The Group ended the first half of 2005 with consolidated capital funds (excluding minority interests but including the reserve for general banking risks) of €11.7 billion, versus €11.4 billion at December 31, 2004.

7.2 Capital funds and capital adequacy ratio

€ millions	2003	2004	H1 2005	*Change*
TOTAL CAPITAL FUNDS	**4,664**	**12,282**	**12,785**	**4%**
of which Tier-1 capital	*4,461*	*12,047*	*12,250*	2%
Capital funds requirements	**3,060**	**7,173**	**7,745**	8%
Loan loss risks	*2,747*	*5,931*	*6,367*	7%
Market risks	*313*	*1,242*	*1,378*	11%
Capital adequacy ratio	**152%**	**171%**	**165%**	**-6 pts**

The CNCE Group's capital funds requirements stood at €7.7 billion at June 30, 2005, up 8% following the integration of IXIS' operations in 2004 – primarily concerning the Capital Markets and Financing business.

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

The amount of pension and similar benefits, calculated in accordance with *Conseil national de la comptabilité* Recommendation 2003-R.01, is excluded from the Group's Tier 1 capital. The impact of the exclusion of the amount of such benefits, which is mandatory in the absence of a specific provision, is €27 million.

The Group's consolidated capital adequacy ratio stood at 165% at June 30, 2005 versus 171% one year earlier, well in excess of the statutory ratio of 100%.

8. Outlook for second-half 2005

During the second half of 2005, the CNCE Group intends to pursue its reorganization drive begun at the end of 2004, in line with the objectives set out in its strategic plan. Its main focus will be on strengthening its role of managing and monitoring the Group's businesses and subsidiaries. The restructuring operations will also give rise to a merger between the CNCE and Martignac – one of the Group's refinancing arms.

At the same time, the CNCE is forging ahead with the implementation of Basel II and is continuing to work on the IFRS project. The Group will publish its first IFRS financial statements in 2006. In addition, the IXIS and CNCE interbank transfer platforms will be merged from October 2005.

Finally, at the end of 2005, all employees of the CNCE and its major subsidiaries will be brought together at the Avant-Seine site, which will be the CNCE's new headquarters.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2005 OF CAISSE NATIONALE DES CAISSES D'EPARGNE GROUP (CNCE GROUP)

Assets

(millions)

	Notes	06/30/2005	12/31/2004
MONEY MARKET AND INTERBANK ITEMS	6	165,121	160,520
CUSTOMER ITEMS	7	94,888	88,933
LEASE FINANCING	8	2,908	2,828
BONDS, SHARES AND OTHER FIXED- AND VARIABLE-INCOME SECURITIES	9	96,050	91,913
INVESTMENTS BY INSURANCE COMPANIES	31	1,769	1,581
INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES, AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD AND OTHER LONG-TERM INVESTMENTS	10	7,497	7,285
TANGIBLE AND INTANGIBLE ASSETS	12	2,348	2,274
GOODWILL	16	962	947
ACCRUALS, OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS	14	35,743	31,477
TOTAL ASSETS		**407,286**	**387,758**

Off-balance sheet commitments

(€ millions)

	Notes	06/30/2005	12/31/2004
Commitments given:			
FINANCING COMMITMENTS	18	47,814	52,829
GUARANTEE COMMITMENTS	18	44,373	31,991
COMMITMENTS MADE ON SECURITIES		4,800	728
COMMITMENTS GIVEN BY THE INSURANCE BUSINESS	18	49,307	41,457

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

Liabilities, capital funds, and reserves

(millions)

	Notes	06/30/05	12/31/04
MONEY MARKET AND INTERBANK ITEMS	6	114,125	118,721
CUSTOMER ITEMS	7	53,168	42,290
DEBT SECURITIES	13	144,696	142,324
INSURANCE TECHNICAL PROVISIONS	32	1,181	1,052
ACCRUALS, OTHER ACCOUNTS PAYABLE AND OTHER LIABILITIES	14	72,155	62,219
GOODWILL	16	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	15	1,070	1,133
SUBORDINATED DEBT	17.3	8,503	7,913
RESERVE FOR GENERAL BANKING RISKS	17.2	263	256
MINORITY INTERESTS		664	621
CONSOLIDATED CAPITAL FUNDS AND RESERVES (EXCLUDING RESERVE FOR GENERAL BANKING RISKS)	17.1	11,461	11,229
Capital		6,906	6,906
Additional paid-in capital		1,939	1,939
Consolidated reserves and retained earnings		2,037	1,499
Net income for the period		579	885
TOTAL LIABILITIES, CAPITAL FUNDS AND RESERVES		407,286	387,758

Off-balance sheet commitments

(€ millions)

	Notes	06/30/2005	12/31/2004
Commitments received:			
FINANCING COMMITMENTS	**18**	**5,544**	**7,154**
GUARANTEE COMMITMENTS	**18**	**11,261**	**13,288**
COMMITMENTS RECEIVED ON SECURITIES		**6,898**	**3,707**
COMMITMENTS RECEIVED BY THE INSURANCE BUSINESS		**506**	**495**

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

Consolidated profit and loss account of the CNCE Group

		Notes	First-half 2005	First-half 2004	Fiscal 2004
					(€ millions)
+	Interest and similar income	20	7,373	3,972	10,710
-	Interest and similar expense	20	(6,616)	(3,658)	(10,568)
+	Income from variable income securities	21	136	40	111
+/-	Net commission and fee income	22	917	325	1,246
+/-	Net gains on trading transactions	23	466	333	1,313
+/-	Net gains/(losses) on held-for-sale portfolio transactions and similar items	24	(178)	106	196
+	Other net operating income and expense	25	89	35	37
	Gross margin on insurance business	33	98	41	149
	NET BANKING INCOME		**2,285**	**1,194**	**3,194**
-	General operating expenses	26	(1,604)	(762)	(2,362)
-	Depreciation, amortization and impairment of tangible and intangible assets		(86)	(48)	(150)
	GROSS OPERATING INCOME		**595**	**384**	**682**
-	Net additions to provisions	27	(5)	(52)	(44)
	OPERATING INCOME		**590**	**332**	**638**
+/-	Share in net income of companies accounted for by the equity method	10.2	258	73	337
+/-	Gains/(losses) on fixed assets	28	18	1	(8)
	ORDINARY INCOME BEFORE TAX		**866**	**406**	**967**
+/-	Exceptional items	29	(8)	94	80
-	Income tax	30	(184)	(117)	(81)
-	Amortization of goodwill	16	(44)	(22)	(67)
+/-	Additions to/(releases from) the Reserve for General Banking Risks	17	(9)	(15)	40
-	Minority interests		(42)	(13)	(54)
+/-	**CONSOLIDATED NET INCOME (EXCLUDING MINORITY INTERESTS)**		**579**	**333**	**885**

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2005

Note 1 – Legal and financial framework

1.1 – LEGAL FRAMEWORK

1.1 – ROLE OF THE CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE (CNCE)

The CNCE qualifies as a central institution under French banking law and a financial institution authorized to operate 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 et de Prévoyance and by 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 et de Prévoyance, 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 individual Caisses d'Epargne et de Prévoyance, and for 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 greater interest of the network, whose financial stability is guaranteed by the CNCE.

1.2 – GUARANTEE SYSTEM

Pursuant to the Act of June 25, 1999, the CNCE, acting as the central institution, has organized a network mutual guarantee and solidarity mechanism within Groupe Caisse d'Epargne to ensure 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 affiliates of the Group, in accordance with article L.511-31 of the *Code monétaire et financier* (French Monetary and Financial Code).

The individual Caisses d'Epargne participate in the guarantee system through a *Fonds de garantie et de solidarité du réseau* (Network Mutual Guarantee and Solidarity Fund, FGSR), carried in the books of the CNCE and provided with an immediate intervention capacity of €250 million. This amount is invested in a dedicated mutual fund. Should it prove insufficient, the Management Board of the CNCE may, further to a rapid decision-making process ensuring timely action, call on appropriate additional resources.

The purpose of this fund is to promote solidarity between the individual Caisses d'Epargne. It may be used by the CNCE, particularly where it has to intervene on behalf of one of its affiliated entities and where the amount in question exceeds that entity's financial capabilities. In such a case, the intervention of the individual Caisses d'Epargne, organized via the FGSR, would also be supported by the intervention of the Caisse des dépôts et consignations in its capacity as a shareholder and acting as an informed market investor.

The guarantee system's objective of averting default is complementary to the chiefly curative objective of the market guarantee systems to which Groupe Caisse d'Epargne also subscribes.

Note 2 – Principles and methods of consolidation of the CNCE Group

2.1 – PRINCIPLES

The consolidated financial statements are drawn up in accordance with the principles laid down by Rules

99-07 and 2000-04 of the *Comité de la réglementation comptable* (French Accounting Regulatory Committee, CRC).

2.2 – METHODS AND SCOPE OF CONSOLIDATION

The consolidated financial statements include the accounts 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 the Group's consolidation.

- **Full consolidation**

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 which 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.

- **Proportional consolidation**

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.

- **Equity method**

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.

- **Specific case of special purpose entities**

When the Group, or a company within the Group, controls an entity by virtue of a contract or clause in the company's articles of association, this entity is consolidated, even in the absence of any capital links.

The criteria for determining control of special purpose entities, defined as structures created specifically to manage one or more operations on a company's behalf, are based on the power to manage the entity's day-to-day activities or assets, the capacity to benefit from all or most of its income and on exposure to substantially all of the risks associated with the entity.

- **Exclusions from the scope of consolidation**

A company controlled by, or subject to significant influence from the Group, is excluded from the scope of consolidation with effect from the acquisition date when the shares of this company 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.

A subsidiary or investment may be excluded from consolidation when it is impossible to obtain the information required to prepare the consolidated accounts without excessive expense or within a timeframe compatible with the publication of the consolidated financial statements.

A company may also be excluded from consolidation when, taken alone or with other companies qualifying for consolidation, it is not material to the consolidated accounts of all the entities included within the scope of consolidation, taken as a whole.

Investments in such companies appear under the heading "Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments".

2.3 – CHANGES IN THE SCOPE OF CONSOLIDATION

The main changes in the scope of consolidation during first-half 2005 do not have a material impact upon the Group's capital funds and reserves and consolidated net income.

- **Internal restructuring of the Crédit Foncier group**

Crédit Foncier de France has merged its subsidiaries Crédit Foncier Banque, Entenial and A3C.

- **IXIS Corporate & Investment Bank**

The main changes relate to the creation of business-specific specialized subsidiaries within the IXIS CIB group and the creation of special purpose entities within the framework of restructuring activities.

- **Restructuring of the Group's Private Banking division**

During first-half 2005, the Group restructured its Private Banking division around Véga Finance, which was renamed La Compagnie 1818. The most significant operations concerned partial asset transfers from Crédit Foncier de France, Crédit Foncier Banque and Banque Palatine to La Compagnie 1818.

At June 30, 2005, the CNCE Group controlled 99.4% of the share capital of La Compagnie 1818 via the Caisse Nationale des Caisses d'Epargne (65.8%), the Crédit Foncier group (21%) and Banque Palatine (12.6%).

2.4 – CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS

The consolidated financial statements of the CNCE Group are drawn up in conformity with CRC Rule 99-07.

Under Rule 99-07:

- Accounting methods used by the various companies included in consolidation must be consistent. The principal consolidation methods are described in Note 3.
- Certain valuation methods should be used when drawing up the consolidated financial statements that are not used in the individual financial statements of each entity. These valuation methods chiefly relate to:
    - finance lease transactions including leases with purchase options where the Group 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 Group 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 and leases with purchase options where the Group is the lessor are recorded in the balance sheet, with the rental considered as 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 Group 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 resulting from tax regulations**

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

The main items concerned are investment grants and 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 in which the tax saving will be realized.

The tax rate and fiscal rules adopted for the computation of deferred tax are based on current tax legislation and are 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.

2.5 – ELIMINATION OF INTER-COMPANY TRANSACTIONS

The effect on the consolidated balance sheet and profit and 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.

2.6 – GOODWILL

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

Positive and negative goodwill is taken to income over a period that takes into account underlying assumptions and the objectives of the acquisition.

2.7 – TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENCIES

Balance sheet and off-balance sheet items of foreign companies are translated at period-end exchange rates (with the exception of capital funds translated at historical rates) and profit and loss items are translated using an average rate for the period. Any gains or losses arising on translation are included in consolidated reserves under the heading “Translation adjustments”.

2.8 – CONSOLIDATION METHOD ADOPTED FOR INSURANCE COMPANIES

The CNCE Group comprises six insurance companies: Cegi, Ecureuil Assurances IARD, Foncier Assurance, Saccef, Socamab Assurances and the CIFG group.

The interests held by the Group in Ecureuil Vie, the CNP group and Surassur 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 the *Code des assurances* (French Insurance Code) and, where applicable, CRC Rule 2000-05 governing consolidation policies for companies subject to the French Insurance Code.

Pursuant to CRC Rule 99-07, items listed in the financial statements of insurance companies included in consolidation are presented in similar-type accounts of Groupe Caisse d'Epargne’s balance sheet and profit and loss account, with the exception of a number of specific items:

- In the consolidated balance sheet, “Investments by insurance companies” and “Insurance technical provisions” are presented separately,

- In the consolidated profit and loss account, “Gross margin on insurance business” is comprised of policy premiums received, claims expenses that include changes in technical provisions, and net income from investments.

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

Note 3 – Accounting policies

The interim consolidated financial statements of the CNCE Group for the six months ended June 30, 2005 have been prepared and presented in accordance with the policies defined by the CNCE, which comply with French generally accepted accounting principles and the valuation methods prescribed by the *Conseil national de la comptabilité* (French National Accounting Board, CNC) Recommendation 2001-R-02.

Balance sheet items are presented, where applicable, net of the related depreciation, amortization and any provisions or other value adjustments.

3.1 – FIXED ASSETS

Fixed assets are recorded at historical cost except for real estate assets that were revalued following the network mergers between 1990 and 1993.

Depreciation and amortization are recorded on a straight-line or accelerated basis over the estimated

useful lives of the assets, as follows:
- buildings: 20 to 50 years
- fixtures and fittings: 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

Significant asset components are now separated out and depreciated over their useful lives. In some circumstances, provisions may be booked for impairment.

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

Investments in unconsolidated subsidiaries and affiliates are recorded at historical cost. At period-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 the historical 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” as regards both listed and 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. Provisions are systematically made for unrealized capital losses. Unrealized capital gains are not recognized.

3.3 – SECURITIES

Securities transactions are accounted for in conformity with Rule 90-01 (as amended) issued by the *Comité de la réglementation bancaire et financière* (French Banking and Financial Services Regulatory Committee, CRBF).

Trading account securities are securities that are acquired or sold with a view from the outset to being resold or repurchased within a short period not exceeding six months. Only securities negotiable on a liquid market, with market prices permanently 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 and loss account.
After they have been held for a period of six months, trading account securities are reclassified as "Held-for-sale securities" or "Investment securities" depending on their definition and the conditions required for inclusion in each of these target portfolios. These trading account securities are transferred at their market value on the day of transfer.

Securities acquired with a view to being 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 classified as **held-for-sale securities**.

At their date of acquisition, held-for-sale securities are carried in the balance sheet at original purchase cost, excluding ancillary costs. In the case of money market instruments, the accrued interest at the date of acquisition is included in their purchase cost.

Any differences between purchase price and redemption value (premiums or discounts) of fixed-income securities are taken to the profit and loss account over the remaining life of the security. In the balance sheet, the book value of the security is gradually adjusted in line with its redemption value, on a straight-line basis for fixed-income securities or using the yield-to-maturity method for money-market instruments.

Accrued interest on fixed-income securities is recognized in “Accrued interest” in the balance sheet, with a contra-entry to “Interest and similar income” in the profit and loss account.

Held-for-sale securities are valued at the lower of their cost or probable market price. A provision is made for unrealized capital losses, while unrealized capital gains are not recognized. The provision for unrealized capital losses takes account of any gains generated by hedging instruments that may have been set up.

Capital gains or losses on the disposal of held-for-sale securities, as well as impairment charges and write-backs are recorded in “Net gains/(losses) on held-for-sale portfolio transactions and similar items". However, in the case of a recognized risk in relation to fixed-income securities, a provision is carried for non-performing loans in the profit and loss account under “Net additions to provisions”.

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 CRBF, 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 acquisition in the same manner as held-for-sale securities. Securities that were previously included in the "Held-for-sale" portfolio are carried at their acquisition cost and any provisions previously set aside are written back over the remaining life of the security. Any differences between the purchase price and redemption value of the securities, as well as any related accrued interest, are recognized in accordance with the same rules as those applicable to fixed-income held-for-sale securities.
A provision for impairment in value may be recorded if it is highly probable that the entity will not hold securities until maturity owing to changes in circumstances. If a default risk exists regarding the issuer, a provision is carried for non-performing loans in the profit and loss account under “Net additions to provisions".

Provisions for impairment in the value of held-for-sale and investment securities are supplemented by a provision for certain counterparty risks (Note 15).

Portfolio equity investments are accounted for in accordance with CRBF Rule 90-01 as amended by CRC Rule 2000-02.
Portfolio activities consist in regularly investing a portion 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 operational management.
In principle, portfolio investments are 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 period-end, portfolio equity investments are recorded at the lower of historical cost or fair value to the Group. “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 either by the average market price over the past two years, or the market value at period-end, if greater. In the case of unlisted securities, valuation may be based on recent transaction prices.
Provisions are systematically made for unrealized capital losses. Unrealized capital gains are not recognized.

CRBF Rule 89-07, together with Instruction 94-06 issued by the *Commission bancaire* (French Banking Commission), defines the accounting rules applicable to **repurchase agreements**.

Assets sold under repurchase agreements 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 their 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 items.

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” when 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 (nine 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, with the exception of loans whose contractual clauses have either been complied with or which provide for guarantees in respect of their collection.

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 and loss account and as a charge against the corresponding loan in the balance sheet. It is taken to the profit and 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 at present value in terms of the difference between the principal still outstanding and expected future cash flows. Exposure is computed on a case-by-case basis with regard to the present value of guarantees received. For smaller loans with similar characteristics, a statistical method is used when this approach is deemed more appropriate.

Specific provisions for recognized risks are supplemented by general provisions for certain counterparties (see Note 15).

Interest on non-performing loans continues to be accrued, with the exception of loans classified as doubtful, for which interest is not recognized in accordance with CRC Rule 2002-03.

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 CNCE 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 CRBF Rule 90-02 and Instruction 86-05 (as amended) of the French Banking Commission.

3.6 – BONDS

Bonds issued by 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 in respect of employees are generally covered by contributions charged to the profit and loss account and paid to retirement or insurance funds. Commitments not covered by these funds, in particular the Group's potential pension liabilities (Note 15) are fully provided for in liabilities. Lump-sum indemnities paid to employees upon retirement and bonuses related to long-service awards are appraised in accordance with an actuarial calculation that takes account of the age, length of service and probability of staff being employed by the Group at retirement age and of receiving long-service awards.

Pursuant to CNC Recommendation 2003-R-01, residual pension commitments and similar benefits should be recorded as a deduction from consolidated capital funds and reserves from the second half of 2005 (and effective from January 1, 2005), in accordance with the benchmark treatment. If this accounting treatment had been applied with effect from January 1, 2005, capital funds and reserves, net of deferred taxes, would have decreased by an estimated €154 million, due mainly to the new method for calculating pension commitments managed by the CGRCE.

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 CRBF Rules 88-02 and 90-15. Commitments on such instruments are recorded in off-balance sheet accounts at their nominal value. The amount of commitments represents the transactions outstanding at the balance sheet date.

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 the Group's entities' overall interest rate positions are reflected in the profit and 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 market value at the balance sheet date, taking account, if necessary, of counterparty risks and related future expense. The corresponding gains and losses are recorded directly in the profit and loss account irrespective of whether or not they have been realized. Equalization payments are recognized in the profit and 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. Market values are calculated based on the nature of the markets concerned: organized exchanges (or equivalent) or over-the-counter. 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.

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 period-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 variances resulting from the consolidation of foreign branches, are recorded under the heading “Accruals”.

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

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 defined in article L.311-1 of the French Monetary and Financial Code and associated

transactions as defined in article L.311-2 of said code. 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 the aforementioned articles L.311-1 and L.311-2, 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 policies and valuation rules specific to insurance companies are adhered to in the consolidated financial statements 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 balance sheet date. Technical provisions corresponding to such policies are similarly revalued.

A liquidity risk reserve, included on the liabilities side of the insurance companies' balance sheet, 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 under 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 loss 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 and 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 for any counterparty risk.

- **Life insurance transactions**

Income from insurance premiums on outstanding policies is recognized in the profit and loss account on an accrual basis, including an adjustment for accrued income on premiums not notified to policyholders at period-end (Group policies that include mortality risk cover). 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 provisions in respect of policies including a payment clause in the event of death correspond to the portion of premiums written but not earned during the period.

Technical provisions for non-unit-linked policies represent the difference between the present values of the 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 the related management expense. The policyholder's commitment is the present value of future premiums, adjusted for the probability of payment thereof.

A general provision 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 provisions for claims payable or technical provisions, it is recorded under provisions for amounts payable on with-profit policies.

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

Technical provisions 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 and loss account in order to neutralize the impact of variations in the technical provisions.

- **Non-life insurance transactions**

Premium income is recorded net of tax and cancellations.

A provision 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 period-end, that part of the premium (notified to the policyholder, or to be notified) corresponding to the period between the balance sheet date and the next maturity date, or (failing that) the term, of the policy.

The provision 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 provisions.

Provisions are set up as required to cover variations in claims experience in compliance with legislation regarding such provisions. This applies notably to cyclical risks with varying impacts on successive years, such as occasioned by natural phenomena.

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

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

Provisions are recorded in liabilities gross of any re-insurance. The projected share of re-insurers in relation to provisions 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 portion of policy acquisition expenses related to deferred premiums (provision for unearned premiums).

In respect of the CNP group, acquisition costs have not been deferred since the amounts concerned are not material.

Note 4 – Changes in accounting method and period-on-period comparisons

4.1 – Changes in accounting method

Several changes of accounting methods were implemented at January 1, 2005:

- Under CRC Rule 2002-03 on accounting for credit risks, provisions covering expected losses on non-performing and doubtful loans must be carried at present value. As at January 1, 2005, this regulatory change led to a €48 million decrease in opening capital funds and reserves, net of deferred taxes.

- Furthermore, CRC Rule 2002-10 has established new regulations regarding the depreciation, amortization and impairment of assets. In particular, major fixed asset components are now accounted for separately and depreciated over their respective useful lives. As at January 1, 2005, this change of accounting method led to a decrease of €30 million in opening capital funds and reserves, net of deferred taxes.

- Lastly, CRC Rule 2004-06 concerning the definition, recognition and measurement of fixed assets introduced a change in the accounting treatment of acquisition costs relating to fixed assets, which are now included in the amount at which the item is initially recognized on the balance sheet. The new regulations nevertheless allow entities to continue expensing such acquisition costs in their individual financial statements. However, in keeping with International Financial Reporting Standards where no such option exists, the Group has decided to apply the new accounting treatment. This new rule led to a €2 million increase in opening capital funds and reserves, net of deferred taxes.

The estimated impact of these rule changes on capital funds and reserves may be revised in the second half.

4.2 – PERIOD-ON-PERIOD COMPARISONS

- **Restructuring operations in 2004**

On May 27, 2004, Groupe Caisse d'Epargne and the Caisse des dépôts et consignations signed an 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 CNCE.

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 it a 20%

stake in their capital.

- **Impact on the financial statements**

Since June 30, 2004, the subsidiaries of Compagnie Financière Eulia, previously controlled jointly with the Caisse des dépôts et consignations, have been controlled exclusively by the CNCE Group. These subsidiaries, fronted by the Investment Banking division, are now fully consolidated within the CNCE Group.

In the consolidated profit and loss accounts, the results of these subsidiaries for first-half 2004 were accounted for by the proportional consolidation method based on the situation of joint control applicable up to June 30, 2004. Their second-half results are fully consolidated, as exclusive control was exercised as from said date.

To enhance comparability, pro forma profit and loss accounts are presented in Note 34 for the periods ended June 30, 2004, and December 31, 2004.

Note 5 – Scope of consolidation

Consolidated entities	2005			2004			First-half 2004 (2)		
	Method (1)	% conso-lidation	% interest	Method (1)	% conso-lidation	% interest	Method (1)	% conso-lidation	% interest
Caisse Nationale des Caisses d'Epargne et de Prévoyance	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent	Parent
Caisses d'Epargne									
Caisse d'Epargne des Alpes	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne d'Alsace	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Aquitaine-Nord (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne d'Auvergne et du Limousin	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Basse-Normandie	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Bourgogne	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Bretagne	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Centre-Val de Loire	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Champagne-Ardenne (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Côte D'Azur	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Flandre	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Franche-Comté	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Haute-Normandie	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Ile-de-France Nord	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Ile-de-France Ouest	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Ile-de-France Paris	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Languedoc-Roussillon (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Loire-Drôme-Ardèche	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Lorraine	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Midi-Pyrénées (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne du Pas-de-Calais	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne des Pays de l'Adour (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne des Pays de la Loire (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne des Pays du Hainaut	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne de Picardie (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Poitou-Charentes	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Provence-Alpes-Corse (Group)	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne Rhône-Alpes-Lyon	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Caisse d'Epargne du Val de France Orléanais	Equity	20.00%	20.00%	Equity	20.00%	20.00%	-	-	-
Holassure Group									
Holassure	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
Sopassure	Prop.	49.98%	49.98%	Prop.	49.98%	49.98%	-	-	-
Caisse Nationale de Prévoyance	Equity	17.17%	17.17%	Equity	17.74%	17.74%	-	-	-
Océor Group									
Financière Océor	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
Banque de la Réunion	Full	100.00%	82.05%	Full	100.00%	81.90%	-	-	-
Banque de Nouvelle-Calédonie	Full	100.00%	95.88%	Full	100.00%	95.80%	-	-	-
Banque de Tahiti	Full	100.00%	95.63%	Full	100.00%	95.46%	-	-	-
Banque des Antilles Françaises	Full	100.00%	97.47%	Full	100.00%	97.50%	-	-	-
Banque des Iles Saint-Pierre-et-Miquelon	Full	100.00%	97.15%	Full	100.00%	97.15%	-	-	-
Banque Internationale des Mascareignes	Full	100.00%	88.33%	Full	100.00%	88.24%	-	-	-
Caisse d'Epargne de Nouvelle-Calédonie	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
Credipac Polynésie	Full	100.00%	91.19%	Full	100.00%	95.43%	-	-	-
Crédit Commercial de Nouméa	Full	100.00%	90.95%	Full	100.00%	89.43%	-	-	-
Crédit Saint-Pierrais	Equity	47.08%	47.08%	Equity	47.08%	47.08%	-	-	-
GIE OCEOR Informatique	Full	100.00%	84.45%	Full	100.00%	84.39%	-	-	-
Mascareigne Investors Services Ltd	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
Oceor Lease	Full	100.00%	100.00%	-	-	-	-	-	-
Slibail Réunion	Full	100.00%	88.31%	Full	100.00%	81.87%	-	-	-
Société Havraise Calédonienne	Full	100.00%	86.62%	Full	100.00%	86.56%	-	-	-
Palatine Group (formerly Banque Sanpaolo Group)									
Banque Palatine (formerly Banque Sanpaolo)	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Bail Ecureuil	Full	100.00%	60.00%	Full	100.00%	60.00%	Prop.	49.90%	49.90%
Banque Michel Inchauspé	Equity	20.00%	12.00%	Equity	20.00%	12.00%	-	-	-
Conservateur Finance	Equity	20.00%	12.00%	Equity	20.00%	12.00%	-	-	-
Eurosic Sicomi SA	Full	100.00%	19.66%	Full	100.00%	19.66%	-	-	-
Sanpaolo Asset Management	-	-	-	Full	100.00%	60.00%	-	-	-
Sanpaolo Asset Management (formerly Sanpaolo Fonds Gestion SNC)	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Sanpaolo Bail SA	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Sanpaolo Mur SNC	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Socavie SNC	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Société Foncière d'investissement	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Société Foncière Joseph Vallot	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Société immobilière d'investissement	Full	100.00%	60.00%	Full	100.00%	60.00%	-	-	-
Thiriet Gestion	Equity	33.40%	20.04%	-	-	-			
Uni - Invest SAS	-	-	-	Full	100.00%	60.00%	-	-	-

(1) Consolidation method: Full = Full consolidation; Prop. = Proportional consolidation; Equity = Accounted for by the equity method.

(2) Share in income prior to the "New Foundations agreement".

Consolidated entities		**2005**			**2004**			First-half 2004 **(2)**	
	Method (1)	**% conso-lidation**	**% interest**	**Method (1)**	**% conso-lidation**	**% interest**	**Method (1)**	**% conso-lidation**	**% interest**
IXIS Corporate & Investment Bank Group									
IXIS Corporate & Investment Bank	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
BGL	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
CLEA2	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
CICM Innov	Full	100.00%	97.55%	-	-	-	-	-	-
IXIS Luxembourg Investissements	Full	100.00%	97.55%	-	-	-	-	-	-
SNC Tolbiac Finances	Full	100.00%	97.55%	-	-	-	-	-	-
IXIS Structured Products	Full	100.00%	97.55%	-	-	-	-	-	-
IXIS Securities	Full	100.00%	97.53%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
Nexgen (Group)	Equity	37.75%	37.75%	Equity	37.75%	37.75%	Equity	10.24%	10.24%
IXIS Capital Markets Group									
IXIS North America	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Investment Management Corp.	Full	100.00%	97.23%	Full	100.00%	97.23%	Prop.	26.45%	26.45%
IXIS Capital Market North America	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Funding Corp.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Commercial Paper Corp.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Securities North America Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Financial Products Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Municipal Products Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Derivatives Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Real Estate Capital Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Securitization Corp.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Capital Arranger	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
CDC Holding Trust	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Strategic Investments	Full	100.00%	97.55%	-	-	-	-	-	-
IXIS Loan Funding I LLC	Full	100.00%	97.55%	-	-	-	-	-	-
Bedford Oliver Funding	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
CCAV I	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
Bloom Asset Holding Fund PLC	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Asset Finance Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Participations Holding Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS Participations N°1 Inc.	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS CMNA International Holdings Inc.	Full	100.00%	97.55%	-	-	-	-	-	-
IXIS CMNA Acceptances LLC	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS CMNA International Participations (N°1) LLC	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS CMNA IP Assets Holdings (Luxembourg) SCA	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
IXIS CMNA Gibraltar Ltd	Full	100.00%	97.55%	Full	100.00%	97.55%	Prop.	26.45%	26.45%
Other entities									
Anatol Invest (Group)	-	-	-	-	-	-	Prop.	26.45%	26.45%
Caisse D'Epargne Financement	Equity	17.40%	17.40%	-	-	-	-	-	-
CDC Entreprises 1	-	-	-	-	-	-	Prop.	26.45%	25.26%
CDC Entreprises 2	-	-	-	-	-	-	Prop.	26.45%	10.02%
CDC Entreprises Capital Investissement	Equity	35.00%	35.00%	Equity	35.00%	35.00%	Prop.	26.45%	26.45%
CDC Innovation 96	-	-	-	-	-	-	Prop.	26.45%	25.56%
CDC IXIS Italia Holding	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	33.40%	33.40%
Cnéti	Full	100.00%	76.31%	Full	100.00%	73.42%	-	-	-
Compagnie 1818 (formerly Vega Finance) (Group)	Full	100.00%	94.39%	Full	100.00%	100.00%	Prop.	26.45%	22.48%
Compagnie Financière Eulia	-	-	-	-	-	-	Prop.	49.90%	49.90%
Ecureuil Assurance IARD	Full	100.00%	65.00%	Full	100.00%	65.00%	Prop.	49.90%	32.43%
Ecureuil Gestion (*)	Full	100.00%	73.90%	Full	100.00%	73.90%	Prop.	49.90%	45.21%
Ecureuil Gestion FCP (*)	Full	100.00%	73.90%	Full	100.00%	73.90%	Prop.	49.90%	45.21%
Ecureuil Participations	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.90%
Ecureuil Vie	Equity	49.78%	49.78%	Equity	49.78%	49.78%	Equity	49.78%	24.84%
Electropar France	-	-	-	-	-	-	Prop.	26.45%	13.22%
Foncière des Pimonts (Group)	-	-	-	-	-	-	Prop.	26.45%	19.44%
Gestitres	Full	100.00%	66.00%	Full	100.00%	66.00%	Prop.	49.90%	28.29%
Holgest	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	42.86%
IXIS (formerly CDC IXIS)	-	-	-	-	-	-	Prop.	26.45%	26.45%
IXIS Administration de Fonds	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	26.45%	26.45%
IXIS AEW Europe (formerly CDC IXIS immo) (*)	Full	0.00%	0.00%	Full	0.00%	0.00%	Prop.	26.45%	26.45%
IXIS Asset Management (Group)	Full	100.00%	73.90%	Full	100.00%	73.90%	Prop.	26.45%	21.16%
IXIS Financial Guaranty (Group)	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	26.45%	26.45%
IXIS Investor Services	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
IXIS Urquijo	Full	100.00%	51.00%	Full	100.00%	51.00%	Prop.	26.45%	13.49%
Logistis (Group)	-	-	-	-	-	-	Equity	8.81%	8.81%
Martignac Finance	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	26.45%	26.45%
Mifcos (formerly Socfim Participations)	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.85%
PART'COM	-	-	-	-	-	-	Prop.	26.45%	26.45%
Quai de Seine Gestion et Location	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
SCI Avant Seine 1	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
SCI Avant Seine 2	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
SNC Participations Ecureuil	Full	100.00%	100.00%	Full	100.00%	100.00%	-	-	-
SNC SEI Logement	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.85%
SNC SEI Tertiaire	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.85%
Société Européenne d'Investissement	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.85%
Surassur	Equity	36.99%	36.99%	-	-	-	-	-	-

(1) Consolidation method: Full = Full consolidation; Prop. = Proportional consolidation; Equity = Accounted for by the equity method.

(2) Share in income prior to the "New Foundations agreement".

* Entities consolidated by the IXIS Asset Management group.

Consolidated entities	2005			2004			First-half 2004 (2)		
	Method (1)	% conso-lidation	% interest	Method (1)	% conso-lidation	% interest	Method (1)	% conso-lidation	% interest
Crédit Foncier Group									
Crédit Foncier de France	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
A3C	-	-	-	Full	100.00%	99.99%	Prop.	75.05%	75.05%
Auxiliaire du Crédit Foncier de France	Full	100.00%	100.00%	Full	100.00%	99.99%	Prop.	75.05%	75.05%
CFCAL Banque	Full	100.00%	66.32%	Full	100.00%	66.39%	-	-	-
CFCAL SCF	Full	100.00%	66.32%	Full	100.00%	66.39%	-	-	-
Cofimab	Full	100.00%	100.00%	Full	100.00%	99.99%	Prop.	75.05%	75.05%
Compagnie de Financement Foncier	Full	100.00%	100.00%	Full	100.00%	99.99%	Prop.	75.05%	75.05%
Compagnie Foncière de Crédit	Full	100.00%	100.00%	Full	100.00%	99.98%	Prop.	75.05%	75.05%
Crédit de l'Arche	Full	100.00%	100.00%	Full	100.00%	99.98%	Prop.	75.05%	75.05%
Crédit Foncier Assurance Courtage	Full	100.00%	99.88%	Full	100.00%	99.88%	Prop.	75.05%	74.96%
Crédit Foncier Banque	-	-	-	Full	100.00%	99.99%	Prop.	75.05%	75.05%
Ecufoncier	Full	100.00%	100.00%	-	-	-	-	-	-
FCC Teddy	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Financière Desvieux	Full	100.00%	99.99%	Full	100.00%	99.99%	Prop.	75.05%	75.05%
Foncier Assurance	Full	100.00%	100.00%	Full	100.00%	99.99%	Prop.	75.05%	75.05%
Foncier Bail	Full	100.00%	100.00%	Full	100.00%	99.98%	Prop.	75.05%	75.05%
Foncier Participations	Equity	100.00%	100.00%	Equity	100.00%	100.00%	Equity	75.05%	75.05%
SICP (Group)	Equity	100.00%	100.00%	Equity	100.00%	100.00%	Equity	75.05%	75.05%
Soclim	Full	100.00%	100.00%	Full	100.00%	99.99%	Prop.	75.05%	75.05%
Entenial	-	-	-	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Capri Résidences	-	-	-	Equity	35.00%	35.00%	Equity	26.27%	26.27%
CFG Cie Financière de Garantie	Full	100.00%	99.99%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Gramat Balard	Full	100.00%	79.88%	Full	100.00%	79.88%	Prop.	75.05%	75.05%
Investimur	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Quatrinvest	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
RIVP	Equity	27.64%	27.64%	Equity	27.63%	27.63%	Equity	20.74%	20.74%
Titrisation	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
VMG	Full	100.00%	99.97%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Vendôme Investissements	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Environnement Titrisation Entenial	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Entenial Conseil	Full	100.00%	99.67%	Full	100.00%	100.00%	Prop.	75.05%	75.05%
Cicobail Group									
Cicobail	Full	100.00%	99.75%	Full	100.00%	99.75%	Prop.	75.05%	64.87%
Cinergie	Full	100.00%	99.75%	Full	100.00%	99.75%	Prop.	75.05%	64.87%
Mur Ecureuil	Full	100.00%	99.75%	Full	100.00%	99.75%	Prop.	75.05%	64.87%
Socfim Group									
Socfim	Full	100.00%	100.00%	Full	100.00%	99.91%	Prop.	49.90%	49.85%
Socfim Transaction	Full	100.00%	100.00%	Full	100.00%	99.91%	Prop.	49.90%	49.85%
Socfim Participations Immobilières	Full	100.00%	99.91%	Full	100.00%	99.91%	Prop.	49.90%	49.85%
GCE Garanties Group									
GCE Garanties	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.90%
Cegi	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.90%
Financière Cegi	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	34.93%
Saccef	Full	100.00%	100.00%	Full	100.00%	100.00%	Prop.	49.90%	49.90%
Socamab	Full	100.00%	40.00%	Full	100.00%	40.00%	Prop.	49.90%	19.96%

(1) Consolidation method: Full = Full consolidation; Prop. = Proportional consolidation; Equity = Accounted for by the equity method.

(2) Share in income prior to the “New Foundations agreement”.

Note 6 – Cash, money market and interbank items

(€ millions)

	Assets		Liabilities	
	06/30/05	12/31/04	06/30/05	12/31/04
Cash, central banks and post office banks	**6,353**	**6,107**	**2**	**2**
Financial institutions				
	158,768	**154,413**	**114,123**	**118,719**
- Demand	27,361	37,888	25,699	39,653
- Term	131,407	116,525	88,424	79,066
TOTAL	**165,121**	**160,520**	**114,125**	**118,721**

Deposits with financial institutions and related accrued interest amounted respectively to €702 million and €698 million at June 30, 2005. Provisions for impairment in value relating to amounts due from financial institutions amounted to €2 million at June 30, 2005.

Note 7 – Customer items

(€ millions)

ASSETS	06/30/2005	12/31/2004	LIABILITIES	06/30/2005	12/31/2004
Commercial loans	**697**	**806**	**Regulated savings accounts**	**2,259**	**2,271**
Other customer loans	**88,911**	**83,950**	*- Livret A*	*65*	*63*
-Short-term credit facilities	*5,521*	6,250	*- Livret Jeune, Livret B and Codevi*	*1,227*	*1,215*
-Equipment loans	*11,566*	11,746	*- Pel and Cel*	*883*	*874*
-Regulated home purchase loans	*30*	31	*- Lep*	*6*	*6*
-Other mortgage lending	*40,749*	39,887	*- Pep*	*42*	*50*
-Other	*31,045*	26,036	*- Other*	*36*	*63*
Current accounts in debit	**3,181**	**2,408**	**Other liabilities**	**50,794**	**39,914**
Accrued interest	**444**	**381**	*- Ordinary accounts (deposits)*	*5,257*	*5,564*
Non-performing loans	**2,435**	**2,135**	*- Other*	*45,537*	*34,350*
Provisions on non-performing loans	**(780)**	**(747)**	**Accrued interest**	**115**	**105**
TOTAL	**94,888**	**88,933**	**TOTAL**	**53,168**	**42,290**

Breakdown of loans outstanding:

(€ millions)

	Performing loans	Non-performing loans	Doubtful loans	Sub-total non-performing loans	Provision
Loans and advances to financial institutions	**158,765**	**1**	**3**	**4**	**(2)**
Loans and advances to customers (1)	**96,130**	**1,663**	**838**	**2,501**	**(835)**
- Individual customers: property loans	31,002	1,076	158	1,234	(271)
- Individual customers: other loans	7,047	85	37	122	(58)
- Self-employed professionals	3,012	56	92	148	(66)
- SMEs	2,970	87	63	150	(102)
- Local and regional authorities	6,263	3	1	4	(1)
- Other	45,836	356	487	843	(337)

(1) Including finance lease transactions

Note 8 – Finance lease transactions with purchase options (where the group is the lessor)

(€ millions)

	06/30/05	12/31/04
Equipment	620	594
Real estate	2,078	2,023
Other finance leases	184	177
Accrued interest	83	77
Provisions	(57)	(43)
TOTAL	**2,908**	**2,828**

Note 9 – Bonds, shares and other fixed- and variable-income securities

(€ millions)

	Trading account	Held-for-sale	Investment	Portfolio	Accrued interest (1)	Total 06/30/05	Total 12/31/04
Treasury bills and similar securities	14,284	398	464	////////	12	15,158	11,23
Bonds and other fixed-income securities (2)	24,361	15,705	16,275	////////	362	56,703	59,37
Shares and other variable-income securities (3)	19,584	4,557	////////	48		24,189	21,30
TOTAL 06/30/05	**58,229**	**20,660**	**16,739**	**48**	**374**	**96,050**	
TOTAL 12/31/04	54,504	21,522	15,490	38	359	////////	91,91

(1) Including €145 million of accrued interest on investment securities, €159 million on held-for-sale securities, and €70 million on portfolio securities.
(2) Including listed securities: €15,869 million at June 30, 2005 against €21,137 million at end-2004.
(3) Including listed securities: €10,434 million at June 30, 2005 against €12,477 million at end-2004.

The aggregate difference between the acquisition price and the redemption price of held-for-sale securities amounted to €66 million at June 30, 2005 against €77 million at end-2004. For investment securities, this figure was €29 million at June 30, 2005, compared with €3 million at end-2004.

The portion of bonds and other fixed-income securities issued by public bodies stood at €2,550 million.

Over the past two accounting periods, the following transfers have been made between the different portfolio categories:

(€ millions)

From	To	Amount transferred during the accounting period 06/30/05	12/31/04
Trading account securities	Held-for-sale securities	162	614
Trading account securities	Investment securities	50	-
Held-for-sale securities	Investment securities	-	-
Investment securities	Held-for-sale securities	-	0

Investment securities sold before maturity during the current period totaled €15 million compared with €204 million in 2004.

Unrealized capital gains and losses on held-for-sale securities and portfolio equity investments can be analyzed as follows:

(€ millions)

	Held-for-sale		Portfolio	
	06/30/05	12/31/04	06/30/05	12/31/04
Net book value	20,819	21,708	49	38
Market value (2)	21,513	22,167	49	39
Unrealized capital gains (1)	694	459	0	1
Unrealized losses provided for	87	84	4	3

(1) Including €15 million on treasury bills and similar securities, €542 million on bonds and other fixed-income securities, and €309 million on shares and other variable-income securities.

(2) Amount adjusted in relation to the figure reported in the 2004 Annual Report. The market value of held-for-sale securities at December 31, 2004 stood at €23,419 million.

Note 10 – Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments

(€ millions)

	06/30/2005	**12/31/2004**
Investments and shares in unconsolidated subsidiaries	1,412	1,256
Investments in affiliates accounted for by the equity method	5,840	5,786
Other long-term investments	245	243
TOTAL	**7,497**	**7,285**
of which listed	*495*	*345*

Total impairment provisions on these investments stood at €317 million at June 30, 2005, compared to €316 million at December 31, 2004.

10.1 – Investments in unconsolidated subsidiaries and other long-term investments

(€ millions)

	Net book value (€ millions)		% capital held by Group companies	
	06/30/05	12/31/04	06/30/05	12/31/04
Sanpaolo IMI	323	323	2.00%	2.00%
Crédit Logement	198	198	15.49%	15.49%
ESU Lazard LTD	124	-	52.17%	-
Banca Carige	178	178	9.50%	9.50%
Veolia Environnement	140	140	1.42%	1.42%
Lazard Ltd	41	-	5.33%	-
Foncier Vignobles	41	41	99.91%	99.91%
Air Calin	31	31	12.23%	12.23%
Socrelog	14	14	100.00%	100.00%
Immobilière CE Denfert	13	13	71.62%	71.62%
Gerer Participations	12	12	100.00%	100.00%
Euronext	11	11	89.00%	89.00%
TOTAL	**1,126**	**961**		
Other securities	298	302		
Accrued interest and current accounts	233	236		
TOTAL	**1,657**	**1,499**		

10.2 – Affiliates accounted for by the equity method

(€ millions)

	Net book value at 06/30/2005	Share in affiliates' first-half net income	Net book value at 12/31/2004	Share in affiliates' 2004 net income
29 Caisses d'Epargne et de Prévoyance in metropolitan France	3,455	136	3,345	132
Caisse Nationale de Prévoyance (Group)	1,110	46	1,121	101
Ecureuil Vie	802	51	841	67
SICP (group)	199	4	207	15
CDC Entreprises Capital Investissement	112	4	111	5
Nexgen Financial Holding	87	4	73	3
Others	75	13	88	14
TOTAL	**5,840**	**258**	**5,786**	**337**

Note 11 – Loans and advances outstanding and sources of funds by maturity date

(€ millions)

	From 0 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total 06/30/05
Loans and advances	**129,763**	**25,313**	**60,451**	**77,625**	**293,152**
Loans and advances to financial institutions	100,937	14,151	27,658	22,374	165,120
Customer items	27,451	9,289	21,938	36,210	94,888
Bonds and other fixed-income securities	1,375	1,873	10,855	19,041	33,144
Sources of funds	**157,277**	**29,907**	**66,101**	**58,702**	**311,987**
Amounts due to financial institutions	73,040	13,033	13,717	14,333	114,123
Customer items	43,534	2,111	4,844	2,680	53,168
Debt securities	40,704	14,763	47,541	41,689	144,696
- Retail certificates of deposit and savings certificates	*26*	*20*	*23*	*0*	*69*
- Interbank and other negotiable debt instruments	*37,284*	*10,001*	*12,931*	*11,581*	*71,797*
- Bonds	*3,394*	*4,741*	*34,587*	*30,108*	*72,830*

Note 12 – Tangible and intangible assets

12.1 – CHANGES IN FIXED ASSETS

(€ millions)

	Gross value at 12/31/2004	Acquisitions	Disposals / retirements	Other movements	Gross value at 06/30/2005	Depreciation, amortization and provisions 06/30/2005	Net book value at 06/30/2005
Intangible assets	1,422	55	(17)	75 (1)	1,535	(330)	1,205
Tangible assets	1,735	63	(10)	17 (2)	1,805	(662)	1,143
TOTAL	**3,157**	**118**	**(27)**	**92**	**3,340**	**(992)**	**2,348**

(1) Including the impact of the translation adjustment on IXIS Asset Management group's market share, amounting to €93 million.
(2) Including the impact of the translation adjustment relating to the IXIS Asset Management group, amounting to €6 million.

12.2 – INTANGIBLE ASSETS

At June 30, 2005 the net book values of the main intangible asset items were as follows:

- market share	€832 million
- goodwill	€55 million
- net goodwill generated by the consolidation of the individual Caisses d'Epargne under the equity method	€109 million
- computer software	€87 million
- certificates of association of deposit guarantee funds	€3 million

12.3 – TANGIBLE ASSETS

At June 30, 2005, the net book value of land and buildings amounted to €855 million, including €736 million relating to premises for the Group's own use, and €107 million in respect of investment properties.

Note 13 – Debt securities issued

(€ millions)

Debt securities issued	06/30/2005	12/31/2004
Retail certificates of deposit and savings certificates	69	86
Interbank and other negotiable debt instruments	71,797	70,124
Bonds	72,071	71,910
Other debt securities	759	204
TOTAL	**144,696**	**142,324**

Unpaid accrued interest carried under the item "Debt securities issued" stood at €2,475 million. Unamortized issue and redemption premiums amounted to €298 million.

Note 14 – Accruals and other assets and liabilities

(€ millions)

	Assets	Liabilities
Off-balance sheet transactions on securities (1)	4,817	35,203
Foreign currency commitments	11,584	10,144
Unrealized hedging losses and gains on futures	940	1,225
Deferred expenses and income	794	0
Prepaid expense and unearned income	362	783
Accrued expense and accrued income	3,323	2,643
Items in course of collection	2,311	1,824
Other (2)	11,612	20,333
TOTAL at June 30, 2005	**35,743**	**72,155**
TOTAL at December 31, 2004	**31,477**	**62,219**

(1) This item mainly includes options purchased and sold, amounts due for securities and settlement accounts relating to securities transactions.

(2) This item mainly includes other accruals, other insurance assets, deferred tax and miscellaneous receivables and payables.

Note 15 – Provisions

15.1 – Provisions booked in respect of counterparty risks

(€ millions)

	12/31/04	Additions	Releases	Other movements	06/30/05
Provisions deducted from assets	**892**	**146**	**(269)**	**84**	**853**
Customer loans	747	139	(186)	80 (1)	780
Others	145	7	(83)	4	73
Provisions carried in liabilities	**472**	**16**	**(32)**	**7**	**463**
Provision for signature commitments	22	1	(4)	1	20
Customer loans	107	6	(4)	(1)	108
Country risks	16	1	(2)	0	15
Other risks	247	5	(18)	6	240
"Dynamic" provisions	80	3	(4)	1	80
TOTAL	**1,364**	**162**	**(301)**	**91**	**1,316**

(1) Including €79 million resulting from the application of CRC Rule 2002.03.

To reflect counterparty risks more accurately, a provision is recorded covering the Group's entire performing on- and off-balance sheet commitments for which statistical data are available to assess the probability of default. This provision is calculated by applying different rates to loans analyzed by credit rating and remaining term, which are weighted based on assumptions concerning the probability of the amounts involved being recovered in the event of default. At June 30, 2005, the provision recorded for all the portfolios concerned – HLM social housing associations and semi-public companies, professional real estate, local and regional authorities, small- and medium-sized enterprises, consumer loans, financial markets – amounted to €80 million.

15.2 – Provisions for liabilities and charges (excluding counterparty risks)

(€ millions)

	12/31/04	Additions	Releases	Other movements	06/30/05
Provision for claims, fines and penalties	113	4	(10)	3	110
Lump-sum retirement indemnities	67	4	(1)	26	96
Provision for the Group's estimated potential pension commitments (CGRPCE)	30	3	(16)	1	18
Provision for capital market activities	143	12	(21)	5	139
CFF restructuring	7	0	(2)	0	5
Provision for modernization initiatives	25	0	(17)	0	8
Other provisions for banking and non-banking operations	276	16	(52)	(9	231
TOTAL	**661**	**39**	**(119)**	**26**	**607**

Note 16 – Goodwill

The "Goodwill" line reflects the outstanding balance of differences not attributed elsewhere on the balance sheet between the cost of the investment and the Group's equity in the underlying net assets at the date of acquisition of shares in consolidated subsidiaries and associated companies.

(€ millions)

	Assets		Liabilities	
	06/30/05	12/31/04	06/30/05	12/31/04
Net amount at January 1	947	436	0	4
Movements during the period	59	602	0	11
Goodwill on Banque Palatine securities		*(45)*		
Negative goodwill on Entenial securities				7
Net goodwill relating to the New Foundations agreements		*258*		
Goodwill on CFF securities - Additional acquisition following the public tender offer and compulsory buyout procedure		*37*		
Goodwill on Financière OCEOR securities - Additional acquisition by the CNCE		*27*		
Change in consolidation method		*325*		4
Translation adjustments (1)	*48*	*(30)*		
Other (2)	*11*	*30*		
Amortization for the period	(44)	(91)		(15)
Net amount	962	947	0	0

(1) Impact of the translation adjustment on the goodwill relating to the IXIS Asset Management North America group.

(2) Other changes primarily reflect internal acquisitions by La Compagnie 1818 for an amount of €12 million (I Selection).

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)

(€ millions)

	Share capital	Additional paid-in capital	Consolidated reserves and retained earnings	Net income	Total consolidated capital funds and reserves excluding RGBR
At December 31, 2003	**2,905**	**435**	**535**	**327**	**4,202**
Movements in 2004	4,001	1,504	964	558	7,027
At December 31, 2004	**6,906**	**1,939**	**1,499**	**885**	**11,229**
Appropriation of 2004 profit			885	(885)	0
Dividends paid			(394)		(394)
Application of CRC rules			***(76)***		***(76)***
2002.03			*(48)*		*(48)*
2002.10			*(30)*		*(30)*
2004.06			*2*		*2*
Translation adjustments			134		134
Other			(11)		(11)
Net income for the six months ended June 30, 2005				579	579
At June 30, 2005	**6,906**	**1,939**	**2,037**	**579**	**11,461**

17.2 – Changes in the Reserve for General Banking Risks

(€ millions)

	12/31/04	Additions	Releases	Other movements	06/30/05
Reserve for General Banking Risks	256	9		(2)	263

17.3 – Subordinated debt

(€ millions)

	06/30/05	12/31/04
Dated subordinated notes	5,870	5,423
Undated subordinated debt	226	237
Non-cumulative, undated deeply subordinated notes	2,125	2,105
Accrued interest	282	148
TOTAL	**8,503**	**7,913**

Dated subordinated notes:

(€ millions)

Amount		Currency	Interest rate	Maturity
91		EUR	4.50%	Dec-10
749		EUR	5.60%	Nov-11
455		EUR	5.20%	Jul-14
486		EUR	4.80%	Jul-16
257		EUR	4.20%	Dec-16
406		EUR	5.20%	Jul-14
421		EUR	4.50%	Feb-15
455		EUR	4.10%	Jul-15
312		EUR	4.60%	Feb-16
150		EUR	4.80%	Dec-15
507		EUR	4.50%	Oct-16
250		EUR	Euribor 3 months	Aug-10
20		EUR	Euribor 6 months	Sept-22
46		EUR	Euribor 3 months	Nov-27
53		EUR	Euribor 3 months	Jan-33
22		EUR	Euribor 3 months	Apr-23
7		EUR	Euribor 3 months	Jan-33
77		EUR	Euribor 3 months	Apr-15
10		EUR	Euribor 6 months	Mar-18
500		EUR	Euribor 3 months	Jul-18
20		EUR	6.25%	June-12
30		EUR	6.50%	Jul-22
41		EUR	6.60%	Jan-10
509		EUR	4.000%	Feb-17
694	(1)	EUR	4.625%	-
796	(1)	EUR	5.25%	-
163	(1)	USD	CMT USD 10 years +0.30%	-
80	(1)	EUR	CMS EUR 10 years	-
390	(1)	EUR	CMS Euribor 3 months +0.71%	
207		EUR	Euribor 3 months	-
8		EUR	Euribor 3 months +0.50%	-
5		EUR	5.17%	-
5		EUR	4.39%	-
8,222		-	-	-

(1) Deeply subordinated notes

Note 18 – Commitments given and received

To reflect the transactions carried out more accurately, the Group has decided to classify a portion of other commitments given and received within financing commitments and guarantee commitments.

In order to enable a fair comparison with the previous period-end, the Group has adjusted the data presented under financing commitments and guarantee commitments at December 31, 2004. Accordingly, other commitments given amounting to €22,516 million have been transferred to financing commitments and guarantee commitments given to customers, for €5,859 million and €16,657 million, respectively. In addition, other commitments received to the value of €1,436 million have been transferred to commitments received from financial institutions and other securities receivable for €1,283 million and

€153 million, respectively. Furthermore, commitments worth €8,089 million that at December 31, 2004 were included in guarantee commitments given to financial institutions were transferred to guarantee commitments given to customers at June 30, 2005. Lastly, during first-half 2005, the effective dates of the commitments within the Group were harmonized. This led IXIS CIB to increase the amount recorded at December 31, 2004 in respect of financing commitments given to customers by €2,545 million.

(€ millions)

	Given		Received	
	06/30/05	12/31/04	06/30/05	12/31/04
FINANCING COMMITMENTS				
Given to/received from financial institutions	11,000	18,462	5,544	7,154
Given to customers	36,814	34,367	-	
TOTAL	**47,814**	**52,829**	**5,544**	**7,154**
GUARANTEE COMMITMENTS				
Given to/received from financial institutions	7,768	1,564	11,261	13,288
Given to customers	36,605	30,427	-	
TOTAL	**44,373**	**31,991**	**11,261**	**13,288**

Other guarantee commitments given and received amounted to €5,821 million and €19,155 million, respectively, at June 30, 2005, versus €5,068 million and €26,773 million at December 31, 2004.

Since these are commitments given by the insurance business, the Group will henceforth include the principal amount of guarantees issued by the CIFG group in its published off-balance sheet commitments. At June 30, 2005, this figure amounted to €23,514 million versus €18,319 million at December 31, 2004 (adjusted figures).

Note 19 – Transactions in financial futures

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

(€ millions)

	Interest-rate instruments	Foreign exchange instruments	Other instruments	TOTAL 06/30/2005	TOTAL 12/31/2004
TRANSACTIONS ON ORGANIZED MARKETS					
Futures	366,186		7,907	374,093	257,667
Options	481,664		29,563	511,227	334,759
OVER-THE-COUNTER TRANSACTIONS					
Futures	2,743,388	7,260	4,007	2,754,655	2,252,784
Options	477,162	13,208	44,731	535,101	368,204
TOTAL	**4,068,400**	**20,468**	**86,208**	**4,175,076**	**3,213,414**

The nominal values of the contracts listed above give only a general idea of the volume of the CNCE Group's activities on derivatives markets at the period-end and do not reflect 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 interest-rate guarantee contracts for options.

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 portfolio type, as follows:

(€ millions)

	Specific hedging	Macro hedging	Isolated open position	Specialized transactions	Total
Futures	**85,345**	**13,117**	**1,071**	**2,643,855**	**2,743,388**
Options	**5,209**	**1,371**	**259**	**470,323**	**477,162**
Bought	3,646	1,321	259	180,651	185,877
Sold	1,563	50		289,672	291,285
TOTAL at June 30, 2005	**90,554**	**14,488**	**1,330**	**3,114,178**	**3,220,550**
TOTAL at December 31, 2004	**77,004**	**20,515**	**1,044**	**2,467,116**	**2,565,679**

Note 20 – Interest and similar income and expense

(€ millions)

	Income		Expense	
	06/30/05	**06/30/04**	**06/30/05**	**06/30/04**
Transactions with financial institutions	3,229	1,242	(2,292)	(750)
Customer transactions	1,945	1,230	(665)	(192)
Bonds and other fixed-income securities	1,956	800	(3,055)	(2,016)
Subordinated debt				(99)
Lease financing transactions	76	56	(8)	(7)
Other interest income and similar income/expense	167	644	(596)	(594)
TOTAL	**7,373**	**3,972**	**(6,616)**	**(3,658)**

Note 21 – Income from variable-income securities

(€ millions)

	06/30/05	06/30/04
Shares and other variable-income securities	70	22
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	66	18
TOTAL	**136**	**40**

Note 22 – Net commission and fee income

(€ millions)

	Expense	Income
Transactions with financial institutions	(3)	1
Customer transactions	(4)	84
Securities transactions	(30)	854
Payment processing	(11)	52
Sales of life-insurance products		28
Other commissions	(230)	176
TOTAL at June 30, 2005	**(278)**	**1,195**
TOTAL at June 30, 2004	**(76)**	**401**

Note 23 – Net gains/(losses) on trading transactions

(€ millions)

	06/30/05	12/31/04
Trading account securities	927	182
Foreign exchange	(1,008)	15
Financial instruments	547	136
TOTAL	**466**	**333**

Note 24 - Net gains/(losses) on held-for-sale portfolio transactions and similar items

(€ millions)

	Held-for-sale	Portfolio	TOTAL 06/30/05	TOTAL 12/31/04
Net gain/(losses) on disposals	(181)		(181)	18
Net additions to provisions	3		3	88
TOTAL	**(178)**	**0**	**(178)**	**106**

Note 25 – Other operating income and expense

(€ millions)

	Income	Expense
Transfer of expense	28	
Other income and expense	164	(103)
TOTAL at June 30, 2005	**192**	**(103)**
TOTAL at June 30, 2004	**91**	**(56)**

Note 26 – General operating expenses

(€ millions)

	06/30/2005	06/30/2004
Personnel costs	(944)	(439)
- Wages and salaries	*(648)*	*(284)*
- Pension and retirement costs	*(47)*	*(26)*
- Other social security costs and payroll-based taxes	*(216)*	*(116)*
- Profit-sharing and incentive schemes	*(33)*	*(13)*
Taxes other than on income	(34)	(24)
External services and other administrative expense	(626)	(299)
TOTAL	**(1,604)**	**(762)**

The average number of active employees during the period, broken down by professional category, was as follows:

- managerial staff: 7,994
- non-managerial staff: 6,059

Note 27 – Net additions to provisions

(€ millions)

	Customer items	Other operations	TOTAL
Provisions booked	(115)	(11)	(126)
Provisions released	136	23	159
Losses on irrecoverable loans written off – covered by provisions	(55)	(1)	(56)
Losses on irrecoverable loans written off – not covered by provisions	(5)	(1)	(6)
Recoveries of loans written off as irrecoverable	14	10	24
TOTAL at June 30, 2005	(25)	20	(5)
TOTAL at June 30, 2004	(28)	(24)	(52)

Note 28 – Net gains/(losses) on fixed assets

(€ millions)

	06/30/05	06/30/04
Tangible assets	(1)	(3)
Intangible assets	(4)	0
Investments in unconsolidated subsidiaries, affiliates accounted for by the equity method and other long-term investments	22	15
Investment securities	1	(11)
TOTAL	**18**	**1**

Note 29 - Exceptional items

Exceptional income and expenses are non-recurring and do not fall within the scope of the Group's ordinary operations.

Note 30 – Income tax

(€ millions)

	06/30/2005	06/30/2004
Current tax	(114)	(119)
Deferred tax	(92)	(1)
Tax credits and other taxes	22	3
TOTAL	**(184)**	**(117)**

Note 31 – Investments by insurance companies

(€ millions)

	Net book value		Realizable value	
	06/30/2005	12/31/2004	06/30/2005	12/31/2004
Property	34	29	45	40
Bonds and other fixed-income securities (1)	1,180	787	1,236	816
Shares and variable-income securities (excluding mutual funds)	41	36	41	40
Mutual funds holding exclusively fixed-income securities	61	54	64	56
Other mutual funds	320	582	330	592
Other investments and related accrued income	44	29	44	65
Assets representing unit-linked policies	89	64	89	64
TOTAL	**1,769**	**1,581**	**1,849**	**1,673**

(1) The net book values and realizable values of bonds and other fixed-income securities are estimated net of accrued interest.

Note 32 – Insurance technical provisions

(€ millions)

	12/31/04	Additions	Releases	Other movements	06/30/05
Life insurance technical provisions	325	3	0	0	328
Non-life insurance technical provisions	659	87	0	14	760
Equalization provisions	4	0	(18)	18	4
Unit-linked policy technical provisions	64	25	0	0	89
	1,052	**115**	**(18)**	**32**	**1,181**

Note 33 – Gross margin on insurance business

(€ millions)

	Life	Non-life	06/30/05	06/30/04	12/31/04
Net premium income	53	126	179	110	302
Underwriting and financial income	15	18	33	7	45
Net claims and provisions for claims payable	(10)	(58)	(68)	(55)	(104)
Expense net of technical provisions	(47)	5	(42)	(25)	(72)
Underwriting and financial expense	(8)	(52)	(60)	(20)	(82)
Underwriting income	3	39	42	17	89
Acquisition, administration and other claims management expenses		52	52	22	64
Consolidation adjustments and elimination of reciprocal transactions		4	4	2	(4)
Gross margin on insurance business	3	95	98	41	149

Note 34 – Pro forma consolidated financial statements

34.1 – Principles

The pro forma consolidated profit and loss accounts of the CNCE Group for the periods ended June 30, 2004 and December 31, 2004 were prepared to enhance comparability and to reflect the Group's income and expenses as if the restructuring operations described in Note 4.2 had taken place with effect from January 1, 2004.

The pro forma consolidated profit and loss account for the six months to June 30, 2004 was prepared in line with the assumptions used at December 31, 2004 to draw up pro forma consolidated profit and loss accounts for financial years 2002, 2003 and 2004, and reflects the six months' interest payable on the CICs.

34.2 – Pro forma consolidated profit and loss accounts

(€ millions)

			Pro forma	
		06/30/2005	**06/30/2004**	**12/31/2004**
+	Interest and similar income	7,372	6,864	12,443
-	Interest and similar expense	(6,615)	(6,591)	(12,581)
+	Income from variable-income securities	136	69	129
+/-	Net commission and fee income	917	697	1,579
+/-	Net gains on trading account transactions	466	1,195	2,457
+/-	Net losses on held-for-sale portfolio transactions and similar items	(178)	(345)	(263)
+	Other net operating income	89	54	56
	Gross margin on insurance business	98	88	160
	NET BANKING INCOME	**2,285**	**2,031**	**3,980**
-	General operating expenses	(1,604)	(1,428)	(2,978)
-	Depreciation, amortization and impairment of tangible and intangible assets	(86)	(71)	(172)
	GROSS OPERATING INCOME	**595**	**532**	**830**
-	Net additions to provisions	(5)	(154)	(145)
	OPERATING INCOME	**590**	**378**	**685**
+/-	Share in net income of companies accounted for by the equity method	258	225	522
+/-	Gains/(losses) on fixed assets	18	(15)	(40)
	ORDINARY INCOME BEFORE TAX	**866**	**588**	**1,167**
+/-	Exceptional items	(8)	(11)	(20)
-	Income tax	(184)	(120)	(93)
-	Amortization of goodwill	(44)	(45)	(89)
+/-	Additions to/(releases from) the Reserve for General Banking Risks	(9)	(55)	0
-	Minority interests	(42)	(19)	(47)
+/-	**CONSOLIDATED NET INCOME (EXCLUDING MINORITY INTERESTS)**	**579**	**338**	**918**

STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2005 OF CAISSE NATIONALE DES CAISSES D'EPARGNE GROUP (CNCE GROUP)

> This is a free translation into English of the Statutory Auditors' review report issued in the French language and is provided solely for the convenience of English speaking readers.
>
> This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

CAISSE NATIONALE DES CAISSES D'EPARGNE ET DE PREVOYANCE

77, boulevard Saint Jacques

75014 Paris

To the shareholders,

As requested, and in our capacity as Statutory Auditors of Caisse Nationale des Caisses d'Epargne et de Prévoyance, we have:

- performed a limited review of the accompanying interim consolidated financial statements for the period from January 1, 2005 to June 30, 2005;
- examined the information given in the interim report.

These interim consolidated financial statements have been drawn up under the responsibility of your Management Board. Our responsibility, based on our limited review, is to report our conclusions on these financial statements.

We conducted our limited review in accordance with the professional standards applicable in France. Those standards require that we perform limited procedures to obtain assurance, below the level resulting from an audit, that the interim consolidated financial statements do not contain any material errors. A limited review of interim consolidated financial statements 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 applicable in France.

Based on our limited review, no material errors have come to our attention causing us to believe that the interim consolidated financial statements do not provide a true and fair view of the assets, financial position, and results of the consolidated group of companies for the period from January 1, 2005 to June 30, 2005, in accordance with the accounting principles applicable in France.

Without qualifying our conclusion, we wish to draw your attention to:

- Notes 4.2 and 34 to the interim consolidated financial statements, which describe the New Foundations project and its impact on period-on-period comparisons,
- Note 4.1 to the interim consolidated financial statements, which describes the conditions for implementing, as from January 1, 2005:
  - *CRC* (French Accounting Regulatory Committee) Rule 2002-03 on accounting for credit risks. This rule recommends that provisions covering expected losses on non-performing and doubtful loans be carried at present value;

- *CRC* Rule 2002-10 on the depreciation, amortization and impairment of assets;
- *CRC* Rule 2004-06 on the definition, recognition and measurement of assets.

- Note 3.7 to the interim consolidated financial statements, which describes the expected impact, in second-half 2005, of the application of *CNC* Recommendation 2003-R-01 regarding the recognition and measurement of retirement commitments and similar benefits.

In accordance with the professional standards applicable in France, we have also examined the information given in the interim report accompanying the interim consolidated financial statements that were the subject of our limited review.

We have no comments to make as to its fair presentation and its conformity with the interim consolidated financial statements.

Neuilly-sur-Seine and Paris la Défense, October 31, 2005

The Statutory Auditors

PricewaterhouseCoopers Audit		Mazars & Guérard	
Anik Chaumartin	Yves Nicolas	Michel Barbet-Massin	Charles de Boisriou

UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS OF GROUPE CAISSE D'EPARGNE

In the absence of standards governing the presentation of cash flow statements applicable to credit institutions reporting under French GAAP, a consolidated cash flow statement has been prepared based on the principles set out below.

- Quantitative reference data

Data included in the consolidated cash flow statement has been taken from the consolidated financial statements for the six months ended June 30, 2005 and the pro forma financial statements presented in note 35 to the 2004 consolidated financial statements of the Groupe Caisse d'Epargne.

- Basis of preparation

The cash flow statement sets out the sources and uses of funds of the Groupe Caisse d’Epargne, based on balance sheet differences:

- long-term sources of funds;
- other sources of funds;
- uses of funds.

As these sources of funds are provided by operations, Group income has been restated to include:

- net additions to provisions;
- depreciation and amortization on assets and goodwill; and
- the share of earnings of companies accounted for by the equity method,

but excludes any other non-cash item included in net consolidated income.

Therefore, as depreciation and amortization expense is restated, the following items are not included:

- amortization charged against equalization payments;
- amortization charged against issuance expenses;
- expense transfers.

Consequently, the impact of these items is reflected in the change in other sources and uses of funds.

At the request of the Issuer, the independent auditors of Caisse Nationale des Caisses d’Epargne et de Prévoyance have solely performed the following procedures:

a) compared the amounts included in the consolidated cash flow statements to corresponding amounts appearing in the schedules and analysis prepared by the Issuer from its accounting records, and found such amounts to be in agreement,

b) determined that the schedule was mathematically correct, and

c) verified that the schedule was prepared in accordance with the methodology described above.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	**30/06/2005 Published**	**31/12/2004 Proforma**	**31/12/2003 Proforma**
Long-term sources of funds			
Funds provided by shareholders' equity			
Funds provided by operations:			
Consolidated net income (Group share and minority interests)	1 074	1 704	1 405
Depreciation and amortization	249	474	498
Net additions to provisions	(763)	(64)	129
Share of earnings of companies accounted for by the equity method	(122)	(243)	(211)
Total funds provided by operations	**438**	**1 871**	**1 821**
Dividends paid	(254)	(98)	(86)
Other changes in shareholders' equity			
Group share	(35)	(222)	(582)
Minority interests	(2)	(90)	(62)
Increase (decrease) in Reserve for General Banking Risks	44	74	296
Increase (decrease) in subordinated debts	433	2 384	2 365
Increase in long-term sources of funds	**624**	**3 919**	**3 752**
Funds provided by other sources			
Increase (decrease) in interbank items	(3 223)	23 492	(20 542)
Increase (decrease) in customer deposits	13 272	11 268	18 500
Increase (decrease) in debt securities	2 384	14 784	6 936
Increase (decrease) in other financial items	5 142	3 454	3 402
Increase (decrease) in other sources of funds	**17 575**	**52 998**	**8 296**
Total increase (decrease) in sources of funds	**18 199**	**56 917**	**12 048**
Uses:			
Increase (decrease) in interbank items (assets)	5 701	38 542	(8 663)
Increase (decrease) in customer loans and lease financing	8 677	20 104	16 047
Increase (decrease) in insurance company securities and investments	3 553	(2 099)	4 378
Increase (decrease) in long-term investments	(2)	(426)	99
Increase in tangible and intangible assets	270	796	187
Total increase (decrease) in uses of funds	**18 199**	**56 917**	**12 048**

RECENT DEVELOPMENTS

Press release dated December 15, 2005 – The senior managers of the Caisses d'Epargne approved the basic principles of the Group's corporate governance system and decided to proceed to the development phase of plans to have the Caisse Nationale des Caisses d'Epargne (CNCE) listed on the stock exchange. Between now and the summer of 2006, the Group bodies responsible for corporate governance and staff representation will be provided a file allowing them to express their opinion about the launch and timetable of this initiative.

Towards a new corporate governance

The senior managers of the Caisses d'Epargne, gathered on December 15, 2005 at the general meeting of the *Fédération Nationale des Caisses d'Epargne* (FNCE), approved the principles underlying the Group's corporate governance system. The French savings banks emphatically reasserted their role in promoting social and economic progress and the importance of their corporate status, the guarantee of their strong local presence and their vocation to pursue missions in the general public interest.

As the Caisses d'Epargne want to speak in a single voice when expressing their positions as majority shareholders of the Caisse Nationale des Caisses d'Epargne (CNCE), they have decided to set up a holding company designed to centralise their interest in the capital of the CNCE.

On the Board of this holding company – as on the Boards of the FNCE and CNCE – the individual Caisses d'Epargne will be represented on an equal basis by the Chairmen of the Steering & Supervisory Boards and the Chairmen of the Management Boards of the Caisses d'Epargne.

Each of the three Boards will be chaired by a Steering & Supervisory Board Chairman.

Development of the stock market listing project

The work carried out since October 10, 2005 within task forces devoted to the "Listability" project were presented to the Chairmen of the Steering & Supervisory Boards and Management Boards of the Caisses d'Epargne in a plenary session convened on December 15.

Confirming the ambitions expressed by Groupe Caisse d'Epargne to be one of the front-ranking French banking groups on a long-term basis, they approved a corporate governance strategy founded on the constant enhancement of the Group's profitability and efficiency. This strategy will make full use of all the leeway available to the Group in terms of both operational performance and organic and acquisitions-driven growth.

Within the framework of this strategy, the senior managers of the Caisses d'Epargne considered the prospect of the CNCE's stock market listing to be an option allowing the achievement of this objective.

Work to be continued in this direction

The senior managers of Groupe Caisse d'Epargne decided to pursue their work by drawing up a draft stock market listing file. This document will be used as a basis for consulting the Group's various decision-making bodies and, in particular, the Supervisory Board of the CNCE responsible for making a decision on whether to launch this listing operation or not and, if so, to fix its timetable for implementation.

At the same time, the FNCE will continue working on finalising the articles of association of the holding company and the conditions governing its creation.

At a meeting convened on December 22, 2005, the Supervisory Board of the Caisse Nationale des Caisses d'Epargne took note of the progress achieved in the "listability" project. Work on this project will be continued to enable a comprehensive file devoted to the stock market listing project to be submitted to the Supervisory Board of the CNCE in the spring of next year.

If it is decided to pursue these plans, the file will then be submitted to the employees' representative bodies and the senior-management bodies of the Group's different enterprises concerned by the operation. On the basis of this timetable, a decision to list the Caisse Nationale on the stock exchange could be taken next summer.

Press releases dated December 22, 2005

Lanson International – At its meeting convened on December 22, 2005, the Supervisory Board of the Caisse Nationale des Caisses d'Epargne (CNCE) unanimously approved plans to sell the shares held by Groupe Caisse d'Epargne in Lanson International. This operation forms part of a sale organised jointly with the majority shareholder.

The Supervisory Board of the CNCE has officially approved plans to sell the 44% stake held by Groupe Caisse d'Epargne in the capital of Lanson International to the Boizel Chanoine Champagne (BCC) Group.

The Management Board of the CNCE will therefore proceed with the sale of this equity interest that will be completed once the ongoing consultation process of Lanson International employees has been concluded. The finalisation of the operation, however, remains subject to the approval of the relevant competition authorities.

The aim of the Groupe Caisse d'Epargne was to allow Lanson International to join forces with a new shareholder possessing the financial and industrial resources capable of giving it strategic visibility. After examining the different offers received, the BCC Group was selected and exclusive negotiations began on December 12. The acquisition contract should be signed in January 2006 and the operation is expected to be finalised in the first quarter of 2006.

Groupe Caisse d'Epargne will accompany Lanson International and its new shareholder in their development, and will continue to pursue its growth policy in the champagne industry.

Green light for the acquisition of an equity interest in a Moroccan bank – At its meeting convened on December 22, 2005, the Supervisory Board of CNCE unanimously approved plans to acquire an equity interest in *Crédit Immobilier et Hôtelier* (CIH), one of the front-ranking specialists in property loans in Morocco. This investment will take the form of a joint control agreement: two-thirds CDG and one-third CNCE. This operation will be accompanied by a mechanism designed to ringfence CIH's outstanding loans.

The aim of the acquisition of this equity interest, subject to the prior approval of the Moroccan monetary authorities, is to work closely with the *Caisse de Dépôt et de Gestion* (CDG) Group to help CIH to move towards a business model based on retail banking activities devoted to the family, with a major role to play in promoting the extension of banking services in the Kingdom of Morocco[1].

The agreement with CDG provides for the creation of a mechanism designed to ringfence CIH's outstanding loans in a company in which CNCE does not intend to hold any shares.

CACEIS (Credit Agricole-Caisse d'Epargne Investor Services)

Credit Agricole and Groupe Caisse d'Epargne announced on July 4, 2005 having signed the necessary agreements for the creation of CACEIS.

[1] The extension of banking services to private individuals is enjoying extremely rapid growth in Morocco, rising from 16% in 2000 to 25% last year, with a growth rate of 50% in urban areas.

On December 17, 2004 Groupe Caisse d'Epargne and Crédit Agricole announced their plans to create a major financial institution by June 30, 2005 offering financial services to institutional and corporate customers in Europe by combining within a jointly owned entity all their "securities services" business lines, namely: depositary and custodian banking services (Credit Agricole Investor Services Bank in Paris, Dublin and the Luxembourg, IXIS Investor Services in Paris and IXIS Urquijo in Madrid), fund administration (European Fastnet network and IXIS Administration de Fonds) and corporate trust services (CA-IS Corporate Trust and Euro Emetteurs Finance). The deadlines have been met and the Groupe Caisse d'Epargne and Crédit Agricole announced on July 4, 2005 having signed the necessary agreements for the creation of CACEIS.

On September 19, 2005, Charles Milhaud, Chairman of the Management Board of the Caisse Nationale des Caisses d'Epargne et de Prévoyance, and Georges Pauget, Chief Executive Officer of Crédit Agricole SA presented their joint venture to the press and announced that CACEIS, jointly owned by the Groupe Caisse d'Epargne and Crédit Agricole is now operational.

The organization of the CACEIS Group is currently in progress with the recent appointment of its senior management team, the implementation of the company's overall supervisory structure, the launch of the brand and adoption of a single commercial approach.

The CACEIS Supervisory Board is comprised of equal numbers of representatives of both shareholders, reflecting the equality in their partnership. The position of Chairman, whose incumbent will alternate every two years, has been entrusted for the first term to Anthony Orsatelli, a member of the Management Board of the Caisse Nationale des Caisses d'Epargne et de Prévoyance, in charge of the investment banking division, while the position of Vice-Chairman has been given to Thierry Coste, a member of the Executive Committee of Crédit Agricole S.A. and head of the asset management division.

The CACEIS Management Board consists of 3 members appointed for periods of 5 years. François Marion, Chairman of the Management Board, will focus more specifically on audit activities, compliance, risks, the Finance department and Human resources. Michel Bois, Chief Executive Officer, will focus more specifically on subsidiaries based in France, the operational departments and information systems. Guillaume Fromont, a member of the Management Board, will focus more specifically on subsidiaries based outside France, the Sales department and business development.

The Management Board has already organized the implementation of the global supervisory structure of CACEIS with the appointment of managers for certain central functions: the Finance Department, Information systems, Human resources, Risk Management, Compliance and Depositary Control Department.

In 2006, the two-by-two merger of French subsidiaries specializing in the same business activities will be continued and the personnel of CACEIS based in France will b brought together at two addresses in Paris.

Banque Palatine

On June 6, 2005 Groupe Caisse d'Epargne announced the new denomination of Banque Sanpaolo, which is now denominated Banque Palatine. Banque Palatine, a subsidiary of CNCE which owns 60% of the share capital and of Sanpaolo IMI – 40% - is specialized in the financing of the small- and medium-size companies. In this Base Prospectus, Banque Sanpaolo must be read now Banque Palatine.

Outstanding Debt Securities

At December 31, 2005, as a result of the issuance of debt securities and subordinated debts, CNCEP has issued between July 1, 2005 and December 31, 2005 debt securities over 1 year for 136,418,000€

equivalent and subordinated debts for 413,608,000€ equivalent, measured in accordance with French GAAP.

Other informations: During the recent months, the system in place at CNCE for monitoring and reporting risk exposures of Groupe Caisse d'Epargne on a consolidated basis has been under review by "Commission bancaire", the French banking supervisor. Action plans designed in order to improve the comprehensiveness and frequency of reports on Group risk exposures had been defined when the "Refoundation" project (acquisition of Eulia and IXIS by CNCE) was implemented a little over a year ago. As a consequence of the above mentioned review by the French banking supervisor, these action plans will be accelerated with a view to have an adequate system in place by the end of 2005 covering many areas such as credit risk and market risk. As evidenced by the very low cost of risk incurred for the first half of 2005, no significant credit risk or market risk event has occurred during that period of time.

REASONS OF THE OFFER AND USE OF PROCEEDS

The issuer intends to use the proceeds of the issuance of the Notes to increase its regulatory capital and for its general corporate purposes. The net proceeds of the issuance of the Notes are estimated to EUR 347,452,000. The estimated total expenses for the admission to trading of the Notes are estimated to EUR 3,275.

SUBSCRIPTION AND SALE

HSBC Bank plc, IXIS Corporate & Investment Bank, Merrill Lynch International and UBS Limited (the "**Joint Bookrunners and Joint Lead Managers**") and ABN AMRO Bank N.V., Deutsche Bank AG, London Branch and Lehman Brothers International (Europe) (the "**Senior Co-Lead Managers**", and together with the Joint Bookrunners and Joint Lead Managers, the "**Managers**") have, pursuant to a subscription agreement dated 30 January 2006 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at a price equal to 99.922 per cent. of their Original Principal Amount. The Issuer and the Managers have, in the Subscription Agreement, reached an agreement in relation to commissions and expenses, with the combined underwriting and management commission being 0.65 per cent. of the Original Principal Amount of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

General

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

European Economic Area

Please note that, in relation to EEA States, additional selling restrictions may apply in respect of any specific EEA State, including those set out below in relation to the United Kingdom, Italy, Spain and France.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State :

(i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

The Notes will not be offered or sold, directly or indirectly, to the public in France and offers and sales of Notes in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in Articles L.411-2 and D.411-1 of the French *Code monétaire et financier*.

In addition, neither this Prospectus nor any other offering material relating to the Notes will be distributed or caused to be distributed in France other than to investors to whom offers and sales of Notes in France may be made as described above.

United States

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

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Notes as determined, and certified to the Issuer, by 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 manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Republic of Italy

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

Each of the Managers has represented that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute copies of the Prospectus or any other document relating to the Notes in the Republic of Italy except to "**Professional investors**", as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1st July 1998 ("**Regulation No. 11522**"), as amended, pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24th February 1998 ("**Decree No. 58**"), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14th May 1999, as amended, applies, provided however, that any such offer, sale or delivery of Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy must be:

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

(ii) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending inter alia, on the amount of the issue and the characteristics of the securities, applies;

(iii) in compliance with the banking transparency requirements set forth in Decree No. 385 and the implementing regulations and decrees; and

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

Spain

Neither the Notes nor this Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be offered or sold in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of article 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended, and supplemental rules enacted thereunder.

Hong Kong

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

This Prospectus has not been or will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Security and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person under Section 275 of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

Shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the notes under Section 275 of the SFA except:

(1) to an institutional investor under Section 274 of the SFA or to a relevant person under Section 275 of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or

(2) where no consideration is given for the transfer, or by operation of law.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear France, Clearstream, Luxembourg and Euroclear. The Common Code number for the Notes is 024189180. The International Securities Identification Number (ISIN) for the Notes is FR0010279273.

2. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange.

3. The issue of the Notes was authorised by a decision of Mr Pierre Servant, *Membre du Directoire* of the Issuer dated 17 January 2006 and acting pursuant to a resolution of the *Directoire* of the Issuer dated 6 June 2005.

4. Copies of:

   (i) the statuts of the Issuer and the Fiscal Agency Agreement relating to the Notes;

   (ii) this Prospectus together with any Supplement to this Prospectus;

   (iii) the unaudited interim non-consolidated financial statements of the Issuer as of and for the six months ended 30 June 2005 and the related notes and Auditors' "limited review" report;

   (iv) the audited non-consolidated financial statements of the Issuer as of and for the years ended 31 December 2003 and 31 December 2004 and the related notes and Auditors' reports;

   (v) the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2003 and the related notes and Auditors' report;

   (vi) the audited consolidated financial statements of Groupe Caisse d'Epargne as of and for the years ended 31 December 2003 and 31 December 2004 and the related notes and Auditors' reports;

   (vii) the unaudited interim consolidated financial statements of Groupe Caisse d'Epargne as of and for the six-months ended 30 June 2005 and the related notes and Auditors' "limited review" report,

   will be available for inspection during the usual business hours on any week day (except Saturdays and public holidays) at the offices of Deutsche Bank Luxembourg S.A., at 2, boulevard Konrad Adenauer, L-1115 Luxembourg. As long as any Notes remain outstanding, copies of the audited consolidated and unconsolidated annual financial statements and the semi-annual interim financial statements (and related reports) of the Issuer for the most recent financial period will be available in the English language, free of charge, at the specified offices of the Paying Agents.

5. There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

6. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the period covering at least the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability.

7. No significant change has occurred in the financial position of the Group since 30 June 2005 (being the end of the last financial period for which interim financial information has been published).

8. The Issuer has not entered into contracts outside the ordinary course of the Issuer's business, which could result in the Issuer or any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders of Notes in respect of the Notes being issued.

9. Price Waterhouse Coopers Audit and Mazars & Guérard are the statutory auditors of the Issuer. Price Waterhouse Coopers Audit and Mazars & Guérard have audited, and rendered unqualified reports on, the consolidated financial statements of the Issuer as at, and for the three years ended, 31 December 2002, 31 December 2003 and 31 December 2004. PricewaterhouseCoopers Audit and Mazars & Guérard are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*) and regulated by the *Haut Conseil du Commissariat aux Comptes*.

10. As far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.

11. On 3 June 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Directive**"). The Directive entered into force on 1 July 2005.

    The Directive requires, subject to a number of conditions being met, Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income within the meaning of the Directive ("**Interest**") made by a paying agent located within its jurisdiction to the benefit of an individual or an entity without legal personality that meets certain conditions and has not opted to be treated as UCITS for purposes of the Directive (together "**Beneficial Owners**") resident in another Member State.

    For purposes of the Directive, a paying agent is broadly defined and especially includes any economic operator who pays Interest to or secures the payment of Interest for the immediate benefit of a Beneficial Owner.

    However, during a transitional period, Belgium, Luxembourg and Austria will not apply this automatic exchange of information system and will instead levy a withholding tax on Interest unless the Beneficial Owner of this Interest payment elects for the exchange of information. The rate of this withholding tax will be 15% during the first three years as from the entry into force of the Directive, 20% for the subsequent three years and 35% until the end of the transitional period. Such transitional period will end at the end of the first full fiscal year following the latest of (i) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request and (ii) the date of entry into force of an agreement between the European Community, following a unanimous decision of the Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra providing for the exchange of information upon request with respect to payments of Interest.

    With effect from 1 July 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) have agreed to adopt similar measures (transitional withholding or, upon specific election, provision of information) in relation to payments made by a paying agent located within its jurisdiction to, or collected by such a paying agent for, a Beneficial Owner resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin

Islands, Netherlands Antilles and Aruba) in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for, a Beneficial Owner resident in one of those territories.

The Directive was implemented into French law under article 242 *ter* of the French tax code, 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 paid to that beneficial owner. These reporting obligations have entered into force with respect to interest payments made on or after 1 July 2005.

The Directive has been implemented in Luxembourg by a law dated 21 June 2005. Under this law, a Luxembourg based paying agent (within the meaning of the Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another EU Member State, unless the beneficiary of the interest payments elects for the exchange of information. The same regime applies to payments to individuals resident in certain dependent territories.

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