2004 Annual Report

NATEXIS BANQUES POPULAIRES

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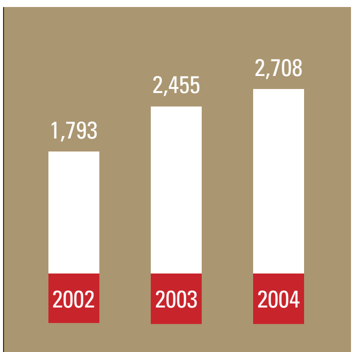
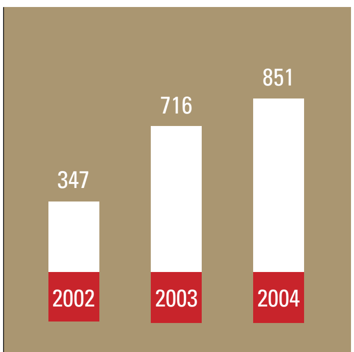
AS OF DECEMBER 31, 2004

150
offices, including **116** outside France

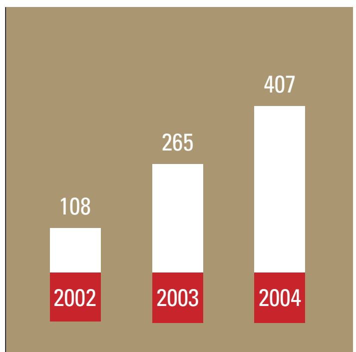
12,532
employees



NET BANKING INCOME
in millions of euros



GROSS OPERATING INCOME
in millions of euros



NET INCOME
in millions of euros

Aa3
Moody's

A+
Standard & Poor's

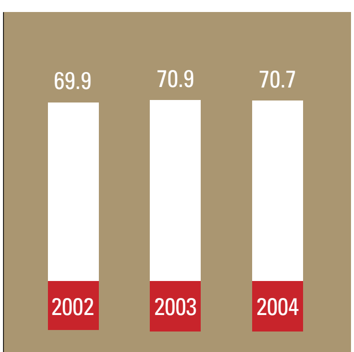
A+
Fitch Ratings

LONG-TERM RATINGS AS OF DECEMBER 31, 2004

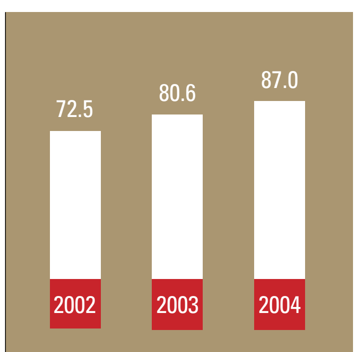
NET BANKING INCOME BY CORE BUSINESS

in millions of euros

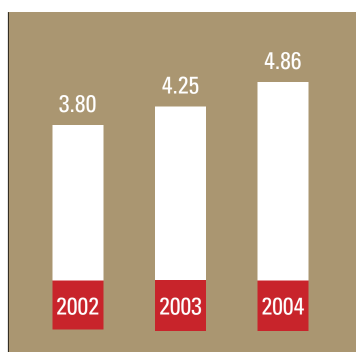
	2003 *Pro forma*	2004
Corporate and Institutional Banking and Markets	1,092	1,157
Private Equity and Wealth Management	124	189
Services	562	609
Receivables Management	617	634
Net banking income of core businesses	2,395	2,588
Other net banking income	91	120
TOTAL	2,486	2,708



AVERAGE LOAN OUTSTANDINGS
in billions of euros



ASSETS UNDER MANAGEMENT AT DECEMBER 31
in billions of euros



MARKET CAPITALIZATION AS OF DECEMBER 31
(Natexis Banques Populaires shares)
in billions of euros

in billions of euros
as of December 31

	2002	2003	2004
Total assets	133.4	135.9	139.3
Regulatory capital*	5.8	6.0	6.6
International capital adequacy ratio	10.2%	11.4%	12.1%
Tier one ratio	7.2%	8.1%	8.2%

*on an extended Cooke basis

Financial Information

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Management report

1 – Changes in scope of consolidation

The consolidated financial information presented in this report covers the entire scope of consolidation of the Natexis Banques Populaires group. The main changes in scope of consolidation compared with 2003 were the first-time consolidation of the following subsidiaries:

- January 2004: VR Factorem (German subsidiary of Natexis Factorem created jointly with DZ Bank) and Natexis Private Equity Opportunity (private equity subsidiary);
- April 2004: Ort, consolidated within the Coface sub-group.

To permit more meaningful comparisons, pro forma comparable figures have been presented for 2003 including Ort for the period from April to December 2003.

The figures presented in this report are based on the new organization structure of Natexis Banques Populaires, with the following four core businesses:

- Corporate and Institutional Banking and Markets, which comprises Corporate France, International, Global Debt & Derivatives Markets, Equity Group, Commodities, and Mergers & Acquisitions;
- Private Equity and Wealth Management, which comprises Private Equity, Private Banking and International Estate Planning;
- Services, which comprises Banking, Financial & Technology Services, together with Asset Management and Insurance;
- Receivables Management, which comprises Coface and Natexis Factorem.

2 – Review of operations and results

in millions of euros	2004	2003 comparable	2003 reported (exc. Ort)	% change 2004/2003 comparable
Net banking income	2,708.1	2,486.0	2,454.7	+9
Operating expenses, depreciation and amortization	(1,857.0)	(1,764.7)	(1,738.5)	+5
Gross operating income	851.1	721.3	716.3	+18
Provisions for loan losses	(104.2)	(211.4)	(211.4)	-51
Gains and losses on disposals of fixed assets	7.4	13.9	13.9	-47
Income from companies accounted for by the equity method	10.0	9.7	9.7	+3
Operating income before exceptional items and tax	764.3	533.4	528.4	+43
Exceptional items	(10.0)	16.6	13.0	n.m.
Corporate income tax	(220.5)	(157.0)	(153.8)	+40
Amortization of goodwill	(53.9)	(64.0)	(64.0)	-16
Net charge to fund for general banking risks	0	0	0	n.m.
Minority interests	(72.6)	(58.1)	(58.1)	+25
Net income	**407.3**	**270.9**	**265.5**	**+50**

The upswing in world growth since spring 2003 picked up considerable speed in 2004, led by the United States and China and supported by Japan and the United Kingdom. World GDP growth came close to 5% in 2004, the first time since 1976.

The eurozone made only a moderate contribution to this recovery. Its domestic economy was not strong enough to offset the impact of a series of exogenous shocks during the year, including the rise in oil prices and commodities and a further depreciation of the dollar against the euro, which fell from €0.79 to €0.73 over the year. Eurozone GDP growth was only 1.8% in 2004.

In the financial markets, fixed-income activities suffered from low volumes and lack of clear trends in an increasingly competitive market. The CAC 40, on the other hand, gained 7.4% over the year to close at 3821. Trading volumes rose sharply by 15%.

In this climate, Natexis Banques Populaires delivered an excellent performance, with each of its core businesses achieving significant growth compared with the previous year:

- Net banking income totaled €2,708 million, an increase of 9% on the previous year. Net banking income generated by the core businesses came to €2,588 million, an increase of 8%.
- Operating expenses were up 5% to €1,857 million.
- Consequently, gross operating income amounted to €851 million, an increase of 18% on 2003.
- The cost/income ratio improved by 2.4 percentage points to 68.6%. Excluding Coface, it would have improved even further, to 64.8% versus 67.5% in 2003.
- Provisions for loan losses were slashed by more than a half, to €104 million. The charge for the year represented 0.20% of Natexis Banques Populaires' risk-weighted assets.

■ After gains and losses on disposals of fixed assets and income from companies accounted for at equity, income before exceptional items and tax came to €764 million versus €533 million in 2003.

■ After exceptional items, amortization of goodwill (including impairment charges), a sharp rise in the tax charge and minority interests, net income came to €407 million versus €271 million in 2003.

3 – Income statement analysis

CONTRIBUTION OF CORE BUSINESSES TO NET BANKING INCOME

in millions of euros	2004	2003 comparable	% change
Corporate and Institutional Banking and Markets	1,157.4	1,092.2	+6
Private Equity and Wealth Management	188.6	124.5	+51
Services	608.7	561.7	+8
Receivables Management	633.6	616.8	+3
Total	**2,588.3**	**2,395.3**	**+8**

CORPORATE AND INSTITUTIONAL BANKING AND MARKETS

The new Corporate and Institutional Banking and Markets core business was created to meet the bank's goals of taking an increasingly client-centric approach, providing its corporate and institutional clientele with a comprehensive product offering tailored to their needs, and fully exploiting synergies between its various business lines. Its growth strategy is to capitalize on its existing corporate and institutional business franchise, particularly through cross-selling and developing high value-added business lines.

Corporate and Institutional Banking and Markets accounted for 45% of total net banking income generated by the core businesses. Its net banking income was up 6% over 2003 (9.5% excluding the dollar effect), with contrasting performances according to business line. Equity Group was up €88 million compared with 2003, while Global Debt & Derivatives Markets held steady in a particularly tough climate for fixed-income activities. This was offset by an erosion in Corporate France (down €9 million) due to a squeeze on margins, and a drop in International (also down €9 million) due to the dollar's depreciation against the euro.

in millions of euros	2004	2003	% change
Corporate France	402.3	411.4	-2
International	123.0	131.9	-7
Global Debt & Derivatives Markets	413.0	417.0	-1
Commodities	88.9	89.0	0
Equity Group	124.5	36.6	+240
Mergers & Acquisitions	5.8	6.4	-9
Total	**1,157.4**	**1,092.2**	**+6**

■ Corporate France produced net banking income of €402.3 million, down 2% on 2003:

– Corporate lending activities contributed €233.7 million, up slightly on the previous year despite a fall in the average loan book and a deterioration in margins. Cash management and services contributed €67.9 million, affected by the combined impact of a fall in income from cash balances and a shift away from traditional payments to high-volume payments, which command lower fees. Origination was strong at €7.4 billion, coming mostly in the second half and driven chiefly by off-balance sheet exposure (new credit lines granted accounted for 82% of new business). As the second half accounted for most of the origination, it had little impact on average loans outstanding in the year, which amounted to €42 billion, a decrease of 3% compared with 2003.

– Lease financing was up 7% to €100.6 million, while origination rose by 13% compared with 2003.

Despite a fall in average loans outstanding, risk-weighted assets rose by 3% over the year to €20.7 billion.

■ International was badly affected by the dollar's depreciation against the euro. Net banking income was down 7% compared with 2003, to €123 million. Origination rose by 44% to €3.4 billion, the main contributor being lending to European corporates and multinationals, with origination of €2 billion. The branches performed particularly well, accounting for 83% of the department's total medium and long-term origination. Average loans outstanding amounted to €12 billion, up 10% despite the impact of a weaker dollar. Risk-weighted assets followed the upward trend, rising by 5% to €4.3 billion at the year end.

■ Global Debt & Derivatives Markets contributed €413 million to net banking income, virtually unchanged from 2003 (down 1%):

■ Structured financing delivered further strong growth of 9%, to €232 million. LBO and acquisition financing was the main contributor with €87.4 million, an increase of 8% on 2003. In Dealogic's 2004 league tables, Natexis Banques Populaires ranked fourth in the French market both on volume and number of deals, with a 13.6% share of the LBO market. Aircraft financing had an excellent year, contributing €19.2 million in net banking income, an increase of 30%. This business won the 'Aircraft Debt Deal of the Year Europe Award' for its arrangement and financing of two Airbus A360-600s for Virgin and the 'Aircraft Debt Deal of the Year Africa Award' for its arrangement and financing of two Airbus A340-300s for South African Airways. Most of the other business lines had a good year, with project financing up 9% to €33.3 million, real estate financing down 6% to €30.3 million, financial engineering up 43% to €26.4 million and syndications up 9% to €16.1 million. In Dealogic's 2004 league tables, Natexis Banques Populaires ranked fourth in the French syndication market on number of deals.

Origination amounted to €4.6 billion in 2004, an increase of more than 13% and well above target. Average loans outstanding were down 4% to €10.7 billion, principally due to off-balance sheet exposure which fell by 7% compared with the previous year. Meanwhile, risk-weighted assets fell by 3% to €8.1 billion.

■ Capital markets contributed net banking income of €181 million, a decrease of €23.6 million on 2003, with contrasting trends according to business line:

– Credit activities had an excellent year with 8% growth in net banking income to €62.4 million, driven by:

- A good performance in spread trading (primary and secondary) amid a climate of sharp contraction in volumes on the primary bond markets (down 35% for corporates, a strategic sector for Natexis Banques Populaires), which hit all European banks and led to increased competition, coupled with a contraction in primary fees throughout the year. Meanwhile, secondary trading was able to capitalize on the market's appetite for credit throughout the year and on the underlying trend towards narrower spreads, which fell by about 10 to 15 basis points depending on the segment. It also succeeded in managing the higher volatility in spreads in the Telecoms and Utilities sectors in the first half and then the Automotive and Retailing sectors towards the year end.
- Good results from securities portfolios (held for sale and held for investment), boosted by the new dynamic management approach introduced in the second half of 2003, which helped capitalize on the tighter credit spreads in 2004.

– Commodities trading, a business conducted by Natexis Commodity Markets, a UK-based subsidiary, produced net banking income of €28.5 million, a twofold increase on the previous year. Investor appetite for commodities was strong throughout the year, driven by growth in Chinese demand and spiraling oil prices. As is the case in any buoyant market, this was reflected in strong volumes, a sustained upward trend in prices and high volatility.

– Treasury activities contributed €55.4 million to net banking income, a decrease of €18.3 million on the previous year amid a climate of flattening yield curves and flat loan origination within the group.

– Fixed-income activities suffered a €6.8 million drop in net banking income, due to weak trading volumes in the markets, especially during the second half. The general rise in interest rates expected early in the year failed to materialize, causing investors to steer clear. The volatility profile was atypical due to the lack of volume and clear trends. In addition, margins on derivatives continued to contract in 2004 in an increasingly competitive market.

– Foreign exchange activities contributed €27.1 million in net banking income, down €7.2 million on 2003. This business line was radically restructured during the year to provide the foundations for more solid growth in 2005.

■ Commodities contributed net banking income of €88.9 million in 2004, unchanged from the previous year despite the severe adverse dollar effect. Excluding the dollar effect, net banking income would have risen by 9% to €96.6 million. Origination rose by 75% compared with 2003, driven by the energy sector. Origination in the New York branch rose twofold to €643 million, while Natexis Moscow increased significantly in scale with origination rising from €19 to €103 million.

■ Equity Group produced net banking income of €124.5 million compared with €36.6 million in 2003, reflecting a recovery in equity derivatives, a business line that was radically restructured in 2003 after incurring major losses in 2002. Within this business line, equity brokerage and origination is conducted by Natexis Bleichroeder S.A. in the eurozone and by Natexis Bleichroeder Inc. in the Americas and Asia.

– Natexis Bleichroeder S.A. benefited from improved market conditions and substantial growth in synergies with Natexis Banques Populaires. It contributed €42.3 million in net banking income, an increase of 35% compared with 2003, driven chiefly by good results in brokerage for institutional investors, which virtually doubled, coupled with increased scale in stock lending/borrowing and growth in electronic transmission following the transfer of Xéod's business at end February 2004. In the last few months, further synergies have been developed with the Financial Services business, particularly in selling foreign stocks to clients of management companies for whom Natexis Banques Populaires acts as custodian.

– Natexis Bleichroeder Inc., on the other hand, suffered from tensions in the international environment and the wait-and-see attitude ahead of the November elections, which put pressure on volumes throughout the year. In addition, investor attention was diverted towards commodities and away from the equity markets, which suffered a slowdown. Net banking income amounted to €42.4 million, a decrease of €4.7 million compared with the previous year. Excluding the dollar effect, net banking income would have been unchanged over the period.

Arbitrage activities contributed €40 million to net banking income. Apart from the recovery in equity derivatives, ABM Corp. (mortgage-backed securities arbitrage) achieved an excellent performance, with net banking income up twofold compared with 2003, to €13.9 million. Natexis Arbitrage also performed well, with net banking income up 7% to €7.8 million in difficult market conditions caused by low growth in the equity markets, extremely tight corporate credit spreads and a sharp fall in equity volatility.

■ Mergers & Acquisitions suffered a 9% fall in net banking income, to €5.8 million, despite a strong contribution from Natexis Bleichroeder (€1.5 million versus €0.7 million in 2003).

PRIVATE EQUITY AND WEALTH MANAGEMENT

Private Banking and Wealth Management contributed 7% of total net banking income generated by the core businesses. It delivered an excellent performance in 2004, with 51% growth in net banking income. Private Equity was the main contributor with an increase of €61.4 million compar ed with 2003.

in millions of euros	2004	2003	% change
Private Equity	145.4	84.0	+73
Wealth Management	43.2	40.5	+7
Total	**188.6**	**124.5**	**+51**

■ Private equity produced net banking income of €145.4 million in 2004, a rise of €61.4 million or 73% over 2003. Natexis Investment Corp. in New York delivered strong growth with a contribution of €22.9 million compared with €6.1 million in 2003. Growth was driven mainly by profit-taking, with divestments generating €154 million in capital gains, an increase of €65.9 million on 2003, while the provision charge was up slightly on 2003, by €9.5 million.

Despite this significant profit-taking, the stock of unrealized capital gains remained high at the year end, totaling €148 million, down just €55 million compared with end-2003.

Natexis Private Equity's investments reached nearly €312 million during the year, an increase of €54 million compared with the previous year. The proprietary portfolio accounted for 53% of new investments in 2004. A breakdown of investments by activity reveals sharp growth in venture capital and expansion capital to the detriment of LBO activity:

Expansion capital	€127 million	(up 57%)
Venture capital	€62 million	(up 55%)
LBOs	€67 million	(down 19%)
International	€55 million	(up 1%)

Total capital managed, which includes funds raised but not yet invested and unrealized capital gains, amounted to €2.2 billion, an increase of €281 million or 14% compared with end-2003. The proprietary portfolio accounted for 53% of total capital managed. The total portfolio breaks down as follows:

Expansion capital	€647 million	(up 1%)
Venture capital	€519 million	(up 2%)
LBOs	€402 million	(up 2%)
International	€671 million	(up 61%)

■ Net banking from Wealth Management amounted to €43.2 million in 2004, an increase of 7% on the previous year.

Banque Privée Saint Dominique, whose asset management activities previously focused principally on securities, expanded its capability during 2004 to become a genuine wealth management firm. Early in the year, its offering was extended to encompass all major asset classes, not just securities but also real estate, tax-driven products and works of art.

Assets managed stood at €2.3 billion at end-2004, up 6% over the year. 57% of assets were held in mutual funds and 43% in straight securities.

Banque Privée Saint Dominique contributed €21.3 million in net banking income, an increase of 9% compared with 2003.

Natexis Private Banking Luxembourg S.A., which specializes in international estate planning, delivered 33% growth in assets managed to €1.9 billion, chiefly due to new inflows. However, net banking income grew by only 4% to €21.8 million.

SERVICES

Total net banking income from Services rose by 8% to €608.7 million, accounting for 24% of total net banking generated by the core businesses. The two departments making up the core business – Banking, Financial and Technology Services on the one hand and Asset Management and Insurance on the other – experienced contrasting trends.

in millions of euros	2004	2003	% change
Banking, Financial & Technology Services	237.7	245.6	-3
Asset Management & Insurance	371.0	316.1	+17
Total	**608.7**	**561.7**	**+8**

Banking, Financial & Technology Services

Net banking income from this department was down slightly on 2003, to €237.7 million compared with €245.6 million the previous year.

in millions of euros	2004	2003	% change
Banking Services	86.9	75.1	+16
Financial Services	131.6	152.7	-14
Technology Services	18.8	17.8	+6
Total	**237.7**	**245.6**	**-3**

■ Banking Services contributed €86.9 million in net banking income representing 16% growth compared with 2003.
The number of cards in issue stood at 3.7 million at the year end, an increase of 4% on 2003. Growth in volumes was accompanied by a continued trend towards upselling, with an increase in the number of premium cards issued. The business card segment remained buoyant, with growth of about 20% in 2004. The number of card payments rose by almost 6% over the year.
Checks and payment systems experienced contrasting trends, with sharp growth in international payments (up 25%) and high-volume SIT payments (up 6%), and a continued decline in domestic check volumes (down 4%).

■ Financial Services contributed €131.6 million in net banking income. This represents a decrease of 14% on 2003, chiefly due to the discontinuation of Xéod Services' 'order flow' activities, but is in line with targets. Disappointing results from mutual fund administration activities (following the departure of external clients), and subsidiaries LineBourse (online broker), Samic (services company specializing in private banking software systems) and Slib (banking software developer), were offset by buoyant activity in Financial Production (9% growth in assets in custody despite a 3% decline in the number of portfolios in custody).

Asset Management & Insurance

Asset Management and Insurance delivered 17% growth in net banking income, while assets under management were up 7%.

in billions of euros	2004	2003	% change
Asset management	49.2	45.0	+9
Employee savings	11.5	11.7	-2
Insurance	21.0	19.4	+9
Real estate management	1.1	1.1	+5
Total assets managed	**82.8**	**77.2**	**+7**

in millions of euros	2004	2003	% change
Asset management	120.2	83.0	+45
Employee savings	84.2	72.0	+17
Insurance	157.3	152.0	+3
Real estate management	9.3	9.1	+3
Total net banking income	**371.0**	**316.1**	**+17**

The contribution by business line was as follows:

■ Asset Management

Net banking income from fund management was up sharply, by 45% to €120.2 million. This strong performance was driven by both volumes (following a rebound in the financial markets and strong new inflows in 2004), and by the quality of investment performance, which led to major outperformance fees on some dedicated funds.

Assets managed stood at €49.1 billion at end 2004, an increase of 9% on the previous year (excluding insurance mandates). Equity mutual funds grew by about 30%, their first increase for three years.

At the year end, Natexis Asset Management ranked fourth in the market with 6.35% market share *(source: Europerformance)*.

During 2005, Natexis Banques Populaires plans to combine its asset management activities within Natexis Asset Management, which will take over a subsidiary of Natexis Interépargne specializing in employee savings plan management. The research and management capabilities of both entities will be combined.

Meanwhile, Natexis Asset Management continues to outsource its administration activities. In addition to fund administration, very shortly the middle office, performance calculation, reporting and some information systems services will also be outsourced. This process will lead to the creation of Natexis Investor Servicing, a wholly-owned subsidiary of Natexis Banques Populaires.

■ Employee savings

Employee savings contributed net banking income of €84.2 million, including €9.8 million from Natexis Intertitres and €74.4 million from Natexis Interépargne. This represents an increase of 17% or €12.2 million on 2003.

The government's tax measures to stimulate consumer spending posed a real challenge for Natexis Interépargne in 2004. These measures led to total withdrawals of €1.2 billion over the year. This had a non-negligible impact on net banking income, as fees received on withdrawal requests more than offset the increase in expenses due to processing withdrawals and the relatively insignificant fall in management fees.

At end 2004, assets managed stood at €11.7 billion compared with €11.4 billion at end 2003, with market effect offsetting the outflows caused by the government's consumer spending stimulation measures.

■ Insurance

Consolidated premium income rose by 10.7% in 2004. Growth in premium income from French business (excluding Natexis Life and Bancassurance Popolari) was stronger at 13%, with Fructi-Sélection Vie products (up 12.5%) and Solévia (up 35%) accounting for 67.5% of premium income. Premium income from French unit-linked business grew by 12.8% to €285.9 million, accounting for 13% of total premium income, unchanged from the previous year. These figures confirm client reticence towards risky assets. Other bancassurers are experiencing the same trends, as unit-linked business accounted for 13% of total premium income in the G11 countries.

Personal risk premium income amounted to €109 million, an increase of 25%. The main contributors to this growth were personal accident policies, launched in the final quarter of 2003, and Sécuri+/Pro products.

Total net banking income from the Natexis Assurances subsidiary therefore amounted to €157.3 million compared with €152 million in 2003, an increase of 3%.

RECEIVABLES MANAGEMENT

Net banking income was up 3% compared with 2003, to €633.6 million, accounting for 24% of total net banking income generated by the core businesses.

in millions of euros	2004	2003 comparable	2003 reported (exc. Ort)	% change 2004/2003 comparable
Coface	531.4	518.9	487.7	+2
Factoring	102.2	98.0	98.0	+4
Total	**633.6**	**616.8**	**585.7**	**+3**

Coface

In April 2004, Coface acquired 100% of Ort SAS and its subsidiaries from the Reuters Group. Ort is a leading player in business and credit information in France and Belgium. This acquisition makes Coface, which already owned 100% of Coface SCRL, the French leader in business information through the combined expertise of Coface SCRL and Coface Ort. To permit more meaningful comparisons, pro forma comparable figures have been presented for 2003 including Ort for the period from April to December 2003.

■ Total revenues grew by 1%:

– Premium income from insurance activities rose by 1%. However, several factors masked the underlying buoyancy in this business, including the decision to stop selling policies deemed to be too risky, which led to more than €4 million (2003 base effect) in lost premium income in Germany, coupled with irrecoverable debts and deficits on liquidation of unearned premium reserves. In addition, the first few months of 2003 benefited from strong inflows held over from 2002 and major premium pricing revisions particularly in Germany and Italy (impact of 1.3%).

– In services, revenues were flat mainly due to the signature of a new agreement for the management of public procedures. Since 1946, Coface has managed a broad range of export credit guarantee facilities on behalf of the French government. Until this year, it was paid on a fixed sum basis. From 2004, fees are adjusted according to actual business volumes and productivity gains contractually guaranteed by Coface to the government. Fees will also be related to the quality of service provided by Coface to French exporters and the government.

■ Coface's equivalent net banking income amounted to €531.4 million in 2004, a 2% increase on the previous year:

– Insurance contributed €228 million, an increase of 5%. The cost of claims amounted to €366.5 million compared with €313.1 million in 2003. The loss ratio therefore came to a highly respectable 45%. In 2003, the German subsidiary AKC changed its provisioning method, as its previous practice had led to serious over-provisioning compared with the ultimate loss ratio method used in France. This had a positive impact on the cost of claims in 2003. Excluding this effect, the loss ratio would have been 52% in 2003.

– Net banking income from services rose by only 1% to €303.4 million, due to the decrease in fees for managing public procedures.

Factoring

After a sharp slowdown in growth in 2002 and 2003 (3.8% and 1.5% respectively), the factoring market returned to double-digit growth, rising by 11.3% to €81.6 billion. Natexis Factorem consolidated on its number three position, with 12.9% market share.

Natexis Factorem capitalized fully on the buoyant market conditions in 2004. Potential revenues from new contracts signed in 2004 were up 15% on 2003 to €3.34 billion. This performance, reflected in the addition of almost 1,400 new clients, was also due to Natexis Factorem's dynamic and responsive commercial approach.

Factored receivables rose by 13% to €10.9 billion, with the contribution from German subsidiary VR-Factorem representing one third of this growth.

Net banking income rose by 4% to €102.2 million despite a significant contraction in commission rates, caused by a growing weighting to major accounts, particularly in confidential contracts, coupled with a general erosion in rates due to competitive pressure.

NON-CORE BUSINESSES

Net banking income from non core businesses amounted to €119.8 million compared with €90.7 million in 2003, an increase of €29 million.

- Information Systems and Logistics produced 7% growth in revenues to €38 million, driven chiefly by Altaïr, which delivered 27% growth in net banking income from own clients.
- Institutional activities, which comprise a series of operations conducted on behalf of the government, contributed €18.5 million compared with €13.6 million the previous year. The entire growth of €5.9 million was due to moratorium interest.
- The real estate subsidiaries contributed €9.6 million in net banking income compared with €14.1 million in 2003. The decline was due to a major capital gain generated in 2003.
- The proprietary portfolio and other activities contributed net banking income of €53.8 million compared with €27.5 million in 2003. Growth was driven mostly by the preferred stock issuance companies and a rise in value of treasury stock held.

OPERATING EXPENSES

OPERATING EXPENSES

After two years of relative stability (growth of 2.7% in 2002 and 1.4% in 2003), consolidated operating expenses for the Natexis Banques Populaires group rose by 5% in 2004 to €1,857 million, driven by certain key structural projects and growth in business. Personnel costs rose by 6% to €1,060 million, representing 57% of the total, while other operating expenses rose by 4% to €797 million, representing 43% of the total.

Headcount

After two years of virtual stability in 2002 and 2003, the total number of full time equivalent (FTE) employees amounted to 12,532 at end December 2004, an increase of 1.7% or 212 FTEs compared with December 2003.

The following table shows the contribution to this growth by core business.

Core business	Change (in FTEs)
Corporate and Institutional Banking and Markets	+132
Private Equity and Wealth Management	-9
Services	-45
Banking, Financial & Technology Services	*-97*
Asset Management & Insurance	*+52*
Receivables Management	+106
Information Systems and Logistics	-10
Support functions	+38

- Corporate and Institutional Banking and Markets added a net 132 FTEs compared with end-2003, almost half of which are based outside France, including 57 in Natexis Algeria. Global Debt & Derivatives Markets accounted for 43 of the additional FTEs, due partly to a selective recruitment drive in front office and commercial functions and partly to significant investment in strengthening the control functions.
- In Services, the number of FTEs fell significantly in Banking, Financial and Technology Services as part of the measures introduced under the "Cap 2005" rationalization plan. Conversely, in Asset Management and Insurance, half the increase was in asset management and half in employee savings to meet the new demands imposed by growth in this business.
- Receivables Management added a net 106 FTEs in 2004, split 83 for Coface and 23 for the new German factoring subsidiary VR Factorem.
- Lastly, the increase in the support functions was designed to strengthen the group's control functions and to provide the staffing required for its major cross-functional projects.

Personnel costs

Personnel costs rose significantly in 2004, by 6% or €63 million, due to:

- An increase in the number of employees, with the average number of permanent and contract FTEs up by 179 in the year.
- An increase in total payroll costs due to increases granted during the year.
- A significant rise in incentive and profit-sharing payments and certain variable pay components, following growth in earnings.

Other operating expenses

Other operating expenses rose by a moderate 4% or €28.8 million, with two contrasting trends: growth in expenses relating to investment in key structural and control projects and in business development, coupled with control over operating costs in some recurring items:

- Major cross-functional projects and further progress in information systems development projects required additional recourse to outside consultancy and support. These include regulatory projects such as IFRS and Basel II, and projects to rationalize and upgrade systems in some priority areas (management, cash management, markets, etc.).
- By contrast, cost discipline was maintained over certain recurring items, including information systems production, logistics, and documentation and databases.

Changes in group structure during 2004 (excluding Ort) had an impact of €5.5 million.

COST/INCOME RATIO

The cost/income ratio stood at 68.6% for 2004, an improvement of 2.4 percentage points compared with the previous year (71%). Excluding Coface, the improvement was even greater, with a ratio of 64.8% against 67.5% in 2003.

GROSS OPERATING INCOME

Gross operating income amounted to €851.1 million, an increase of 18% compared with 2003.

NET INCOME

PROVISIONS FOR LOAN LOSSES

Provisions for loan losses were down by 51% to €104 million, compared with €211 million in 2003. This figure includes €115.6 million in charges to specific provisions and a net reversal of €11.4 million from general provisions.

Natexis Banques Populaires provides for loan losses at three levels:

- Specific provisions represented 62.8% of total non-performing loans against 59.5% in 2003. The net charge to specific provisions amounted to €116 million in 2004, down 22% on the previous year.
- General provisions are taken against loans which are healthy but in industries, risk categories or countries that warrant special attention. General provisions carried in the balance sheet stood at €371 million at the year end versus €392 million one year earlier. The change was due to a net reversal of €11.4 million and a translation difference of €9.6 million.
- The fund for general banking risks was kept at its end-2003 level of €242 million.

GENERAL PROVISIONS

Provisions for country risks amounted to €126 million after a net reversal of €3.4 million arising from a decrease in exposure in certain Latin American and Asian countries, offset by charges to provisions for Africa and the Middle-East.

Industry provisions amounted to €186 million, after a net reversal of €3.5 million arising from a decrease in exposure made possible by the group's improved corporate rating systems, the impact of which was partially offset by an increase in provisioning rates in the more risky industries. In addition, the €90 million provision taken at end-2003 to cover potential risks arising on some major European borrowers was maintained in the balance sheet at end 2004, as was the USD80 million provision to cover non investment grade risk in the United States (which led to a reversal of €4.5 million in euro equivalent).

SPECIFIC PROVISIONS

The net charge to specific provisions amounted to €116 million versus €149 million in 2003, which was already significantly down on 2002. This sharp decrease reflects a lower number of client defaults. Almost all the specific provision charge was due to twenty-six borrowers.

The table below shows the contribution to loan loss provisions by core business:

in millions of euros	2004	2003
Corporate and Institutional Banking and Markets	(104)	(134)
Private Equity and Wealth Management	(1)	1
Services	(1)	(2)
Receivables Management	(6)	(4)
Other	(4)	(10)
Charge to specific provisions	**(116)**	**(149)**

Breakdown of Corporate and Institutional Banking and Markets:

in millions of euros	2004	2003
Corporate France	(66)	(76)
International	(4)	(12)
Commodities	(2)	(10)
Global Debt & Derivatives Markets	(31)	(23)
Capital Markets	(9)	(13)
Total	**(104)**	**(134)**

Within Corporate and Institutional Banking and Markets, all business lines benefited from the lower number of client defaults except for Global Debt & Derivatives Markets, which was affected by a number of North American defaults.

The following table shows a breakdown of specific provisions by geographic area:

in millions of euros	2004	2003
Africa	(7)	(5)
Central and Latin America	(9)	(18)
North America	(21)	(18)
Asia	4	(3)
Eastern Europe	1	(1)
Western Europe	(84)	(104)
Total	**(116)**	**(149)**

Most of the specific provision charge was concentrated in Western Europe and, to a lesser extent, North America.
In Western Europe, provisions were mainly concentrated in France (€83 million) while in 2003 the breakdown was €59 million for France and €44 million for other countries.

TOTAL PROVISIONS

■ **By core business, trends in total provisions were as follows:**

in millions of euros	2004	2003
Corporate and Institutional Banking and Markets	(91)	(197)
Private Equity and Wealth Management	(1)	1
Services	(1)	(2)
Receivables Management	(6)	(4)
Other	(5)	(9)
Total	**(104)**	**(211)**

Breakdown of Corporate and Institutional Banking and Markets:

in millions of euros	2004	2003
Corporate France	(57)	(149)
International	(11)	(4)
Commodities	(9)	(10)
Global Debt & Derivatives Markets	(18)	(18)
Capital Markets	4	(16)
Total	**(91)**	**(197)**

Corporate France saw a sharp decrease in provisions. Apart from a decline in specific provisions, 2004 also benefited from a reversal of industry provisions amounting to almost €9 million due to an improvement in client rating systems, while 2003 suffered a large provision charge for the potential risk arising on some major European borrowers.

Commodities took a charge of €7 million due to an increase in industry provisions.

Capital Markets not only benefited from a decline in specific provisions but also a €12 million reversal of country provisions, chiefly due to a reduction in exposure in Latin America.

OTHER ITEMS

■ Gains on asset disposals amounted to €7 million versus €14 million in 2003, principally comprising:

– €11 million in capital gains on disposal of investments in affiliates;

– €4 million in impairment losses on intangible assets.

■ Income from companies accounted for by the equity method totaled €10 million, unchanged from the previous year. The contribution from private equity companies rose by €2 million due to a strong performance from BP Développement, while the contribution from Services companies decreased by €2 million due to Assurances Banque Populaire IARD.

■ Consequently, operating income before exceptional items and tax came to €764 million versus €533 million in 2003, an increase of 43%.

■ Net exceptional charges came to €10 million compared with net exceptional gains of €17 million in 2003. Charges comprised principally the cost of the stock option plan for Coface employees (€7.7 million) and various costs corresponding to prior year results of subsidiaries consolidated for the first time in 2004 (€2 million). In 2003, the €17 million net gain came chiefly from rebates on VAT and payroll taxes relating to treasury transactions carried out as part of the consolidation agreements of the former BFCE (€24 million), offset by costs in respect of prior year results of subsidiaries consolidated for the first time in 2003 (€10 million).

■ The tax charge rose to €220 million versus €157 million in 2003. This increase was due to the sharp rise in earnings before corporate income tax, goodwill amortization and income from companies accounted for by the equity method, which forms the taxable base at the standard rate. The taxable base grew by €198 million, which alone represented an additional charge of €70 million at the standard tax rate of 35.43% applicable in France.

■ Goodwill amortization totaled €54 million, comprising the standard amortization charge of €46 million plus an additional impairment charge of €8 million following the annual review.

ANALYSIS OF INCOME BEFORE EXCEPTIONAL ITEMS AND TAX BY CORE BUSINESS

All core businesses generated significant growth in income before exceptional items and tax in 2004.

in millions of euros	2004	2003 comparable	% change
Corporate and Institutional Banking & Markets	398	277	+44
Private Equity and Wealth Management	85	24	+251
Services	185	155	+20
Receivables Management	126	123	+2
Total	**794**	**579**	**+37**

CORPORATE AND INSTITUTIONAL BANKING AND MARKETS

in millions of euros	2004	2003	% change
Net banking income	**1,157.4**	**1,092.2**	**+6**
Operating expenses	(655.6)	(620.3)	+6
Gross operating income	**501.8**	**471.9**	**+6**
Cost/income ratio	56.6%	56.8%	-0.2 pts
Provisions for loan losses	(91.3)	(196.8)	-54
Income before exceptional items and tax	**398.0**	**276.8**	**+44**

Corporate and Institutional Banking and Markets contributed €398 million in income before exceptional items and tax, an increase of 44% on 2003. Gross operating income rose by 6% to €501.8 million under the impact of symmetrical growth in net banking income and operating expenses. The cost/income ratio improved slightly to 56.6%. Provisions for loan losses were slashed by more than a half compared with 2003, which was badly affected by industry provisions for potential risks on some major European borrowers and by a few material specific exposures.

PRIVATE EQUITY AND WEALTH MANAGEMENT

in millions of euros	2004	2003	% change
Net banking income	**188.6**	**124.5**	**+51**
Operating expenses	(88.9)	(80.7)	+10
Gross operating income	**99.6**	**43.8**	**+127**
Income before exceptional items and tax	**85.2**	**24.3**	**+251**

Income before exceptional items and tax in Private Equity and Wealth Management rose by €60.9 million compared with 2003, reflecting very strong growth in net banking income (up €64.1 million). The increase in operating expenses was due partly to the first-time consolidation of Sopromec and partly to an increase in investment fees and exceptional departure compensation.

SERVICES

in millions of euros	2004	2003	% change
Net banking income	**608.7**	**561.7**	**+8**
Operating expenses	(407.8)	(399.7)	+2
Gross operating income	**200.9**	**162.1**	**+24**
Provisions for loan losses	(1.2)	(2.0)	+38
Income before exceptional items and tax	**185.5**	**155.0**	**+20**

Income before exceptional items and tax from Services rose by 20% to €185.5 million under the combined impact of growth in net banking income (up 8%) and good cost discipline (up 2%).

RECEIVABLES MANAGEMENT

in millions of euros	2004	2003 comparable	% change
Net banking income	**633.6**	**616.8**	**+3**
Operating expenses	(503.1)	(491.9)	+2
Gross operating income	**130.4**	**124.9**	**+4**
Provisions for loan losses	(5.6)	(3.7)	+52
Income before exceptional items and tax	**125.7**	**122.9**	**+2**

Receivables Management contributed €125.7 million to income before exceptional items and tax, an increase of 2%. Growth in costs was contained to 2%.

4 – Risk Management

GENERAL SYSTEM AND PRINCIPLES

The risk management system of Natexis Banques Populaires complies with French banking regulations and with the corporate governance principles of the Banque Populaire Group, of which it is a member. There are three levels of control, which are coordinated by Executive Management. First tier control comprises continuous self checks by employees as part of their normal daily duties. Second tier control is provided by the Risk Management, Compliance, Fraud Prevention, and Internal Control departments, which report to the General Secretariat, and the Information Systems Security department which reports to Information Systems and Logistics. These departments are completely independent from the business lines. Third tier control is provided by the Internal Audit Department. The overarching committee created in 2003 coordinates the various departments involved. It is chaired by the Chief Executive Officer and meets once a month.

The risk management system is also structured around the Large Exposures Committee and various risk committees. The Large Exposures Committee includes the Chairman, the business line heads and representatives of the Risk Management, Internal Control and Internal Audit departments. It monitors and measures trends in the bank's major exposures, and takes preventive measures. It also assesses the quality of each core business's security systems and risk management tools. In 2004, its work covered LBO financing, operational risk, securitization transactions, business recovery plans and the bank's insurance policies.

The risk committees established by each of the core businesses include business line heads and representatives of the Risk Management and Internal Audit departments. These committees were restructured at the same time as the core businesses were reorganized during 2004. They take a more operational approach to risk and meet more frequently. They include:

- Credit Committee of Corporate and Institutional Banking and Markets and the subsidiaries that report to it;
- Country Risk Committee;
- Risk Committee of the Capital Markets business and the subsidiaries that report to it;
- Risk Committees of the Banking, Financial and Technology Services business;
- Risk Committee of the Asset Management and Insurance business;

- Risk Committees and Investment Committees of the Private Equity and Wealth Management businesses;
- Risk Committees of the Receivables Management core business (Coface and Natexis Factorem);
- Various Limit Violation Committees.

The Operational Risks Committee is responsible for assessing all operational risks within Natexis Banques Populaires on a cross-functional basis.

RISK MANAGEMENT DEPARTMENT

The Risk Management Department has five sub-departments:

- counterparty/country risk;
- market risk;
- risk management, control and reporting;
- operational risk;
- insurable risk.

The Risk Management Department sets delegated limits for each business line. During the year, Natexis Banques Populaires reviewed its delegation system as part of its core business reorganization and has retained a highly centralized system. The Risk Management Department issues an opinion on all counterparty risks when new facilities are granted or existing facilities renewed.

IMPLEMENTATION OF THE NEW CAPITAL ACCORD

The Basel II project conducted by the Banque Populaire Group and steered by Banque Fédérale des Banques Populaires is strongly supported by Natexis Banques Populaires, where the Finance, Risk Management and Information Systems departments are working alongside the business lines to set up the tools required to calculate the new capital adequacy ratio in 2005, based on an internal ratings model.

The project is divided into a number of sub-projects, including ratings, defaults, collateral management, databases, deployment, and ratio computation.

It is due to enter its final stages in 2005, while considerable progress has been made following the upgrading of risk assessment methods, statistical and historical data monitoring and back testing models to meet regulatory requirements.

The new corporate ratings model was introduced in 2004. The underlying statistical models were developed jointly by Banque Fédérale des Banques Populaires and Natexis Banques Populaires. Considerable progress has been made on systems for valuing collateral, based on standardized profiles and methods that meet regulatory requirements.

The default and loss database has been enriched with historical data. This work has been gradually extended to cover the whole of the Natexis Banques Populaires group. It will continue throughout 2005, with the implementation of a new interbank ratings system and a dedicated regulatory ratio computation system in the first half.

CREDIT RISK

AVERAGE CLIENT EXPOSURE (ON AND OFF BALANCE SHEET) IN 2004, MANAGEMENT DATA:

Corporate and Institutional Banking and Markets	**€68.4 billion**
– Corporate France	€36.4 billion
– Lease financing	€5.5 billion
– International	€12.1 billion
– Commodities	€3.7 billion
– Global Debt & Derivatives Markets	€10.7 billion
Factoring	**€2.3 billion**

BREAKDOWN OF EXPOSURE BY INTERNAL RATING AT DECEMBER 31, 2004

Natexis Banques Populaires continued to roll out its internal ratings system in 2004, in line with the work carried out within the Banque Populaire Group. The corporate rating scale has 16 ratings for healthy counterparties (1 being the top rating), plus four default categories. The quality of risk remained relatively stable in 2004, while there was an improvement in external corporate credit ratings.

The following table shows a breakdown of corporate exposure based on the new ratings at December 31, 2004.

Investment grade equivalent	77.5%
Non-investment grade equivalent and defaults	22.5%
Not rated, not analyzed	0%
Total	**100.0%**

BREAKDOWN OF EXPOSURE AT DECEMBER 31, 2004

By major counterparty category

Category	Category/exposure %	% of top 10
Government and central banks	6.2	85.2
Interbank	26.0	40.3
Other financial institutions	6.2	31.2
Local authorities	4.3	63.8
Corporates	57.2	9.9
Small businesses	0.1	21.9
Individuals	0.1	47.0
Total	**100.0**	

Corporate and Institutional Banking and Markets: corporate exposure by industry and geographic region (excluding lease financing)

Breakdown by industry (%)

Food	5.2
Construction	6.1
Consumer goods	3.0
Retailing	6.0
Energy	7.6
Finance and insurance	10.8
Holding companies and conglomerates	8.7
Tourism, hotels and leisure	2.1
Real estate	5.5
Media	5.8
Basic industries	4.2
Mechanical and electrical engineering	6.1
International trading, commodities	3.3
Pharmaceuticals, healthcare	2.8
Services	10.2
Technology	6.0
Utilities	2.2
Government	4.2
Other	0.1
Total	**100.0**

Breakdown by geographic region (%)

France	67.1
Rest of European Economic Area	15.3
Rest of Europe	3.2
North America	7.6
Latin America	2.4
Africa/Middle-East	1.9
Japan	0.2
Asia Pacific	2.3
Total	**100.0**

Compared with 2003, exposure remains highly diversified by industry. Exposure to emerging countries is also under control.

BREAKDOWN OF LOAN LOSS PROVISIONS BY GEOGRAPHIC REGION AT DECEMBER 31, 2004

in millions of euros	Specific risks	Country risks	Industry risks	Total 2004/2003
France	(83)	-	16	(67)
Rest of Western Europe	(1)	-	(12)	(13)
Eastern Europe	2	-	-	1
North America	(21)	-	4	(17)
Central and Latin America	(9)	10	(1)	0
Africa and Middle-East	(7)	(11)	-	(18)
Japan	-	-	-	0
Asia Pacific	4	4	1	9
Unallocated	-	1	-	0
Total	**(116)**	**3**	**8**	**(104)**
2003	(148)	2	(65)	(211)

There was a significant decrease in provisions for loan losses in 2004, due to a more favorable business climate and a continued highly selective approach to exposure.

BREAKDOWN OF RISKS AND PROVISIONS AT DECEMBER 31, 2004

in millions of euros Geographic area	Specific credit risks	Country risks (net basis)	Total risks	Provisions for specific risks	Provisions for country risks	Provisions for industry risks	Total provisions
France	1,003	-	1,003	639	-	123	762
Rest of Western Europe	209	292	501	145	-	36	181
Eastern Europe	37	256	293	23	-	7	31
North America	131	-	131	65	-	58	123
Central/Latin America	133	600	733	76	43	12	130
Africa/Middle-East	106	661	767	59	73	5	138
Japan	-	-	-	-	-	-	0
Asia Pacific	57	1,061	1,119	33	10	4	47
Not allocated	7	-	7	7	-	-	7
Risks and provisions	**1,683**	**2,871**	**4,554**	**1,047**	**126**	**245**	**1,418**

MARKET RISKS

MARKET RISK ORGANIZATION AND MANAGEMENT

Control over market risks is the responsibility of the middle office, the Risk Management Department and the Internal Control Department. Internal Control and Risk Management report to the General Secretariat while the middle office reports to the Corporate and Institutional Banking and Markets core business.

The middle office makes proposals for delegated limits and methods of calculating risks and provisions, which are validated by Risk Management. Internal Control is responsible for ensuring that procedures are appropriate and properly followed.

The major responsibilities of each control entity are as follows:

The middle office plays an operational role through the systems and applications it manages and uses daily. Its key duties are:

- developing the system of delegated limits and method of calculating risk and provisions, in conjunction with Risk Management;
- producing and analyzing daily calculations of risk, results and provisions;
- reporting and monitoring limit violations.

Risk Management is responsible for overseeing market risks and models. Its key duties are:

- validating the proposals made by the middle office, ensuring their consistency throughout the group and making recommendations on any other appropriate metrics;
- monitoring market risks at the various consolidation levels, and particularly at group level;
- validating the theory behind internally-developed models;
- validating the various delegated authorities and limits requested by Corporate and Institutional Banking and Markets and proposed by the middle office;
- making recommendations on the risk management system.

Internal Control is responsible for:

- ensuring that adequate procedures are in place and periodically assessing their appropriateness, particularly with regard to business activities and regulations;
- ensuring that procedures are properly and correctly followed;
- making recommendations on the risk management system.

This structure is completed by the market risks committee, which meets monthly and comprises the heads of the various control levels together with front office managers. The committee validates new limits, proposes changes to limits and reviews any identified limit violations.

The Board of Directors validates overall risk limits for all entities.

In addition, the Internal Audit departments of Natexis Banques Populaires and Banque Fédérale des Banques Populaires periodically conduct specific audit assignments.

MARKET RISK MEASUREMENT

The market risk management system is based on a risk metrics model that measures the risk run by each Natexis Banques Populaires entity. The current model consists of a number of standard metrics and an internal VaR-based model.

Standard metrics

The key standard metrics used are:

- sensitivity to a +/- 1% change in interest rates (overall and by maturity);
- currency exposure;
- equity exposure;
- sensitivity to a +/- 1% change in implied volatilities in the equity, foreign exchange and fixed-income markets (overall, by maturity and by strike);
- sensitivity to a change in delta of an underlying (equities, fixed-income and currency);
- sensitivity to dividend levels;
- sensitivity to a change in swap spreads;
- sensitivity to a change in issuer spreads;
- monthly and annual loss alerts.

VaR

In addition to these standard metrics, Natexis Banques Populaires also uses the Value at Risk (VaR) method. It uses Riskmanager software developed by Riskmetrics to perform historical VaR calculations designed to quantify the risk of losses from capital markets activities, using conservative assumptions. VaR calculations are based on one year's historical data, a one-day potential loss horizon and a 99% confidence level.

VaR at December 31, 2004 in millions of euros	
Interest rate risk	4.975
Currency risk	0.252
Equities risk	5.944
Commodities risk	0.384
Diversification	(4.511)
Total	**7.044**

For the US subsidiary ABM Corp., which trades in the mortgage-backed securities market, stress tests are performed based on a uniform 100 bp distortion of the yield curve and its impact on the market (in the shape of early repayments, increased volatility, etc.). At December 31, 2004, the impact of the worst-case scenario would be a $16.9 million fall in the value of the portfolio.

MARKET RISK MANAGEMENT SYSTEM

System improvements

The market risk management system covers the capital markets activities conducted by Natexis Banques Populaires and its subsidiaries. The improvement program launched by Natexis Banques Populaires in 2002 continued during 2004. Improvements concerned organization, procedures and risk measurement.

To provide the group with the most effective possible risk management system, Natexis Banques Populaires embarked on an in-depth review of its systems and invested in restructuring and strengthening the various teams involved in risk management. The main measures taken in 2004 were:

- significantly strengthening the middle office team, including hiring a middle office manager, and building up an experienced Riskmanager team to provide first tier control;
- establishing a team to validate valuation models within the Risk Management department;
- formally documenting the responsibilities of the various teams involved in market risk management.

During the year, a number of mission-critical procedures were upgraded either to provide a more detailed description of the actions to be taken within the bank or to incorporate methodological improvements for better monitoring of capital markets activities. The procedures concerned were:

- new products;
- loss alerts;
- limit violations.

The program to strengthen the risk measurement system continued in 2004, with the implementation of:

- New risk metrics for volatility curve distortions (equities and currency options).
- Provisioning models covering modeling risk, liquidity risk, assumption uncertainties and provisioning for specific risks. A provisioning committee has been set up and meets quarterly.
- A new calibrated model for measuring interest rate risk, capable of calculating a potential loss level for a given book or other scope of activity. Following a presentation of the model, limits will be fully revised in 2005.
- Further improvements to the qualitative limits granted to each business line.

Key limits

Maximum sensitivity of interest rate maturity schedules to a +/-1% shift in the yield curve is €100 million. This limit also applies to a point-by-point distortion of the yield curve.

The currency risk limit is €3 million expressed in terms of a one-day potential loss with a 99% confidence level.

Maximum sensitivity to a change in issuer spreads in the secondary bond market trading book is €8 million, expressed in terms of a one-day potential loss and a 99% confidence level.

Volatility limits for interest-rate, currency and equity options are:

- €2.5 million for a 1% change in interest-rate volatility;
- €1.8 million for a 1% change in equity volatility;
- €0.4875 million to €0.975 million per currency for a 1% change in foreign exchange volatility.

These overall metrics are supported by more precise measurements by underlying, maturity and strike price.

STRUCTURAL INTEREST-RATE RISK, CURRENCY AND LIQUIDITY RISK

The Asset & Liability Committee (ALM Committee), which is chaired by the Chief Executive Officer and includes representatives of Corporate and Institutional Banking and Markets, the Finance Department and the Risk Management Department, is responsible for setting out the broad guidelines for ALM, liquidity management and investment of own funds. An ALM officer reporting to the Finance Department is responsible for operational coordination of asset and liability management.

Interest rate, currency and liquidity risks have been centralized at Natexis Banques Populaires since 2002. These risks are monitored and managed by Corporate and Institutional Banking and Markets.

Structural interest rate risk

Interest rate limits for capital markets activities

Within the overall interest rate limits described above, the sub-limits for short-term and long-term treasury have been set at €30 million each.

ALM interest rate limits for refinancing books

On December 20, 2004, the ALM Committee validated the principle of expressing sensitivity limits for refinancing books as a percentage of regulatory capital. For sensitivity to a 200bp(1) change in interest rates, the Committee set an overall limit of 2.5% of regulatory capital, or €164 million based on regulatory capital of €6.55 billion at June 30, 2004. This limit has been delegated by the Board of Directors to the Chief Executive Officer with the ability to sub-delegate all or part.

Current sub-limits within the total €164 million are:

in millions of euros	Limits for 100bp	Limits for 200bp
LT treasury	30	60
ST treasury	30	60
Natexis Lease	8	16
Natexis Factorem	4	8
Total	**72**	**144**

Liquidity risk

Corporate and Institutional Banking and Markets refinances all the liquidity needs of the various Natexis Banques Populaires businesses and charges back the cost. This centralized system

(1) 'Shock' proposed by the banking regulator in the second pillar of the Basel II accord published in June 2004.

permits optimum management of liquidity risk through a detailed knowledge of the various gaps. Observation ratios have been approved by the ALM Committee. In conjunction with the Finance Department, Corporate and Institutional Banking and Markets is also responsible for monitoring prudential requirements (short-term liquidity ratio and long-term financing ratio) and internal prudential ratios validated by the ALM Committee.

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

Minimum liquidity gap coverage ratios are as follows:

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

Currency risk

Currency risk is broken down into two components:

- Operational currency risk, generated by the trading activities. The maximum potential loss is €3 million. This risk is monitored by the Markets Risk Committee and the ALM Committee.
- Structural currency risk, which is monitored by the ALM Committee.

Credit derivatives

Apart from securitizations, credit derivatives held by Natexis Banques Populaires and its subsidiaries (chiefly Natexis Arbitrage) were not material at end December 2004. They amounted to approximately €1 billion in nominal value, principally in credit default swaps, about three quarters in protection purchased and one quarter in protection sold.

OPERATIONAL RISKS

Operational risk is defined as the risk of loss due to inadequacies or deficiencies in processes, people and systems, or to external events.

Operational risk management is based primarily on an internal control system applicable to all activities and on the involvement and responsibility of business line management. The system was strengthened in 2004 with the reorganization of the operational risks committee, the initial introduction of operational risk officers in the various core businesses and continued staff training campaigns.

The operational risks committee met six times in 2004. Its work mainly covered the introduction of an operational risk management system in each business line, in conjunction with the work being carried out at group level, and continuation of work on the group business recovery plan and more specific plans for each business line.

Work on identifying and systematically measuring operational risks, and identifying and analyzing losses continued during 2004. The capital required to cover operational risks was measured using the standardized model.

INSURABLE RISKS

The Risk Management Department and the Insurance Department which reports to it are responsible for analyzing insurable operational risks, seeking adequate cover and purchasing it in the market.

The 2004 insurance program for general risks and risks specific to the business of Natexis Banques Populaires and its subsidiaries in France included the following:

- Buildings used in the business and their contents (excluding IT equipment) are insured against the usual risks (fire, explosion, terrorism, flooding, etc.) at reconstruction or replacement value.
- IT equipment and consequential loss of banking business is now covered under a blanket group policy taken out by Banque Fédérale des Banques Populaires. Sums insured vary according to the site (maximum €175 million).
- Risk of theft and fraud are also covered by two blanket group policies taken out by Banque Fédérale des Banques Populaires for the entire Banque Populaire Group.
- Liability is covered by several policies for different amounts depending on their nature and, in some cases, legal requirements (operations, motor, professional liability, Directors' liability, specific business line liability, etc.).

All cover has been taken out with leading international insurers that are recognized for their claims-paying ability.

Most policies include deductions or retentions determined in relation to the financial capacity of the Banque Populaire Group and/or Natexis Banques Populaires.

Total insurance premiums for the risks described above amounted to just over €4.4 million in 2004.

LEGAL RISKS

Natexis Banques Populaires is currently involved in a limited number of liability claims. After review and based on the current status of claims pending, the bank does not believe these claims will have a material adverse impact on its results or financial position. Provisions have been booked in the financial statements at December 31, 2004 for all legal and tax risks that can be reasonably estimated.

5 – Financial structure and regulatory ratios

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

in billions of euros	12/31/2004	12/31/2003
Interbank and money market assets	19.8	18.3
Customer loans	32.7	32.5
Securities held under resale agreements	35.1	35.1
Securities	20.5	16.4
Insurance company investments	23.4	20.9
Other assets	7.4	11.1
Investments in affiliates and other securities held for investment	0.4	1.6
Total assets	**139.4**	**135.9**

LIABILITIES AND SHAREHOLDERS' EQUITY

in billions of euros	12/31/2004	12/31/2003
Interbank and money market liabilities	14.5	17.7
Customer deposits	8.1	10.4
Securities delivered under repurchase agreements	42.4	37.4
Debt securities and subordinated debt	33.8	30.2
Insurance company technical reserves	22.8	20.6
Other liabilities and provisions	12.6	14.6
Shareholders' equity and fund for general banking risks	5.2	5.0
Total liabilities and shareholders' equity	**139.4**	**135.9**

Total consolidated assets amounted to €139.4 billion at December 31, 2004 compared with €135.9 billion one year earlier, an increase of 3%.

ASSETS

Interbank and money market assets rose by 8% to €19.8 billion, driven by a €1.7 billion increase in the bank's portfolio of government securities held for trading.

Customer loans, including lease financing, amounted to €32.7 billion, unchanged from the previous year as the weaker dollar offset controlled growth in the loan book.

Securities held under resale agreements – chiefly government securities – remained stable during the year, after growth in this business during the previous three years. These assets are financed by securities delivered under repurchase agreements, recorded as liabilities.

The securities portfolio increased by a significant 25% to €20.5 billion, mainly due to growth in fixed-income trading in the capital markets business.

Insurance company investments, held mostly for the life insurance business, rose to €23.4 billion. This was matched by a corresponding increase on the liabilities side in insurance company technical reserves held to meet future obligations to policyholders, which rose to €22.8 billion.

Other assets fell to €7.4 billion in connection with the non-renewal of reinsurance contracts, which led to a significant decrease in the reinsurers' share of technical reserves.

The €1.2 billion decrease in other securities held for investment reflects the unwinding of the Editis (formerly Vivendi Universal Publishing) temporary holding operation carried out on behalf of the Lagardère Group.

LIABILITIES AND SHAREHOLDERS' EQUITY

Interbank and money market liabilities fell to €14.5 billion and customer deposits to €8.1 billion. Refinancing of growth in assets was reflected in a significant increase in debt securities, which rose to €33.8 billion from €30.2 billion the previous year, the issuance of money market securities and an increase in securities delivered under repurchase agreements, which rose to €42.4 billion.

SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY

CAPITAL STOCK

The capital stock was raised during 2004 to 210,823 shares following the exercise of stock options and shares issued to existing employee stock ownership plans.

At December 31, 2004, therefore, the capital stock amounted to €772,095,392, divided into 48,255,962 shares each with a par value of €16.

REGULATORY CAPITAL AND INTERNATIONAL CAPITAL ADEQUACY RATIO

At December 31, 2004, the Natexis Banques Populaires group's total regulatory capital for international capital adequacy purposes, enlarged to encompass market risks, amounted to €6.64 billion compared with €6.04 billion one year earlier.

Tier One capital amounted to €4.48 billion at December 31, 2004 against €4.29 billion one year earlier. The increase was mainly due to 2004 earnings transferred to reserves, partially offset by the dollar effect.

Tier Two, Tier Three and other regulatory capital rose to €2.16 billion against €1.75 billion at December 31, 2003, due mostly to the issuance of €450 million of redeemable subordinated notes in November 2004.

Growth in risk-weighted assets was contained to €1.8 billion, rising to €54.8 billion. €1 billion of the growth was due to market risks, following growth in fixed-income trading activities, and €0.8 billion to credit risks, chiefly due to the impact of winding up proprietary securitization transactions, which was partially offset by the positive impact of a weaker dollar.

As a result of these trends, the international capital adequacy ratio stood at 12.1%, including a Tier One ratio of 8.2%, versus 11.4% and 8.1% respectively at December 31, 2003, reflecting a continued strengthening of Natexis Banques Populaires' financial structure.

EUROPEAN CAPITAL ADEQUACY RATIO

Since 1996, French financial institutions have been required to measure and comply with an overall capital adequacy ratio covering not only counterparty risks but also market risks such as interest rate and currency risks.

It is defined as the ratio of available capital to the capital requirement for counterparty and market risks. It must be higher than 100%. At December 31, 2004, the ratio stood at 160% versus 154% one year earlier.

OTHER REGULATORY RATIOS

The liquidity ratio is designed to ensure that liquid assets with a maturity of less than one month are at least equal to liabilities falling due within the same period.

The ratio of liquid assets to liabilities maturing within one month must be higher than 100%. It stood at 146% at December 31, 2004.

Natexis Banques Populaires complies with prudential rules governing large exposures. In line with banking regulations, no single exposure may exceed 25% of regulatory capital and the cumulative total of individual exposures in excess of 10% of regulatory capital may not exceed eight times regulatory capital.

6 – Refinancing

Natexis Banques Populaires is responsible for refinancing the Banque Populaire Group's activities, including the Banque Populaire regional banks, through regular recourse to the financial markets.

Its FRN and benchmark issues in 2004, which totaled €2 billion, were all oversubscribed.

Natexis Banques Populaires has once again significantly lowered its cost of refinancing thanks not only to its strong capital base and high quality ratings, but also to its policy of diversification by placing debt in the international markets.

Having already raised its EMTS issuance program from €5 to €10 billion in 2003, Natexis Banques Populaires once again focused on this type of debt which is particularly sought after by international investors, with the aim of boosting its sources of financing outside France. EMTNs in issue rose from €4.8 billion at December 31, 2003 to over €7 billion at December 31, 2004.

NATEXIS BANQUES POPULAIRES ISSUANCE IN 2004 (EXPRESSED IN MILLIONS OF EUROS EQUIVALENT EXCEPT FOR USCP EXPRESSED IN MILLIONS OF DOLLARS)

	CD	USCP	ECP	EMTN	BMTN	Bonds
Cumulative issuance during the year	86,940	19,593	5,838	3,235	282	781
Outstanding at 12/31/04	6,408	1,204	1,675	7,126	1,412	5,280
Outstanding at 12/31/03	6,294	1,490	1,137	4,811	1,573	6,839

As regards bond, money market and commercial paper issuance: senior debt (bonds, EMTN, ECP, USCP, TCN) and subordinated debt (subordinated redeemable notes), the main contractual clauses are as follows:

■ Senior debt

– Issuance programs: the EMTN program contains a standard negative pledge. There are no financial or rating-related covenants. There is a cross-default clause restricted to the issuer, with a €30 million trigger.

  The USCP program (paper issued by NBP U.S. Finance Company LLC with a Natexis Banques Populaires guarantee), the Natexis Banques Populaires ECP program and the French commercial paper (TCN) program do not contain any covenants.

– Non-program issuance: bonds issued in the French domestic market contain a negative pledge similar to the EMTN program. International bond issues contain a negative pledge and a cross-default clause, which is the same as that contained in the EMTN program.

■ Subordinated debt

Subordinated redeemable notes do not contain any covenants.

7 – International Financial Reporting Standards (IFRS)

Like all European listed companies, Natexis Banques Populaires is required to adopt international financial reporting standards (IFRS) from January 1, 2005.

This represents a major departure for the Natexis Banques Populaires group and for everyone directly concerned by its financial reporting. Acutely aware of its importance, NBP launched its IFRS project in September 2002. During 2004, work included preparing information systems specifications and parameter setting, drawing up procedures and training all those involved in the financial reporting functions.

Following this work, the group is in a position to report the impact of first-time adoption of IFRS as of January 1, 2004. Work also continues on drawing up 2004 financial statements based on IFRS.

To comply with its usual year-end reporting schedule, the group will publish its 2004 French GAAP financial statements before completing the work on first-time adoption of IFRS. The 2004 IFRS financial statements will therefore be published on April 21, 2005.

Based on work completed to date, the main identified impacts on opening shareholders' equity are:

■ **Fund for general banking risks:** this type of general provision is not allowed under IFRS and the FGBR will therefore be reclassified in opening shareholders' equity.

■ **Loss equalization reserve:** this provision relates to Coface's insurance credit business. It is not allowed under IFRS as it is designed to cover a general risk (catastrophe risk). It will therefore be reclassified in opening shareholders' equity.

■ **Employee benefits:** under IFRS, the Group is required to provide for all post-employment benefits in full. This involves measuring post-employment obligations at their fair value, by discounting future cash flows at the market rate, and supplementing the provisions made in this respect with a sum corresponding to the estimated liabilities arising in respect of taking over payment of future retirees' mutual contributions. All resulting actuarial differences will be charged to opening shareholders' equity.

■ **Impact of component accounting:** this method applies mainly to buildings owned by the Group and the impact arises from identifying components with useful lives that are shorter than the depreciation periods currently used under French GAAP. As this method will be used in the French GAAP financial statements with effect from 2005, this difference in accounting treatment will become irrelevant.

■ **Capitalization of development costs:** IFRS requires software development costs to be capitalized whereas under French GAAP they are currently expensed during the year of occurrence. Similar accounting treatment will be used in the French GAAP financial statements as of January 1, 2005.

■ **Goodwill:** under IFRS, as is the case for French GAAP, goodwill will no longer be amortized but will be tested for impairment at least once a year, and an impairment loss recognized where necessary. Previously recognized negative goodwill will be reclassified in opening shareholders' equity and negative goodwill arising in subsequent years will be taken immediately to income. Furthermore, intangible assets previously recognized under French GAAP upon business combinations and which do not satisfy the recognition criteria required by IFRS, will be reclassified as goodwill.

The impact on deferred tax has also been calculated for each of the above items.

Natexis Banques Populaires has elected to adopt IAS 32 and 39 as of January 1, 2005.

8 – Recent developments and outlook

On February 25, 2005, upon publication of its 2004 results, Natexis Banques Populaires unveiled the broad outlines of its 2007 strategic plan. This medium-term business plan is designed to leverage earnings through sustained growth.

The key goals of the plan are:

■ Fully exploit business line growth potential:

– strengthen positions with French corporate and institutional clients through greater cross- and up-selling;

– develop synergies with Banque Populaire banks customers;

– enhance the value of strong centers of business expertise such as employee benefit planning, commodities financing, structured financing, and receivables management;

– step up expansion in the most buoyant continental European countries.

■ Continue the drive for efficiency by investing in people and technology.
However, expenses will not grow nearly as fast as revenues.

■ Strengthen management and control functions.

The plan is a middle-case scenario based on certain business assumptions, notably including loan loss provisions equal to 0.34% of risk-weighted assets in 2007 (against 0.21% in 2004). The key projections are:

– core business net banking income: 9.4% compound annual growth over the plan period;

– core business gross operating income: 16% compound annual growth over the plan period;

– ROE: 14% by 2007.

Disclaimer

These forward-looking statements are of necessity based on a number of general and specific assumptions, and are subject to risks and uncertainties that could cause the future results of Natexis Banques Populaires to differ materially from those expressed in such statements. Potential investors are advised to have due regard for these risks and uncertainties.

9 – Information on Natexis Banques Populaires parent company and proposed distribution of net income

INFORMATION ON THE PARENT COMPANY

Net banking income rose by €80 million or 7% in 2004, including a €57 million increase in gains on trading portfolios and an increase of €35 million or 21% in income from variable income securities.

Cost discipline was maintained during 2004, with operating expenses up 4.5%.

Gross operating income amounted to €434 million, an increase of 11% over the previous year. The cost/income ratio stood at 65.5%.

Provisions for loan losses fell significantly, to €82 million compared with €231 million in 2003. The improvement concerned both specific risks and industry and country risks:

■ The charge to specific provisions was down sharply, to €95 million compared with €144 million in 2003, confirming the slowdown in business failures first seen during 2003. In 2003, Natexis Banques Populaires was forced to write off a loan of €29 million made to its US subsidiary Natexis Investment Corp, to cover impairment of its CDO portfolio.

- A net reversal of €13 million was made from industry and country risk provisions compared with a net charge of €63 million in 2003. This reflects the improved credit ratings of major corporates and the healthier economic climate in some emerging countries.

The €90 million provision taken at end-2003 to cover the potential risk relating to certain European borrowers was maintained in 2004.

Net income came to €214 million versus €201 million in 2003.

At December 31, 2004, total assets stood at €100.59 billion versus €98.41 billion one year earlier.

PROPOSED DISTRIBUTION OF PARENT COMPANY NET INCOME

Natexis Banques Populaires parent company reported net income of €213,582,296.25 for the year ended December 31, 2004.

The fourth resolution to be put to the annual general meeting on May 19, 2005 proposes to deduct from net income the negative balance held on the retained earnings account, being €12,749,384.87, and to transfer the sum of €10,679,114.81 to the legal reserve, leaving the sum of €190,153,796.57 available for distribution.

Shareholders will be asked to approve the following distribution of this sum: payment of a dividend in the sum of €159,244,674.60, transfer to the general reserve in the sum of €30,900.00 and transfer of the balance to retained earnings, in the sum of €9,121.97.

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Consolidated balance sheets

At December 31

Assets

in millions of euros	note	2004	2003	2002
Interbank and money market assets	3	47,068	46,987	42,084
of which institutional activities		333	421	1,379
Customer loans	4	34,568	33,467	33,021
of which institutional activities		1,133	1,099	96
Lease financing	4	5,721	5,434	5,404
Bonds, equities and other fixed and variable income securities	5	20,432	16,351	19,166
Insurance company investment portfolios	6	23,389	20,943	19,181
Investments in affiliates and other securities held for investment	7	449	1,585	1,686
Property and equipment and intangible assets	8	1,014	977	971
Goodwill	9	362	375	429
Accrued income, prepaid expenses and other assets	10	6,316	9,790	11,458
of which institutional activities		-	-	-
Total assets		**139,319**	**135,909**	**133,400**
of which institutional activities		1,466	1,520	1,475

Liabilities & shareholders'equity

in millions of euros	note	2004	2003	2002
Interbank and money market liabilities	11	41,425	36,100	46,184
of which institutional activities		408	515	1,453
Customer deposits	12	23,300	29,389	22,820
of which institutional activities		1,166	1,137	106
Debt securities	13	31,084	27,819	23,621
of which institutional activities		-	-	-
Insurance company technical reserves	6	22,785	20,614	18,997
Deferred income, accrued charges and other liabilities	14	11,961	13,693	13,956
of which institutional activities		100	98	108
Negative goodwill	9	66	76	89
Provisions for contingencies and charges	15	827	811	796
Long-term subordinated debt	16	2,681	2,417	2,209
Fund for general banking risks	17	242	242	242
Minority interests	17	778	835	726
Shareholders' equity		4,170	3,913	3,760
Common stock	17	772	769	759
Additional paid-in capital	17	1,802	1,791	1,750
Consolidated reserves and retained earnings	17	1,189	1,088	1,143
Net income for the year	17	407	265	108
Total liabilities & shareholders'equity		**139,319**	**135,909**	**133,400**
of which institutional activities		1,674	1,750	1,667

Consolidated off-balance sheet items

At December 31

in millions of euros	2004	2003	2002
COMMITMENTS GIVEN			
Banking operations	**40,190**	**34,432**	**37,086**
Financing commitments given to:	23,337	21,892	21,386
financial institutions	2,448	2,317	3,614
customers	20,889	19,575	17,772
of which institutional activities	-	-	-
Guarantees given on behalf of:	16,742	12,211	15,237
financial institutions	1,459	1,514	1,687
customers	15,283	10,697	13,550
of which institutional activities	2	5	9
Commitments on securities	111	329	463
of which securities acquired with repurchase option	-	-	-
COMMITMENTS RECEIVED			
Banking operations	**12,994**	**8,512**	**4,899**
Financing commitments received from financial institutions	5,872	3,931	964
Guarantees received from financial institutions	7,023	3,985	3,499
Commitments on securities	99	596	436
of which securities sold with repurchase option	-	-	-

Consolidated income statements

Year ended December 31

in millions of euros	note	2004	2003	2002
Interest income	21	4,095	4,110	5,748
Interest expense	22	(3,406)	(3,445)	(5,056)
Income from variable income securities	23	37	42	40
Net fee and commission income	24	582	561	499
Net gains/(losses) on trading account securities	25	183	121	(59)
Net gains on securities held for sale	26	185	126	4
Other banking revenues and expenses		94	76	114
Gross margin on insurance operations	27	744	694	395
Other net income	28	194	170	108
Net banking income	34	**2,708**	**2,455**	**1,793**
General operating expenses	29	(1,779)	(1,651)	(1,379)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets		(78)	(88)	(67)
Gross operating income		**851**	**716**	**347**
Provisions for loan losses	30	(104)	(211)	(193)
Net operating income		**747**	**505**	**154**
Income from companies accounted for by the equity method		10	10	3
Net gains/(losses) on disposals of fixed assets	31	7	13	53
Income before exceptional items and tax	34	**764**	**528**	**210**
Exceptional items	32	(10)	13	(16)
Corporate income tax	33	(220)	(154)	(13)
Goodwill amortization		(54)	(64)	(38)
Net charge to fund for general banking risks		-	-	21
Minority interests		(73)	(58)	(56)
Net income		**407**	**265**	**108**
Earnings per share Net income per share, based on the average number of shares in issue during the year		8.48	5.57	2.42
Diluted earnings per share Net income per share, based on the number of shares in issue at the year-end		8.44	5.53	2.28

■ Notes to the consolidated financial statements

1 – Consolidation methods and principles

The consolidated financial statements have been prepared in accordance with French generally accepted accounting principles and the standards formulated by the *Comité de la Réglementation Comptable* (CRC), including standard CRC 99-07 on consolidation methods and principles and standard CRC 2000-04 on the presentation of consolidated financial statements.

1.1 – SCOPE OF CONSOLIDATION

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

Subsidiaries that are not material in relation to the Group as a whole are not consolidated. Materiality is determined on the basis of the subsidiary's qualitative contribution to the Group accounts without applying any threshold in terms of net assets or revenues. Accordingly, IT logistics subsidiaries are consolidated as they have a material impact on the split of consolidated general expenses between payroll costs and other operating expenses.

The main changes during the fiscal year were as follows:

- first-time consolidation of Coface Ort and its subsidiaries, consolidated within the Coface sub-group following Coface's end-March 2004 acquisition of the Ort Group, a specialist in online business and credit information;
- first-time consolidation of Coface Collection North America, Coface Holding America Latina, Coface Servicios do Brasil and Coface Servicios Argentina, business information subsidiaries consolidated within the Coface sub-group;
- first-time consolidation of London Bridge Finance Limited, a factoring company consolidated within the Coface sub-group;
- first-time consolidation of Unistrat Coface, an insurance broker consolidated within the Coface sub-group;
- first-time consolidation of Coface Services Nederland and Coface Servicios Panama, credit information and management subsidiaries consolidated within the Coface sub-group;
- first-time consolidation of Immobilière Natexis, a real estate investment subsidiary;
- first-time consolidation of Crédit Maritime Vie, a life insurance subsidiary;
- first-time consolidation of Natexis US Finance Corporation, refinancing subsidiary for the New York branch;
- first-time consolidation of VR Factorem, a German factoring subsidiary created in partnership with German group GENO;
- first-time consolidation of Paris Office Fund, a real estate trading company jointly and equally owned with the Axa Group;
- first-time consolidation of Natexis Private Equity Opportunities, Natexis Private Equity International Singapour and Financière Natexis Singapour 2, private equity subsidiaries;
- merger of E-Market into Slib;
- increase in percentage holding in Unistrat Assurance (from 50% to 100%) and in Line Bourse (from 51% to 100%) following a buyout of the minority interests, and in Coface SA (from 98% to 100%) following the squeeze-out in May 2004.

SPECIAL PURPOSE ENTITIES: consolidation of special purpose entities was reviewed in light of paragraph 10052 of standard CRC 1999-07 as amended by standard CRC 2004-04. Special-purpose entities encompass four types of transactions:

A – SECURITIZATION

Own account transactions

Since 2000, Natexis Banques Populaires has carried out five synthetic asset securitizations on its own behalf, the principle behind which is described in Note 2.3. The purpose of these transactions is to transfer a significant portion of the counterparty risk relating to certain loan portfolios (collateralized loan obligations) or bonds (collateralized bond obligations), using credit derivatives (credit default swaps) or market derivatives (credit linked notes).

These transactions amounted to €2.9 billion at December 31, 2004 (€4.1 billion at December 31, 2003), with total weighted risks of €2.3 billion (€3.3 billion at December 31, 2003).

As part of its active portfolio management policy and in agreement with the supervisory authorities, in the first half of 2004 Natexis Banques Populaires decided to wind up the Paris I and Paris II transactions prematurely.

in € million equivalent value at December 31, 2004

Entity	Currency	Inception	Maturity	Gross amount securitized	Weighted securitized risks	Weighted retained risks	Initial losses retained by the Group
IGLOO	€	2000	2005	997	778	368	33
IGLOO II	€	2003	2007	1,678	1,377	444	110
NATIX	$ (initial losses in €)	2000	2008	190	190	34	3
Total				**2,865**	**2,345**	**846**	**146**

in € million equivalent value at December 31, 2003

Entity	Currency	Inception	Maturity	Gross amount securitized	Weighted securitized risks	Weighted retained risks	Initial losses retained by the Group
IGLOO	€	2000	2005	1,721	1,282	493	33
IGLOO II	€	2003	2007	1,770	1,394	336	110
NATIX	$ (initial losses in €)	2000	2008	222	222	40	3
PARIS I & II	$	2000	2011	396	396	18	8
Total				**4,109**	**3,294**	**887**	**154**

Transactions on behalf of clients

In 2002, Natexis Banques Populaires carried out a securitization on behalf of clients. The purpose of the transaction was to refinance these clients' receivables portfolios on the commercial paper market. Natexis Banques Populaires acts as arranger, custodian, placing agent and liquidity provider and also guarantees the letter of credit. The transaction involves a multi-seller conduit named Elixir Funding.

Of the three criteria applied to determine whether a special purpose entity should be consolidated, the criterion concerning the retention of the majority of ownership risks is the determining factor: during the period when the conduit's asset pool is being built up, Natexis Banques Populaires aims to transfer the majority of risks to a banking syndicate within one year. Once the conduit is fully operational, over 50% of the liquidity lines and the letter of credit will be financed by a banking syndicate at all times. The special purpose entity has therefore not been consolidated.

Liquidity lines have been opened on the commercial paper issued by this conduit, as well as a letter of credit:

in millions of euros	12/31/04	12/31/03
Amount authorized	614.6	408.0
Amount drawn	538.2	339.3
NBP liquidity line	248.4	204.6
NBP letter of credit	5.0	9.8

B – TAX STRUCTURES

Asset financing (aircraft, ships, hotels, technocenters, etc.) is provided to certain clients via look-through entities (GIEs, SCIs, SAs organized as a tax group) set up by Natexis Banques Populaires either alone or in partnership with other banks. In these structures, Natexis Banques Populaires acts both as a lender and as a seller of tax positions. Natexis Banques Populaires has the power to make decisions concerning the activities of these look-through entities, in a fiduciary capacity on behalf of clients. As the activities represent in substance asset management activities and Natexis Banques Populaires does not control the look-through entities within the meaning of paragraph 10052 of standard CRC 99-07, these structures are not consolidated.

C – REAL ESTATE STRUCTURES

SCI non-trading real estate companies are set up to hold finance leases granted by NBP's leasing subsidiaries or the SCIs themselves to finance clients' real estate acquisitions (car parks, offices, headquarters buildings, etc.). As in the case of tax structures, Natexis Banques Populaires acts in a fiduciary capacity at the request of clients and does not exercise control over the real estate structures according to the criteria set out in paragraph 10052 of standard CRC 99-07.

D – FINANCING STRUCTURES

The purpose of these structures is to transfer ownership of participations in syndicated loans to a group of investors, with different seniority rankings. In 2004, Natexis Banques

Populaires carried out a transaction of this type through a non-consolidated entity called Vallauris CLO plc. Its assets comprise a portfolio of bank loans managed by Natexis Banques Populaires and refinanced through senior, mezzanine and subordinated notes issued by the entity and purchased by external investors. As none of the three criteria relating to control, economic benefits or risk retention apply, the entity is not consolidated.

in millions of euros	12/31/04
Total notes issued	308
Of which retained by NBP	19.5
Total invested in the portfolio	230
Fees paid to the portfolio manager	0.5% / year

1.2 – PRESENTATION OF THE FINANCIAL STATEMENTS

1.21 – CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are presented in millions of euros, with prior year comparatives covering three years.

1.22 – INSTITUTIONAL ACTIVITIES

Assets, liabilities and commitments arising from the institutional activities managed by Natexis Banques Populaires on behalf of the State are identified separately in the balance sheet and off-balance sheet under each line item concerned.

Under article 84 of the 2001 amended Finance Act (law 2001-1276 of December 28, 2001), the mandate entrusted to Natexis Banques Populaires and companies under its control to manage certain public procedures on behalf of the State has been extended until December 31, 2005. These transactions are recorded separately in the financial statements and some of them may be guaranteed by the State. The State and other related creditors have a specific right over the assets and liabilities allocated to these institutional activities.

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

1.3 – CONSOLIDATION METHODS

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

Companies over which Natexis Banques Populaires exercises significant influence (generally where it controls between 20% and 50%) are accounted for by the equity method.

1.4 – YEAR END

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

1.5 – GOODWILL

When a company is consolidated for the first time, the difference between the acquisition cost of the investment and the fair value of identified assets and liabilities as of the acquisition date is recorded as goodwill and amortized on a straight-line basis over a number of years, not exceeding ten, that takes account of the objectives and characteristics of the acquisition. Balances of less than €1 million are amortized over one year.

Goodwill is reviewed annually in order to revise the amortization schedule where necessary. Following the 2004 review, an exceptional amortization charge of €7.7 million was recorded.

In the case of disposal of part of the interest in the company concerned, a corresponding fraction of the unamortized goodwill or negative goodwill is written off or written back to the income statement.

The alternative accounting treatment permitted under Section 215 of standard CRC 99-07 was used for the Natexis Bleichroeder Inc. acquisition, and the related goodwill deducted directly from shareholders' equity.

Further information on goodwill and negative goodwill is presented in Note 9.

1.6 – FOREIGN CURRENCY TRANSLATION

The balance sheets of foreign subsidiaries and branches are translated into euros at the year-end exchange rate with the exception of their capital stock or capital allocation and reserves, which are translated at the historical rate. Differences arising on translation are taken directly to shareholders’ equity.

The income statements of foreign subsidiaries and branches are translated at the average rate for the year. The difference between net income translated at the average rate and the year-end rate is also taken to shareholders’ equity under the heading “translation reserves”.

The exchange rates applied are the rates published by the European Central Bank.

1.7 – LEASING TRANSACTIONS AS LESSOR

Lease financing transactions entered into by Natexis Banques Populaires subsidiaries which specialize in this business are recorded separately and carried at a value corresponding to the net investment in the lease and not the net book value in the individual company accounts. Deferred taxes are recorded on the total difference between accumulated book depreciation of the leased assets and accumulated amortization of the net investment in the lease.

1.8 – LEASING TRANSACTIONS AS LESSEE

Natexis Banques Populaires elected to apply the benchmark accounting treatment for leasing transactions as lessee as of December 31, 2000. Fixed assets financed under leasing contracts are restated in consolidation and recorded as property and equipment, where material, and depreciated over the expected useful life of assets of the same category.

1.9 – CONSOLIDATION ADJUSTMENTS AND INTERCOMPANY TRANSACTIONS

Prior to consolidation, the statutory financial statements of companies included in the scope of consolidation are restated to bring them into line with the group accounting policies described below.

Intercompany balances and gains and losses arising on intercompany transactions are eliminated in consolidation.

Accounting policies and valuation rules specific to non-banking activities are maintained in the consolidated financial statements, in particular those applicable to insurance companies. However, the elimination of transactions between insurance subsidiaries and banking subsidiaries means that investments no longer match technical reserves as they do in the insurance companies' own balance sheets. Accordingly, technical reserves are covered by both insurance and banking assets.

1.10 – OTHER LONG-TERM PROVISIONS TREATED AS RESERVES

The special revaluation reserve and the provision for investments, which are purely tax-driven, are incorporated in consolidated reserves. Annual movements in these provisions are recognized through the income statement.

1.11 – FULL CONSOLIDATION OF INSURANCE COMPANIES

Under standard CRC 2000-05 on the consolidation of insurance companies, which was first adopted on January 1, 2001, the following rules apply to fully consolidated insurance companies:

- Items of income and expense are classified by nature in accordance with banking accounting policy and not by destination.
- Balance sheet and off-balance sheet items are included under the corresponding captions of the financial statements presented in the banking format.

Items specific to insurance activities are grouped together under the following captions:

- "insurance company investments" on the assets side and "insurance company technical reserves" on the liabilities side;
- "gross margin on insurance operations" in the income statement.

The capitalization reserves carried by life and personal risk insurance companies were restated in 2001 opening shareholders' equity, by way of deduction of an amount corresponding to a potential adverse movement in interest rates affecting the value of qualifying investments. This adjustment led to the recognition of a deferred policyholders' surplus in the same amount.

Equalization reserves carried by the life and personal risk insurance companies have been eliminated and reclassified as consolidated reserves, except for the portion used as the basis for calculating underwriting profits contractually paid over to business providers.

Movements in the capitalization and equalization reserves during the period are taken to the consolidated income statement and charged or written back to the deferred profit-sharing surplus and deferred taxes.

Until December 2000, capitalization and equalization reserves were included in full in technical reserves.

The loss equalization reserves carried by Coface are included in technical reserves because they cover a macro-economic risk of a change in claims experience over several years.

Following the change in French insurance regulations on liquidity risk reserves (decree no. 2003-1236 of December 22, 2003 amending Article R331-5-1 of the Insurance Code), Natexis Banques Populaires reviewed these risks and decided that they were not covered by other provisions. A liquidity risk reserve was therefore booked in the consolidated balance sheet at December 31, 2003 covering the total risk, whereas in 2002 – with the approval of the insurance regulator *(Commission de Contrôle des Assurances)* – only part of the risk was provided for, reflecting the method applied in the accounts of the insurance subsidiaries. The switch from partial reserving to full reserving constituted a change of accounting method, the effects of which were charged against opening shareholders' equity at January 1, 2003 in the amount of €148.5 million before tax and €95.9 million net of deferred tax of €52.6 million. This accounting treatment was in accordance with opinion 2004-B issued by the CNC Urgent Issues Task Force on January 21, 2004. Following the improvement in stock market prices in 2003, no charge to the liquidity risk reserve was necessary at the year end and the additional amount of €95.9 million was written back to closing shareholders' equity.

Standard CRC 2004-10, which has amended the provisions of standard 2000-05 on the treatment of liquidity risk reserves, no longer allows such reserves to be carried in the consolidated balance sheet. This change of accounting treatment had no impact on the 2004 consolidated financial statements as the risk of depreciation in insurance company investments is covered by the long-term impairment provision and no charge was made to liquidity risk reserves carried in the insurance companies' individual accounts at the year end.

1.12 – NOTES TO THE FINANCIAL STATEMENTS

Unless otherwise stated, the figures shown in the notes to the financial statements are expressed in millions of euros.

2 – Accounting policies and valuation methods

2.1 – CUSTOMER LOANS

Loans are recorded in the balance sheet at face value. Undrawn amounts on loans already committed and agreed are included in off-balance sheet items under the heading "financing commitments given".

2.2 – PROVISIONS

Since 2000, Natexis Banques Populaires provides for loan losses at three levels:

A – SPECIFIC PROVISIONS

Loan principal

Where there is a risk of partial or total non-recovery of loans or non-compliance with loan terms or covenants, provisions are taken and charged to the income statement under "provisions for loan losses". Provisions are determined on a case-by-case and country-by-country basis and adjusted at quarterly intervals, based on an analysis of the related risk and available collateral. In the case of lease financing transactions, capital gains and losses on disposal and charges to and reversals of provisions (leased assets and temporarily unleased assets) are recognized in net banking income. Termination compensation is booked as interest income. Only the principal amount of payments on non-performing leases is provided for under provisions for loan losses.

Non-performing loans are identified and accounted for in accordance with standard CRC 2002-03 and the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003, which set out the rules for classifying loans as non-performing and irrecoverable.

Irrecoverable loans include loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as non-performing for more than one year once a write-off has been envisaged.

Loan interest

In accordance with banking regulations:

- Interest past due on loans to borrowers subject to bankruptcy proceedings is deducted from the interest account in which it was initially recorded. If the interest is subsequently recovered, it is credited back to the same account on receipt.
- Interest on non-performing loans three or, where applicable, six or nine months past due is also provided for in full by deduction from the interest account in which it was initially recorded.
- All other loans made to these customers are also classified as non-performing, even where the risk appraisal does not call for a provision against the principal amount outstanding.
- The same rules apply to lease financing transactions. A provision is taken for the amount outstanding when a lease payment or any incidental costs are more than three months past due in the case of equipment leases and six months past due for real estate leases.

Restatement of former BFCE sovereign risks

In 1991 and 1992, a defeasance transaction was carried out and a put option was purchased on BFCE sovereign risks. The defeasance structure, Edval Investment Ltd, and the structure set up to hold the put option, Worledge Investment Ltd, were consolidated for the first time at December 31, 2002. In accordance with paragraph 10052 of standard CRC 99-07, consolidation of these two entities led to an adjustment of provisions covering at-risk loans covered by the put option.

On the assets side of the consolidated balance sheet, the net outstanding balance of the loans concerned by the put option is covered by zero-coupon bonds held by the two entities. The results of the two entities consist solely of annual accruals to recognize the value appreciation of the zero-coupon bonds up to their redemption value in 2014, when the bonds mature and the defeasance structure will be wound up. Over this period, the value appreciation exactly matches the provisions required to write down the full amount of the loans covered by the put option. Consequently, the operation has no impact on the income statement and the cash required to refinance the transactions is offset by a cash inflow.

Accordingly, the €5.3 million profit arising in 2004 relating to these subsidiaries was offset in full by a charge to provisions for country risks. This accounting treatment is consistent with the principle of matching provision charges to the entities' revenues.

At December 31, 2004, the loans covered by the put option had a net book value of €62 million (€142 million gross less provisions of €80 million). The entire portfolio of loans covered by the defeasance operation has been sold on the secondary market.

B – INDUSTRY AND COUNTRY RISK PROVISIONS

These provisions cover certain businesses of Natexis Banques Populaires that carry potential future risks. These businesses are reviewed quarterly and where necessary included in the basis of provisioning for sound exposure in countries or industries likely to experience difficulties. During these quarterly reviews, the country and industry provisioning rates are adjusted according to Natexis Banques Populaires' perception on how the businesses will evolve, either negatively or positively. In 2003, additional provisions of €90 million were taken to cover potential risks arising as a result of major issues in the European marketplaces. This sum was maintained in the balance sheet at December 31, 2004.

C – FUND FOR GENERAL BANKING RISKS

A fund for general banking risks, consisting of amounts set aside from post-tax income, completes the range of provisions for general risks.

2.3 – SECURITIZATION TRANSACTIONS

Securitizations are transactions that transfer credit risk without disposing of the underlying portfolios. They consist of synthetic securitizations based on credit derivatives carried out jointly with third party banks and special purpose entities. In substance, the credit derivatives are equivalent to credit insurance protecting Natexis Banques Populaires against the risk of borrower default or debt rescheduling. The special purpose entities are not consolidated because their accounts only reflect the protection obtained by Natexis Banques

Populaires and its coverage on the market. The remaining risk is assumed by the investors that acquire the securities issued by the special purpose entity.

2.4 – CONVERSION OF ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Assets, liabilities and off-balance sheet commitments denominated in foreign currencies are converted into euros at the year-end exchange rate. Realized and unrealized exchange gains and losses are taken to the income statement.

Exchange differences arising on conversion of borrowings for which the currency risk is guaranteed by the State or which relate to institutional activities are recorded in an accruals account.

2.5 – SECURITIES PORTFOLIO

A – SECURITIES TRANSACTIONS (TRADING ACCOUNT SECURITIES, SECURITIES HELD FOR SALE, DEBT SECURITIES HELD FOR INVESTMENT)

Securities are classified according to the purpose of the transaction regardless of their legal form (equities, bonds and notes, treasury bills, certificates of deposit, negotiable instruments, money market securities, etc.), based on the following rules:

■ Trading account securities: these are securities traded on liquid markets which are bought or sold with the intention of reselling or repurchasing them within a short period. They are carried in the balance sheet at cost, including transaction expenses and accrued interest. At the period-end, they are marked to market and the resulting unrealized gain or loss is recognized as income or expense in the income statement. Trading account securities that are still in the portfolio six months from the date of acquisition are transferred to "securities held for sale" at their market price on the transfer date.

■ Securities held for sale: these are securities acquired with the intention of holding them for a period of more than six months. They are valued individually at the year-end at the lower of cost or estimated fair value. A provision is taken for unrealized losses but unrealized gains are not recognized. Premiums and discounts, corresponding to the difference between the cost of fixed-income securities (excluding accrued interest) and their redemption price, are written to the income statement over the remaining life of the securities.

■ Debt securities held for investment: these are fixed-income securities acquired with the intention of being held to maturity. They are either match-funded or hedged against interest rate risk. They are recorded at cost (excluding accrued interest), and any premium or discount between cost and redemption price is deferred and written to the income statement over the remaining life of the securities.
In accordance with French banking regulations, no provisions are taken for unrealized losses, unless there is an intention to dispose of the securities in the short term. In this case, provisions for market risk are charged to "net gains/(losses) on disposals of fixed assets" and provisions for counterparty risk to "provisions for loan losses".

■ Treasury stock: treasury shares are purchased for four purposes: i) to regulate the market price by trading against market trends, ii) to take advantage of market opportunities, iii) to pay for acquisitions and iv) to allot to Group employees under stock option plans or employee share issues. The number of treasury shares held as of December 31, 2004 totaled 1,548,178 with a value of €156 million, recorded in "trading account securities".

B – NON-CONSOLIDATED INVESTMENTS AND EQUITY SECURITIES HELD FOR INVESTMENT

■ Non-consolidated investments are valued individually at the lower of cost and fair value at the year end. Fair value is determined on the basis of criteria such as restated net assets and profitability.

■ Equity securities held for investment are securities acquired with the intention of being held in the medium to long-term in order to sell them at a profit. They are booked at cost and a provision for impairment taken if their net book value is higher than their fair value (based on recent transaction values, profitability, market price for listed securities or other valuation methods used at the time of acquisition).

2.6 – INCOME, VALUE ADJUSTMENTS AND GAINS OR LOSSES ON SECURITIES

■ Income from variable income securities is recorded on a cash basis.

■ Income from fixed-income securities is recorded on an accruals basis.

■ Value adjustments and gains or losses on disposal of securities appear under different headings depending on the nature of the transaction:
– trading account securities, securities held for sale and equity securities held for investment: value adjustments and gains or losses are recorded in net banking income;
– debt securities held for investment: value adjustments and gains or losses are recorded under "provisions for loan losses" where they reflect counterparty risk, and "net gains/(losses) on disposals of fixed assets" where they reflect market risk or the result of disposal;
– investments in affiliates and other long-term equity investments: value adjustments and gains or losses are recorded under "net gains/(losses) on disposals of fixed assets".

2.7 – PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

A – ASSETS USED IN THE BUSINESS

■ Fixed assets of the former Crédit National purchased prior to December 31, 1976 are stated at fair value as determined at the time of the 1976 legal revaluation. Assets purchased since 1976 are stated at cost.

Fixed assets of the former BFCE are carried in the consolidated balance sheet at their fair value as determined at the time of BFCE's acquisition by Crédit National.

Fixed assets of the former Caisse Centrale des Banques Populaires were transferred at their net book value.

■ Property and equipment are depreciated over their estimated useful lives, predominantly on a straight-line basis, as follows:

Buildings used in the business	25 to 40 years
Other property and equipment	5 to 10 years

■ Intangible assets mainly comprise the value attributed to the Coface networks. The Coface insurance network has been valued on the basis of 40% of premium income. The credit information and credit management network has been valued using a range of criteria, including discounted cash flows, P/E multiples and revenue multiples. The networks are not amortized but are tested for impairment at each year end. Further information on the value of Coface group networks is provided in Note 9.

B – NON-OPERATING ASSETS

Non-operating property and equipment are depreciated over their estimated useful lives (30 to 40 years).

In accordance with the terms of the letter dated October 21, 1997 from the Secretary General of the French Banking Commission *(Commission Bancaire Française)*, provisions for impairment in value have been recorded for individual investment properties and other properties not used in the business, whose market value is less than their net book value. Most of Natexis Banques Populaires' investment properties are carried by specialized real estate companies which are fully consolidated as they are exclusively controlled by Natexis Banques Populaires *(see Note 1.3)*.

C – BUILDINGS LEASED TO THIRD PARTIES

In accordance with the letter referred to above, a provision for impairment in value is recorded where the book value of the leased property is higher than its estimated market value and there is a probable or certain risk of it remaining the property of the lessor when the lease expires.

D – COMPUTER SOFTWARE AND HARDWARE

Computer hardware is depreciated on a declining balance basis over five years. Purchased software is amortized on a straight-line basis over one year. In-house software development is expensed in the year of occurrence where intended for internal use. Where intended for commercialization, costs are capitalized and amortized over an appropriate period.

2.8 – PERPETUAL AND FIXED-TERM SUBORDINATED NOTES

Natexis Banques Populaires group has issued perpetual and fixed-term subordinated notes, which in the event of the issuer's liquidation, rank behind all other creditors.

Where perpetual subordinated loan notes are treated as equivalent to debt repayable in installments, each periodic payment is broken down between the repayment of principal, which is deducted from the outstanding debt, and interest, which is recorded in the income statement under interest expense.

2.9 – PARTICIPATING NOTES

Remuneration paid in respect of participating notes is treated as interest payable and expensed in the income statement on an accruals basis.

2.10 – INTEREST, PREMIUMS, FEES AND COMMISSIONS

Interest, together with premiums, fees and commissions treated as interest income are recorded in the income statement on an accruals basis. Other fees and commissions are accounted for on a cash basis.

2.11 – INTEREST RATE REVISION CHARGES AND PREPAYMENT PENALTIES

Interest rate revision charges and prepayment penalties are treated as deferred interest income and recognized in income over the life of the loan in proportion to the interest income lost in each year based on the original loan repayment schedule.

2.12 – DEBT AND SHARE ISSUANCE EXPENSES

■ With effect from January 1, 1994, Natexis Banques Populaires elected to defer all debt issuance expenses over the life of the debt, as permitted by tax legislation (law of August 8, 1994) and in line with trends in the nature of such expenses, which are in substance an additional financing cost.

■ The cost of share issuance by the parent company is offset, net of tax, against the issue premium. The cost of share issuance by subsidiaries is expensed in the year of occurrence.

2.13 – FINANCIAL FUTURES AND OPTIONS HELD FOR OWN ACCOUNT

The notional amount of these instruments is recorded off-balance sheet for internal monitoring and regulatory purposes, but they are not included in the published statement of off-balance sheet items. Further details are provided in the notes to the consolidated financial statements.

The accounting treatment depends on the instrument involved and the purpose of the transaction (hedging or trading).

A – INTEREST RATE INSTRUMENTS:

These instruments are classified according to the purpose for which they are acquired:
- micro-hedging (hedging of specific transactions or positions);
- macro-hedging (structural balance sheet management);
- speculative position-taking;
- specialized management of a trading portfolio.

■ The first two categories are treated for income statement purposes as equivalent to lending/borrowing transactions and the amounts received or paid are taken to the income statement on an accruals basis.

■ The accounting treatment of speculative positions is identical with respect to interest flows, but the positions are marked to market at the period end and a provision taken against any unrealized losses.

- In the case of specialized management of a trading portfolio, each instrument is marked to market on an individual basis. Changes in value during the period are taken immediately to the income statement.Valuations are adjusted for counterparty risk and the discounted present value of future contractual management costs.

B – CURRENCY INSTRUMENTS:

- Spot currency transactions outstanding at the year end are valued at the year-end rate.
- Forward currency hedging transactions are taken to income on an accruals basis, either as premiums or discounts where they are intended to hedge commercial transactions, or as accrued interest where they are intended to hedge long-term assets and liabilities denominated in foreign currencies.

C – INTEREST RATE, CURRENCY AND EQUITY OPTIONS AND FORWARD CONTRACTS (INCLUDING COMMODITIES):

The notional value of the instrument underlying the option or forward contract is recorded off-balance sheet, with hedging and trading transactions identified separately.

Income and expenses on hedging transactions are recognized on a symmetrical basis with the income and expenses on the hedged items.

In the case of trading activities, positions in a class of option or forward contract are marked to market at the period end. Changes in value during the period are taken immediately to the income statement. For over-the-counter instruments, a discount may be taken against the market value in respect of modeling risks or uncertainty over parameters, via a charge to provisions for financial instruments.

D – INSTITUTIONAL ACTIVITIES:

Commitments given to banks that grant export credits financed in foreign currencies in order to fix the exchange rate of their foreign currency borrowings are not included in published off-balance sheet commitments. Income and expenses arising on institutional activities (swaps and exchange rate guarantees) are charged to or paid to the French Treasury in accordance with agreed terms and conditions.

2.14 – EXCEPTIONAL ITEMS

Exceptional income and expenses are items of income and expense that are unusual in terms of their nature, amount or frequency.

2.15 – CORPORATE INCOME TAX

The tax charge for the year includes:

- current taxes payable by the French entities at the rate of 35.43%, and by foreign subsidiaries and branches at the local corporate tax rate;
- deferred taxes arising from temporary differences in the individual financial statements and specific consolidation adjustments, calculated using the liability method.

Deferred tax assets and liabilities are netted off at the level of each taxable entity. In the case of companies that have elected for group relief, deferred tax assets and liabilities are netted off at the level of the tax group. Net deferred tax assets are recognized only where their future recovery is deemed probable. Accordingly, tax loss carryforwards are not recognized, and future tax savings are not deemed to be recoverable if the tax entity has reported tax losses in the last two fiscal years. On this basis, deferred tax assets totaling €283 million were not recognized as of December 31, 2004.

All temporary differences are taken into account, regardless of the year in which they are expected to reverse.

The net deferred tax balance is recorded in the balance sheet under "accrued income, prepaid expenses and other assets" or " deferred income, accrued charges and other liabilities".

2.16 – EMPLOYEE-RELATED LIABILITIES AND RETIREMENT BENEFIT OBLIGATIONS

The main provisions for employee-related liabilities concern:

- end-of-career awards and allowances;
- early-retirement and supplementary pension benefits;
- "CATS" early retirement plan benefits;
- employer's contributions to private health insurance companies for retirees and early retirees;
- long service awards.

Commitments are calculated using the following assumptions:

- vested rights on the reporting date;
- discount rates ranging from 3.5% to 5.5%;
- statutory mortality tables: TV 88/90;
- most recent projected salaries, including employer's social security contributions;
- historical staff turnover rates.

In accordance with opinion 2000-C issued by the CNC Urgent Issues Task Force, retirement obligations were provided for in full using the benchmark treatment set out in standard CRC 99-07, that is by deduction from 2000 opening shareholders' equity.

In 2001, the accounting treatment for long-service awards was harmonized throughout all Natexis Banques Populaires entities.

The French Pensions Act of August 21, 2003 reformed the terms and conditions of retirement applicable to employees. In accordance with opinion 2004-A issued by the CNC Urgent Issues Task Force, this reform was treated as a change of applicable regime and its effect deferred over the employees' remaining active lives. Accordingly, a charge of €1.2 million was taken in the 2004 income statement and the amount deferred over future years amounts to €8.2 million.

For the purpose of comparability between 2004 and previous years, Natexis Banques Populaires elected not to apply CNC recommendation 2003-R.01 of April 1, 2003 on accounting for employee benefits. The provisions of this recommendation will be applied in full when Natexis Banques Populaires adopts international financial reporting standards in 2005. After taking account of deferred taxes, application of IAS 19 would have had the effect of decreasing opening shareholders' equity by €52 million, with no material impact on the income statement due to use of the 'corridor' method.

2.17 – CHANGES OF ACCOUNTING METHOD

As of January 1, 2003, Natexis Banques Populaires adopted standard CRC 2002-03 on the classification of non-performing loans and the accounting treatment of loans restructured at below market rates. In 2003, following work on identifying loans affected by this standard, a discount of €11 million was recorded to take account of the difference between the new interest rate and the market rate at the time of restructuring. As the loans were restructured in prior years, the discount was set off against 2003 opening shareholders' equity. The deferred discount amounted to €8 million at December 31, 2004, after a release to income of €1.6 million recorded under interest income.

Standard CRC 2002-10 on asset depreciation, amortization and impairment is applicable from January 1, 2005. Natexis Banques Populaires has not elected for early adoption of this standard. However, article 15 of the standard contains transitional provisions applicable from January 1, 2003 relating to expenses incurred under multi-year programs for major repairs or refits. Accordingly, at December 31, 2003 a provision of €1 million was taken for major repairs, including €0.7 million deducted from 2003 opening shareholders' equity. A further provision of €0.3 million was taken in 2004.

Pursuant to the recommendation of the Autorité des Marchés Financiers (AMF), the French Securities Regulator, on the monitoring of intangible assets and goodwill, Natexis Banques Populaires undertook a full review of these items at December 31, 2003 and December 31, 2004 *(see Note 9 for further details)*.

In accordance with standard CRC 2004-04 and CNC opinion 2004-05, long service awards are no longer treated as retirement benefits but accounted for in accordance with the provisions of standard CRC 2000-06 on liabilities. Accordingly, the undeferred impact of the French Pensions Act of August 21, 2003 was fully provided for in an amount of €1.2 million. As this represents a change of accounting method, the sum was deducted from opening shareholders' equity.

3 – INTERBANK AND MONEY MARKET ASSETS

in millions of euros	2004	2003	2002
Cash, central banks and post office banks	187	125	223
Government securities and equivalent (1)	5,752	4,093	4,893
Trading account securities	3,447	1,799	1,113
Securities held for sale	1,832	1,772	2,769
Debt securities held for investment (2)	406	443	881
Accrued interest receivable (3)	67	79	130
Loans and advances to banks (4) (5)	41,129	42,769	36,968
Demand accounts	2,310	2,545	3,656
Time accounts	38,504	39,883	32,713
Non-performing loans	86	86	90
Accrued interest receivable	277	314	571
Provisions for loan losses	(48)	(59)	(62)
Total	**47,068**	**46,987**	**42,084**
(1)After provisions:	(5)	(8)	(9)
Securities held for sale	(5)	(8)	(9)
Debt securities held for investment	-	-	-
(2)Including sold before maturity:	(13)	(17)	(199)
(3)Including accrued interest receivable:	67	79	130
Securities held for sale	59	66	117
Debt securities held for investment	8	13	13
(4)Including subordinated loans:	116	120	18
Performing	114	114	15
Non-performing	-	-	-
Accrued interest receivable	2	6	3
(5)Including restructured loans at below-market rates:	25	26	27
Gross	32	35	37
Net discount	(7)	(9)	(10)

Breakdown by geographic area

in millions of euros	France	Western Europe	Eastern Europe	North America	Latin America	Africa & Middle East	Asia Pacific	Not analyzed	Total
Loans and advances to banks	28,952	8,209	267	229	373	622	2,418	59	41,129
	70.4%	20.0%	0.6%	0.6%	0.9%	1.5%	5.9%	0.1%	100.0%

4 – CUSTOMER LOANS AND LEASE FINANCING

in millions of euros	2004	2003	2002
Current accounts in debit	2,959	4,768	3,679
Commercial loans	625	624	651
Factoring	2,974	1,937	1,705
Other loans to customers	27,411	25,270	26,199
Accrued interest receivable and amounts not allocated	238	426	274
Non-performing and irrecoverable loans	1,002	1,106	1,176
Provisions for non-performing and irrecoverable loans	(641)	(664)	(663)
Customer loans (1)	**34,568**	**33,467**	**33,021**
Lease financing	5,805	5,538	5,482
Accrued interest receivable	64	70	98
Provisions for non-performing and irrecoverable loans	(148)	(174)	(176)
Lease financing (1)	**5,721**	**5,434**	**5,404**
(1)Including loans restructured at below-market rates:	1	2	1
Gross	2	2	2
Net discount	(1)	(1)	(1)

Breakdown by geographic area

in millions of euros	France	Western Europe	Eastern Europe	North America	Latin America	Africa & Middle East	Asia Pacific	Not analyzed	Total
Customer loans	15,612	11,770	764	2,717	860	1,286	864	694	34,568
Lease financing	5,658	64	-	-	-	-	-	-	5,721
	52.8%	29.4%	1.9%	6.7%	2.1%	3.2%	2.1%	1.7%	100.0%

4.1 – OTHER LOANS TO CUSTOMERS

in millions of euros	2004	2003	2002
Short-term loans and consumer loans	11,177	9,837	10,807
Equipment loans	2,184	2,679	3,232
Export loans	1,052	1,164	1,412
Home loans	100	103	152
Securities purchased under resale agreements	7,825	6,369	4,406
Subordinated loans	207	196	230
Other loans	4,866	4,922	5,960
Other loans to customers	**27,411**	**25,270**	**26,199**

4.2 – LEASE FINANCING

in millions of euros	2004	2003	2002
Real estate lease financing	3,464	3,367	3,411
Outstandings	3,328	3,207	3,214
Temporarily unleased assets and non-performing loans	192	238	253
Accrued interest receivable	58	66	94
Provisions for asset impairment	(11)	(13)	(16)
Provisions for loan losses	(103)	(131)	(134)
Equipment lease financing	1,669	1,491	1,404
Outstandings	1,616	1,451	1,400
Temporarily unleased assets and non-performing loans	75	64	24
Accrued interest receivable	7	3	3
Provisions for asset impairment	(10)	(12)	(12)
Provisions for loan losses	(19)	(15)	(11)
Operating leases	588	576	589
Outstandings	583	569	588
Temporarily unleased assets and non-performing loans	8	9	3
Accrued interest receivable	-	1	1
Provisions for asset impairment	(2)	(1)	(1)
Provisions for loan losses	(1)	(2)	(2)
Total	**5,721**	**5,434**	**5,404**

4.3 – NON-PERFORMING AND IRRECOVERABLE LOANS AND PROVISIONS FOR LOAN LOSSES

in millions of euros	2004	2003 pro forma*	2003	2002
Non-performing loans and advances to banks	38	27	27	28
Gross non-performing loans	60	74	3	37
Provisions for non-performing loans	(23)	(48)	-	(20)
Gross irrecoverable loans	26	12	83	53
Provisions for irrecoverable loans	(25)	(11)	(59)	(42)
Non-performing customer loans	362	442	442	512
Gross non-performing loans	587	690	276	398
Provisions for non-performing loans	(267)	(301)	(105)	(138)
Gross irrecoverable loans	415	416	830	777
Provisions for irrecoverable loans	(373)	(363)	(559)	(525)
Non-performing lease financing	129	137	137	104
Gross non-performing loans	123	74	77	47
Provisions for non-performing loans	(48)	(38)	(40)	(34)
Gross irrecoverable loans	154	237	234	233
Provisions for irrecoverable loans	(100)	(136)	(134)	(142)
Coverage:				
Provisions for non-performing loans against gross non-performing loans	44%	46%	41%	40%
Provisions for irrecoverable loans against gross irrecoverable loans	84%	77%	66%	67%
Provisions for total non-performing and irrecoverable loans against total gross non-performing and irrecoverable loans	61%	60%	60%	58%

Breakdown of loans between non-performing and irrecoverable

At December 31, 2003, in accordance with standard 2002-03, irrecoverable loans comprise loans where an event of default has occurred.

At December 31, 2004, in accordance with the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003, irrecoverable loans comprise loans where an event of default has occurred and loans classified as non-performing for more than one year when a write-off is envisaged.

*The pro forma 2003 figures show a breakdown between non-performing and irrecoverable loans based on the provisions of the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003.

5 – BONDS, EQUITIES AND OTHER FIXED AND VARIABLE INCOME SECURITIES

in millions of euros	2004	2003	2002
Trading account securities (1)	**7,838**	**3,672**	**3,009**
Equities and other variable income securities	654	476	360
Bonds and other fixed-income securities	7,184	3,196	2,649
Securities held for sale (2)	**6,527**	**4,959**	**6,785**
Equities and other variable income securities	736	547	1 017
Bonds and other fixed-income securities	5,791	4,412	5,768
Debt securities held for investment (3)	**5,150**	**6,712**	**8,426**
Equity securities held for investment (5)	**802**	**890**	**795**
Accrued interest receivable (4)	**115**	**118**	**151**
Total	**20,432**	**16,351**	**19,166**
(1) Of which:			
Receivables representing securities loaned	420	89	281
Transferred to securities held for sale	(58)	-	-
Treasury stock	156	126	73
(2) Of which:			
Listed	2,025	1,230	5,320
Receivables representing securities loaned	-	-	-
Transferred from trading account securities	56	-	-
Transferred to/from debt securities held for investment	85	-	18
Subordinated	41	48	51
Issued by public institutions	67	67	71
Treasury stock	-	-	-
Unrealized capital gains (excess of market value over cost)	34	29	38
Unrealized capital losses provided for in the balance sheet	(74)	(125)	(103)
(3) Of which:			
Listed	3,145	3,362	5,451
Transferred to/from debt securities held for investment	(85)	-	(18)
Subordinated	-	-	-
Issued by public institutions	28	55	742
Doubtful securities	143	143	92
Provisions	(103)	(75)	(50)
Disposals before maturity	(881)	(347)	(1,104)
Unrealized capital losses for which no specific provision has been taken	(146)	-	-
(4) After provisions of	(1)	(5)	(3)
(5) Of which:			
Listed	28	29	22
After provisions of	(218)	(212)	(210)
Transferred from trading account securities	2	-	(2)

ESTIMATED VALUE OF EQUITY SECURITIES HELD FOR INVESTMENT

	2004		2003		2002	
in millions of euros	Net book value	Estimated fair value	Net book value	Estimated fair value	Net book value	Estimated fair value
Portfolio valuation basis						
Market price	28	45	29	45	22	31
Other	774	904	861	1,077	773	909
Total (5)	**802**	**949**	**890**	**1,122**	**795**	**940**

5.1 — NON-PERFORMING AND IRRECOVERABLE SECURITIES AND IMPAIRMENT PROVISIONS

in millions of euros	2004	2003 pro forma*	2003	2002
Securities held for sale - net of provisions	5	11	11	6
Non-performing securities - gross	-	25	19	26
Provisions for non-performing securities	-	(19)	(14)	(24)
Irrecoverable securities - gross	30	23	29	49
Provisions for irrecoverable securities	(25)	(18)	(23)	(45)
Debt securities held for investment - net of provisions	40	63	63	43
Non-performing securities - gross	72	88	53	48
Provisions for non-performing securities	(51)	(36)	(20)	(32)
Irrecoverable securities - gross	71	41	76	47
Provisions for irrecoverable securities	(52)	(30)	(46)	(20)
Coverage:				
Provisions for non-performing securities against gross non-performing securities	71%	49%	47%	76%
Provisions for irrecoverable securities against gross irrecoverable securities	76%	75%	66%	68%
Provisions for total non-performing and irrecoverable securities against gross non-performing and irrecoverable securities	74%	58%	58%	71%

Breakdown of securities between non-performing and irrecoverable

At December 31, 2003, in accordance with standard 2002-03, securities that have been classified as non-performing for more than one year are downgraded to irrecoverable.

At December 31, 2004, in accordance with the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003, securities that have been classified as non-performing for counterparty risk for more than a year are downgraded to irrecoverable when a write-off is envisaged.

*The pro forma 2003 figures show a breakdown between non-performing and irrecoverable securities based on the provisions of the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003.

6 – INSURANCE BUSINESS

ASSETS – INSURANCE COMPANY INVESTMENTS AND OTHER ASSETS

in millions of euros	2004	2003	2002
Insurance company investments			
Land and buildings	518	513	613
Investments in non-consolidated companies	29	31	39
Other investments	19,239	17,127	15,756
Deposits with ceding companies	2	2	2
Assets held to cover linked liabilities	3 ,601	3,270	2,771
Total insurance company investment portfolios	**23,389**	**20,943**	**19,181**
Accrued income, prepaid expenses and other assets	-	-	-
Reinsurers' share of technical reserves (1)			
Life business	2	2,289	2,300
Non-life business	248	286	341
Total reinsurers' share of technical reserves	**250**	**2,575**	**2,641**
Total	**23,639**	**23,518**	**21,822**

Insurance company investments corresponding to securities issued by other consolidated entities are qualified as intercompany receivables and are therefore eliminated in consolidation.

(1)The significant decrease in reinsurers' share of technical reserves is due to the expiration in 2004 of the proportional reinsurance treaty entered into in 1998.

LIABILITIES - INSURANCE COMPANY TECHNICAL RESERVES

in millions of euros	2004	2003	2002
Mathematical provisions	21,536	19,506	17,884
of which: ■ Life business	17,737	16,037	14,935
■ Non-life insurance	174	160	128
■ Unit-linked business	3,625	3,309	2,821
Loss reserves	901	798	833
Policyholders' surplus reserves	134	144	91
Other technical reserves	27	31	101
Equalization reserves (1)	187	135	88
Total	**22,785**	**20,614**	**18,997**

(1)The accounting treatment of these reserves is described in Note 1.11.

7 — INVESTMENTS IN AFFILIATES AND OTHER SECURITIES HELD FOR INVESTMENT

in millions of euros	2004	2003	2002
Investments accounted for by the equity method			
Venture capital activities	62	28	27
BP Développement	51	28	12
IDF Nord Croissance	-	-	6
Sofinnova	-	-	2
Sud-Est Croissance	-	-	7
Sopromec	11	-	-
of which share in net income/(loss)	2	-	-
Insurance activities	38	35	28
Coface subsidiaries	16	15	15
Natexis Assurances subsidiaries	22	20	13
of which share in net income/(loss)	7	9	4
Financial services activities	7	7	6
OFIVM	7	7	7
of which share in net income/(loss)	-	-	(1)
Other activities	1	1	1
of which share in net income/(loss)	1	-	-
Sub-total	**108**	**71**	**62**
of which share in net income/(loss)	10	9	3
Other investments in affiliates and other securities held for investment			
Investments in affiliates (1) (2)	336	341	358
Related receivables (3)	5	1,173	1,266
Sub-total	**341**	**1,514**	**1,624**
Total	**449**	**1,585**	**1,686**
After provisions of	**(109)**	**(111)**	**(98)**
(1)Non-consolidated investments in financial institutions.	52	52	56
(2)Listed securities.	70	49	56

(3)Including €1,165 million shareholder advance to Ecrinvest 4 as part of the temporary holding of Vivendi Universal Publishing securities in 2003.

7.1 — INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

in millions of euros	2004	2003	2002
Main investments:			
Soparind	43	43	43
Sicovam Holding	30	30	30
IKB Deutsche Industriebank	29	29	29
Athlon Groep	23	23	23
SCI Colomb Magellan	23	22	21
Finantia	10	15	15
Other investments:	178	179	197
Total	**336**	**341**	**358**

8 — PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

in millions of euros	2004			2003			2002		
	Gross book value	Deprec., amort., provs.	Net book value	Gross book value	Deprec., amort., provs.	Net book value	Gross book value	Deprec., amort., provs.	Net book value
Assets used in the business									
Intangible assets	605	(178)	427	586	(151)	435	560	(126)	434
Property and equipment	727	(310)	417	711	(308)	403	692	(300)	392
Sub-total	**1,332**	**(488)**	**844**	**1,297**	**(459)**	**838**	**1,252**	**(426)**	**826**
Non-operating assets	99	(32)	67	27	(5)	22	29	(5)	24
Assets leased to third parties under operating leases	213	(110)	103	227	(110)	117	226	(105)	121
Total property and equipment and intangible assets	**1,644**	**(630)**	**1,014**	**1,551**	**(574)**	**977**	**1,507**	**(536)**	**971**

in millions of euros	2003	Additions	Disposals	Changes in group structure	Other	2004
Gross book value						
Intangible assets:	586	33	(20)	12	(6)	605
Purchased goodwill	386	-	-	4	3	393
Software	177	21	(14)	7	3	194
Other	23	12	(6)	1	(12)	18
Property and equipment used in the business:	711	88	(30)	17	(59)	727
Land and buildings	390	59	(4)	4	(54)	395
Other	321	29	(26)	13	(5)	332
Non-operating property and equipment:	27	10	(3)	8	57	99
Land and buildings	24	10	(2)	8	57	97
Other	3	-	(1)	-	-	2
Assets leased to third parties under operating leases	227	-	(14)	-	-	213
Total	**1,551**	**131**	**(67)**	**37**	**(8)**	**1,644**

in millions of euros	2003	Charge/ (reversal)	Disposals	Changes in group structure	Other	2004
Depreciation, amortization and provisions						
Intangible assets:	(151)	(32)	8	(10)	7	(178)
Purchased goodwill	(7)	(5)	-	(4)	-	(16)
Software	(140)	(25)	7	(6)	6	(158)
Other	(4)	(2)	1	-	1	(4)
Property and equipment used in the business:	(308)	(45)	14	(10)	39	(310)
Land and buildings	(110)	(9)	-	(1)	23	(97)
Other property and equipment	(198)	(36)	14	(9)	16	(213)
Non-operating property and equipment:	(5)	(3)	1	(1)	(24)	(32)
Land and buildings	(5)	(2)	1	(1)	(24)	(31)
Other	-	(1)	-	-	-	(1)
Charge to depreciation, amortization and provisions	-	-	-	-	-	-
Assets leased to third parties under operating leases	(110)	(7)	7	-	-	(110)
Total	**(574)**	**(87)**	**30**	**(21)**	**22**	**(630)**

9 – GOODWILL AND NEGATIVE GOODWILL

Goodwill

in millions of euros	2004 Additions	2004 Amortization charges	2004 Removals	2004 Net	2003 Net	2002 Net
Natexis Assurances and subsidiaries	14	(16)	-	97	99	114
Natexis Private Equity and subsidiaries	1	(3)	-	16	18	21
Natexis Interépargne	-	(4)	-	27	31	35
Natexis Asset Management	-	(12)	-	94	106	119
Coface	36	(10)	-	82	56	66
Other	3	(22)	-	46	65	74
Total	**54**	**(67)**	**-**	**362**	**375**	**429**

Negative goodwill

in millions of euros	2004 Additions	2004 Reversal to income	2004 Removals	2004 Net	2003 Net	2002 Net
Natexis Lease and subsidiaries	-	(5)	-	23	28	33
Natexis Assurances and subsidiaries	-	(3)	-	14	17	20
Other	3	(5)	-	29	31	36
Total	**3**	**(13)**	**-**	**66**	**76**	**89**

At December 31, 2003, Natexis Banques Populaires valued the intangible assets and goodwill/negative goodwill carried in its balance sheet.

The valuation covered material items exceeding €4 million and was based on an appraisal made by an independent expert.

A further valuation was undertaken at December 31, 2004 to test for any impairment during the year.

The valuation was based on discounted cash flows, although market value was used where possible for some tangible assets such as real estate assets or securities.

The discounted cash flow calculations were based on business plans drawn up by management of the core businesses and validated by Natexis Banques Populaires Executive Management.

The discount rate used for each subsidiary was based on the following:
- the average 10-year OAT (French government bond) yield,
- the risk premium in the subsidiary's market,
- a beta value based on a sample of comparable companies.

The results of this method were corroborated by standard market comparisons, restated net asset value, etc.

As a result of this process, an additional write-down of goodwill arising on certain subsidiaries, which are not expected to return to profit until the medium-term, was made in the sum of €17.8 million in 2003 and €7.7 million in 2004.

The discounted cash flow method was applied to the Coface group under the same conditions as for other subsidiaries. The result corroborates the carrying value of the Coface group in Natexis Banques Populaires' books and bears out the methods used to value the business upon its acquisition in July 2002, that is 40% of average net revenues over 3 years for the insurance companies and a multi-criteria valuation for the business information and credit management companies.

10 – ACCRUED INCOME, PREPAID EXPENSES AND OTHER ASSETS

in millions of euros	2004	2003	2002
Reinsurers' share of technical reserves	250	2,575	2,641
Other receivables	1,395	1,986	2,630
Purchased options	1,608	1,057	2,174
Checks and notes presented for collection, securities settlement accounts	326	562	1,112
Accrued income	637	826	635
Specific insurance accounts	591	401	369
Technical adjustments	192	344	312
Deferred tax assets	172	150	139
Collection accounts	53	32	44
Other	1,092	1,857	1,402
Total	**6,316**	**9,790**	**11,458**

11 – INTERBANK AND MONEY MARKET LIABILITIES

in millions of euros	2004	2003	2002
Central banks and post office banks	22	1	3
Interbank liabilities:	41,146	35,611	45,697
Demand deposits	7,536	9,047	12,960
Time deposits	33,610	26,564	32,737
Other	27	340	106
Accrued interest payable	230	148	378
Total	**41,425**	**36,100**	**46,184**

12 – CUSTOMER DEPOSITS

in millions of euros	2004	2003	2002
Deposits:	7,560	10,177	8,966
Demand deposits	4,595	6,685	4,629
Time deposits	2,965	3,492	4,337
Securities delivered under repurchase agreements	15,397	18,949	13,551
Security deposits	155	149	89
Other amounts due	119	49	125
Accrued interest payable	69	65	89
Total	**23,300**	**29,389**	**22,820**

13 – DEBT SECURITIES

in millions of euros	2004	2003	2002
Interbank market and money market instruments	26,586	21,418	17,827
Bonds	3,533	5,462	4,804
Retail certificates of deposit and savings bonds	26	9	6
Other commercial paper	751	677	672
Accrued interest payable	188	253	312
Total (1)	**31,084**	**27,819**	**23,621**

(1)Including securities issued directly by:

in millions of euros	2004	2003	2002
Natexis Banques Populaires	28,957	26,514	22,432
Natexis US Finance Corporation	886	-	-
Natexis Factorem	751	677	672
Val A	110	129	152
Natexis Private Banking Luxembourg S.A.	6	141	139
Coface	250	250	120
Interfinance Natexis N.V.	99	99	99
Other	25	9	7
Total	**31,084**	**27,819**	**23,621**

14 – DEFERRED INCOME, ACCRUED CHARGES AND OTHER LIABILITIES

in millions of euros	2004	2003	2002
Sundry payables	2,582	2,249	1,980
Trading account securities – liabilities on borrowed securities	4,146	2,872	2,339
Specific insurance accounts (2)	177	2,472	2,441
Sold options	1,437	1,044	2,449
Deferred income (1)	150	1,320	1,413
Securities settlement accounts	444	559	641
Accrued charges	886	1,016	805
Technical adjustments	765	420	213
Deferred tax	160	140	133
Collection accounts	114	98	94
Other	1,100	1,503	1,448
Total	**11,961**	**13,693**	**13,956**

(1)Including deferred income of €1,166 million and €1,247 million at December 31, 2003 and December 31, 2002 respectively, arising from the temporary holding of Vivendi Universal Publishing securities. The assets of Vivendi Universal Publishing (VUP) were sold to the Lagardère Group in the first half of 2004, winding up the temporary holding operation.

(2)The significant decrease in cash deposits is due to the expiration in 2004 of the proportional reinsurance treaty entered into in 1998.

15 – PROVISIONS FOR CONTINGENCIES AND CHARGES

in millions of euros	2004	2003	2002
Provisions for country risks	252	259	287
Provisions for industry risks	190	200	137
Provisions for specific credit risks	60	72	84
Provisions for litigation (1)	19	15	16
Provisions for off-balance sheet commitments	8	11	11
Provisions for employee benefits	167	156	143
Provisions for major repairs	1	1	-
Provisions for future losses on index-based contracts	-	8	12
Provisions for financial instruments	13	9	19
Provisions for real estate development risks	1	5	6
Other provisions	116	75	81
Total	**827**	**811**	**796**

(1)Provisions for litigation cover the risk of the bank having to pay compensation to a third party. When a third party makes a claim against the bank's liability, the bank's legal department reviews the admissibility of the claim in the courts and, where admissible, assesses the potential damages. The provision is adjusted according to the status of legal proceedings (first instance, appeal, etc.).
Provisions for litigation recorded in the bank's financial statements mostly cover claims made by customers or court-appointed representatives (claims for damages, liability actions for unfair support or unjustified contract termination, etc.).

MOVEMENTS IN PROVISIONS FOR CONTINGENCIES AND CHARGES

in millions of euros	2003	Charges	Utilization	Reversals	Other (1)	2004
Provisions for country risks	259	28	(2)	(26)	(7)	252
Provisions for industry risks	200	7	-	(15)	(2)	190
Provisions for specific credit risks	72	15	(7)	(22)	2	60
Provisions for litigation	15	4	(1)	(0)	1	19
Provisions for off-balance sheet commitments	11	1	(2)	(7)	5	8
Provisions for employee benefits	156	21	(14)	-	4	167
Provisions for major repairs	1	0	-	-	-	1
Provisions for future losses on index-based contracts	8	-	(8)	-	-	-
Provisions for financial instruments	9	9	-	(7)	2	13
Provisions for real estate development risks	5	2	(1)	-	(5)	1
Other provisions	75	74	(26)	(5)	(2)	116
Total	**811**	**161**	**(61)**	**(82)**	**(2)**	**827**

(1)Translation adjustments and account transfers

16 – LONG-TERM SUBORDINATED DEBT

in millions of euros	2004	2003	2002
Dated subordinated debt (1)			
Subordinated notes	1,716	1,472	1,185
Subordinated loans	765	685	709
Sub-total	**2,481**	**2,157**	**1,894**
Perpetual subordinated debt			
Subordinated notes (2)	86	106	127
Subordinated loans	73	115	158
Sub-total	**159**	**221**	**285**
Total	**2,640**	**2,378**	**2,179**
Mutual guarantee deposits	2	3	3
Accrued interest	39	36	27
Total long-term subordinated debt (3)	**2,681**	**2,417**	**2,209**

(1)Redeemable subordinated debt:

Maturity	Currency	2004	2003	2002
2016	EUR	450	-	-
2015	EUR	25	-	-
2014	EUR	41	-	-
2013	EUR	550	550	150
2012	EUR	333	334	334
2011	EUR	39	39	39
2010	FRF	10	9	9
2010	EUR	312	312	312
2009	FRF	56	56	56
2009	EUR	98	98	98
2008	FRF	3	2	2
2007	FRF	91	101	101
2006	EUR	10	-	-
2006	FRF	190	186	154
2005	USD	229	246	297
2005	FRF	44	45	45
2004	FRF	-	31	31
2004	LUF	-	148	151
2003	LUF	-	-	50
2003	FRF	-	-	65
Total		**2,481**	**2,157**	**1,894**

(2)Perpetual subordinated debt:

- USD 100 million at a post-swap rate of 12.7% and with an effective maturity date of February 25, 2004, treated as amortizable debt *(see Note 2.8)*.

in millions of euros	2004	2003	2002
- amount in USD million	-	7	20
- euro equivalent	-	6	19
- Subordinated notes convertible into Natexis Banques Populaires shares, issued in May 1996	-	-	1
- Non-redeemable participating notes issued in 1985 by BFCE, where the remuneration comprises a fixed component payable at TAM x 45% (benchmark money market rate) and a variable component linked to the year-on-year increase in consolidated net income	86	100	107
Total	**86**	**106**	**127**

	2004	2003	2002
(3)Including subordinated debt raised by:			
- Natexis Banques Populaires	2,532	2,246	2,009
- ABP Vie	79	79	85
- Natexis Factorem	25	33	33
- Natexis Lease	-	16	16
- Interfinance	-	9	19
- New York	8	-	-
- Natexis Private Banking Luxembourg S.A.	10	10	10
- Natexis Arbitrage	10	10	10
- Natexis Funding	5	5	5
- Fructicomi	4	4	11
- Crédit Maritime Vie	4	-	-
- Natexis Coficiné	2	2	2
- La Prospérité	-	-	2
- Fructibail	-	-	2
- SBFI	-	-	2
Total	**2,679**	**2,414**	**2,206**

17 – MOVEMENTS IN SHAREHOLDERS' EQUITY (AS PER PROPOSED APPROPRIATION OF INCOME)

in millions of euros	Common stock	Additional paid-in capital	Reserves and retained earnings (1)	Shareholder's equity before FGBR	Fund for general banking risks	Total shareholder's equity	Minority interests
Shareholders' equity at December 31, 2002 after appropriation	**759**	**1,750**	**1,182**	**3,691**	**242**	**3,933**	**673**
Issuance of shares	10	41	-	51	-	51	-
Translation adjustments	-	-	(83)	(83)	-	(83)	(86)
Changes of method (2)	-	-	(7)	(7)	-	(7)	-
Changes in group structure (3)	-	-	-	-	-	-	190
Other movements (4)	-	-	(4)	(4)	-	(4)	-
Shareholders' equity at December 31, 2003 before appropriation	769	1,791	1,088	3,648	242	3,890	777
2003 net income	-	-	265	265	-	265	58
Dividend distribution	-	-	(116)	(116)	-	(116)	(54)
Shareholders' equity at December 31, 2003 after appropriation	**769**	**1,791**	**1,237**	**3,797**	**242**	**4,039**	**781**
Issuance of shares	3	11	-	14	-	14	-
Translation adjustments	-	-	(47)	(47)	-	(47)	(39)
Changes of method (5)	-	-	(1)	(1)	-	(1)	(5)
Changes in group structure (6)	-	-	-	-	-	-	(32)
Other movements	-	-	-	-	-	-	-
Shareholders' equity at December 31, 2004 before appropriation	772	1,802	1,189	3,763	242	4,005	705
2004 net income	-	-	407	407	-	407	73
Proposed dividend distribution	-	-	(159)	(159)	-	(159)	(64)
Shareholders' equity at (7) December 31, 2004 after appropriation	**772**	**1,802**	**1,437**	**4,011**	**242**	**4,253**	**714**

(1)Reserves, retained earnings, consolidation differences, revaluation reserves, translation reserves and consolidated net income attributable to the Group.

(2)Including:	Change of method net of deferred tax following first-time adoption of standard CRC 2002-03	(7)
	Change of method net of deferred tax relating to liquidity risk reserves of insurance companies, as provided for in decree 2003-1236 and opinion 2004-B issued by the CNC Urgent Issues Task Force	(96)
	Reversal of liquidity risk reserves in 2003 through shareholders' equity in the amount of the opening restatement	96
	Total	**(7)**
(3)Including:	Natexis Preferred Capital III	170
	Sopromec	9
	Line Bourse	8
	Other changes	4
	Total	**191**
(4)Including:	Cancellation of treasury shares recorded under long-term investments	(4)
(5)Including:	Minority interests – change of consolidation method for Bancassurance Popolari Group – change of method in providing for long service awards to active employees	(1)
(6)Including:	Change in Coface minority interests following the squeeze-out	(15)
	Coface's buyout of the minority interests in Unistrat	(13)
	Dilution of Natexis Private Equity's percentage interest in FCPR Industrie.	9
	Dilution of Nem2's percentage interests in Natexis Capital Structurant following the sale of shares	4
	Buyout of Line Bourse minority interests	(6)
	Total	**(30)**

(7)Minority interests in subsidiaries that have issued preferred shares total €711 million.

18 – COUNTERPARTY RISK ON FINANCIAL INSTRUMENTS

in millions of euros	2004	2003	2002
Breakdown of weighted risk equivalent by counterparty type (net of collateral)			
Banks	467	547	572
Customers	292	278	256

19 – OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

in millions of euros	2004	2003	2002
Off-balance sheet financial instruments (notionall)	**851,098**	**805,131**	**643,850**
Hedging transactions (micro and macro hedges)	297,775	286,299	247,368
Management of trading positions	553,323	518,832	396,482
	851,098	**805,131**	**643,850**
Over-the-counter transactions	768,438	681,804	563,322
Transactions on organized or equivalent markets	82,660	123,327	80,528
	851,098	**805,131**	**643,850**
Futures and forwards	629,735	634,238	472,278
Options	221,363	170,893	171,572
	851,098	**805,131**	**643,850**
Breakdown by market			
Interest rate	554,723	539,155	404,194
Currency	238,760	197,240	180,924
Other	57,615	68,736	58,732
	851,098	**805,131**	**643,850**
Breakdown by product			
Swaps	375,792	141,360	108,127
FRAs	70,979	274,728	207,394
Futures	61,287	96,164	59,128
Interest rate caps, floors and options	65,909	46,691	42,942
Other options	138,471	102,435	104,820
Forward currency transactions	121,662	121,967	97,503
Other	16,998	21,786	23,936
	851,098	**805,131**	**643,850**
Commitments on over-the-counter markets by period to maturity			
0 to 1 year	530,610	479,225	383,730
1 to 5 years	156,222	132,769	117,840
5 + years	81,605	69,810	61,752
Commitments on organized and equivalent markets by period to maturity			
0 to 1 year	78,532	110,728	78,316
1 to 5 years	2,105	2,819	872
5 + years	2,024	9,780	1,340
	851,098	**805,131**	**643,850**
Balance sheet items arising on financial instruments			
Options bought	1,608	1,057	2,174
Options sold	1,437	1,044	2,449

As required by article 2 of standard CRC 2004-16, the fair value of futures and forward contracts at December 31, 2004 was €46 million and the fair value of options was €(7) million.

20 – FOREIGN CURRENCY TRANSACTIONS

NET POSITIONS ON- AND OFF-BALANCE SHEET (IN MILLIONS OF EUROS EQUIVALENT)

Currency	Country of issue	2004 Long	2004 Short	2003 Long	2003 Short	2002 Long	2002 Short
USD	USA	-	(69)	-	(97)	177	-
GBP	UK	227	-	-	(60)	63	-
CAD	Canada	-	(1)	1	-	-	-
NOK	Norway	-	(1)	-	-	-	-
DKK	Denmark	-	(1)	-	(1)	2	-
JPY	Japan	3	-	9	-	-	(85)
CHF	Switzerland	-	(2)	-	(6)	-	-
Other		10	(7)	6	(5)	2	(26)
Total		**159**		**(153)**		**133**	

21 – INTEREST INCOME

in millions of euros	2004	2003	2002
Interbank transactions	1,427	1,310	1,560
Customer transactions	1,176	1,120	1,977
Lease financing	283	289	304
Bonds and other fixed-income securities	825	814	1,136
Macro-hedging transactions	384	577	771
Total	**4,095**	**4,110**	**5,748**

In 2002 and 2003, interest income on macro-hedging transactions was booked under interest income on interbank transactions. The 2002 and 2003 figures have therefore been restated accordingly.

22 – INTEREST EXPENSE

in millions of euros	2004	2003	2002
Interbank transactions	(1,347)	(1,286)	(1,723)
Customer transactions	(493)	(496)	(1,259)
Lease financing	(3)	(3)	(4)
Bonds and other fixed-income securities	(1,169)	(1,127)	(1,331)
Macro-hedging transactions	(394)	(533)	(739)
Total	**(3,406)**	**(3,445)**	**(5,056)**

In 2002 and 2003, interest expense on macro-hedging transactions was booked under interest expense on interbank transactions. The 2002 and 2003 figures have therefore been restated accordingly.

23 — INCOME FROM VARIABLE INCOME SECURITIES

in millions of euros	2004	2003	2002
Securities held for sale	3	5	7
Equity securities held for investment	20	16	18
Investments in affiliates	14	21	15
Total	**37**	**42**	**40**

24 — NET FEE AND COMMISSION INCOME

in millions of euros	2004	2003	2002
Fee and commission income			
Other financial services	411	331	224
Customer transactions	305	355	274
Securities transactions	187	191	171
Payment services	151	138	121
Financing commitments	42	40	32
Financial instruments	28	20	23
Guarantee commitments	15	11	9
Other commitments given	2	4	161
Foreign exchange transactions	2	2	2
Interbank transactions	2	2	1
Total	**1,145**	**1,094**	**1,018**
Fee and commission expenses			
Insurance activities	(262)	(235)	(175)
Other financial services	(157)	(155)	(182)
Securities transactions	(32)	(43)	(49)
Payment services	(41)	(40)	(39)
Interbank transactions	(31)	(25)	(24)
Financial instruments	(30)	(24)	(25)
Other commitments received	(7)	(8)	(12)
Guarantee commitments	(2)	(3)	(1)
Foreign exchange transactions	(1)	-	-
Customer transactions	-	-	(12)
Total	**(563)**	**(533)**	**(519)**
Net fee and commission income	**582**	**561**	**499**

25 – NET GAINS/(LOSSES) ON TRADING ACCOUNT SECURITIES

in millions of euros	2004	2003	2002
Net gains/(losses) on trading account securities	401	126	(11)
Net gains/(losses) on foreign exchange transactions	39	(2)	40
Net gains/(losses) on financial instruments	(257)	(3)	(88)
Total	**183**	**121**	**(59)**

26 – NET GAINS/(LOSSES) ON SECURITIES HELD FOR SALE

in millions of euros	2004	2003	2002
Securities held for sale			
Gains on disposal	75	88	58
Losses on disposal	(48)	(14)	(8)
Charges to provisions	(96)	(119)	(115)
Reversals from provisions	146	118	70
Transaction costs	-	-	-
Sub-total	**77**	**73**	**5**
Equity securities held for investment			
Gains on disposal	151	88	136
Losses on disposal	(22)	(22)	(73)
Charges to provisions	(68)	(85)	(112)
Reversals from provisions	50	73	51
Selling costs	(3)	(1)	(3)
Sub-total	**108**	**53**	**(1)**
Total	**185**	**126**	**4**

27 – GROSS MARGIN ON INSURANCE OPERATIONS

in millions of euros	2004	2003	2002
Life insurance premiums	2,336	2,218	2,098
Non-life insurance premiums	797	703	335
Net income from financial investments	986	965	151
Paid benefits and claims	(2,375)	(2,210)	(2,040)
Net charge to technical reserves	(1,000)	(982)	(149)
Total	**744**	**694**	**395**

2002 figures include Coface Group companies as of July 1, 2002.

28 – OTHER NET INCOME

in millions of euros	2004	2003	2002
Real estate sales and rental income recorded by real estate subsidiaries	17	16	18
IT services	56	61	46
Credit management services	120	85	41
Other	2	8	3
Total	**194**	**170**	**108**

29 – GENERAL OPERATING EXPENSES

in millions of euros	2004	2003	2002
Personnel costs			
Wages and salaries	682	632	500
Social security contributions (1)	290	274	224
Profit-sharing and incentive plans	55	38	21
Payroll taxes	47	48	40
Expenses rebilled	(14)	(11)	(9)
Sub-total	**1,060**	**981**	**776**
Other operating expenses			
Taxes other than on income	56	67	67
External services	700	624	565
Expenses rebilled	(37)	(21)	(29)
Sub-total	**719**	**670**	**603**
General operating expenses	**1,779**	**1,651**	**1,379**
Average number of employees (full time equivalent)	13,465	12,912	9,875
(1)Including retirement costs	85	86	70

2002 financial and employee data include Coface Group companies as of July 1, 2002.

30 – PROVISIONS FOR LOAN LOSSES

in millions of euros	2004	2003	2002
Loans	**(100)**	**(139)**	**(166)**
Charges to provisions	(149)	(187)	(204)
Reversals from provisions	173	168	165
Losses covered by provisions	(133)	(128)	(125)
Losses not covered by provisions	(7)	(9)	(8)
Recoveries of bad debts written off	16	17	6
Securities	**(34)**	**(29)**	**(45)**
Charges to provisions	(41)	(42)	(62)
Reversals from provisions	7	13	17
Net provision charge deducted from assets	**(134)**	**(168)**	**(211)**
Contingencies and off-balance sheet items			
Charges	(52)	(129)	(134)
Provisions for contingencies	(51)	(124)	(130)
Provisions for guarantees	(1)	(5)	(4)
Reversals	82	85	151
Provisions for contingencies	73	81	147
Provisions for guarantees	9	4	4
Net provision charge recorded as liabilities	**30**	**(43)**	**18**
Total	**(104)**	**(211)**	**(193)**

in millions of euros	2003	Charges	Reversals	Net banking income*	Other**	2004
Movements in provisions						
Non-performing loans & debtors	726	149	(173)	(2)	(8)	692
Non-performing securities	103	41	(7)	-	(9)	128
Country and industry risks (liabilities)	460	36	(44)	-	(10)	442
Specific credit risks (liabilities)	98	17	(38)	-	9	86
Total	**1,387**	**243**	**(262)**	**(2)**	**(17)**	**1,348**

*Provisions for unpaid interest are recorded under net banking income.
**Primarily translation differences and account transfers.

31 – NET GAINS/(LOSSES) ON DISPOSALS OF FIXED ASSETS

in millions of euros	2004	2003	2002
Long-term investments			
Gains			
Investments in affiliates and other securities held for investment	9	34	51
Debt securities held for investment	4	1	1
Losses			
Investments in affiliates and other securities held for investment	(10)	(9)	(17)
Debt securities held for investment	(7)	(16)	(5)
Charges to provisions			
Investments in affiliates and other securities held for investment	(7)	(21)	(10)
Debt securities held for investment	-	-	-
Reversals from provisions			
Investments in affiliates and other securities held for investment	19	16	24
Debt securities held for investment	3	7	-
Sub-total	**11**	**12**	**44**
Property and equipment and intangible assets	**(4)**	**1**	**9**
Total	**7**	**13**	**53**

32 – EXCEPTIONAL ITEMS

in millions of euros	2004	2003	2002
Personnel costs			
Provision charge	-	-	(15)
Exceptional charges	(4)	(5)	-
Provision reversal	4	5	-
Other exceptional items			
Other exceptional charges (1)	(15)	(31)	(1)
Other exceptional income (2)	7	54	1
Net income from defeasance and put-option structures			
Charge to country risk provisions for loans covered by the put option	-	-	(6)
Exceptional income arising on first-time consolidation of Edval and Worledge	-	-	6
Net loss from first-time consolidation of companies in the scope of consolidation	(2)	(10)	-
Market guarantee funds	-	-	(1)
Total	**(10)**	**13**	**(16)**

(1)Mainly VAT reassessment in 2003 and Coface Group stock option plan expenses in 2004.
(2)Including €30 million in accrued subsidy from the parent company and €24 million in VAT and payroll tax rebates in 2003.

33 – CORPORATE INCOME TAX

in millions of euros	2004	2003	2002
Current tax charge	(226)	(137)	44
Tax group	(168)	(108)	(23)
Other French subsidiaries	(22)	(13)	(16)
Foreign subsidiaries	(7)	(3)	2
Foreign branches	(29)	(14)	(7)
Deferred tax	6	(17)	31
Total	**(220)**	**(154)**	**(13)**

33.1 – RECONCILIATION OF ACTUAL AND THEORETICAL TAX CHARGE

in millions of euros	2004	2003	2002
plus:			
Net income	407	265	108
Minority interests	73	58	55
Corporate income tax charge	220	154	13
Goodwill amortization	54	64	38
less:			
Income from companies accounted for by the equity method	(10)	(10)	(3)
= Consolidated accounting net income before tax, goodwill amortization, and income from companies accounted for by the equity method	**744**	**532**	**211**
plus/minus permanent timing differences (1)	(202)	(194)	(209)
= Consolidated tax income	**542**	**338**	**2**
x Standard tax rate	33.33%	33.33 %	33.33 %
= Theoretical tax charge	**(180)**	**(113)**	**(1)**
plus:			
Surtax and annual fixed-rate tax charge	(8)	(8)	(3)
Income taxed at reduced rates	(9)	(29)	(16)
Tax losses for the period limited for reasons of prudence	(8)	(13)	(25)
Impact of group tax relief	13	23	21
Impact of foreign subsidiaries taxed at different rates	(1)	(2)	(4)
Tax reassessments	(29)	(31)	6
Tax credits	7	7	11
Exit tax on long-term capital gains reserves	(11)	-	-
Other	6	13	(2)
= Corporate income tax charge for the year	**(220)**	**(154)**	**(13)**

(1)The main deductions in respect of permanent timing differences concern the tax-exempt net income of venture capital subsidiaries and subsidiaries that have issued preferred stock, dividends on which are treated as interest expenses for tax purposes.

33.2 – ANALYSIS OF DEFERRED TAXES RECOGNIZED

in millions of euros	2004	2003	2002
Main sources of deferred taxes (1)			
Look-through GIEs	(221)	(261)	(270)
Lease equalization reserves	(226)	(192)	(139)
Provisions for employee benefits	146	139	127
Other non-deductible provisions	432	464	505
Unrealized capital gains on mutual funds	13	7	4
Tax losses and indefinitely deferred depreciation	164	177	192
Other temporary differences	(7)	(15)	(76)
Total gross sources of deferred taxes	**301**	**319**	**343**
Sources of unrecognized deferred tax assets	(283)	(317)	(366)
Total net sources of deferred taxes	**18**	**2**	**(23)**
Deferred taxes recognized			
Deferred tax at standard rate	11	10	23
Deferred tax - surtax	1	0	1
Deferred tax at reduced rate	(1)	(1)	(18)
Total deferred taxes recognized	**11**	**9**	**6**
Including: - deferred tax assets	172	150	139
- deferred tax liabilities	(160)	(141)	(132)
- deferred tax of equity affiliates	(1)	(0)	(1)

(1)Sources of deferred tax assets take a positive sign and sources of deferred tax liabilities are in brackets.

34 – INCOME STATEMENT ANALYSIS BY CORE BUSINESS

in millions of euros	Corporate and Institutional Banking & Markets	Private Equity & Wealth Management	Services	Receivables Management	Other	Total
Net banking income	**1,157**	**189**	**609**	**634**	**120**	**2,708**
General operating expenses, depreciation, amortization and provisions	(656)	(89)	(408)	(503)	(202)	(1,857)
Gross operating income/(loss)	**501**	**100**	**201**	**130**	**(82)**	**851**
Provisions for loan losses	(91)	(1)	(1)	(6)	(5)	(104)
Operating income/(loss)	**410**	**99**	**200**	**124**	**(87)**	**747**
Income/(loss) before exceptional items and tax	**398**	**85**	**185**	**126**	**(30)**	**764**

34.1 – CONTRIBUTION OF FULLY CONSOLIDATED NON-BANKING COMPANIES TO CONSOLIDATED NET INCOME

The main fully consolidated companies belong to Natexis Assurances (Natexis Life, ABP Prévoyance, ABP Vie, Vitalia Vie and Bancassurance Popolari) and the Coface consolidated group.

	2004		2003		2002	
in millions of euros	Contrib. to consolidated net income	Insurance underwriting income	Contrib. to consolidated net income	Insurance underwriting income	Contrib. to consolidated net income	Insurance underwriting income
Net interest income	(22)	(4)	(11)	(5)	-	-
Net fee and commission income	(153)	(262)	(128)	(234)	(112)	(157)
Net gains/(losses) on securities held for sale	-	-	-	-	(3)	-
Gross margin on insurance operations	744	741	694	718	395	385
Other net operating income	119	-	85	-	41	-
Net banking income	**688**	**475**	**640**	**479**	**321**	**228**
General operating expenses	(487)	(344)	(444)	(339)	(231)	(169)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets	(16)	(18)	(24)	(16)	(9)	(10)
Gross operating income	**185**	**113**	**172**	**124**	**81**	**49**
Provisions for loan losses	(5)	-	-	-	-	-
Operating income	**180**	**113**	**172**	**124**	**81**	**49**
Income from companies accounted for by the equity method	4	-	4	-	-	-
Net gains/(losses) on disposals of fixed assets	-	-	-	-	2	-
Income before exceptional items and tax	**184**	**113**	**176**	**124**	**83**	**49**
Exceptional items	(11)	-	(4)	-	(1)	-
Underwriting income	**-**	**113**	**-**	**124**	**-**	**49**
Corporate income tax	(68)		(66)		(28)	
Goodwill amortization	(4)		(3)		-	
Minority interests	(1)		(3)		-	
Net income	**100**		**100**		**54**	

35 – DIRECTORS' AND EXECUTIVE MANAGEMENT COMMITTEE COMPENSATION

in euros	2004	2003	2002
Natexis Banques Populaires Directors (1)	179,340	182,390	210,145
Executive Management Committee (2)	3,457,097	2,870,304	3,749,423

(1)In 2004, as in previous years, directors' fees included a fixed component (€1,525 per year and per director) and a variable component (€1,220 per Board meeting and per director). Members of the Audit Committee, Risk Management Committee and Remuneration Committee received an additional €915 per meeting and per director.
All compensation is paid in full at the year end.

(2)Total gross compensation paid to members of the Natexis Banques Populaires Executive Management Committee for their time in office during the period, including the Chairman and the Chief Executive Officer *(see Note 35 A)*.

Number of Executive Management Committee members: 11 in 2004, 9 in 2003 and 11 in 2002.

35 A – EXECUTIVE DIRECTORS' COMPENSATION

Total gross compensation paid to executive directors was as follows:

in euros	2004	2003	2002
Chairman	338,000	338,000	293,002
Chief Executive Officer	484,730	509,286	331,273

The number of stock options allotted in respect of offices held with NBP and related companies was as follows:

in number	2004	2003	2002
Chairman	6,500	12,000	11,000
Chief Executive Officer	13,000	12,000	5,500

No options were exercised by the executive directors in 2003 or 2004.

36 – BALANCE SHEETS - INSTITUTIONAL ACTIVITIES

Assets

in millions of euros	2004	2003	2002
Interbank and money market liabilities	333	421	1,379
Customer deposits	1,133	1,099	96
Other assets	-	-	-
Total assets	**1,466**	**1,520**	**1,475**

Liabilities

in millions of euros	2004	2003	2002
Interbank and money market liabilities	408	515	1,453
Customer deposits	1,166	1,137	106
Debt securities	-	-	-
Other liabilities	100	98	108
Total liabilities	**1,674**	**1,750**	**1,667**

in millions of euros	2004	2003	2002
COMMITMENTS GIVEN			
Financing commitments given	-	-	-
Guarantees given	2	5	9
Total commitments given	**2**	**5**	**9**

37 – DEBT MATURITY ANALYSIS

At December 31, 2004 in millions of euros	Under 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Perpetual	Total
Assets						
Loans and advances to banks	12,604	11,054	17,415	3,121	-	44,194
Customer loans	10,225	4,089	6,617	4,030	-	24,961
Lease financing	313	911	3,101	1,202	-	5,527
Bonds and other fixed-income securities	10,519	1,323	3,958	2,497	-	18,297
Total	**33,661**	**17,377**	**31,091**	**10,850**	**0**	**92,979**
Liabilities						
Loans and advances from banks	8,409	13,629	10,911	661	-	33,610
Customer deposits	11,826	594	196	16	-	12,632
Debt securities	14,449	6,791	9,275	381	-	30,896
Long-term subordinated debt	-	273	448	1,760	159	2,640
Total	**34,684**	**21,287**	**20,830**	**2,818**	**159**	**79,778**

38 – COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

	Activity	2004 % voting rights	2004 % interest**	2003 % voting rights	2003 % interest**	2002 % voting rights	2002 % interest**
Consolidated subsidiaries							
ADG COFACE ALLGEMEINE DEBITOREN GESELLSCHAFT	Credit information and management	75	75	75	74	75	74
AK COFACE FINANZ GMBH (formerly ALLGEMEINE KREDIT FINANZ SERVICE AKFS)	Factoring	100	100	100	98	100	98
AK COFACE HOLDING (formerly ALLGEMEINE COFACE VERMÖGENSVERWALTUNG GMBH)	Holding company	100	100	100	98	100	98
ALLGEMEINE KREDIT COFACE (AK COFACE)	Credit insurance and services	100	100	100	98	100	98
ALLGEMEINE KREDIT COFACE INFORMATIONS GMBH (AKI)	Credit information and management	100	100	100	98	100	98
ASSURANCES BANQUE POPULAIRE PREVOYANCE (formerly Fructiprévoyance)	Personal risk insurance	100	100	100	100	100	100
ASSURANCES BANQUE POPULAIRE VIE (formerly Fructivie)	Life insurance	100	100	100	100	100	100
AUXILIAIRE ANTIN	Real estate used in business	100	100	100	98	100	98
AXA ASSURCREDIT * (formerly Assurcredit)	Credit insurance and services	40	40	40	39	-	-
AXELTIS LTD (Asset Square London)	Mutual fund distribution	100	100	100	100	100	100
BAIL EXPANSION	Lease financing	100	100	100	100	100	100
BANCASSURANCE POPOLARI *	Life insurance	51	51	51	51	51	51
BANQUE PRIVEE SAINT DOMINIQUE	Private asset management	100	100	100	100	100	100
BPSD GESTION	Private asset management	100	100	100	100	100	100
CENTRE D'ETUDES FINANCIERES (CEF)	Business and credit information	100	100	-	-	-	-
CIMCO SYSTEMS LTD	Credit information and management	100	100	100	98	100	98
CITA	Private equity	(1)	(1)	(1)	(1)	(1)	(1)
CO-ASSUR	Insurance brokerage	100	100	100	100	100	100
COFACE (21)	Credit insurance and services	100	100	98	98	98	98
COFACE COLLECTION NORTH AMERICA	Credit information and management	100	100	-	-	-	-
COFACE CREDIT MANAGEMENT NORTH AMERICA (formerly Coface Credit Management Services)	Credit information and management	100	100	100	98	100	98
COFACE DEBT PURCHASE	Credit information and management	100	100	100	98	100	98
COFACE EXPERT	Training	100	100	100	98	100	98
COFACE HOLDING LATINA AMERICA	Business information	100	100	-	-	-	-
COFACE HOLDING NORTH AMERICA	Holding company	100	100	100	98	100	98
COFACE INSURANCE NORTH AMERICA	Credit insurance and services	100	100	100	98	-	-
COFACE INTERCREDIT BULGARIA	Credit information and management	100	75	100	73	65	48
COFACE INTERCREDIT CZECHIA (27)	Credit information and management	100	75	97	71	97	71
COFACE INTERCREDIT HOLDING AG	Holding company	75	75	75	73	75	73
COFACE INTERCREDIT HRATSKA (CROATIA)	Credit information and management	100	75	100	73	100	73
COFACE INTERCREDIT HUNGARY	Credit information and management	100	75	100	73	100	73
COFACE INTERCREDIT POLAND	Credit information and management	97	73	97	71	97	71
COFACE INTERCREDIT ROMANIA	Credit information and management	100	75	60	44	60	44
COFACE INTERCREDIT SLOVAKIA (27)	Credit information and management	100	75	100	73	100	73
COFACE INTERCREDIT SLOVENIA (27)	Credit information and management	100	75	60	44	60	44

	Activity	2004 % voting rights	2004 % interest**	2003 % voting rights	2003 % interest**	2002 % voting rights	2002 % interest**
COFACE ITALIA	Holding company	100	100	100	98	100	98
COFACE MOPE	Credit information and management	100	100	100	98	100	98
COFACE NORTH AMERICA	Credit insurance and services	100	100	100	98	100	98
COFACE ORT	Business and credit information	100	100	-	-	-	-
COFACE RECEIVABLE MANAGEMENT (formerly Veritas Brazil)	Credit information and management	(12)	(12)	(12)	(12)	100	98
COFACE SCRL	Credit information and management	(20)	(20)	(20)	(20)	100	98
COFACE SCRL (formerly Coface Scrl Participations) (20)	Credit information and management	100	100	100	98	100	98
COFACE SERVICE (formerly La Viscontea Servizi)	Credit information and management	100	100	100	98	100	98
COFACE SERVICE ECUADOR (formerly VERITAS ANDINA)	Credit information and management	100	100	100	98	100	98
COFACE SERVICES COLOMBIA (formerly VERITAS COLOMBIA)	Credit information and management	100	100	100	98	100	98
COFACE SERVICES NETHERLAND	Credit information and management	100	100	-	-	-	-
COFACE SERVICES NORTH AMERICA GROUP (formerly VERITAS SOUTH AMERICAN CORPORATION)	Holding company	100	100	100	98	100	98
COFACE SERVICES PERU (formerly VERITAS PERU)	Credit information and management	100	100	100	98	100	98
COFACE SERVICES VENEZUELA (formerly VERITAS VENEZUELA)	Credit information and management	100	100	100	98	100	98
COFACE SERVICIOS (formerly VERITAS CHILE)	Credit information and management	100	100	100	98	100	98
COFACE SERVICIOS ARGENTINA	Credit information and management	100	100	-	-	-	-
COFACE SERVICIOS DO BRAZIL	Credit information and management	100	100	-	-	-	-
COFACE SERVICIOS ESPANA S.L. (formerly COFACERATING.SP)	Credit information and management	100	100	100	98	-	-
COFACE SERVICIOS MEXICO SA DE CV (formerly Informes Veritas)	Credit information and management	100	100	100	98	100	98
COFACE SERVICIOS PANAMA	Credit information and management	100	100	-	-	-	-
COFACE UK HOLDINGS (formerly London Bridge Finance Group)	Holding company	100	100	100	98	100	98
COFACE UK SERVICES LTD (formerly Cofacerating.uk)	Credit information and management	100	100	100	98	100	98
COFACERATING HOLDING	Credit information and management	100	100	100	98	100	98
COFACERATING.AT	Credit information and management	(13)	(13)	(13)	(13)	100	92
COFACERATING.COM	Credit information and management	100	100	100	98	100	98
COFACERATING.DE	Credit information and management	100	100	100	98	100	98
COFACERATING.FR	Credit information and management	100	100	100	98	100	98
COFACERATING.IT	Credit information and management	100	100	100	98	100	98
COFACERATING.US	Credit information and management	(12)	(12)	(12)	(12)	100	98
COFINPAR	Credit insurance and services	100	100	100	98	100	98
COGERI	Credit information and management	100	100	100	98	100	98
COGESTIMMO	Real estate used in business	(1)	(1)	(1)	(1)	100	98
COMPAGNIE FONCIERE NATEXIS	Real estate investment	100	100	100	100	100	100
CREDICO LTD (formerly Cimco Ltd)	Credit information and management	100	100	100	98	100	98
CREDIT MARITIME VIE	Life insurance	100	100	-	-	-	-

	Activity	2004 % voting rights	2004 % interest**	2003 % voting rights	2003 % interest**	2002 % voting rights	2002 % interest**
CREDITORS GROUP HOLDING LTD	Credit information and management	100	100	100	98	100	98
CREDITORS GROUP LTD	Credit information and management	100	100	100	98	100	98
CREDITORS INFORMATION CO LTD	Credit information and management	100	100	-	-	-	-
CRISTAL NEGOCIATIONS	Real estate trading	100	100	100	100	100	100
DOMIMUR	Business premises rental	100	100	100	100	100	100
DUPONT-DENANT CONTREPARTIE	Investment company	50	50	50	50	50	50
ECRINVEST 6	Real estate investment	100	100	100	100	100	100
EDVAL C INVESTMENTS Ltd	Country risk defeasance structure	100	100	100	100	100	100
E-MARKET (24)	IT services	(24)	(24)	100	100	-	-
ENERGECO	Equipment lease financing	100	100	100	100	100	100
FCPR NATEXIS INDUSTRIE **	MBOs/LBOs	90	86	100	100	-	-
FIMIPAR	Debt purchase	100	100	100	98	100	98
FINANCIERE CLADEL	Investment company	100	100	100	100	100	100
FINANCIERE NATEXIS SINGAPOUR	International investment fund holding company	100	100	100	100	-	-
FINATEM	International investment fund	90	90	90	90	-	-
FNS2	Private equity	100	100	-	-	-	-
FONCIERE KUPKA	Real estate investment	100	100	100	100	100	100
FRUCTIBAIL	Real estate lease financing	100	100	100	100	100	100
FRUCTICOMI	Real estate lease financing	100	100	100	100	100	100
FRUCTIGESTION	Holding company	(11)	(11)	(11)	(11)	100	100
IMMOBILIERE NATEXIS (formerly Villcomm)	Real estate investment	100	100	(1)	(1)	(1)	(1)
INITIATIVE ET FINANCE INVESTISSEMENT **	MBOs/LBOs	92	73	92	77	92	77
INTERFINANCE NATEXIS N.V.	International debt issuance	100	100	100	100	100	100
INVESTIMA 6	Real estate holding company	100	100	-	-	-	-
JI INTERNATIONAL	Credit information and management	(12)	(12)	(12)	(12)	100	98
KOMPASS BILGI	Marketing and other services	70	70	70	69	-	-
KOMPASS CZECH REPUBLIC	Marketing and other services	93	93	93	91	-	-
KOMPASS HOLDING (sub-group)	Holding company	100	100	100	98	-	-
KOMPASS INTERNATIONAL NEUENSCHWANDER	Holding company	100	100	100	98	100	98
KOMPASS JAPAN	Marketing and other services	100	100	100	98	-	-
KOMPASS POLAND	Marketing and other services	100	100	100	98	-	-
KOMPASS SOUTH EAST ASIA	Marketing and other services	100	100	100	98	-	-
KOMPASS UNITED STATES	Marketing and other services	100	100	100	98	-	-
LA PROSPERITE (14)	Life insurance	(14)	(14)	(14)	(14)	82	82
LIBRAIRIE ELECTRONIQUE	Business and credit information	100	100	-	-	-	-
LINEBOURSE (15) (23)	Online brokerage	100	100	51	51	100	100
LONDON BRIDGE FINANCE LIMITED	Factoring	100	100	-	-	-	-
MERCOSUL	International investment fund	100	100	100	100	-	-
N.V. COFACE EURO DB	Business and credit information	100	100	-	-	-	-
Natexis ABM Corp. (formerly ASSET BACKED MANAGEMENT CORPORATION)	Securitization arbitrage	100	100	100	100	100	100
NATEXIS ACTIONS AVENIR (4)	Expansion capital	(4)	(4)	75	74	79	77

	Activity	2004 % voting rights	2004 % interest**	2003 % voting rights	2003 % interest**	2002 % voting rights	2002 % interest**
NATEXIS ACTIONS CAPITAL STRUCTURANT	Expansion capital	58	58	74	72	-	-
NATEXIS ACTIONS NOUVEAUX MARCHES (4)	Expansion capital	(4)	(4)	80	77	81	77
NATEXIS ALGERIE (formerly AL AMANA BANQUE)	Banking	100	100	100	100	100	100
NATEXIS ALTAIR	IT services	100	100	100	100	100	100
NATEXIS AMBS **	Preferred stock issuance	100	100	51	34	50	20
NATEXIS ARBITRAGE (formerly SPAFIN)	Equity and derivatives arbitrage	100	100	100	100	100	100
NATEXIS ASSET MANAGEMENT(formerly BPAM)	Mutual fund management	100	100	100	100	100	100
NATEXIS ASSET SQUARE (formerly ASSET SQUARE)	Mutual fund distribution	100	100	100	100	100	100
NATEXIS ASSET MANAGEMENT IMMOBILIER (formerly Natexis Immo Placement, formerly Fructiger) (3)	Real estate management	100	100	100	100	100	100
NATEXIS ASSURANCES (formerly Assurances Banque Populaire)	Insurance company holding company	100	100	100	100	100	100
NATEXIS BAIL	Real estate lease financing	100	100	100	100	100	100
NATEXIS BANQUES POPULAIRES INVEST	Mutual funds	100	100	100	100	100	100
NATEXIS BANQUES POPULAIRES PREFERRED CAPITAL I (formerly Natexis preferred shares) **	Preferred stock issuance	100	100	100	100	100	100
NATEXIS BANQUES POPULAIRES PREFERRED CAPITAL II **	Preferred stock issuance	100	100	100	100	100	100
NATEXIS BANQUES POPULAIRES PREFERRED CAPITAL III **	Preferred stock issuance	100	100	100	100	-	-
NATEXIS BLEICHROEDER INC	Investment company	100	100	100	100	100	100
NATEXIS BLEICHROEDER SA (formerly NATEXIS CAPITAL)	Investment company	100	100	100	100	100	100
NATEXIS BLEICHROEDER UK	Investment company	100	100	100	100	-	-
NATEXIS CAPE **	International investment fund	99	100	99	85	-	-
NATEXIS COFICINE	Finance company (audiovisual sector)	93	93	93	93	93	93
NATEXIS EPARGNE ENTREPRISE (5)	Employee savings plan management	100	100	100	100	100	100
NATEXIS FACTOREM	Factoring	100	100	100	100	100	100
NATEXIS FINANCE	Mergers & acquisitions advisory services	100	100	100	100	100	100
NATEXIS FUNDING (formerly Sofingest)	Secondary debt market maker	100	100	100	100	100	100
NATEXIS IMMO DEVELOPPEMENT (formerly SOFEP)	Real estate development and renovation	100	100	100	100	100	100
NATEXIS IMMO EXPLOITATION (formerly INVEST SIGMA)	Real estate used in business	100	100	100	100	100	100
NATEXIS INDUSTRIE **	MBOs/LBOs	100	88	100	100	100	90
NATEXIS INTEREPARGNE (6)	Employee savings plan administration	100	100	100	100	100	100
NATEXIS INTERTITRES	Service vouchers	100	100	100	100	-	-
NATEXIS INVERSIONES	International investment fund	100	100	100	100	-	-
NATEXIS INVESTISSEMENT **	Expansion capital	100	100	99	90	99	93
NATEXIS INVESTMENT ASIA	International investment fund	100	100	100	100	-	-
NATEXIS INVESTMENT CORP.	Asset management	100	100	100	100	100	100
NATEXIS LEASE (formerly Bail Banque Populaire)	Equipment lease financing	100	100	100	100	100	100
NATEXIS LIFE (formerly Fructilife)	Life insurance	100	96	100	96	100	96
NATEXIS LUXEMBOURG	Banking	100	100	100	100	100	100

	Activity	2004 % voting rights	interest**	2003 % voting rights	interest**	2002 % voting rights	interest**
NATEXIS METALS (formerly SOGEMIN) (16)	Precious metals brokerage	100	100	100	100	80	80
NATEXIS MOSCOW (formerly ZAO Natexis Banques Populaires)	Foreign banking	100	100	100	100	100	100
NATEXIS PAIEMENTS (formerly BPL)	Banking services	100	100	100	100	100	100
NATEXIS PRAMEX ASIA LTD	International trade promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX DEUTSCHLAND	International trade promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX France	International trade promotion and operations	100	98	100	99	-	
NATEXIS PRAMEX IBERICA SA	International trade promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX INTERNATIONAL	International trade promotion and operations	99	99	99	99	99	99
NATEXIS PRAMEX NORTH AMERICA CORP.	International trade promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX POLSKA	International trade promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX UK LTD	International trade promotion and operations	100	99	100	99	100	99
NATEXIS PRIVATE BANKING LUXEMBOURG SA (formerly B.P. Luxembourg)	International private banking	88	88	88	88	88	88
NATEXIS PRIVATE EQUITY (formerly FNBP)	Private equity	100	100	100	100	100	100
NATEXIS PRIVATE EQUITY ASIA	Asset management (private equity)	(1)	(1)	(1)	(1)	100	100
NATEXIS PRIVATE EQUITY INTERNATIONAL	Private equity	100	100	100	100	100	100
NATEXIS PRIVATE EQUITY OPPORTUNITIES	Private equity	100	100	-	-	-	-
NATEXIS US FINANCE CORPORATION	Money market securities issuance	100	100	-	-	-	-
NATEXIS VENTURE SELECTION	Investment fund	100	100	100	100	-	-
NEM 2 **	Asset management (private equity)	100	100	88	88	88	88
NPEIS	Private equity	100	100	-	-	-	-
NXBP1	Holding company	100	100	100	100	100	100
OKV KREDITINFORMATIONS GMBH (OKI)	Credit information and management	100	94	100	92	100	92
OR INFORMATIQUE	Business and credit information	100	100	-	-	-	-
ORCHID TELEMATICS LIMITED	Business and credit information	100	100	-	-	-	-
OSTERREICHISCHE KREDITVERSICHERUNGS COFACE (OKV COFACE)	Credit insurance and services	94	94	94	92	94	92
PARIS OFFICE FUND *	Real estate trading	50	50	-	-	-	-
PRAMEX ITALIA SRL	International trade promotion and operations	100	98	100	51	100	51
PROXIGMA (formerly SPATITRES) (18)	IT services	(18)	(18)	100	100	100	100
REACOMEX	Credit insurance and services	(1)	(1)	(1)	(1)	100	98
S.A.G.P	Investment company	100	100	100	100	100	100
S.A.S MONTMARTRE 1	Recovery of mutual fund assets	(1)	(1)	(1)	(1)	100	100
S.C.I. ALTAIR 1 (19)	Real estate used in business	100	100	100	100	70	70
S.C.I. ALTAIR 2 (19)	Real estate used in business	100	100	100	100	70	70

	Activity	2004 % voting rights	2004 % interest**	2003 % voting rights	2003 % interest**	2002 % voting rights	2002 % interest**
S.C.I. VALMY COUPOLE	Real estate used in business	100	100	100	100	100	100
SAMIC	IT services	76	76	76	76	70	70
SEGEX	Investment company	100	100	100	100	100	100
SEPIA	Asset management company	100	100	100	100	100	100
SLIB	IT services	100	100	100	100	100	100
SOCIETE DE BANQUE FRANCAISE ET INTERNATIONALE	Banking	100	100	100	100	100	100
SOCIETE FINANCIERE DE LA BFCE	Asset management company	100	100	100	100	100	100
SOCIETE IMMOBILIERE A.B.C (10)	Real estate used in business	(10)	(10)	(10)	(10)	100	100
SODETO	Asset management company	100	100	100	100	100	100
SOGAFI	Guarantee company	100	100	100	100	100	100
SOPRANE ASSURANCES	Private asset management	100	100	100	100	100	100
SOPROMEC (22)	Private equity	(22)	(22)	78	78	-	-
SPAFICA	Real estate investment	100	100	100	100	100	100
SPEF	Private equity	(7)	(7)	(7)	(7)	(7)	(7)
SPEF DEVELOPPEMENT (8)	Venture capital fund management	100	100	100	100	100	100
SPEF LBO (9)	Venture capital fund management	100	100	100	100	100	100
SPEF VENTURE (formerly SOPAGEST)	Innovation mutual fund management	100	100	100	100	100	100
UNISTRAT ASSURANCES (25)	Credit insurance and services	100	100	50	49	50	49
UNISTRAT COFACE	Insurance business introducer	100	100	-	-	-	-
VAL A	Investment portfolio holding	98	98	98	98	98	98
VERITAS ARGENTINA	Credit information and management	100	100	100	98	100	98
VERITAS BUSINESS INFORMATION	Credit information and management	(12)	(12)	(12)	(12)	100	98
VERITAS CARIBBEAN CORPORATION	Credit information and management	(12)	(12)	(12)	(12)	100	98
VERITAS CREDIT CORPORATION	Credit information and management	(12)	(12)	(12)	(12)	100	98
VERITAS DE CENTRO AMERICA	Credit information and management	100	100	100	98	100	98
VERITAS PUERTO RICO CORP.	Credit information and management	100	100	100	98	100	98
VISCONTEA COFACE	Credit insurance and services	100	100	100	98	100	98
VITALIA VIE	Life insurance	100	100	100	100	100	100
VR FACTOREM *	Factoring	51	51	-	-	-	-
WORLEDGE A INVESTMENTS Ltd	Country risk put option structure	100	100	100	100	100	100
Companies accounted for by the equity method							
ADIR	Property & casualty insurance	34	34	34	34	-	-
ASSURANCES BANQUE POPULAIRE IARD (formerly Fructi-maaf)	Property & casualty insurance	50	50	50	50	50	50
BP DEVELOPPEMENT (formerly +X DEVELOPPEMENT)	Venture capital	37	37	28	28	33	33
CODINF SERVICES (26)	Credit information and management	(26)	(26)	30	29	30	29
COFACE (2)	Credit insurance and services	(2)	(2)	(2)	(2)	19	19
COFACREDIT	Credit insurance and services	36	36	36	35	36	35
EIOS	Business and credit information	30	30	-	-	-	-
GRAYDON HOLDING	Credit information and management	28	28	28	27	28	27
IDF NORD CROISSANCE	Private equity	(17)	(17)	(17)	(17)	33	33

	Activity	2004 % voting rights	2004 % interest**	2003 % voting rights	2003 % interest**	2002 % voting rights	2002 % interest**
IFCIC	Cinema and audiovisual sector guarantees	20	20	20	20	20	20
OFIVM	Custody and brokerage	34	34	34	34	34	34
SOCECA	Insurance brokerage	25	25	25	25	25	25
SOFINNOVA	Venture capital	(1)	(1)	(1)	(1)	24	23
SOPROMEC (22)	Private equity	37	37	-	-	-	-
SUD EST CROISSANCE	Private equity	(17)	(17)	(17)	(17)	25	25

*Consolidated on a proportional basis.

**In earnings: For those companies with share classes conferring different rights to earnings, the percentages indicated represent the Groupportion of their earnings; for those companies no longer within the scope of consolidation, the percentage indicated is that existing on the date of removal from scope. For companies with preferred shares, net income/(loss) comprises the company's net income/(loss) after payment of the preferred dividend to holders of preferred shares.

(1) Deconsolidated.

(2) Coface SA was accounted for by the equity method in December 2001 and for the first half of 2002, and then fully consolidated in the second half of 2002.

(3) Buy-out of minority interests (10%) bringing NBP's interest to 100%.

(4) Liquidated and transferred to Natexis Actions Capital Structurant on September 1, 2003.

(5) As a result of the spin-off of Natexis Interépargne.

(6) Buy-out of minority interests in 2002, bringing NBP's interest to 100%.

(7) Merged with Natexis Private Equity (formerly FNBP) in 2002.

(8) After transfer of venture capital fund management business from Spef and Spef Venture.

(9) After transfer of venture capital fund management business from Spef Venture.

(10) After a partial asset transfer to Invest Sigma, the real estate company ABC was absorbed by Natexis Banques Populaires on March 31, 2002.

(11) Fructigestion was absorbed by Natexis Banques Populaires on November 25, 2002.

(12) Merger with Coface Services North America on May 1, 2003.

(13) Merger with OKV Kreditinformations during the first half of 2003.

(14) Merger with ABP Vie on September 8, 2003.

(15) Dilution following exercise of redeemable bonds by Banque Populaire banks in 2003.

(16) Buy-out of minority interests (20%), bringing NBP's interest to 100% in 2003.

(17) Absorbed by +X Développement now BP Développement.

(18) Transfer of all assets and liabilities to NBP on June 29, 2003.

(19) Buy-out by Natexis Altaïr of shares held by Casden, bringing NBP's interest to 100%.

(20) Merger with Coface SCRL Participations in the second half of 2003, renamed Coface SCRL.

(21) Squeeze-out of remaining minority interests by NBP in May 2004.

(22) Following transfer of Sopromec shares to BP Développement on November 22, 2004, Sopromec is now accounted for by the equity method.

(23) Buyout of minority interests (BPR), bringing NBP's interest to 100% at December 13, 2004.

(24) Transfer of entire business to Slib on April 1, 2004, with retrospective effect from 1 January 2004.

(25) Buyout of minority interests, bringing NBP's interest to 100% on June 2, 2004.

(26) Sold on June 1, 2004.

(27) Buyout of minority interests, bringing NBP's interest to 100% on June 2, 2004.

■ Auditors' report on the consolidated financial statements

Year ended December 31, 2004

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below in 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, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In accordance with our appointment as Statutory Auditors at the annual general meeting, we have audited the accompanying consolidated financial statements of Natexis Banques Populaires for the year ended December 31, 2004. The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I – OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the group as of December 31, 2004 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

II – JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Art. L225-235 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we draw your attention to the following matters:

■ The Natexis Banques Populaires group records provisions to cover the risks inherent in its business. As part of our assessment of the significant estimates used to prepare the consolidated financial statements, we examined the control procedures applicable for monitoring credit risks, assessing the risks of non-recovery and determining the related specific provisions as well as general provisions for industry and country risks.

■ As described in note 9 to the consolidated financial statements, the Natexis Banques Populaires group reviewed its material intangible assets and goodwill recorded in the consolidated balance sheet, assisted by a firm of independent valuers. As part of our assessment of the significant estimates used for preparing the consolidated financial statements, we obtained an understanding of the conclusions provided by the firm of independent valuers and verified that they had been taken into consideration in preparing the consolidated balance sheet at December 31, 2004.

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

We also verified the information provided in the management report, in accordance with professional standards applicable in France. We have no comment to make as to its fairness and consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, March 23, 2005

The Statutory Auditors

SALUSTRO REYDEL	DELOITTE & ASSOCIÉS	BARBIER FRINAULT & AUTRES ERNST & YOUNG
Michel Savioz	José-Luis Garcia Damien Leurent	Richard Olivier Olivier Durand

Parent company balance sheets

At December 31,

Assets

in millions of euros	note	2004	2003	2002
Cash, central banks and post office banks	1	15	15	77
Government securities and equivalent	1	5,775	4,088	4,874
Loans and advances to banks	1	47,782	48,331	41,718
of which institutional activities	16	333	421	1,379
Customer loans	2	26,056	25,964	29,449
of which institutional activities	16	1,133	1,099	96
Bonds and other fixed-income securities	3	11,228	9,505	10,543
Equities and other variable income securities	3	977	785	1,277
Investments in affiliates and other securities held for investment	4	165	174	179
Investments in subsidiaries	4	3,857	3,989	3,926
Finance leases	2	37	7	-
Operating leases	2	26	7	-
Intangible assets	5	36	39	39
Property and equipment	5	81	94	103
Common stock subscribed not paid in		-	-	-
Treasury stock	4	160	130	73
Other assets	6	2,565	2,345	5,192
Accrued income and prepaid expenses	6	1,827	2,941	2,273
Total assets		**100,587**	**98,414**	**99,723**

Off-balance sheet items

in millions of euros	note	2004	2003	2002
Commitments received				
Financing commitments	32	4,613	2,185	1,047
Commitments received from financial institutions		3,744	1,643	897
Commitments received from customers		869	542	150
Guarantee commitments	32	7,783	3,783	4,863
Guarantees received from financial institutions		5,143	1,692	1,771
Guarantees received from customers		2,640	2,091	3,092
of which institutional activities	*16*	*345*	*450*	*646*
Commitments on securities	32	74	674	335
Other commitments received	32	1,109	1,287	904

Liabilities & shareholders' equity

in millions of euros	note	2004	2003	2002
Central banks and post office banks	*7*	22	1	3
Loans and advances from banks	*7*	39,847	35,930	45,640
of which institutional activities	*16*	408	515	1,453
Customer deposits	*8*	16,157	20,199	16,105
of which institutional activities	*16*	1,166	1,137	106
Debt securities	*9*	29,007	26,955	22,932
Other liabilities	*10*	5,607	5,338	5,846
Deferred income and accrued charges	*10*	2,456	2,829	2,561
of which institutional activities	*16*	-	-	4
Provisions for contingencies and charges	*11*	796	831	839
Long-term subordinated debt	*12*	3,040	2,770	2,391
Fund for general banking risks	*13*	233	236	245
Shareholders' equity		3,422	3,325	3,161
Common stock	*14*	772	769	759
Additional paid-in capital	*14*	1,796	1,786	1,746
Reserves	*14*	542	470	335
Revaluation surplus	-	-	-	-
Regulated reserves & investment grants	*13b*	111	108	114
of which institutional activities	*16*	*100*	*98*	*104*
Retained earnings	*14*	(13)	(9)	1
Net income for the year	*14*	214	201	206
Total liabilities & shareholders'equity		**100,587**	**98,414**	**99,723**

Off-balance sheet items

in millions of euros	note	2004	2003	2002
Commitments given				
Financing commitments	*32*	22,525	21,144	20,618
Commitments given to financial institutions		2,451	2,330	3,619
Commitments given to customers		20,074	18,814	16,999
Guarantee commitments	*32*	17,979	16,628	15,669
Commitments given on behalf of financial institutions		2,020	1,344	1,859
Commitments given on behalf of customers		15,959	15,284	13,810
of which institutional activities	*16*	*2*	*5*	*9*
Commitments on securities	*32*	46	53	271
Other commitments given	*32*	204	14	25

■ Parent company income statements

Year ended December 31,

in millions of euros	note	2004	2003	2002
Interest income	17	3,807	3,874	5,452
Transactions with financial institutions		1,949	2,051	2,568
Customer transactions		1,154	1,114	1,944
Finance lease transactions		13	1	-
Operating lease transactions		5	1	-
Bonds and other fixed-income securities		476	492	673
Other interest income		210	215	267
Interest expenses	18	(3,302)	(3,372)	(4,914)
Transactions with financial institutions		(1,802)	(1,878)	(2,430)
Customer transactions		(497)	(478)	(1,207)
Finance lease transactions		(12)	(1)	-
Operating lease transactions		(4)	(1)	-
Bonds and other fixed-income securities		(704)	(715)	(857)
Other interest expense		(283)	(299)	(420)
Income from variable income securities	19	198	163	238
Fee and commission income	20	562	576	651
Fee and commission expense	20	(201)	(201)	(289)
Net gains/(losses) on trading account securities	21	92	35	(93)
Net gains/(losses) on trading account securities		257	43	(33)
Net foreign exchange gains/(losses)		41	3	38
Net gains/(losses) on financial instruments		(206)	(11)	(98)
Net gains/(losses) on securities held for sale	22	68	73	(21)
Other banking revenues	23	67	74	54
Other banking expenses	23	(32)	(43)	(31)
Net banking income		**1,259**	**1,179**	**1,047**
General operating expenses	24	(798)	(763)	(772)
Personnel costs		(483)	(439)	(415)
Other administrative costs		(315)	(324)	(357)
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets	24	(27)	(26)	(29)
Gross operating income		**434**	**390**	**246**
Provisions for loan losses	25	(82)	(231)	(121)
Operating income		**352**	**159**	**125**
Net gains/(losses) on disposals of fixed assets	26	(108)	(18)	34
Income before exceptional items and tax		**244**	**141**	**159**
Exceptional items	27	(1)	31	(15)
Corporate income tax	28	(28)	30	45
Net (charge to)/reversal of fund for general banking risks	13	(1)	(1)	17
Net income (loss)		**214**	**201**	**206**

■ Notes to the parent company financial statements

1 – Accounting policies and valuation methods

The Natexis Banques Populaires financial statements have been prepared in accordance with generally accepted accounting principles applicable to credit institutions, including standard CRC 2000-03 on financial statement presentation.

1.1 – CUSTOMER LOANS

Loans are recorded in the balance sheet at face value. Undrawn amounts on loans already committed and agreed are included in off-balance sheet items under the heading "financing commitments given".

1.2 – PROVISIONS

Since 2000, Natexis Banques Populaires provides for loan losses at three levels:

1.21 – SPECIFIC PROVISIONS

Loan principal

Where there is a risk of partial or total non-recovery of loans or non-compliance with loan terms or covenants, provisions are taken and charged to the income statement under "provisions for loan losses". Provisions are determined on a case-by-case and country-by-country basis and adjusted at quarterly intervals, based on an analysis of the related risk and available collateral. In the case of lease financing transactions, capital gains and losses on disposal and charges to and reversals of provisions (leased assets and temporarily unleased assets) are recognized in net banking income. Termination compensation is booked as interest income. Only the principal amount of payments on non-performing leases is provided for under provisions for loan losses.

Non-performing loans are identified and accounted for in accordance with standard CRC 2002-03 and the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003, which set out the rules for classifying loans as non-performing and irrecoverable.

Irrecoverable loans include loans where an event of default has occurred, restructured loans where the borrower has once again defaulted and loans classified as non-performing for more than one year once a write-off has been envisaged.

Loan interest

In accordance with banking regulations:

- unpaid accrued interest on loans to borrowers subject to bankruptcy proceedings is deducted from the interest account in which it was initially recorded. If the interest is subsequently recovered, it is credited to income upon receipt through the same account;
- interest on non-performing loans three or, where applicable, six or nine months past due is also provided for in full by deduction from the interest account in which it was initially recorded;
- all other loans made to these customers are also classified as non-performing, even where the risk appraisal does not call for a provision against the principal outstanding;
- the same rules apply to lease financing transactions, where a provision is taken for the amount outstanding when a lease payment or any incidental costs are more than three months (equipment) or six months (real estate) past due.

Restatement of former BFCE sovereign risks

In 1991 and 1992, a defeasance transaction was carried out and a put option was purchased on BFCE sovereign risks. The defeasance structure, Edval Investment Ltd, and the structure set up to hold the put option, Worledge Investment Ltd, were consolidated for the first time at December 31, 2002. In accordance with paragraph 10052 of standard CRC 99-07, consolidation of these two entities led to an adjustment of provisions covering at-risk loans covered by the put option.

On the assets side of the balance sheet, the net outstanding balance of the loans concerned by the put option is covered by zero-coupon bonds held by the two entities. The results of the two entities consist solely of annual accruals to recognize the value appreciation of the zero-coupon bonds up to their redemption value in 2014, when the bonds mature and the defeasance structure will be wound up. Over this period, the value appreciation exactly matches the provisions required to write down the full amount of the loans covered by the put option. Consequently, the operation has no impact on the income statement and the cash required to refinance the transactions is offset by a cash inflow.

1.22 – INDUSTRY AND COUNTRY RISK PROVISIONS

These provisions cover certain businesses of Natexis Banques Populaires that carry potential future risks. These businesses are reviewed quarterly and where necessary included in the basis of provisioning for sound exposure in countries or industries likely to experience difficulties. During these quarterly reviews, the country and industry provisioning rates are adjusted according to Natexis Banques Populaires' perception on how the businesses will evolve, either negatively or positively. In 2003, additional provisions of €90 million were taken to cover potential risks arising as a result of major issues in the European marketplaces. This sum was maintained in the balance sheet at December 31, 2004.

1.23 – FUND FOR GENERAL BANKING RISKS (FGBR)

A fund for general banking risks, consisting of amounts set aside from post-tax income, completes the range of provisions for general risks.

1.3 – SECURITIZATION TRANSACTIONS

Securitizations are transactions that transfer credit risk without disposing of the underlying portfolios. They consist of synthetic securitizations based on credit derivatives carried out jointly with third party banks and special purpose entities. In substance, the credit derivatives are equivalent to credit insurance protecting Natexis Banques Populaires against the risk of borrower default or debt rescheduling.

1.4 – CONVERSION OF ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Assets, liabilities and off-balance sheet commitments denominated in foreign currencies are converted into euros at the year-end exchange rate. Realized and unrealized exchange gains and losses are taken to the income statement.

Exchange differences arising on conversion of borrowings for which the currency risk is guaranteed by the State or which relate to institutional activities are recorded in an accruals account.

1.5 – SECURITIES PORTFOLIO

1.51 – SECURITIES TRANSACTIONS (TRADING ACCOUNT SECURITIES, SECURITIES HELD FOR SALE, DEBT SECURITIES HELD FOR INVESTMENT)

Securities are classified according to the purpose of the transaction regardless of their legal form (equities, bonds and notes, treasury bills, certificates of deposit, negotiable instruments, money market securities, etc.), based on the following rules:

■ Trading account securities: these are securities traded on liquid markets which are bought or sold with the intention of reselling or repurchasing them within a short period. They are carried in the balance sheet at cost, including transaction expenses and accrued interest. At the period-end, they are marked to market and the resulting unrealized gain or loss is recognized as income or expense in the income statement. Trading account securities that are still in the portfolio six months from the date of acquisition are transferred to "securities held for sale" at their market price on the transfer date.

■ Securities held for sale: these are securities acquired with the intention of holding them for a period of more than six months. They are valued individually at the year-end at the lower of cost or estimated fair value. A provision is taken for unrealized losses but unrealized gains are not recognized. Premiums and discounts, corresponding to the difference between the cost of fixed-income securities (excluding accrued interest) and their redemption price, are written to the income statement over the remaining life of the securities.

■ Debt securities held for investment: these are fixed-income securities acquired with the intention of being held to maturity. They are either match-funded or hedged against interest rate risk. They are recorded at cost (excluding accrued interest), and any premium or discount between cost and redemption price is deferred and written to the income statement over the remaining life of the securities.

In accordance with French banking regulations, no provisions are taken for unrealized losses, unless there is an intention to dispose of the securities in the short term. In this case, provisions for market risk are charged to "net gains/(losses) on disposals of fixed assets" and provisions for counterparty risk to "provisions for loan losses".

■ Treasury stock: treasury shares are purchased for four purposes: i) to regulate the market price by trading against market trends, ii) to take advantage of market opportunities, iii) to pay for acquisitions and iv) to allot to Group employees under stock option plans or employee share issues. The number of treasury shares held as of December 31, 2004 totaled €1,548,178 with a value of €156 million, recorded in "trading account securities".

1.52 – INVESTMENTS IN SUBSIDIARIES AND AFFILIATES AND EQUITY SECURITIES HELD FOR INVESTMENT

■ **Consolidated investments:** Natexis Banques Populaires valued its investments in consolidated subsidiaries at the year end. The most material investments were also valued by an independent expert.

Consolidated investments were valued using the discounted cash flow method based on business plans drawn up by management of the main subsidiaries and validated by Natexis Banques Populaires Executive Management.

The discount rate used for each subsidiary was based on the following:

– the average 10-year OAT (French government bond) yield;

– the risk premium in the subsidiary's market;

– a beta value based on a sample of comparable companies.

The results of this method were corroborated by other methods such as standard market comparisons and restated net asset value.

■ **Non-consolidated investments** are valued individually at the lower of cost and fair value at the year end. Fair value is determined on the basis of criteria such as restated net asset value and profitability.

■ **Equity securities** held for investment are securities acquired with the intention of being held in the medium to long-term in order to sell them at a profit. They are booked at cost and a provision for impairment taken if their net book value is higher than their fair value (based on recent transaction values, profitability, market price for listed securities or other valuation methods used at the time of acquisition).

1.6 – INCOME, VALUE ADJUSTMENTS AND GAINS OR LOSSES ON SECURITIES

■ Income from variable income securities is recorded on a cash basis.

■ Income from fixed-income securities is recorded on an accruals basis.

- Value adjustments and gains or losses on disposal of securities appear under different headings depending on the nature of the transaction:

– trading account securities, securities held for sale and equity securities held for investment: value adjustments and gains or losses are recorded in net banking income;

– debt securities held for investment: value adjustments and gains or losses are recorded under "provisions for loan losses" where they reflect counterparty risk, and "net gains/(losses) on disposals of fixed assets" where they reflect market risk or the result of disposal;

– investments in affiliates and other long-term equity investments: value adjustments and gains or losses are recorded under "net gains/(losses) on disposals of fixed assets".

1.7 – PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

1.71 – ASSETS USED IN THE BUSINESS

- Fixed assets of the former Crédit National purchased prior to December 31, 1976 are stated at fair value as determined at the time of the 1976 legal revaluation. Assets purchased since 1976 are stated at cost.

Fixed assets of the former BFCE are carried in the balance sheet at their fair value as determined at the time of BFCE's acquisition by Crédit National.

Fixed assets of the former Caisse Centrale des Banques Populaires were transferred at their net book value.

- Property and equipment are depreciated over their estimated useful lives, predominantly on a straight-line basis, as follows:

Buildings used in the business	25 to 40 years
Other property and equipment	5 to 10 years

1.72 – NON-OPERATING ASSETS

Non-operating property and equipment are depreciated over their estimated useful lives (30 to 40 years).

In accordance with the terms of the letter dated October 21, 1997 from the Secretary General of the French Banking Commission *(Commission Bancaire Française)*, provisions for impairment in value have been recorded for individual investment properties and other properties not used in the business, whose market value is less than their net book value.

1.73 – COMPUTER SOFTWARE AND HARDWARE

Computer hardware is depreciated on a declining balance basis over five years. Purchased software is amortized on a straight-line basis over one year. In-house software development is expensed in the year of occurrence where intended for internal use.

Where intended for commercialization, costs are capitalized and amortized over an appropriate period.

1.8 – PERPETUAL AND DATED SUBORDINATED NOTES

Natexis Banques Populaires has issued perpetual and dated subordinated notes, which in the event of the issuer's liquidation, rank behind all other creditors.

Where perpetual subordinated loan notes are treated as equivalent to debt repayable in installments, each periodic payment is broken down between the repayment of principal, which is deducted from the outstanding debt, and interest, which is recorded in the income statement under interest expense.

1.9 – PARTICIPATING NOTES

Remuneration paid in respect of participating notes is treated as interest payable and expensed in the income statement on an accruals basis.

1.10 – INTEREST, PREMIUMS, FEES AND COMMISSION

Interest, together with premiums, fees and commissions treated as interest income are recorded in the income statement on an accruals basis. Other fees and commissions are accounted for on a cash basis.

1.11 – INTEREST RATE REVISION CHARGES AND PREPAYMENT PENALTIES

Interest rate revision charges and prepayment penalties are treated as deferred interest income and recognized in income over the life of the loan in proportion to the interest income lost in each year based on the original loan repayment schedule.

1.12 – DEBT AND SHARE ISSUANCE COSTS

With effect from January 1, 1994, Natexis Banques Populaires elected to defer all debt issuance expenses over the life of the debt, as permitted by tax legislation (law of August 8, 1994) and in line with trends in the nature of such expenses, which are in substance an additional financing cost.

The cost of share issuance by Natexis Banques Populaires is offset, net of tax, against the issue premium.

1.13 – FINANCIAL FUTURES AND OPTIONS HELD FOR OWN ACCOUNT

The notional amount of these instruments is recorded off-balance sheet for internal monitoring and regulatory purposes, but they are not included in the published statement of off-balance sheet items. Further details are provided in the notes to the financial statements.

The accounting treatment depends on the instrument involved and the purpose of the transaction (hedging or trading).

1.131 – INTEREST RATE INSTRUMENTS

These instruments are classified according to the purpose for which they are acquired:

– micro-hedging (hedging of specific transactions or positions);

– macro-hedging (structural balance sheet management);

– speculative position-taking;
– specialized management of a trading portfolio.

■ The first two categories are treated for income statement purposes as equivalent to lending/borrowing transactions and the amounts received or paid are taken to the income statement on an accruals basis.

■ The accounting treatment of speculative positions is identical with respect to interest flows, but the positions are marked to market at the period end and a provision taken against any unrealized losses.

■ In the case of specialized management of a trading portfolio, each instrument is marked to market on an individual basis. Changes in value during the period are taken immediately to the income statement. Valuations are adjusted for counterparty risk and the discounted present value of future contractual management costs.

1.132 – CURRENCY INSTRUMENTS:

■ Spot currency transactions outstanding at the year end are valued at the year-end rate.

■ Forward currency hedging transactions are taken to income on an accruals basis, either as premiums or discounts where they are intended to hedge commercial transactions, or as accrued interest where they are intended to hedge long-term assets and liabilities denominated in foreign currencies.

1.133 – INTEREST RATE, CURRENCY AND EQUITY OPTIONS AND FORWARD CONTRACTS:

The notional value of the instrument underlying the option or forward contract is recorded off-balance sheet, with hedging and trading transactions identified separately.

Income and expenses on hedging transactions are recognized on a symmetrical basis with the income and expenses on the hedged items.

In the case of trading activities, positions in a class of option or forward contract are marked to market at the period end. Changes in value during the period are taken immediately to the income statement. For over-the-counter instruments, a discount may be taken against the market value in respect of modeling risks or uncertainty over parameters, via a charge to provisions for financial instruments.

1.134 – INSTITUTIONAL ACTIVITIES:

Commitments given to banks that grant export credits financed in foreign currencies in order to fix the exchange rate of their foreign currency borrowings are not included in published off-balance sheet commitments. Income and expenses arising on institutional activities (swaps and exchange rate guarantees) are charged to or paid to the French Treasury in accordance with agreed terms and conditions.

1.14 – EXCEPTIONAL ITEMS

Exceptional income and expenses are items of income and expense that are unusual in terms of their nature, amount or frequency.

1.15 – CORPORATE INCOME TAX

The tax charge for the year comprises current taxes payable in France at the rate of 35.43%, and at the local corporate tax rate for foreign branches.

1.16 – EMPLOYEE-RELATED LIABILITIES AND RETIREMENT BENEFIT COMMITMENTS

■ The main provisions for employee-related liabilities concern:
– end-of-career awards and allowances;
– early-retirement and supplementary pension benefits;
– "CATS" early retirement plan benefits;
– employer's contributions to private health insurance companies for retirees and early retirees.

Commitments are calculated based on the following criteria:
– vested rights on the reporting date;
– discount rates ranging from 3.5% to 5.5%;
– mortality tables: TV 88/90;
– most recent salaries, including employer's social security contributions;
– historical staff turnover rates.

In accordance with opinion 2000-C issued by the CNC Urgent Issues Task Force, retirement obligations were provided for in full using the benchmark treatment set out in standard CRC 99-07, that is by deduction from 2000 opening shareholders' equity.

The French Pensions Act of August 21, 2003 reformed the terms and conditions of retirement applicable to employees. In accordance with opinion 2004-A issued by the CNC Urgent Issues Task Force, this reform was treated as a change of applicable regime and its effect deferred over the employees' remaining active lives.

1.17 – CHANGES IN ACCOUNTING METHOD

As of January 1, 2003, Natexis Banques Populaires adopted standard CRC 2002-03 on the classification of non-performing loans and the accounting treatment of loans restructured at below market rates. In 2003, following work on identifying loans affected by this standard, a discount of €11 million was recorded to take account of the difference between the new interest rate and the market rate at the time of restructuring. As the loans were restructured in prior years, the discount was set off against 2003 opening shareholders' equity. The discount was written back to the income statement under interest income in the sum of €1.8 million in 2003 and €1.6 million in 2004.

Standard CRC 2002-10 on asset depreciation, amortization and impairment is applicable from January 1, 2005. Natexis Banques Populaires has not elected for early adoption of this standard. However, article 15 of the standard contains transitional provisions applicable from January 1, 2003 relating to expenses incurred under multi-year programs for major repairs or refits. Accordingly, at December 31, 2003 a provision of €1 million was taken for major repairs, including €0.7 million deducted from 2003 opening shareholders' equity.

In accordance with standard CRC 2004-04, long service awards are no longer treated as employee benefits but as a ordinary liability governed by standard CRC 2000-06. Accordingly, a provision for the full liability of €11.7 million was taken by way of deduction from 2004 opening shareholders' equity.

1.18 – NOTES TO THE FINANCIAL STATEMENTS

Unless otherwise stated, the figures shown in the notes to the parent company financial statements are expressed in millions of euros.

NOTE 1 – INTERBANK AND MONEY MARKET ASSETS

in millions of euros	2004	2003	2002
Cash, central banks and post office banks	15	15	77
Government securities and equivalent	5,775	4,088	4,874
Trading account securities	3,471	1,798	1,113
Securities held for sale	1,890	1,833	2,867
Accrued interest receivable	*59*	*66*	*117*
Impairment provisions	*(5)*	*(8)*	*(9)*
Debt securities held for investment	414	457	894
Accrued interest receivable	*8*	*13*	*13*
Loans and advances to banks	47,782	48,331	41,718
Demand	2,486	2,793	4,089
Accrued interest receivable	*41*	*3*	*3*
Non-performing loans	*1*	*1*	*1*
Provisions for loan losses	-	-	-
Time (*)	45,296	45,538	37,629
Accrued interest receivable	*244*	*315*	*579*
Non-performing loans	*85*	*85*	*89*
Provisions for loan losses	*(48)*	*(59)*	*(62)*
Total	**53,572**	**52,434**	**46,669**
(*) Subordinated loans:	120	119	17
Performing	*118*	*117*	*17*
Non-performing	-	-	-
Accrued interest receivable	*2*	*2*	-
Securities received under repurchase agreements:	28,502	28,719	23,332
Accrued interest receivable	*179*	*196*	*454*

NOTE 2 – CUSTOMER LOANS AND LEASE FINANCING

in millions of euros	2004	2003	2002
Current accounts in debit	**4,238**	**4,235**	**3,505**
Accrued interest receivable	13	13	14
Non-performing loans	78	124	89
Provisions for loan losses	(47)	(78)	(40)
Commercial loans	**625**	**625**	**644**
Accrued interest receivable	-	-	-
Non-performing loans	19	16	14
Provisions for loan losses	(5)	(9)	(10)
Other loans to customers	**21,193**	**21,104**	**25,300**
Short-term loans and consumer loans	12,149	10,296	11,206
Accrued interest receivable	*41*	*47*	*52*
Equipment loans	2,213	2,714	3,254
Accrued interest receivable	*8*	*12*	*20*
Export loans	1,025	1,135	1,403
Accrued interest receivable	*8*	*9*	*13*
Home loans	120	123	219
Accrued interest receivable	-	-	*1*
Securities purchased under resale agreements	-	1,012	1,902
Accrued interest receivable	-	*7*	*2*
Subordinated loans	446	441	494
Accrued interest receivable	*3*	*7*	*2*
Non-performing loans	-	-	*1*
Provisions for loan losses	-	-	*(1)*
Other loans	5,240	5,383	6,822
Accrued interest receivable	*28*	*27*	*34*
Non-performing loans	*755*	*817*	*953*
Provisions for loan losses	*(515)*	*(503)*	*(561)*
Customer loans	**26,056**	**25,964**	**29,449**
Equipment finance leases	37	7	-
Outstandings	37	7	-
Temporarily unleased assets and non-performing loans	-	-	-
Accrued interest receivable	-	-	-
Provisions for asset impairment	-	-	-
Provisions for loan losses	-	-	-
Operating leases	26	7	-
Outstandings	26	7	-
Temporarily unleased assets and non-performing loans	-	-	-
Accrued interest receivable	-	-	-
Provisions for asset impairment	-	-	-
Provisions for loan losses	-	-	-
Lease financing	**63**	**14**	**0**

NOTE 3 – BONDS, EQUITIES AND OTHER FIXED AND VARIABLE INCOME SECURITIES

in millions of euros	2004	2003	2002
Bonds and other fixed-income securities	11,228	9,505	10,543
Trading account securities	4,119	2,373	946
Securities held for sale	2,902	1,299	2,101
Debt securities held for investment	4,176	5,777	7,459
Non-performing securities	31	56	37
Gross amount	*118*	*120*	*75*
Provisions for impairment	*(87)*	*(64)*	*(38)*
Bonds and other fixed-income securities	**11,228**	**9,505**	**10,543**
Equities and other variable income securities	977	785	1,277
Trading account securities	618	506	765
Securities held for sale	358	279	508
Non-performing securities	1	-	4
Gross amount	*8*	*5*	*44*
Provisions for impairment	*(7)*	*(5)*	*(40)*
Equities and other variable income securities	**977**	**785**	**1,277**

NOTE 3 A – NON-PERFORMING AND IRRECOVERABLE ASSETS AND PROVISIONS

	2004		2003 pro forma*		2003		2002	
in millions of euros	Non-performing	Irrecover-able	Non-performing	Irrecover-able	Non-performing	Irrecover-able	Non-performing	Irrecover-able
Financial institutions	36	1	26	1	3	24	16	12
Assets	59	26	74	12	3	83	37	53
Provisions	(23)	(25)	(48)	(11)	-	(59)	(21)	(41)
Customers	256	29	331	36	113	254	208	237
Assets	486	369	594	363	179	778	310	747
Provisions	(230)	(340)	(263)	(327)	(66)	(524)	(102)	(510)
Fixed-income securities	28	4	55	1	38	18	6	31
Assets	95	32	103	17	63	57	20	55
Provisions	(67)	(28)	(48)	(16)	(25)	(39)	(14)	(24)
Total	**320**	**34**	**412**	**38**	**154**	**296**	**230**	**280**

Breakdown of loans between non-performing and irrecoverable

At December 31, 2003, in accordance with standard 2002-03, irrecoverable loans comprise loans where an event of default has occurred and loans classified as non-performing for more than one year.

At December 31, 2004, in accordance with the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003, irrecoverable loans comprise loans where an event of default has occurred and loans classified as non-performing for more than one year, where a write-off is envisaged.

*The pro forma 2003 figures show a breakdown between non-performing and irrecoverable loans based on the provisions of the opinion issued by the CNC Urgent Issues Task Force on December 18, 2003.

NOTE 4 — INVESTMENTS IN SUBSIDIARIES AND AFFILIATES, OTHER SECURITIES HELD FOR INVESTMENT AND TREASURY STOCK

in millions of euros	2004	2003	2002
Investments in affiliates	143	143	145
Carrying value	159	158	159
Shareholders' advances	-	-	-
Translation differences	2	1	-
Provisions	(18)	(16)	(14)
Securities loaned	-	-	-
Other securities held for investment	22	31	34
Carrying value	63	73	80
Shareholders' advances	-	-	-
Translation differences	-	-	-
Provisions	(41)	(42)	(46)
Securities loaned	-	-	-
Accrued interest receivable	0	0	0
Investments in affiliates and other securities held for investment	**165**	**174**	**179**
Investments in subsidiaries	3,857	3,989	3,926
Carrying value	3,970	4,029	3,985
Shareholders' advances	14	14	9
Translation differences	46	38	4
Provisions	(173)	(92)	(72)
Securities loaned	-	-	-
Accrued interest receivable	0	0	0
Investments in subsidiaries	**3,857**	**3,989**	**3,926**
Treasury stock	160	130	73
Trading account securities	156	126	73
Securities loaned	-	-	-
Long-term investments *	4	4	-
Treasury stock	**160**	**130**	**73**
*Including provisions	0	0	

NOTE 4.1 – INVESTMENT PORTOFOLIO AS OF DECEMBER 31, 2004

in euros	Number of shares	Carrying value
I – Investments in subsidiaries		
A) Banking and credit institutions		
NATEXIS LEASE	16,670,495	399,595,080.57
NATEXIS FACTOREM	1,494,855	127,459,135.75
NATEXIS PRIVATE BANKING LUXEMBOURG S.A.	10,097	27,366,418.97
NATEXIS LUXEMBOURG S.A.	399,999	40,636,720.29
NATEXIS COFICINE	109,099	30,317,040.34
BANQUE PRIVEE SAINT DOMINIQUE	1,637,100	21,813,341.85
NATEXIS PAIEMENTS	2,399,983	21,886,690.50
NATEXIS ALGERIE	1,360,056	10,932,911.14
SBFI - Société de Banque Française et Internationale	53,556	6,410,425.26
CFDI - Caisse Française de Développement Industriel	29,994	4,572,555.82
SOFINGEST	170,129	3,881,008.09
INTERFINANCE NATEXIS NV	29,997	23,261.61
B) Financial institutions		
NATEXIS PRIVATE EQUITY	17,470,555	465,121,212.11
NATEXIS AMBS Ordin. (New York)	285,351	209,493,429.27
NATEXIS ASSET MANAGEMENT	1,633,480	155,254,504.64
ARNHOLD & BLEICHROEDER Inc	100	142,974,672.14
SOCIETE FINANCIERE BFCE	6,052,992	92,950,977.55
NATEXIS INTEREPARGNE	555,654	81,837,556.38
SPAFICA	42,823	63,472,935.72
NATEXIS BLEICHROEDER	673,542	50,548,024.75
NATEXIS METALS Ltd	20,000,000	24,037,340.85
NATEXIS MOSCOW	37,908	15,767,290.18
NATEXIS ASSET-BACKED MANAGEMENT CORPORATION	100	10,028,858.59
NBP Preferred Capital 3 (New York)	11,500	8,443,579.77
NBP Preferred Capital 2 (New York)	10,000	7,341,604.88
INVESTIMA 6	690,922	6,562,719.00
NATEXIS INVESTMENT CORP	3,217	2,552,930.37
SOGAFI - Société de garantie financière	49,994	1,807,862.41
NATEXIS FINANCE	162,004	1,599,718.42
SPAFIC	2,494	651,221.92
IFCIC	37,708	574,854.75
LUGDUNUM GESTION	7,995	289,653.21
COMPAGNIE FINANCIERE EUROPEENNE ABS	7,647	116,652.04
CRENINVEST 1	4,994	76,133.04
NATEXIS US FINANCE CORPORATION (New York)	1	47,720.44
INVESTIMA 1	3,850	38,500.00
INVESTIMA 11	3,850	38,500.00
INVESTIMA 5	3,850	38,500.00
INVESTIMA 7	3,850	38,500.00
SAINT DOMINIQUE RADIO	3,850	38,500.00
CONTANGO TRADING SA	3,844	38,440.00
INVESTIMA 12	3,700	37,000.00
INVESTIMA 13	3,700	37,000.00
INVESTIMA 14	3,700	37,000.00
INVESTIMA 16	3,700	37,000.00
INVESTIMA 17	3,700	37,000.00
INVESTIMA 3	3,850	19,250.00
INVESTIMA 8	3,850	19,250.00
INVESTIMA 9	3,850	19,250.00
OMNIUM NATEXIS GIE	1,250	19,056.13
SAGP	990	15,092.45

in euros	Number of shares	Carrying value
C) Other		
COFACE	12,860,503	646,383,735.83
NATEXIS ASSURANCES	5,246,967	496,842,974.06
VAL "A"	1,640,000	276,872,875.00
NATEXIS IMMO EXPLOITATION	7,674,462	124,002,112.22
AUXILIAIRE ANTIN	8,338,449	121,602,164.53
NATEXIS ARBITRAGE	4,019,846	60,614,602.32
NATEXIS ALTAIR	6,274,985	14,445,332.68
LINEBOURSE	1,166,227	12,045,694.86
FINANCIERE CLADEL	607,893	10,099,292.29
NATEXIS IMMO DEVELOPPEMENT	92,674	6,775,627.22
SLIB	748,693	12,696,599.52
SCI HAUSSMANN 90	1,809	2,757,802.72
SAMIC - Société Anonyme Monaco International Computer	756	2,040,718.40
NATEXIS IMMO PLACEMENT	89,607	1,241,182.31
CO-ASSUR	2,494	282,570.47
SCI ANTIN HAUSSMANN	18	274,408.23
INVEST ALPHA	14,994	228,582.06
INVEST DELTA	14,994	228,582.06
TURBO SA	8,166	126,847.48
VALMY LIBERTE CONSEIL	2,476	67,104.78
NATEXIS FORMATION	3,494	55,904.00
NXBP 1	2,590	39,484.30
VAL "B"	2,494	38,416.68
CRENINVEST 7	2,494	38,020.78
SDGP 38	2,493	37,893.60
SDGP 41	2,493	37,893.60
SDGP 43	2,493	37,893.60
SDGP 45	2,493	37,893.60
SAS MONTMARTRE 1	2,500	34,166.83
INVEST GAMMA	2,494	32,807.63
INVEST OMEGA	2,494	25,744.43
SEMA ENGHIEN LES BAINS	1,500	22,867.35
GIE RESTAUPRISE	14,740	22,470.99
D) Investments with a carrying value equal to or less than €15,000	-	**32,997.06**
E) Shareholders' advances		
NATEXIS INVESTMENT ASIA (Singapore)	-	13,456,427.57
SPAFIC	-	2,141,592.06
FINANCIERE CLADEL	-	-
NATEXIS MERCOSUL FUND	-	8,027,645.77
SCI ALTAIR 1	-	6,276,887.28
F) Securities loaned	-	**102,150.34**
G) Accrued interest receivable	-	-
II - Investments in affiliates and other securities held for investment		
A) Banking and financial institutions		
I.K.B	2,200,000	29 430 369.72
BANCO FINANTIA	7,582,190	10,051,810.14
W.G.Z. BANK	290	650,545.87
B.P. DI NOVARA	14,400	231,696.78
PARNASSIENNE DE CREDIT	100	76,224.51
BANQUE GABONAISE DE DEVELOPPEMENT	16,200	67,077.57

in euros	Number of shares	Carrying value
B) Financial institutions		
SICOVAM HOLDING	3,694	30,417,099.22
OFIVM	679,999	9,371,327.33
MEDIAFINANCE	255,000	4,047,120.84
PROPARCO	267,300	4,017,739.19
SOFARIS	133,372	3,242,831.92
MAGHREB PRIVATE EQUITY FUND LTD	995	526,034.91
AFH -AFRICAN FINANCIAL HOLDING	7,238	906,018.95
VIETNAM INTERNATIONAL LEASING CIE	1,000,000	793,544.41
SOFIPROTEOL	17,501	243,163.03
UNIGRAINS	5,467	186,978.50
FIARO	29,166	97,508.98
PARIS TITRISATION	3,999	86,356.02
AL WASSIT - INTERMEDIATION ET CONSEIL FINANCIER	9,375	68,683.09
VAL "E"	2,494	38,020.80
C) Other		
SOPARIND	36,956	25,887,797.52
EMBRAER	273,120	10,492,370.08
CABLECOM (London)	2,450	3,137,000.00
PAI EUROPE 3 FCPR	908,800	5,359,862.08
LUCIA	186,000	3,965,687.02
PATRIMOINE EUROPE (SCPI)	2,941	2,767,864.37
GIE SPRING RAIN	17,599,140	2,682,971.60
SYSTRA	7,300	1,779,789.65
JACQUET SA	142,141	3,250,388.36
BANQUE INTERNATIONALE ARABE DE TUNISIE	192,000	1,891,157.21
IMMOBILIERE PRIVEE	8,040	1,295,816.64
SAINT AUBIN CHIMIE GIE	7,617,500	1,161,280.39
AXELTIS	627,000	1,025,777.75
EUROMEZZANINE 2 .SCA.	460,000	701,265.48
GIE FIRST SNOW	396,086,798	603,830.43
PORCHER INDUSTRIES	506	517,830.10
NATEXIS PRAMEX INTERNATIONAL	33,984	487,977.56
SOCIETE CONCESSIONNAIRE DU GRAND LOUVRE	16,009	457,361.32
SOFRANTEM	15,002	388,822.74
EUROPOLIS INVEST	32,399	383,721.29
GIE VULCAIN ENERGIE	24,446	372,676.87
LES JEUNES BOIS GIE	251,540	251,534.70
SRITHAI SUPERWARE (Singapore)	8,511,685	227,593.72
GIE STAR TROIS	149,902,077	228,524.24
INDUSTRI KAPITAL	1	112,500.00
LOXLEY PUBLIC Co Ltd (Singapore)	16,150,000	169,137.58
ECICs (Singapore)	250,000	134,792.05
ASSURANCES BANQUE POPULAIRE IARD (formerly Fructi-MAAF)	44	132,000.00
SEPIA	14,099	107,468.93
PARNASSE IMMO	300	78,128.30
I.D.P.C.	37	57,168.38
ECONOCOM GROUP	13,252	56,031.24
UNICEREALES	2,750	41,923.48
NAM GERANCE	2,496	38,370.63
DEVELOPPEMENT DE L'HORLOGERIE (Sté)	2,400	36,587.76
SNPE	500	36,206.64
SWIFT	353	34,326.77
SOFIMAC	221	33,521.89
O.G.I.F. - Omnium de gestion Financière de l'Ile de France	77,350	31,556.95
MARCHES DE TITRES - France	305,555	28,947.30

in euros	Number of shares	Carrying value
SOFREAVIA	3,750	17,150.51
TRANSVALOR	1,069	16,754.15
CAISSE DE GARANTIE IMMOBILIERE " C.G.I.F.N.B."	2,000	15,244.90
CLEMET	1,000	15,244.90
SADEPAR	100	15,244.90
D) Investments with a carrying value equal to or less than €15,000	-	**157,998.35**
E) Shareholders' advances		
SAS SFPMEI	-	710.00
F) Securities loaned	-	**21,147.99**
G) Accrued interest receivable	-	**829.63**
III - Treasury stock		
NATEXIS BANQUES POPULAIRES	1,594,438	159,731,235.10
Total investments as of December 31, 2004		**4,182,071,128.94**

NOTE 4.2 – DISCLOSURE OF SIGNIFICANT SHAREHOLDINGS IN FRENCH COMPANIES

The following information is provided pursuant to Article L247-1 of the French Commercial Code.

Additions	%	Number of shares
Acquisitions, subscriptions and asset transfers		
Investima 16	100.00	3,700
Investima 17	100.00	3,700
Sales, transfers		
Quadral	0.66	

Disposals	%	Number of shares
Atis-réal	-	-
Bancosys	-	-
Comavam	-	-
Cristal négociation	-	-
Euromezzanine SCA	-	-
Pacifique bail	-	-

NOTE 4.3 – INFORMATION CONCERNING SUBSIDIARIES AND AFFILIATES

Pursuant to Article L233-15 of the French Commercial code

Company or group of companies	Common stock	Reserves	Percentage interest at December 31, 2004
A - Investments with a carrying value in excess of 1% of the common stock of the reporting company	In thousands of units	In thousands of units	
Investments in subsidiaries and affiliates (holdings in excess of 10%)			
NATEXIS ALTAIR *4, rue Charles Gounod - 77185 LOGNES*	10,040 EUR	7,092 EUR	100.00%
NATEXIS ASSURANCES *27, boulevard Bourbon - 75004 PARIS*	40,034 EUR	235,904 EUR	100.00%
AUXILIAIRE ANTIN *18, rue de la Chaussée d'Antin - 75009 PARIS*	127,578 EUR	(5,976) EUR	100.00%
NATEXIS LEASE *115, rue Montmartre - 75002 PARIS*	266,728 EUR	134,646 EUR	100.00%
NATEXIS ASSET MANAGEMENT *68-76, quai de la Rapée - 75012 PARIS*	29,143 EUR	3,172 EUR	86.88%
NATEXIS PRIVATE BANKING LUXEMBOURG S.A. *47, boulevard Royal - L 2449 LUXEMBOURG*	28,750 EUR	2,646 EUR	87.80%
NATEXIS PAIEMENTS *115, rue Montmartre - 75002 PARIS*	22,800 EUR	1,075 EUR	100.00%
BANQUE PRIVEE SAINT DOMINIQUE *12-14, rond point des Champs Elysées - 75008 PARIS*	20,464 EUR	1,349 EUR	100.00%
COFACE *12, cours Michelet - La Défense 10 - 92800 PUTEAUX*	49,796 EUR	430,283 EUR	100.00%
NATEXIS COFICINE *26, rue de Montévidéo - 75016 PARIS*	5,897 EUR	5,473 EUR	92.50%
NATEXIS FACTOREM *4, place de la Coupole - 94600 CHARENTON LE PONT*	12,000 EUR	124,899 EUR	99.66%
FINANCIERE CLADEL *115, rue Montmartre - 75002 PARIS*	9,727 EUR	1,146 EUR	100.00%
NATEXIS IMMO EXPLOITATION *45, rue Saint-Dominique - 75007 PARIS*	117,036 EUR	7,541 EUR	100.00%
LINEBOURSE *45, rue Saint-Dominique - 75007 PARIS*	11,662 EUR	2,459 EUR	50.60%
NATEXIS AMBS *645 Fifth Avenue - NY 10022 - NEW YORK*	560,350 USD	(619) USD	100.00%
NATEXIS ALGERIE *62, chemin Mohamed Drareni - Hydra - ALGIERS*	1,000,000 DZD	152,343 DZD	87.18%
NATEXIS ARBITRAGE *115, rue Montmartre - 75002 PARIS*	60,298 EUR	(15,269) EUR	100.00%
NATEXIS LUXEMBOURG SA *28, avenue Marie-Thérèse - L2131 LUXEMBOURG*	40,000 EUR	14,770 EUR	100.00%
NATEXIS BLEICHROEDER INC *1345 avenue of the Americas - NY 10105 - NEW YORK*	151,503 USD	(9,767) USD	100.00%
NATEXIS BLEICHROEDER SA *100, rue Réaumur - 75002 PARIS*	73,636 EUR	(23,089) EUR	100.00%
NATEXIS INTEREPARGNE *16 - 18, rue Jules César - 75012 PARIS*	8,891 EUR	19,329 EUR	100.00%
NATEXIS METALS *47-53, Cannon Street - LONDON EC4M 5SH*	20,000 GBP	(6,226) GBP	100.00%
NATEXIS PRIVATE EQUITY *5-7, rue de Monttessuy - 75007 PARIS*	438,456 EUR	142,461 EUR	91.64%
NBP PREFERRED CAPITAL 3 *1251, avenue of the Americas - NEW YORK 10020*	211,500 USD	(40) USD	100.00%
OFIVM *1, rue Vernier - 75017 PARIS*	20,000 EUR	(385) EUR	34.00%
SAMIC *24, avenue Fontvieille - 98000 MONACO*	160 EUR	2,540 EUR	75.60%
SBFI *45, rue Saint-Dominique - 75007 PARIS*	8,623 EUR	(1,854) EUR	94.69%
SLIB *12, rue Auber - 75009 PARIS*	11,979 EUR	3,552 EUR	100.00%
SOCIETE FINANCIERE BFCE *5-7 rue de Monttessuy - 75007 PARIS*	92,308 EUR	56,383 EUR	100.00%
SPAFICA *115, rue Montmartre - 75002 PARIS*	685 EUR	62,864 EUR	99.99%
VAL A *115, rue Montmartre - 75002 PARIS*	167,200 EUR	149,200 EUR	100.00%
NATEXIS MOSCOW *Business Center Parus, 1th Tverskaya - YANSKAYA STR.23/1 125047 MOSCOW - RUSSIA*	379,080 RUR	79,100 RUR	100.00%
B - Other interests			
Other interests not included under A			
21 - France (aggregate)			
22 - Other (aggregate)			

*Figures taken from accounting documents at December 31, 2004.

(1)The net book value of these securities is higher than their gross value due to foreign exchange gains.

Book value of investment Gross	Net	Outstanding loans and advances at December 31, 2004	Guarantees given	Total revenues in previous year	Net income/(loss) in previous year	Dividends received in 2004	Comment
In thousands of euros	In thousands of euros	In thousands of euros	In thousands of euros	In thousands of units	In thousands of units	In thousands of euros	
14,445	14,445	-	-	77,570 EUR	5,871 EUR	4,267	*
496,843	496,843	32,000	-	101,275 EUR	96,088 EUR	56,038	*
127,602	121,602	-	-	2,593 EUR	2,550 EUR	-	*
399,595	399,595	1,602,072	85,663	37,254 EUR	19,897 EUR	-	*
155,255	155,255	-	-	110,822 EUR	39,312 EUR	20,337	*
47,471	27,366	72,685	79,602	21,859 EUR	(227) EUR	-	*
21,887	21,887	29,623	-	65,265 EUR	1,036 EUR	-	*
26,821	21,813	-	-	14,720 EUR	(2,599) EUR	-	*
646,384	646,384	148,000	2,000	497,620 EUR	23,756 EUR	-	*
30,317	30,317	150,000	4,533	13,657 EUR	4,881 EUR	2,455	*
127,459	127,459	260,000	122,599	99 ,224 EUR	28,792 EUR	24,665	*
10,099	10,099	3,369	-	1,012 EUR	799 EUR	5,185	*
124,002	124,002	-	-	47,596 EUR	1,546 EUR	691	*
27,196	12,046	-	-	3,839 EUR	(2,177) EUR	-	*
209,493	209,493	-	-	18,053 USD	18,062 USD	-	*
10,933	10,933	-	41,066	565,780 DZD	190,794 DZD	-	*
60,615	60,615	668,663	270,000	11,671 EUR	(2,267) EUR	-	*
40,637	40,637	259,057	258,110	7,387 EUR	2,639 EUR	-	*
186,908	142,975	55,062	-	53,153 USD	(11,080) USD	-	*
75,679	50,548	-	145,000	42,475 EUR	(2,373) EUR	-	*
81,838	81,838	-	-	62,762 EUR	5,786 EUR	3,740	*
20,741	24,037	163,578	7,709	18,319 GBP	3,741 GBP	-	* (1)
465,121	465,121	140,000	-	59,764 EUR	47,628 EUR	36,513	*
8,444	8,444	-	-	14,265 USD	14,226 USD	-	*
11,333	9,371	-	-	-	-	-	*
17,288	1,700	-	-	9,748 EUR	(651) EUR	-	*
8,644	6,410	1,500	-	501 EUR	469 EUR	-	*
12,697	12,697	1,325	-	16,013 EUR	(11,583) EUR	-	*
92,951	92,951	-	-	5,294 EUR	4,574 EUR	-	*
63,473	63,473	31,098	-	5,930 EUR	4,645 EUR	5,268	*
276,873	276,873	-	-	23,235 EUR	13,973 EUR	-	*
10,013	15,767	125,463	68,522	139,407 RUR	16,937 RUR	-	* (1)
240,588	199,839	3,508,075	479,794			34,304	
55,904	39,040	-	-			-	

NOTE 4.4 – TREASURY STOCK - ASSETS

	Quantity purchased	Purchase price	Average purchase price	Quantity sold	Selling price	Average selling price	Closing stock	% of common stock
At January 1, 2004	1,470,103	123,474,933	83.99	-	-	-	1,470,103	3.06%
Share price regulation	346,609	32,069,866	92.52	222,274	20,387,506	91.72	-	-
Alizé	-	-	-	-	-	-	-	-
Sub-total	346,609	32,069,866	92.52	222,274	20,387,506	91.72	-	-
At December 31, 2004	**1,816,712**	**155,544,799**	**85.62**	**222,274**	**20,387,506**	**91.72**	**1,594,438**	**3.30%**

NOTE 5 – PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

in millions of euros	2004 Gross book value	2004 Deprec. amort. provs.	2004 Net book value	2003 Gross book value	2003 Deprec. amort. provs.	2003 Net book value	2002 Gross book value	2002 Deprec. amort. provs.	2002 Net book value
Property and equipment and intangible assets used in the business	272	(161)	111	269	(145)	124	268	(136)	132
Intangible assets	83	(47)	36	79	(40)	39	74	(35)	39
Property and equipment	189	(114)	75	190	(105)	85	194	(101)	93
Non-operating assets	9	(3)	6	12	(3)	9	14	(4)	10
Intangible assetss	-	-	-	-	-	-	-	-	-
Property and equipment	9	(3)	6	12	(3)	9	14	(4)	10
Intangible assets	**83**	**(47)**	**36**	**79**	**(40)**	**39**	**74**	**(35)**	**39**
Property and equipment	**198**	**(117)**	**81**	**202**	**(108)**	**94**	**208**	**(105)**	**103**

in millions of euros	2003	Additions	Disposals	Other	2004
Cost					
Intangible assets	79	5	(2)	1	83
Purchased goodwill	23	1	-	-	24
Software	36	4	(2)	-	38
Other	20	-	-	1	21
Property and equipment used in business	190	11	(8)	(4)	189
Land and buildings	53	-	-	-	53
Other	137	11	(8)	(4)	136
Non-operating property and equipment	12	-	(3)	-	9
Land and buildings	7	-	(1)	-	6
Other	5	-	(2)	-	3
Total	**281**	**16**	**(13)**	**(3)**	**281**

in millions of euros	2003	Charges and reversals	Disposals	Other	2004
Depreciation, amortization and provisions					
Intangible assets	40	9	(2)	-	47
Purchased goodwill	-	-	-	-	-
Software	29	6	(2)	-	33
Other	11	3	-	-	14
Property and equipment used in business	105	17	(7)	(1)	114
Land and buildings	17	1	-	-	18
Other	88	16	(7)	(1)	96
Non-operating property and equipment	3	-	-	-	3
Land and buildings	3	-	-	-	3
Other	-	-	-	-	-
Total	**148**	**26**	**(9)**	**(1)**	**164**

NOTE 6 – ACCRUED INCOME, PREPAID EXPENSES AND OTHER ASSETS

in millions of euros	2004	2003	2002
Purchased options	1,610	1,043	2,189
Settlement accounts	141	355	982
Other receivables	812	946	2 021
Inventory accounts	2	1	-
Other assets	**2,565**	**2,345**	**5,192**
Collection accounts	12	10	21
Adjustment accounts	208	363	334
Losses on financial instruments	1	2	4
Deferred charges or prepayments	94	101	188
Accrued income	578	778	595
Other	934	1 687	1 131
Prepayments and accrued income	**1,827**	**2,941**	**2,273**

NOTE 7 – INTERBANK AND MONEY MARKET LIABILITIES

in millions of euros	2004	2003	2002
Central banks and post office banks	22	1	3
Interbank liabilities	39,847	35,930	45,640
Demand deposits	8,564	9,626	13,133
Accrued interest payable	*2*	*3*	*5*
Other amounts due	*27*	*340*	*106*
Time deposits (*)	31,283	26,304	32,507
Accrued interest payable	*207*	*131*	*355*
Interbank and money market liabilities	**39,869**	**35,931**	**45,643**
(*)Including securities delivered under repurchase agreements:	23,747	18,411	20,013
Accrued interest payable	*162*	*81*	*247*

NOTE 8 – CUSTOMER DEPOSITS

in millions of euros	2004	2003	2002
Special savings accounts	55	53	50
Other liabilities	16,102	20,146	16,055
Demand deposits	5,550	6,138	4,321
Accrued interest payable	*2*	*2*	*3*
Other amounts due	*69*	*25*	*100*
Time deposits (*)	10,552	14,008	11,734
Accrued interest payable	*64*	*64*	*86*
Guarantee deposits	*131*	*129*	*81*
Customer deposits	**16,157**	**20,199**	**16,105**
(*)Including securities delivered under repurchase agreements:	7,252	11,172	7,978
Accrued interest payable	*49*	*49*	*67*

NOTE 9 – DEBT SECURITIES

in millions of euros	2004	2003	2002
Interbank and money market securities	25,855	21,990	18,464
Accrued interest payable	143	154	172
Bonds	3,151	4,964	4,468
Accrued interest payable	41	100	140
Retail certificates of deposit and savings bonds	1	1	-
Accrued interest payable	-	-	-
Debt securities	**29,007**	**26,955**	**22,932**

NOTE 10 – DEFERRED INCOME, ACCRUED CHARGES AND OTHER LIABILITIES

in millions of euros	2004	2003	2002
Sundry payables	1,563	1,308	1,033
Securities transactions	2,389	2,695	1,980
Trading account securities	-	-	48
Liabilities on trading account securities	2,361	2,694	1,933
Accrued interest payable	-	-	-
Sold options	1,430	1,027	2,439
Securities settlement accounts	225	308	394
Other liabilities	**5,607**	**5,338**	**5,846**
Unavailable accounts	90	81	77
Adjustment and suspense accounts	696	384	277
Gains on financial instruments	1	1	2
Deferred income	39	62	65
Accrued charges	718	880	711
Other	912	1,421	1,429
Accrued charges and deferred income	**2,456**	**2,829**	**2,561**

NOTE 11 – PROVISIONS FOR CONTINGENCIES AND CHARGES

in millions of euros	Employee benefits	Off-balance sheet commitments	Country risks	Specific credit risks	Provisions for litigation	Industry risks	Tax-driven provisions	Fin. instr. risks	Sundry risks	Total
At January 1, 2002	34	17	333	36	17	152	188	56	3	836
Charges	24	3	13	77	-	30	46	51	15	259
Reversals	(13)	(4)	(47)	(48)	(3)	(40)	(21)	(45)	(3)	(224)
Translation differences	-	-	(23)	-	(1)	(6)	(2)	-	-	(32)
Other changes	-	-	-	-	-	-	-	-	-	0
Movements in 2002	11	(1)	(57)	29	(4)	(16)	23	6	12	3
Balance at December 31, 2002	**45**	**16**	**276**	**65**	**13**	**136**	**211**	**62**	**15**	**839**
At January 1, 2003	45	16	276	65	13	136	211	62	15	839
Charges	17	6	85	37	2	70	54	31	11	313
Reversals	(11)	(4)	(90)	(54)	(3)	-	(61)	(58)	(10)	(291)
Translation differences	-	-	(23)	(1)	-	(6)	(1)	-	-	(31)
Other changes		-	-	-	-	-	-	-	1	1
Movements in 2003	6	2	(28)	(18)	(1)	64	(8)	(27)	2	(8)
Balance at December 31, 2003	**51**	**18**	**248**	**47**	**12**	**200**	**203**	**35**	**17**	**831**
At January 1, 2004	51	18	248	47	12	200	203	35	17	831
Charges	39	10	23	14	3	7	61	17	12	186
Reversals	(26)	(19)	(29)	(26)	-	(16)	(39)	(44)	(12)	(211)
Translation differences	-	-	(7)	-	-	(1)	(1)	-	-	(9)
Other changes	2	-	-	(3)	-	-	-	8	(8)	(1)
Movements in 2004	15	(9)	(13)	(15)	3	(10)	21	(19)	(8)	(35)
Balance at December 31, 2004	**66**	**9**	**235**	**32**	**15**	**190**	**224**	**16**	**9***	**796**

(*)of which provisions for major repairs: 1
of which risks in subsidiaries and affiliates: 8

NOTE 12 – LONG-TERM SUBORDINATED DEBT

in millions of euros	2004	2003	2002
Dated subordinated debt	2,662	2,343	1,957
Subordinated notes	1,950	1,691	1,249
Subordinated loans	712	652	708
Perpetual subordinated debt	335	382	397
Participating loans	-	107	107
Subordinated notes	307	200	201
Subordinated loans	28	75	89
Accrued interest	43	45	37
Long-term subordinated debt	**3,040**	**2,770**	**2,391**

NOTE 13 – FUND FOR GENERAL BANKING RISKS

in millions of euros	Euro FGBR	Currency FGBR	Currency provision	Total
At January 1, 2002	209	34	31	274
Charges	-	-	-	0
Reversals	(19)	-	-	(19)
Translation differences	-	(5)	(5)	(10)
Other changes	-	-	-	0
Movements in 2002	(19)	(5)	(5)	(29)
Balance at December 31, 2002	**190**	**29**	**26**	**245**
At January 1, 2003	190	29	26	245
Charges	-	-	-	0
Reversals	-	-	-	0
Translation differences	-	(5)	(4)	(9)
Other changes	-	-	-	0
Movements in 2003	0	(5)	(4)	(9)
Balance at December 31, 2003	**190**	**24**	**22**	**236**
At January 1, 2004	190	24	22	236
Charges	-	-	-	0
Reversals	-	-	-	0
Translation differences	-	(1)	(2)	(3)
Other changes	-	-	-	0
Movements in 2004	0	(1)	(2)	(3)
Balance at December 31, 2004	**190**	**23**	**20**	**233**

NOTE 13B – REGULATED PROVISIONS

in millions of euros	Revaluation reserve for depreciable assets	Provisions for investment	Accelerated depreciation	Total
At January 1,2002	0	8	0	8
Charges	-	2	-	2
Reversals	-	-	-	0
Translation differences	-	-	-	0
Other changes	-	-	-	0
Movements in 2002	0	2	0	2
Balance at December 31, 2002	**0**	**10**	**0**	**10**
At January 1, 2003	0	10	0	10
Charges	-	1	-	1
Reversals	-	(1)	-	(1)
Translation differences	-	-	-	0
Other changes	-	-	-	0
Movements in 2003	0	0	0	0
Balance at December 31, 2003	**0**	**10**	**0**	**10**
At January 1, 2004	-	10	-	10
Charges	-	2	-	2
Reversals	-	(1)	-	(1)
Translation differences	-	-	-	0
Other changes	-	-	-	0
Movements in 2004	0	1	0	1
Balance at December 31, 2004	**0**	**11**	**0**	**11**

NOTE 14 – COMMON STOCK, ADDITIONAL PAID-IN CAPITAL, RESERVES AND RETAINED EARNINGS

in millions of euros	Common stock	Additional paid-in capital	Legal reserve	General reserve	Long-term capital gains reserve	Other reserves	Retained earnings	Total
At January 1, 2002	709	1,579	40	180	140	11	0	2,659
Appropriation of 2001 income	-	-	3	-	-	-	71	74
Dividends paid in 2002	-	-	-	(39)	-	-	(71)	(110)
Arnhold & S. Bleichroeder acquisition	22	83	-	-	-	-	-	105
Conversion of convertible perpetual subordinated notes	28	86	-	-	-	-	-	114
Other movements in equity	-	(2)	-	-	-	-	1	(1)
Movements in 2002	50	167	3	(39)	0	0	1	182
Balance at December 31, 2002	**759**	**1,746**	**43**	**141**	**140**	**11**	**1**	**2,841**
At January 1, 2003	759	1,746	43	141	140	11	1	2,841
Appropriation of 2002 income	-	-	10	125	-	-	71	206
Dividends paid in 2003	-	-	-	-	-	-	(71)	(71)
Transfer of Crédifrance Factor shares	4	15	-	-	-	-		19
Transfer of Sopromec shares	6	25	-	-	-	-		31
Changes in accounting methods	-	-	-	-	-	-	(10)	(10)
Movements in 2003	10	40	10	125	0	0	(10)	175
Balance at December 31, 2003	**769**	**1,786**	**53**	**266**	**140**	**11**	**(9)**	**3,016**
At January 1, 2004	769	1,786	53	266	140	11	(9)	3,016
Appropriation of 2003 income	-	-	11	9	52	-	129	201
Dividends paid in 2004	-	-	-	-	-	-	(116)	(116)
Exercise of stock options	3	10	-	-	-	-	-	13
Changes in accounting methods	-	-	-	-	-	-	(12)	(12)
Exit tax	-	-	-	-	-	-	(5)	(5)
Movements in 2004	3	10	11	9	52	0	(4)	81
Balance at December 31, 2004	**772**	**1,796**	**64**	**275**	**192**	**11**	**(13)**	**3,097**

NOTE 15 – INTERGROUP TRANSACTIONS

Assets

in millions of euros	2004	2003	2002
Loans and advances to banks	9,608	9,206	7,560
Customer loans	3,374	1,207	4,323
Bonds and other fixed-income securities	190	192	1,504
Equities and other variable income securities	635	397	-

Liabilities

in millions of euros	2004	2003	2002
Loans and advances from banks	10,683	7,270	1,531
Customer deposits	1,911	412	351
Debt securities	50	441	948
Long-term subordinated debt	296	315	958

Off-balance sheet

in millions of euros	2004	2003	2002
Financing commitments given to:			
financial institutions	890	687	904
customers	2	20	924
Guarantees given on behalf of:			
financial institutions	648	368	598
customers	1,008	635	357

NOTE 16 – BALANCE SHEETS - INSTITUTIONAL ACTIVITIES

in millions of euros	2004	2003	2002
Interbank and money market assets	333	421	1,379
Customer loans	1,133	1,099	96
Other assets	0	0	0
Total assets	**1,466**	**1,520**	**1,475**

in millions of euros	2004	2003	2002
Interbank and money market liabilities	408	515	1,453
Customer deposits	1,166	1,137	106
Debt securities	0	0	0
Other liabilities	100	98	108
Total liabilities	**1,674**	**1,750**	**1,667**

in millions of euros	2004	2003	2002
Commitments given			
Financing commitments given	0	0	0
Guarantees given	2	5	9
Total commitments given	**2**	**5**	**9**

in millions of euros	2004	2003	2002
Commitments received			
Financing commitments received	0	0	0
Guarantees received	345	450	646
Total commitments received	**345**	**450**	**646**

NOTE 17 – INTEREST INCOME

in millions of euros	2004	2003	2002
Interbank transactions	1,949	2,051	2,568
Customer transactions	1,154	1,114	1,944
Finance lease transactions	13	1	-
Operating lease transactions	5	1	-
Bonds and other fixed-income securities	476	492	673
Other interest income	210	215	267
Total	**3,807**	**3,874**	**5,452**

NOTE 18 – INTEREST EXPENSE

in millions of euros	2004	2003	2002
Interbank transactions	(1,802)	(1,878)	(2,430)
Customer transactions	(497)	(478)	(1,207)
Finance lease transactions	(12)	(1)	-
Operating lease transactions	(4)	(1)	-
Bonds and other fixed income securities	(704)	(715)	(857)
Other interest expense	(283)	(299)	(420)
Total	**(3,302)**	**(3,372)**	**(4,914)**

NOTE 19 – INCOME FROM VARIABLE INCOME SECURITIES

in millions of euros	2004	2003	2002
Investments in affiliates	-	-	7
Investments in subsidiaries	195	159	224
Securities held for sale	3	4	6
Securities held for investment	-	-	1
Total	**198**	**163**	**238**

NOTE 20 – NET FEE AND COMMISSION INCOME

in millions of euros	2004	2003	2002
Net fee and commission income			
Customer transactions	86	100	80
Securities transactions	-	2	2
Off-balance sheet items:			
Financial instruments	(12)	(10)	(12)
Financing commitments	35	33	25
Guarantee commitments	13	11	7
Other commitments given	5	(4)	153
Other	-	1	3
Foreign exchange transactions	(1)	-	-
Other financial services	45	44	(81)
Payment services	23	23	21
Ancillary income	130	130	141
Other	37	45	23
Total	**361**	**375**	**362**
Fee and commission income			
Customer transactions	90	103	87
Securities transactions	5	24	39
Off-balance sheet items:			
Financial instruments	9	8	7
Financing commitments	35	33	25
Guarantee commitments	25	13	7
Other commitments given	5	(4)	153
Other	-	2	3
Foreign exchange transactions	-	1	1
Other financial services	177	173	122
Payment services	49	48	43
Ancillary income	130	130	141
Other	37	45	23
Total	**562**	**576**	**651**
Fee and commission expenses			
Customer transactions	(4)	(3)	(7)
Securities transactions	(5)	(22)	(37)
Off-balance sheet items:	-	-	-
Financial instruments	(21)	(18)	(19)
Guarantee commitments	(12)	(2)	-
Other	-	(1)	-
Foreign exchange transactions	(1)	(1)	(1)
Other financial services	(132)	(129)	(203)
Payment services	(26)	(25)	(22)
Total	**(201)**	**(201)**	**(289)**

NOTE 21 – NET GAINS/(LOSSES) ON TRADING ACCOUNT SECURITIES

in millions of euros	2004	2003	2002
Net gains/(losses) on trading account securities	257	43	(33)
Net gains/(losses) on foreign exchange transactions	41	3	38
Net gains/(losses) on financial instruments	(206)	(11)	(98)
Total	**92**	**35**	**(93)**

NOTE 22 – NET GAINS/(LOSSES) ON SECURITIES HELD FOR SALE

in millions of euros	2004	2003	2002
Gains on disposal	61	73	35
Losses on disposal	(47)	(8)	(4)
Charges to provisions	(91)	(111)	(120)
Reversals from provisions	145	118	68
Total	**68**	**72**	**(21)**

NOTE 23 – OTHER BANKING REVENUE AND EXPENSE

in millions of euros	2004	2003	2002
Expenses on commitments	(14)	(17)	(14)
Expenses on income sharing arrangements	(10)	(21)	(11)
Ancillary income	2	3	5
Share of income in banking joint ventures	16	14	(4)
Transfers of banking expenses	41	42	47
Other	0	10	0
Total	**35**	**31**	**23**

NOTE 24 – GENERAL OPERATING EXPENSES

in millions of euros	2004	2003	2002
Personnel costs			
Wages and salaries	(297)	(273)	(269)
Social security contributions (1)	(142)	(132)	(127)
Profit-sharing and incentive plans	(24)	(13)	(5)
Payroll taxes	(30)	(29)	(26)
Expenses rebilled	12	16	10
Provisions for contingencies & charges (pension commitments)	(2)	(8)	2
Sub-total	**(483)**	**(439)**	**(415)**
Other administrative costs			
Lease financing	(12)	(11)	(8)
Taxes other than on income	(15)	(29)	(33)
External services	(308)	(295)	(330)
Expenses rebilled	20	11	14
Sub-total	**(315)**	**(324)**	**(357)**
Depreciation, amortization and provisions for impairment of property and equipment and intangible assets			
Charges	(27)	(26)	(30)
Total	**(798)**	**(763)**	**(772)**
(1)Including pension costs.	(44)	(42)	(44)

NOTE 25 – PROVISIONS FOR LOAN LOSSES

in millions of euros	2004	2003	2002
Provisions deducted from assets			
Non-performing loans:	(84)	(145)	(125)
Charges to provisions	(151)	(149)	(265)
Reversals from provisions	163	129	243
Losses covered by provisions	(104)	(129)	(102)
Losses not covered by provisions	(6)	(8)	(5)
Recovery of bad debts written off	14	12	4
Securities:	(32)	(33)	(14)
Charges to provisions	(53)	(35)	(18)
Reversals from provisions	21	2	7
Losses covered by provisions	-	-	(3)
Losses not covered by provisions	-	-	-
Recovery of bad debts written off	-	-	-
Net provision charge deducted from assets	**(116)**	**(178)**	**(139)**
Provisions recorded as liabilities			
Country risks:	5	2	34
Charges to provisions	(23)	(12)	(37)
Reversals from provisions	28	17	71
Losses covered by provisions	-	(3)	-
Losses not covered by provisions	-	-	-
Recovery of bad debts written off	-	-	-
Contingencies & losses:	29	(55)	(16)
Charges to provisions	(24)	(112)	(110)
Reversals from provisions	53	57	94
Losses covered by provisions	-	-	-
Losses not covered by provisions	-	-	-
Recovery of bad debts written off	-	-	-
Net provision charge recorded as liabilities	**34**	**(53)**	**18**
Total	**(82)**	**(231)**	**(121)**

NOTE 26 – NET GAINS/(LOSSES) ON DISPOSALS OF FIXED ASSETS

in millions of euros	2004	2003	2002
Long-term investments			
Gains			
Investments in affiliates and other securities held for investment	8	16	62
Debt securities held for investment	4	1	-
Losses			
Investments in affiliates and other securities held for investment	(33)	(9)	(26)
Debt securities held for investment	(7)	(14)	-
Charges to provisions			
Investments in affiliates and other securities held for investment	(129)	(33)	(17)
Debt securities held for investment	-	-	-
Reversals from provisions			
Investments in affiliates and other securities held for investment	45	13	14
Debt securities held for investment	4	6	-
Charge to provisions for contingencies & losses			
Investments in affiliates and other securities held for investment	(2)	-	-
Sub-total	**(110)**	**(20)**	**33**
Property and equipment and intangible assets	**1**	**2**	**1**
Total	**(109)**	**(18)**	**34**

NOTE 27 – EXCEPTIONAL ITEMS

in millions of euros	2004	2003	2002
Personnel costs			
Charges to provisions for departures under the employee assistance program	-	-	(15)
Charges to restructuring provisions	-	-	(5)
Reversals from restructuring provisions	-	-	5
Reversals from provision for departures under the employee assistance program	4	5	-
Transfer of personnel costs in connection with the employee assistance program	(4)	(5)	-
Other exceptional items			
Other exceptional charges	(1)	-	-
VAT reassessment	-	(30)	-
Other exceptional income (1)	-	31	-
Recovery of VAT from Banque Populaire regional banks	-	30	-
Total	**(1)**	**31**	**(15)**

2003:
(1)Subsidy paid by BFBP: €30 million
Rebate on tax reassessments: €1 million

NOTE 28 – CORPORATE INCOME TAX

in millions of euros	2004	2003	2002
Tax at standard rate	(37)	(10)	(12)
Surtax and annual fixed tax charge	-	-	-
Tax at reduced rates	-	-	(7)
Tax reassessments	(34)	(34)	5
Impact of foreign branch income taxed at different rates	(3)	(1)	(3)
Tax credits	6	7	17
Impact of group tax relief	14	66	46
Other	26*	2	(1)
Total	**(28)**	**30**	**45**

(*)Other items in 2004:	
– Reversal of provision for deferred taxes	16
– Impact of overpayment at New York branch	10

NOTE 29 – CHANGE IN AVERAGE NUMBER OF EMPLOYEES

	2004	2003	2002
Technicians	2,078	2,211	2,366
Executives	2,676	2,490	2,304
Total employees	**4,754**	**4,701**	**4,670**

NOTE 30 – OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

in millions of euros	2004	2003	2002
Organized markets	**41,918**	**75,578**	**45,436**
Swap			
Forward transactions	-	-	-
Options	-	-	-
Other			
Forward transactions	32,981	67,570	37,606
Options	8,937	8,008	7,830
Over-the-counter	**512,446**	**469,240**	**366,830**
Swap			
Forward transactions	63,644	146,357	113,744
Options	-	-	-
Other			
Foward transactions	387,643	274,720	206,159
Options	61,159	48,163	46,927
Interest rate instruments	**554,364**	**544,818**	**412,266**
Organized markets	**-**	**1**	**0**
Swap			
Forward transactions	-	-	-
Options	-	-	-
Other			
Forward transactions	-	-	-
Options	-	1	-
Over-the-counter	**117,612**	**75,272**	**83,421**
Swap			
Forward transactions	-	-	-
Options	-	-	-
Other			
Forward transactions	533	-	-
Options	117,079	75,272	83,421
Currency instruments	**117,612**	**75,273**	**83,421**
Organized markets	**6,005**	**6,493**	**10,513**
Swap			
Forward transactions	-	-	-
Options	-	-	-
Other			
Forward transactions	217	320	1,154
Options	5,788	6,173	9,359
Over-the-counter	**17,084**	**21,776**	**23,820**
Swap			
Forward transactions	13	17	121
Options	-	-	-
Other			
Forward transactions	-	-	-
Options	17,071	21,759	23,699
Other instruments	**23,089**	**28,269**	**34,333**

As required by article 2 of standard CRC 2004-16, the fair value of futures and forward contracts at December 31, 2004 was €(176) million and the fair value of options was €(34) million.

NOTE 31 – OFF-BALANCE SHEET COMMITMENTS AND FOREIGN CURRENCY TRANSACTIONS

COMMITMENTS

in millions of euros	2004	2003	2002
Financing commitments given to	22,525	21,144	20,618
Financial institutions	2,451	2,330	3,619
Customers	20,074	18,814	16,999
Guarantees given on behalf of	17,979	16,628	15,669
Financial institutions	2,020	1,344	1,859
Customers	15,959	15,284	13,810
Commitments on securities	46	53	271
Other commitments	204	14	25
Total commitments given	**40,754**	**37,839**	**36,583**
Financing commitments received from	4,613	2,185	1,047
Financial institutions	3,744	1,643	897
Customers	869	542	150
Guarantees received from	7,783	3,783	4,863
Financial institutions	5,143	1,692	1,771
Customers	2,640	2,091	3,092
Commitments on securities	74	674	335
Other commitments	1,109	1,287	904
Total commitments received	**13,579**	**7,929**	**7,149**

FOREIGN CURRENCY TRANSACTIONS

in millions of euros	2004	2003	2002
Spot transactions			
Currencies purchased not received	8,258	5,524	1,788
Currencies sold not delivered	8,205	5,538	1,789
Foreign currency lending / borrowing			
Currencies loaned not delivered	116	40	93
Currencies borrowed not received	267	124	936
Forward transactions			
Euros receivable / currencies deliverable	35,045	42,217	36,360
Currencies receivable / euros deliverable	42,745	46,268	28,600
Currencies receivable / currencies deliverable	22,450	16,330	16,247
Currencies deliverable / currencies receivable	21,150	16,801	16,760
Premium / discount receivable	189	109	112
Premium / discount payable	259	131	119

FIVE YEAR SUMMARY OF FINANCIAL DATA

Pursuant to Articles 133, 135 and 148 of the Commercial Companies Decree

	2000	2001	2002	2003	2004
Financial position at year end					
Common stock (in euros)	683,510,272.00	709,029,632.00	759,085,392.00	768,722,224.00	772,095,392.00
Number of shares issued	42,719,392	44,314,352	47,442,837	48,045,139	48,255,962
Number of bonds redeemable in shares	0	0	0	0	0
Number of convertible bonds	3,373,451	3,111,977	0	0	0
Results of operations (in euros)					
Operating revenue net of tax	12,744,230,589.08	16,645,820,852.62	13,524,841,592.82	10,423,289,253.40	11,705,235,507.71
Income before tax, depreciation, amortization and provisions	(91,999,342.33)	233,781,303.11	269,073,078.06	213,068,968.00	280,959,662.75
Corporate income tax	(40,481,217.94)	40,597,922.88	45,145,504.15	29,916,523.44	(28,338,400.20)
Income after tax, depreciation, amortization and provisions	(230,860,374.57)	74,450,533.63	206,037,266.02	200,728,250.83	213,582,296.25
Dividends paid	106,798,480.00	110,785,880.00	71,164,255.50	120,112,847.50	159,244,674.60
Per share data (in euros)					
Income after tax, but before depreciation, amortization and provisions	(3.10)	6.19	6.62	5.06	5.24
Income after tax, depreciation, amortization and provisions	(5.40)	1.68	4.34	4.18	4.43
Dividend	2.50	2.50	1.50	2.50	3.30
Employee data					
Number of employees	4,426	4,629	4,670	4,701	4,754
Total payroll costs (in euros)	253,261,960.20	280,384,438.86	269,249,235.67	273,353,038.75	295,556,511.38
Social security, pension costs and other employee benefits (in euros)	123,272,964.19	138,251,232.60	130,778,397.65	144,067,570.23	166,610,951.72

■ Auditors' report on the parent company financial statements

Year ended December 31, 2004

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

This report, together with the Statutory Auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In accordance with our appointment as Statutory Auditors at the annual general meeting, we hereby present our report for the year ended December 31, 2004 on:

- our audit of the accompanying financial statements of Natexis Banques Populaires;
- justification of our assessments;
- the specific verifications and disclosures required by law.

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

1 – OPINION ON THE FINANCIAL STATEMENTS

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

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the company as of December 31, 2004 and the results of its operations for the year then ended, in accordance with accounting principles generally accepted in France.

Without qualifying our opinion, we draw your attention to paragraph 17 of the section on accounting policies and valuation methods in the notes to the financial statements concerning the change in method of accounting for provisions for long service awards.

2 – JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Art. L225-235 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we draw your attention to the following matters:

- As described in paragraph 2 of the section on accounting policies and valuation methods in the notes to the financial statements, Natexis Banques Populaires records provisions to cover the risks inherent in its business. As part of our assessment of the significant estimates used to prepare the financial statements, we examined the control procedures applicable for monitoring credit risks, assessing the risks of non-recovery and determining the related specific provisions as well as general provisions for industry and country risks.

- Paragraph 17 of the section on accounting policies and valuation methods in the notes to the financial statements describes the change in method of accounting for provisions for long service awards pursuant to first-time adoption of standard CRC 2004-04. Provisions for long service awards have been deducted from opening shareholders' equity at January 1, 2004 in the sum of €11.7 million. We verified the appropriateness of the basis for and presentation of this change.

- As described in paragraph 5.2 of the section on accounting policies and valuation methods in the notes to the financial statements, Natexis Banques Populaires reviewed the value of its investments in subsidiaries, assisted by a firm of independent valuers for the most material investments. As part of our assessment of the significant estimates used to prepare the financial statements, we obtained an understanding of the conclusions provided by the firm of independent valuers and verified that they had been taken into consideration in preparing the balance sheet at December 31, 2004.

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

3 – SPECIFIC VERIFICATIONS AND DISCLOSURES

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

We have no comment to make as to the fairness and consistency with the financial statements of the information provided in the management report and in the documents addressed to the shareholders with respect to the company's financial position and financial statements.

As required by law, we verified that the management report contains the appropriate disclosures concerning the acquisition of participating and controlling interests and the identity of the company's shareholders.

Paris and Neuilly-sur-Seine, March 23, 2005
The Statutory Auditors

SALUSTRO REYDEL	DELOITTE & ASSOCIÉS	BARBIER FRINAULT & AUTRES ERNST & YOUNG
Michel Savioz	José-Luis Garcia Damien Leurent	Richard Olivier Olivier Durand

■ Auditors' report on related-party agreements

Year ended December 31, 2004

In our capacity as Statutory Auditors, we hereby present our report on related-party agreements.

As required by article L225-40 of the French Commercial Code (Code de commerce), we have been advised of those agreements which were subject to prior authorization by the Board of Directors.

It is not our responsibility to ascertain the existence of such agreements, nor to comment on their relevance or substance. We are simply required to report to shareholders, based on the information provided, on the basic terms and conditions of agreements that have been disclosed to us. Under the provisions of article 92 of the decree of March 23, 1967, it is the shareholders' responsibility to determine whether the agreements are appropriate and should be approved.

We conducted our investigations in accordance with the professional standards applied in France. Those standards require that we verify the consistency of the information given to us with the contents of the source documents.

1 – AGREEMENT WITH NATEXIS ALTAÏR

Director concerned

Banque Fédérale des Banques Populaires.

Nature and purpose

Transfer of Natexis Altaïr's systems design engineering business to Natexis Banques Populaires. This transfer took the form of a sale of business assets agreed and accepted for the price of €1,570,896, including transaction costs.

Terms

The Board of Directors authorized this agreement at its meeting of May 25, 2004.

2 – AGREEMENT WITH NATEXIS ASSET MANAGEMENT

Directors concerned

Banque Fédérale des Banques Populaires and Messrs. de La Chauvinière and Duquesne.

Nature and purpose

Implementation of a "Collateralized Loan Obligation" (CLO). Natexis Banques Populaires entered into a Collateral Management Agreement with Natexis Asset Management and Vallauris CLO plc under the terms of which Natexis Asset Management agreed to negotiate the purchase of mezzanine notes (similar to financial instruments) and enter into contracts to hedge the interest rate and exchange rate risk (also similar to financial instruments). In consideration whereof 10% of the management fees payable by Vallauris CLO plc will be paid over to Natexis Asset Management, via Natexis Banques Populaires. The fees paid to Natexis Asset Management under this agreement in respect of the first six months of the Collateralized Loan Obligation (July 28, 2004 to January 28, 2005) amounted to €74,998.

Terms

The Board of Directors authorized this agreement at its meeting of July 7, 2004.

Paris and Neuilly-sur-Seine, March 23, 2005
The Statutory Auditors

SALUSTRO REYDEL	DELOITTE & ASSOCIÉS	BARBIER FRINAULT & AUTRES ERNST & YOUNG
Michel Savioz	José-Luis Garcia Damien Leurent	Richard Olivier Olivier Durand

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Chairman's report on corporate governance and internal control
(Article L225-37 of the French Commercial Code)

This report was prepared pursuant to Article L225-37 of the French Commercial Code, as amended by the French Financial Security Act of August 1, 2003.

It was submitted to the Board of Directors of Natexis Banques Populaires on February 24, 2005 and to the Board's Risk Management Committee.

1 – Corporate governance

This first part of the report can be found in the section entitled "Corporate Governance" on pages 10 to 18.

2 – Internal control

The internal control system of Natexis Banques Populaires is organized on a consolidated basis, including the parent company and all companies or entities over which it exercises management control (subsidiaries and branches in France and abroad).

The system is based on periodical and continuous control supported by dedicated risk management and monitoring teams. It complies with French banking and finance regulations and with the corporate governance principles of the Banque Populaire Group.

These principles were defined by the Board of Directors of Banque Fédérale des Banques Populaires, the Group's central body, and are set out in a corporate governance charter and an internal control charter for the Banque Populaire Group.

Internal control procedures were upgraded in 2004 following work on the new Basel II prudential requirements and further progress on the project to improve the internal control organization and methods, first launched in 2003.

Like all other Group banks, Natexis Banques Populaires is regularly audited by the Banque Fédérale des Banques Populaires and notably by its Internal Audit Department.

2.1 – GENERAL ORGANIZATION

Internal controls are organized from the lowest to the highest level. The organizational structure is defined by the Chief Executive Officer with the approval of the Chairman. Responsibilities and resources are allocated as effectively as possible, in line with the guidance issued by the Board of Directors, to ensure exhaustive coverage, identification and management of risks.

2.11 – INTERNAL INVOLVEMENT IN CONTROL

In line with the guidance set out in the Banque Populaire Group's internal control charter, Natexis Banques Populaires has a three-tier control system coordinated by Executive Management.

■ First-tier control

Employees and their supervisors are responsible for preliminary or simultaneous checks of each operation they carry out as part of their normal duties. These first-tier controls provide the foundations of the internal control system and are documented in formal written procedures, covering areas such as the segregation of duties, appointing authorized signatories, delegating credit limits, and managing and monitoring market risks. During 2004, the Corporate and Institutional Banking and Markets core business established a middle office team to make its first-tier control more independent. The team reports directly to the core business head and is responsible for both financing and markets activities.

■ Second-tier control

Continuous checks are undertaken to ensure compliance with internal and external rules and regulations as well as to verify the existence, implementation and effectiveness of first-tier controls. Second-tier controls cover functional areas such as accounting, commitments and risks, as well as regulatory controls. The main departments involved in second-tier control are Risk Management (counterparty, market, country risk, etc.), Compliance (compliance with AMF regulations, etc.), Fraud Prevention (money laundering), and Information Systems Security (IT clearances, information systems fraud, etc.).

These departments are supported by the Internal Control department, which is structured into five sub-departments covering all business lines and support functions. Internal Control reports to the General Secretariat and is therefore independent from the business lines. It is decentralized, with team members based locally in all operating entities, thereby covering both the parent company and its subsidiaries and branches.

The Internal Control department's mission is set out in a detailed instruction issued by the Chief Executive Officer on November 18, 2003. Its key responsibility is to ensure that the business lines comply with internal regulations. It is also involved in monitoring operational risks and provides second-tier accounting controls.

During 2004, this instruction was drilled down to operating unit level. By the year end, the Internal Control department had entered into 35 agreements with the core businesses, subsidiaries and branches, setting out the responsibilities, rights and duties of each internal control unit, as well as the framework governing the decentralized relationship throughout Natexis Banques Populaires. These agreements give the Internal Control department strong functional authority over all internal control matters in subsidiaries and branches. For example, hiring internal control officers, planning, and internal control budgets in subsidiaries and branches require joint agreement by their business head and by the head of Internal Control.

In 2004, a new internal control model was developed and gradually rolled out in the Internal Control department. It is inspired largely by the most up-to-date audit methods and will be supported by a central information system, the first components of which were delivered at the year end. The number of internal control officers was significantly strengthened during 2004. The information systems tools available to them were also upgraded during the year to improve the effectiveness of their controls.

The Finance department is responsible for the quality of financial reporting. In 2004, the entire financial reporting control system was radically restructured. A three-tier control system has been established. The first level comprises accounting controllers based in and reporting to each business line. Their reports are then centralized and analyzed at the second level by internal control officers working in the Internal Control department. Third-tier control is the responsibility of the Finance department's accounting control teams. All monthly reports are produced using leading-edge shared information systems tools.

■ Third-tier control

Third-tier or periodical control is the responsibility of the Internal Audit department, which reports directly to the Chairman and the Chief Executive Officer of Natexis Banques Populaires. Internal Audit is responsible for ensuring the effectiveness of first and second tier control and for the smooth operation of the bank's internal control system, as required by CRBF Regulation 97-02. It is independent from all business lines and support functions. It has no operational role and can never be in the position of both judge and interested party.

The Internal Audit department conducts audit assignments through the entire Natexis Banques Populaires group (parent company, subsidiaries and branches) covering all categories of risk involved in the bank's various business activities. It has full and unrestricted access to all information, confidential or otherwise.

Unlike continuous control, which consists of ongoing analysis and periodical reporting – audit assignments consist of specific investigations which lead to a specific reporting process. After discussions with the audited unit, internal audit reports and the audited unit's response are sent up the reporting line, with a copy to the Chief Executive Office and the Chairman of Natexis Banques Populaires. The Internal Audit department of Banque Fédérale des Banques Populaires also receives a copy of all internal audit reports issued by Natexis Banques Populaires.

Audit reports always include recommendations ranked in order of priority. In the twelve to eighteen months after the initial audit, the Internal Audit team conducts follow-up audits to monitor progress in implementing its recommendations.

Internal Audit prepares an annual internal audit plan on a consolidated basis, which is presented to Executive Management, the Risk Management committee and the Board of Directors. The plan covers audit assignments conducted by Internal Audit and by the decentralized internal control teams in the various business units. As required by banking law, the purpose of the plan is to ensure that the entire Natexis Banques Populaires group structure is fully covered within a reasonable time period (five years), taking account of the degree of risk to which its business activities are exposed. The plan also takes account of any assignments planned by the Internal Audit department of Banque Fédérale des Banques Populaires in order to avoid duplication.

The plan is therefore based on a hierarchy of priorities defined according to a risk map of Natexis Banques Populaires activities and the status of risk within the group structure as perceived by Internal Audit from the information reported by the bank's business units. It may be revised during the year at the request of Executive Management or if dictated by circumstances.

In 2004, in line with the guidance set out by Executive Management, the Internal Audit department strengthened its team, focusing on hiring auditors with expertise in information systems and market techniques. It also broadened the type of assignment undertaken to encompass ad hoc audits designed to meet needs arising during the year which were not originally covered by the annual audit plan. Its scope of intervention was also broadened to include a focus on prudential work carried out both as dedicated assignments and as part of its ongoing audit work.

Procedures have been formally documented to make them more effective, through audit guides, information databases, and automated analysis tools.

Lastly, for more effective reporting, Internal Audit now makes detailed presentations of its conclusions to Executive Management. Two presentations took place in 2004.

■ Internal control coordination

Executive Management is responsible for defining and implementing the internal control system. An overarching committee, comprising the Board Secretary and the heads of Internal Control, Risk Management, Internal Audit, Finance, Compliance, Fraud Prevention and Information Systems Security, meets monthly to deal with all issues concerning the internal control structure and the results of internal or external audit assignments.

The committee may ask business line heads to present their progress in implementing recommendations made by the internal or external audit and control functions.

The committee met eleven times in 2004 to review the results of continuous and periodic internal control, and audits carried out by external organizations (Banque Fédérale des

Banques Populaires, French Banking Commission, etc.). It also discussed issues relating to the structure of the bank's internal control system and changes required by regulatory developments or developments in the bank's business activities or environment. It also invited various business line heads to present their progress report on recommendations made as a result of internal or external audit assignments.

2.12 – THE ROLE OF THE BOARD OF DIRECTORS

See section on the Board of Directors on page 197.

2.2 – RISK MANAGEMENT

Natexis Banques Populaires is exposed to four main categories of risk:

- credit risk;
- market risk;
- interest rate, currency and liquidity risk;
- operational risk.

Risk measurement and management is the responsibility of the Risk Management Department which reports to the Board Secretary and is therefore independent from the business lines.

2.21 – CREDIT RISK

The Risk Management department is responsible for analyzing the credit risk on a group of counterparties, using financial information, external ratings and the internal rating system, supported by the expertise of the bank's credit analysts, which itself draws on the specialist knowledge of various areas of the bank.

Credit decisions are made either under authorized limits (which are low) or by credit committees. Authorized limits are set out formally and depend on the seniority of the person concerned, and the type, term and quality of commitment. In 2004, the credit committee organization for financing activities was restructured with the creation of separate committees for small and large exposures. The large exposures committee is chaired by the Chief Executive Officer.

Credit risk is measured and monitored using a program that covers almost all Natexis Banques Populaires exposure and most of its subsidiaries' exposure. Quantitative monitoring is assured through procedures to measure limit violations via ad hoc committee meetings. Qualitative monitoring is assured through rating systems and specific tools.

Bad and doubtful debts are monitored by the Special Affairs department and – in the case of legal proceedings – by the Litigation service of the Legal and Fiscal Affairs Department.

Each core business has a provisioning committee that meets quarterly to review any loans that might require provisions and to determine the appropriate level. The committees are organized by the Finance department and comprise the Chief Executive Officer, representatives from Risk Management, Internal Audit, Legal & Fiscal Affairs and Special Affairs, and the heads of the business lines concerned.

Monitoring exposure

Exposure is monitored on the basis of internal ratings and client categories. Natexis Banques Populaires has a conservative risk provisioning policy that includes provisions for country and industry risk and well as specific provisions.

Aggregation of exposure to a single counterparty or group

Exposures are automatically aggregated by the bank's SI-Risques system, which covers all its major subsidiaries. Natexis Banques Populaires can therefore consolidate risk either daily or on specific reporting dates. In addition to this internal system, the bank also has access to reports produced by Banque Fédérale des Banques Populaires, notably following meetings of the Group risk management committee.

Client credit ratings

Natexis Banques Populaires bases its credit decisions on an internal rating system that covers both banking and other counterparties. In preparation for the new Basel II capital requirements, Natexis Banques Populaires is taking an active part in the Banque Populaire Group's internal project. In 2004, the internal rating system was revised and now has a scale of 16 ratings for healthy borrowers and four default categories. Corporate borrowers are assessed on the basis of internal ratings supported by specialist opinion. Specific models for banks and sovereign risks are currently being developed.

Risk diversification

Risk diversification represents a fundamental risk management rule and is governed by internal and external guidelines. Natexis Banques Populaires complied with these guidelines at end December 2004.

2.22 – MARKET RISK

Counterparty risk

Counterparties in the capital markets business are mostly banks and financial institutions. Counterparty exposure is governed by limits which are set by an ad hoc committee and monitored by the bank's risk management systems. Any violations of these limits are handled at specific monthly committee meetings.

Market risk policy

Natexis Banques Populaires trades in the capital markets through its Global Debt & Derivatives Markets and Equity Group core businesses. They trade both on behalf of clients of Natexis Banques Populaires (intermediation, brokerage, asset management) and on their own behalf.

Proprietary trading activities can take different forms:

- facilitation for Natexis Banques Populaires clients;
- trading activities;
- arbitrage activities;
- structural interest rate risk management and maturity mismatch management through the treasury department.

Proprietary trading is conducted by the Global Debt & Derivatives Markets and Equity Group core businesses.

Market risk management system

Natexis Banques Populaires' market risk management system is based on three pillars:

- a three-tier control system comprising the middle office of each entity, Internal Control and Risk Management, the latter two providing independent control over risks;
- a market risk measurement model designed to quantify the bank's risk;
- a system of limits set in accordance with the risk indicators set out in the internal risk measurement model. Limits apply to Natexis Banques Populaires and its subsidiaries.

The market risk management system is based on a risk metrics model that measures the risk run by each Natexis Banques Populaires entity. The current model consists of a number of standard metrics, although Natexis Banques Populaires is also developing an internal VaR-based model.

The key standard metrics used are sensitivities to specific risks inherent in the various business activities (interest rate, exchange rate, equities, commodities, volatilities, counterparty, etc.). In addition to these standard metrics, Natexis Banques Populaires also uses the historical Value at Risk (VaR) to quantify the risk of losses from capital markets activities, using conservative assumptions.

Risks are managed by a system of limits for each of these metrics, delegated to the head of each capital markets business line. Limits are set by the market risks committee, which meets monthly. The middle office is responsible for measuring market risk on a daily basis using front office systems or specific tools. They also control compliance with limits on a daily basis and report any violations to the head of the business line concerned, Internal Control and Risk Management. For each violation, the decision either to remedy the position immediately or to accept a temporary violation is taken jointly by the business line, the middle office and the Risk Management department.

2.23 – INTEREST RATE, CURRENCY AND LIQUIDITY RISK MANAGEMENT

The Asset & Liability committee (ALM Committee), which is chaired by the Chief Executive Officer and comprises representatives of Global Debt & Derivatives Markets, the Finance department and the Risk Management department, is responsible for setting out the broad guidelines for ALM, liquidity and investment of own funds.

Interest rate, currency and liquidity risks have been centralized at Natexis Banques Populaires since 2002. These risks are monitored and managed by the Global Debt & Derivatives Markets business line.

Structural interest rate risk

Maximum sensitivity of interest rate maturity schedules to a +/-1% shift in the yield curve remains unchanged at €100 million. This arrangement was supplemented in 2004 by a stress scenario sensitivity limit expressed as a percentage of regulatory capital.

Liquidity risk

The Global Debt & Derivatives Markets department refinances all the liquidity needs of the various Natexis Banques Populaires businesses and subsidiaries and charges back the cost. This centralized system permits optimum management of liquidity risk through a detailed knowledge of the various gaps. Observation ratios have been approved by the ALM committee. In conjunction with the Finance Department, Global Debt & Derivatives Markets is also responsible for monitoring prudential requirements (short-term liquidity ratio and long-term financing ratio) and internal prudential ratios validated by the ALM committee.

The authorized liquidity gap and maturity mismatch limits are monitored and reviewed by the ALM committee.

Currency risk

Currency risk is broken down into two components:

- Operational currency risk, generated by the trading activities. The potential loss limit is €3 million. This risk is monitored by the Markets Risk committee and the ALM committee.
- Structural currency risk, which is monitored by the ALM committee.

2.24 – OPERATIONAL RISKS

Operational risk is defined as the risk of loss due to inadequacies or deficiencies in processes, people and systems, or to external events.

Operational risk management

Management of operational risks is based primarily on an internal control system applicable to all activities and on the involvement and responsibility of business line management. The system was strengthened in 2004 with the reorganization of the operational risks committee, the initial introduction of operational risk officers in the various core businesses and continued staff training campaigns.

The responsibilities and composition of the operational risks committee have been extended to encompass management and oversight of the bank's operational risks project. Its duties now cover the management of operational risks within the meaning of Basel requirements and the business recovery plan. The committee is chaired jointly by the Board Secretary and the head of Information Systems Security and Logistics. Other members include representatives of the core businesses.

The operational risks committee met six times in 2004. Its work mainly covered the introduction of an operational risk management system in each business line, in conjunction with the work being carried out at group level, and continuation of work on the group business recovery plan and more specific plans for each business line.

Work on identifying and systematically measuring operational risks, and identifying and analyzing losses continued during 2004.

Natexis Banques Populaires has also broadened and upgraded the scope of its general procedures for new businesses and products.

2.25 – COMPLIANCE

■ Purpose

The Compliance department is responsible for ensuring that all entities comprising the Natexis Banques Populaires group and their employees are aware of and comply with all applicable rules of conduct, as defined by the supervisory authorities (Autorité des Marchés Financiers, etc.), European directives and regulations, laws, business practices and financial market regulations. It reports to the General Secretariat and is independent from the business lines.

■ Organization structure and resources

The Compliance department was further restructured in 2004 by hiring new people and assigning them to the various business lines.

The central Compliance team is responsible for coordinating all compliance matters for Natexis Banques Populaires and its subsidiaries, drawing up lists of and monitoring employees in sensitive positions, monitoring and managing various cross-functional projects and overseeing the compliance officers based in the business lines, who work closely with the business line heads.

Coordination with other control functions has been strengthened and an information systems tool has been developed to provide optimum supervision of sensitive employees and transactions.

Most of the business lines have made considerable progress in making the compliance officers an integral part of their operating team.

■ Areas of responsibility

The Compliance department's key areas of responsibility are:

■ drawing up or updating codes of practice and handbooks for various subsidiaries;

■ updating or implementing new business conduct procedures for the Capital Markets and Asset Management and Insurance business lines (dealing with confidential information, prevention of conflicts of interest, financial analysis, etc.);

■ providing the business lines with advice on compliance issues: sensitive transactions, commercial or technical documents, new products, etc.

Various types of control are conducted:

■ continuous: for example, monitoring primary bond and equity transactions, equity and credit research in the Capital Markets business lines, control over preallocation of orders and portfolio turnover in the asset management business line, control over client agreements, short-selling in the custody business line, etc;

■ ad hoc: for example, staff share dealings, respect for Chinese walls, gifts received, etc.

The compliance officers have an ongoing relationship with the supervisory authorities and take part in various marketplace projects and working groups.

2.26 – FRAUD PREVENTION

The Fraud Prevention department was created in October 2003 and reports to the General Secretariat. Its mission is to ensure that Natexis Banques Populaires meets all legal and regulatory requirements concerning money laundering, terrorism financing and corruption. Its resources have been considerable strengthened.

It had two key focuses during the year. First, continuous campaigns to heighten employee awareness of the issues involved in money laundering through information and training, and second, the implementation of a new payments filtering software used by most major banks to comply with the requirement to freeze the assets of entities suspected of taking part in terrorism financing.

With this in mind, the money laundering manual was updated and circulated to employees on a named basis in June 2004.

The payments filtering software, developed by Fircosoft, was installed in early 2004.

Lastly, in June 2004, Natexis Banques Populaires established a fraud prevention committee which meets periodically and comprises representatives of the internal control function and the various business lines of Natexis Banques Populaires and its subsidiaries. The committee reviews cases where problems or risks for the bank have arisen in terms of money laundering and corruption, monitors developments in the legal and regulatory framework, regularly assesses the fraud prevention system in place at Natexis Banques Populaires and makes recommendations.

2.27 – INFORMATION SYSTEMS SECURITY

The Information Systems Security department is responsible for drawing up the information systems security policy and rules to be respected within Natexis Banques Populaires. The information systems security officer plays a central role in designing, developing and overseeing information systems security. His role in managing information technology risk is as follows:

■ providing advice to Executive Management and all employees, and providing an interface with external partners (service providers, auditors, etc.) and internal units (IS unit, departments, subsidiaries, Executive Management, etc.);

■ drawing up rules, procedures and products to ensure information systems security, and their documentation (security policy, charter, etc.) encompassing both logical and physical security;

■ providing training and awareness campaigns, in close coordination with the communications department, for all group staff, partners and even institutional and retail clients. Organizing training seminars for employees is an integral part of the awareness function;

■ control and oversight incorporating a risk approach, effective action plans and procedures to follow in case of incident;

■ managing risk from both a planning and operational point of view, covering information technology risks and developing business backup and recovery plans.

The information systems security officer sits on and takes an active part in all the main committees responsible for operational risk, including:

- internal control overarching committee;
- operational risks committee;
- information systems security committee.

Apart from its ongoing responsibilities, in 2004 the ISS department placed a special focus on security policy, legal developments and staff awareness, including:

- the security policy and security standards for networks, data and transactions;
- upgrading the information systems security charter, which will be included in the bank's handbook in early 2005;
- a review of the impact on Natexis Banques Populaires of regulatory developments as a result of law 2004-575 of June 21, 2004 on confidence in the digital economy and law 2004-801 on the protection of personal data.

2.3 – INTERNAL CONTROL OVER FINANCIAL REPORTING

2.31 – PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Finance department is responsible for preparing the consolidated financial statements of Natexis Banques Populaires using the consolidation system and manual developed by Banque Fédérale des Banques Populaires. As a listed company, Natexis Banques Populaires is required to prepare its own consolidated financial statements, although it also forms a subset of the Banque Populaire Group, which has a much broader scope of consolidation. Its consolidation process is therefore independent from but still inextricably linked with that of its parent.

The reliability of this process is based on the following core principles:

- definition and communication of accounting principles applicable to group companies including the analysis and interpretation of new texts issued during the period;

- use of the direct consolidation method (currently under development in the Coface sub-group), to permit detailed examination of the consolidation packages of consolidated entities according to a formal review process;

- use of a single consolidation system for all consolidations and sub-consolidations conducted within the Natexis Banques Populaires group (currently under development in the Coface sub-group) in order to guarantee the internal consistency of the scope of consolidations, definitions, standards, charts of accounts, processing sequences and analyses;

- checking of data reported by consolidated entities through the use of a consolidation package including more than 5,800 accuracy and consistency tests which must be completed for the data to be transmitted;

- item by item analysis of all entries that impact on consolidated shareholders' equity and production of a tax proof for each consolidated entity in order to provide full evidence of consolidated shareholders' equity and individual justification of deferred taxes;

- an audit trail system to trace the accounting data published in the financial statements and the notes back to the accounts of each consolidated entity and the consolidation adjustments;

- archiving and security procedures including twice-daily back-up of the unified consolidation database and regular data recovery testing;

- regular training of accounting teams in the consolidated entities and promoting the use of best practice throughout the Natexis Banques Populaires group.

Further measures were taken in 2004 to improve the reliability of this process:

- In early 2004, the Finance department launched a project to reduce deadlines for producing the consolidated financial statements, which led to a gain of eight days compared with the 2003 timetable.

- Following the project to include the Coface sub-group in the consolidation process, Natexis Banques Populaires was able to analyze and control the contribution of Coface subsidiaries to consolidated earnings, shareholders' equity and deferred taxes in 2004.

In preparation for transition to international accounting standards, a new consolidation package has been designed and distributed, allowing the identification and checking of all information additional to that required under French accounting standards to enable transition to IFRS. This solution, which includes over 2,500 tests, provides a full audit trail between French GAAP and IFRS consolidated financial statements. Deployment of this solution, which has been operational since June 2004, was supported by a massive training program for accounting and financial staff in each of the consolidated entities.

2.32 – INTERNAL CONTROL PROCESSES AT THE LEVEL OF THE CONSOLIDATED ENTITIES

As part of the regulatory process implemented by the French Banking Commission (CRBF Regulation 97-02) for prudential monitoring of credit institutions, the Internal Audit department of Natexis Banques Populaires uses the results of its periodic audits to assess the internal control procedures, and particularly accounting and financial procedures, of all entities within the scope of consolidation, whether or not they have credit institution status.

Reflecting the decentralized nature of the Natexis Banques Populaires group, as most subsidiaries have their own management and control functions, internal control procedures are tailored to the organization of each of the consolidated entities. In all cases, the process includes several layers of controls:

- basic permanent controls are included in processing programs at the operational level;

- second-tier independent checks of processing operations performed by the Finance and Accounting departments, to ensure the accuracy and completeness of accounting data;

- top-tier controls by the Internal Audit department, to ensure the existence and effectiveness of first and second tier controls.

These continuous and periodic controls include reviews of account analyses produced by various departments, checks to ensure that suspense items are cleared and errors corrected on a timely basis and monitoring of indicators for 'sensitive' accounts. They are conducted using the various accounting information systems throughout the group.

For all systems, Natexis Banques Populaires and its subsidiaries are upgrading their audit trail tools. During 2004, as mentioned earlier, the Finance department embarked on a project to restructure the accounting control system covering both organization of control in the various business lines, defining and formally documenting procedures and control reports, and implementing information systems tools.

Natexis Banques Populaires is currently developing an enterprise systems development plan designed to strengthen consistency between systems and to meet new needs arising from developments in the bank's business activities and in regulatory requirements. Work carried out in 2004 led to the definition of a target system structure both in terms of the overall architecture and the functional objectives of the various components (data feed, accounting, management control, risks, databases). This target structure provided a basis for drawing up the development plan itself in late 2004 and for starting on upgrading the information systems as of 2005.

2.33 – EXTERNAL CONTROL

In addition to the self-checking procedures performed by the local finance departments responsible for preparing individual or consolidated accounts, the quality of accounting controls is verified by:

- Ad hoc audit assignments carried out by the Internal Audit Department of Banque Fédérale des Banques Populaires. The Finance department of Natexis Banques Populaires was audited in 2003, notably covering the consolidation process. Work and progress on recommendations made have been reported periodically to Banque Fédérale des Banques Populaires.

- Audits carried out by the French Banking Commission in its role as banking regulator. The bank's parent company and consolidated accounting procedures and accounting controls were audited in early 2004.

- Audits carried out by the group's external auditors, who work in collegiate fashion consistently throughout all group entities, and whose opinions are based in part on compliance with the standards of the Banque Populaire Group, as laid down by Banque Fédérale des Banques Populaires, which are also applicable to Natexis Banques Populaires subsidiaries, and on the effectiveness of local internal control procedures.

2.4 – CONCLUSION

During 2004, Natexis Banques Populaires pursued its strategy of optimizing risk control and management systems to ensure that they meet the highest technical standards and all regulatory requirements related to its business activities.

Under the guidance of Executive Management, substantial effort was invested in strengthening the human and technical resources dedicated to risk management and control, standardizing working methods, rationalizing the internal control structure and ensuring more effective coordination between the entities concerned to consolidate their authority over the entire Natexis Banques Populaires group.

These strategies will remain a key focus for Natexis Banques Populaires in 2005. Work will continue on harmonizing its internal control and risk management system in line with developments in its business activities and in accounting, banking and financial regulations (IFRS, CRBF 97-02 as amended on operational risk and compliance control).

Philippe Dupont

Chairman of the Board of Directors

Report of the Statutory Auditors on the Chairman's report on internal control over financial reporting

Year ended December 31, 2004

As statutory auditors to Natexis Banques Populaires, and in accordance with the final paragraph of article L225-235 of the French Commercial Code, we hereby present our report on the Chairman's report on internal control over financial reporting for the year ended December 31, 2004, drawn up in accordance with the provisions of article L225-37 of the French Commercial Code.

Management is responsible for defining and implementing appropriate and effective internal control procedures, overseen by the Board of Directors. The Chairman is required to report on the company's corporate governance system and its internal control procedures.

It is our responsibility to report to you on the information and statements contained in the Chairman's report with respect to internal control over the financial reporting process.

We conducted our investigations in accordance with the professional standards applied in France. Those standards require that we perform procedures to assess the fairness of the information contained in the Chairman's report with respect to internal control procedures over the financial reporting process. These procedures principally consisted of:

- familiarizing ourselves with the internal control objectives and general organization, as well as internal controls over the financial reporting process, as presented in the Chairman's report;
- familiarizing ourselves with the procedures underlying the information presented in the report.

On the basis of our investigations, we have no particular comment to make on the information and statements with respect to internal control over the financial reporting process contained in the Chairman's report, prepared in accordance with Article L225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, March 23, 2005
The Statutory Auditors

SALUSTRO REYDEL	DELOITTE & ASSOCIÉS	BARBIER FRINAULT & AUTRES ERNST & YOUNG
Michel Savioz	José-Luis Garcia Damien Leurent	Richard Olivier Olivier Durand

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1 – General meetings of shareholders

NOTICE OF MEETING

Shareholders' meetings are called by the Board of Directors in accordance with the provisions of the law. Meetings take place either at the company's head office or at any other place specified in the notice of meeting.

ADMISSION TO MEETINGS

All shareholders are entitled to attend and vote at general meetings in person or by proxy in accordance with the provisions of the law, regardless of the number of shares they hold.

Shareholders may vote by mail using a voting form completed and returned to the company in accordance with the provisions of the law.

EXERCISE OF VOTING RIGHTS

Under article 26 of the bylaws, shareholders are entitled to one vote for each share held subject to the following conditions.

Double voting rights are attached to all fully paid registered shares which have been registered in the name of the same shareholder for at least two years and to any bonus shares issued upon capitalization of reserves, retained earnings or additional paid-in capital in respect of shares entitled to double voting rights.

The double voting rights cease *ipso jure* if the shares are converted to bearer shares or transferred to another name, save in the case of transfer arising upon inheritance, division of estate between divorcing spouses or gifts *inter vivos* to a spouse or other person of an eligible degree of relationship.

Double voting rights do not cease if the company merges with another company, and may be exercised within that company where permitted by its bylaws

IDENTIFICATION OF SHAREHOLDERS

Under article 5 of the bylaws, the company may, in accordance with the provisions of the law, request any authorized organization or intermediary to provide information about the identity of holders of securities conferring immediate or future voting rights in the company, including their name, nationality and address, the number of securities held, and any restrictions attached thereto.

Any natural or legal person, acting either alone or in concert with other natural or legal persons, that comes to hold or ceases to hold a number of shares representing 1% of the voting rights or any further multiple thereof, must, no later than fifteen days after the purchase or sale, advise the Company by recorded delivery mail of the number of voting rights held.

Failure to comply with these requirements will result in the shares that should have been disclosed being disqualified for voting purposes at general meetings if requested by a shareholder owning at least 1% of the voting rights and duly recorded in the minutes of the meeting. Disqualification will apply to all general meetings held during a period of two years commencing on the date on which the omission is remedied.

2 – Report of the Board of Directors on the resolutions to be put to the vote at the annual general meeting

ORDINARY BUSINESS

APPROVAL OF FINANCIAL STATEMENTS – DIVIDENDS (FIRST TO FIFTH RESOLUTIONS)

The first resolution seeks approval of the Natexis Banques Populaires parent company financial statements for the year ended December 31, 2004, reporting net income for the year of €213,582,296.25.

The second resolution seeks approval of the related party agreements described in the Statutory Auditors' special report.

The third resolution concerns the transfer of sums between reserve accounts pursuant to the provisions of the French 2004 amended Finance Act.

In the fourth resolution, shareholders are then asked to approve the proposed appropriation of earnings and the payment of a dividend. The Board is proposing to pay a dividend of €3.30 per share for each of the 48,255,962 shares comprising the capital stock. The dividend will be payable as of May 25, 2005.

The fifth resolution seeks approval of the consolidated financial statements presented to the meeting, in accordance with the provisions of the French Commercial Code.

TRADING IN THE COMPANY'S OWN SHARES (SIXTH RESOLUTION)

The Board of Directors is seeking authority to trade in the company's own shares under the new terms and conditions set out in European Directive 2003/6/EC of January 28, 2003, which came into effect on October 13, 2004, and in European regulation 2273/2003 of December 22, 2003.

COMPOSITION OF THE BOARD OF DIRECTORS (SEVENTH RESOLUTION)

A non-voting Director is due to retire by rotation and the Board is seeking his re-election.

EXTRAORDINARY BUSINESS

AUTHORITY TO THE BOARD OF DIRECTORS TO INCREASE THE CAPITAL STOCK (EIGHTH TO TWELFTH RESOLUTIONS)

The Board of Directors is proposing a series of resolutions pursuant to the new French Securities Act passed on

June 24, 2004. They include a resolution seeking authority to increase the capital stock on one or more occasions at the Board's discretion, with or without pre-emptive rights, for a period of twenty-six months in accordance with the law. They also include a resolution seeking authority to increase the capital stock in connection with certain specific transactions, such as share exchange offers.

These resolutions will cancel and supersede previous authorities granted in this respect.

RENEWAL OF AUTHORITY TO GRANT STOCK OPTIONS (THIRTEENTH RESOLUTION)

Under the new law, the authorities referred to above do not extend to capital increases made with a view to granting stock options. The Board is therefore seeking specific authority in this respect, bearing in mind that its existing authority is due to expire in any event on July 31, 2005.

AUTHORITY TO THE BOARD TO MAKE EMPLOYEE SHARE ISSUES (FOURTEENTH RESOLUTION)

On December 31, 2004, the employees held 3.37% of the capital stock. Accordingly, there is no need to call an extraordinary general meeting as provided for under paragraph 2 of article L225-129-6 of the French Commercial Code, as is the case when the employees of a company hold less than 3% of the capital stock.

However, under paragraph 1 of article L225-129-6 of the French Commercial Code as amended by the law of June 24, 2004, whenever the shareholders authorize the Board of Directors to issue new shares for cash in accordance with article L225-129-2 of the French Commercial Code, except where arising from a previous issue of securities conferring rights in the capital stock, they are also required to vote on a resolution authorizing employee share issues under the provisions of article L443-5 of the French Employment Code *(Code du travail)*.

The fourteenth resolution is proposed to comply with this requirement.

AUTHORITY TO REDUCE THE CAPITAL STOCK (FIFTEENTH RESOLUTION)

The purpose of this authority is to permit the reduction of the company's capital stock by canceling treasury shares as provided for under the terms of the sixth resolution.

3 – Resolutions to be put to the vote at the Annual General Meeting of May 19, 2005

ORDINARY BUSINESS

First resolution:
Approval of parent company financial statements

Summary: the purpose of this resolution is to seek approval of the financial statements for the year ended December 31, 2004.

Having received and considered the management report on the operations of Natexis Banques Populaires for the year ended December 31, 2004, the financial statements for that year and the reports of the Statutory Auditors, the shareholders hereby approve the financial statements as presented, including the following transfers to and from the retained earnings account since December 31, 2003:

■ Retained earnings at December 31, 2003 after appropriation of 2003 net income	€39,362.12
– Transfer of 2003 dividends in respect of Natexis Banques Populaires shares held by the company at the time of payment in 2004	€3,746,387.50
– Deduction of provisions for long service awards	€(11,736,953.00)
– Deduction of 2.5% exit tax on the long-term capital gains reserve, to be transferred to an ordinary reserve account, in accordance with article 39-IV of the French 2004 amended Finance Act	€4,798,181.49
■ Retained earnings at December 31, 2004	€(12,749,384.47)

Second resolution:
Statutory Auditors' report

Summary: the purpose of this resolution is to seek approval of any related party agreements governed by article L225-38 of the French Commercial Code as presented in the Statutory Auditors' special report.

The shareholders hereby approve the special report of the Statutory Auditors on related party agreements governed by article L225-38 of the French Commercial Code.

Third resolution:
Appropriation of reserves pursuant to the French 2004 amended Finance Act

Summary: the purpose of this resolution is to take account of the provisions of the French 2004 amended Finance Act, which requires *the transfer of a sum from the long-term capital gains reserve existing at December 31, 2004 to another reserve account before December 31, 2005.*

Pursuant to the provisions of article 39-IV of the French 2004 amended Finance Act, which requires sums carried in the long-term capital gains reserve at the end of the first financial year after December 31, 2004 to be transferred to another reserve account before December 31, 2005, the shareholders hereby authorize:

– the transfer of the long-term capital gains account carried in the balance sheet at December 31, 2004 in the sum of €192,427,259.70 to an ordinary reserve account;

– the transfer of the exit tax payable at the rate of 2.5%, being €4,798,181.49 , recognized in retained earnings at December 31, 2004, to the same ordinary reserve account.

Fourth resolution:
Appropriation of earnings - dividends

Summary: the purpose of this resolution is to set a dividend of €3.30 per share.

Having considered the appropriation of earnings proposed by the Board of Directors, the shareholders hereby approve their proposal and resolve as follows:

■ **first:**

– to allocate the year's net earnings of	€213,582,296.25
– less the balance held on retained earnings in the sum of	€(12,749,384.87)
– to the legal reserve in the sum of	€10,679,114.81
leaving a sum available for distribution of	€190,153,796.57

■ **second:**

– to pay a dividend of	€159,244,674.60
– to make a transfer to the general reserve in the sum of	€30,900,000.00
– to transfer the balance to retained earnings, in the sum of	€9,121.97
making a total sum distributed of	€190,153,796.57

The dividend for the year ended December 31, 2004 is therefore €3.30 per share for each of the 48,255,962 shares comprising the capital stock. The dividend is payable as of May 25, 2005.

For information, as required by law, dividends paid in the previous three years were as follows:

	2001	2002	2003
Dividend per €16 par value share	€2.50	€1.50	€2.50
Tax credit	€1.25	€0.75	€1.25
Number of shares remunerated	44,314,352	47,442,837	48,045,139

All dividend payments made after January 1, 2005 to natural persons resident in France for tax purposes are eligible for the 50% tax allowance referred to in article 93 of the French 2004 Finance Act.

Fifth resolution:
Approval of the consolidated financial statements

Summary: the purpose of this resolution is to approve the consolidated financial statements for 2004.

Having received and considered the management report on the operations of Natexis Banques Populaires and its consolidated subsidiaries for the year ended December 31, 2004, the consolidated financial statements for that year and the report of the Statutory Auditors on the consolidated financial statements, the shareholders hereby approve the consolidated financial statements as presented.

Sixth resolution:
Authority to trade in the company's own shares

Summary: the purpose of this resolution is to authorize the company to trade in its own shares under the new terms and conditions set out in European Directive 2003/6/EC of January 28, 2003, which came into effect on October 13, 2004, and in European regulation 2273/2003 of December 22, 2003.

Having received and considered the Board of Directors' report and the information provided in the prospectus approved by the Autorité des Marchés Financiers, the shareholders hereby authorize the Board of Directors, which authority may be delegated, to purchase shares in the company in accordance with the provisions of article L225-209 *et seq.* of the French Commercial Code, for a period of eighteen months.

The purpose of this authority is to enable the company to:

– ensure liquidity or make a market in the shares through an independent investment services provider under the terms of a liquidity agreement;

– optimize management of the company's financial and equity position;

– allot shares to employees under the terms and conditions provided for by law, more particularly as part of a profit-sharing agreement, a stock option plan or an employee stock ownership plan;

– offer the shares in payment or exchange, particularly with respect to acquisitions;

– cancel the shares purchased;

– hold, exchange, sell, contribute or otherwise transfer the shares.

The shares may be bought, sold, exchanged or transferred by any and all means, through on or off-market transactions, including the use of derivative instruments. The entire authority may be used to purchase or sell the shares by means of block trading.

Trading may take place at any time within the limits authorized by law.

The number of shares that may be purchased pursuant to this resolution may not exceed the equivalent of 5% of the company's capital stock, making a total of 2,412,798 shares as of the date of this meeting, and the total investment cost may not exceed €337.79 million.

For the purpose of regulating the share price, the purchase price may not exceed €140 per share subject to any adjustments required for capital transactions made by the company.

The shareholders hereby confer full powers, which may be delegated, on the Board of Directors to:

– place all and any orders in the market and enter into all and any agreements, notably with respect to holding registers of share purchases and sales;

– complete all and any declarations and other formalities and, more generally, do all things necessary to execute the terms of this authority.

With effect from the date of this meeting, this authority cancels and supersedes any similar authority previously granted, including that granted under the sixth resolution passed at the annual general meeting held on May 27, 2004.

Seventh resolution:
Re-election of a non-voting Director

Summary: the purpose of this resolution is to re-elect Michel Goudard, who is due to retire by rotation, as non-voting Director.

The shareholders hereby re-elect Michel Goudard as non-voting Director for a term of six years ending on the date of the annual general meeting held to approve the financial statements for the year ending December 31, 2010.

EXTRAORDINARY BUSINESS

Eighth resolution:
Authority to the Board of Directors to increase the capital stock by issuing new common shares or other securities conferring rights in the capital stock, with pre-emptive rights in favor of existing shareholders

Summary: the purpose of the eighth to twelfth resolutions is to authorize the Board of Directors, for a period of twenty-six months under the terms and conditions set out in the French Securities Act of June 24, 2004, to increase the share capital on one or more occasions at its discretion, with or without pre-emptive rights, and to increase the capital stock in connection with certain specific transactions such as share exchange offers.

Having received and considered the Board of Directors' report and the special report of the Statutory Auditors, and in accordance with the provisions of articles L225-129-2, L228-92 and L228-93 of the French Commercial Code, the shareholders, voting under the quorum and majority conditions required to transact extraordinary business, hereby authorize the Board of Directors to increase the capital stock on one or more occasions by issuing new shares denominated in euros in France or abroad, or by issuing any and all securities denominated in euros, foreign currencies or composite monetary units comprising a basket of currencies conferring immediate or future rights to subscribe to common shares in the company or a company in which it directly or indirectly owns more than half the capital stock.

This authority is granted for a period of twenty-six months with effect from the date of this meeting.

The total amount of capital increases made immediately or in the future pursuant to this authority may not exceed a maximum par value of €150 million (one hundred and fifty million euros), excluding any additional shares to be issued as required by law to preserve the rights of existing holders of securities conferring rights in the capital stock.

The shareholders shall have pre-emptive rights over the securities issued pursuant to this resolution in proportion to the number of shares they hold.

If applications received from existing shareholders either under their pre-emptive rights or otherwise do not take up the entire issue, the Board of Directors may offer all or part of the remaining securities to the general public.

This authority cancels and supersedes any similar authority previously granted.

Ninth resolution:
Authority to the Board of Directors to increase the capital stock by issuing common shares or other securities conferring rights in the capital stock, without pre-emptive rights in favor of existing shareholders

Having received and considered the Board of Directors' report and the special report of the Statutory Auditors, and in accordance with the provisions of articles L225-129-2, L228-92 and L228-93 of the French Commercial Code, the shareholders, voting under the quorum and majority conditions required to transact extraordinary business, hereby authorize the Board of Directors to increase the capital stock on one or more occasions by issuing new shares denominated in euros in France or abroad, or by issuing any and all securities denominated in euros, foreign currencies or composite monetary units comprising a basket of currencies conferring immediate or future rights to subscribe to common shares in the company or a company in which it directly or indirectly owns more than half the capital stock.

This authority is granted for a period of twenty-six months with effect from the date of this meeting.

The total amount of capital increases made immediately or in the future pursuant to this authority may not exceed a maximum par value of €150 million (one hundred and fifty million euros), such amount to form an integral part of the maximum limit fixed in the preceding resolution.

The shareholders hereby waive their pre-emptive rights over the securities to be issued in accordance with the law and empower the Board of Directors to grant existing shareholders a priority subscription right in accordance with the provisions of article L225-135 of the French Commercial Code.

The issue price of the shares shall be at least equal to the weighted average opening price quoted on the Paris stock exchange during the three trading sessions preceding the date on which the price is fixed, and may be accompanied by a discount of up to 5% maximum in accordance with the provisions of the decree of February 10, 2005.

This authority cancels and supersedes any similar authority previously granted.

Tenth resolution:
Authority to increase the amount of shares issued in the event of oversubscription

For each of the share issues made pursuant to the eighth and ninth resolutions, the number of shares to be issued may be increased in accordance with the provisions of article L225-135-1 of the French Commercial Code and of the decree of February 10, 2005, if the issue is oversubscribed, within thirty days of the issue's closing date and up to a maximum of 15% of the original amount of the issue and at the same price, without exceeding the overall limit referred to in the eighth resolution.

Eleventh resolution:
Authority to issue shares without pre-emptive rights in order to pay for share exchange offers or contributions in kind

The shareholders hereby authorize the Board of Directors to issue shares, within the limit set in the ninth resolution and for a period of twenty-six months, as follows:

- for the purpose of paying for shares transferred to the company under a offer in accordance with the provisions of article L225-148 of the French Commercial Code;
- to pay for contributions in kind comprising equity securities or other securities conferring rights in the capital stock, where the provisions of article L225-148 of the Commercial Code do not apply, after obtaining a report from the accountants appointed to value the transaction and up to a maximum limit of 10% of the company's capital stock.

Capital increases made pursuant to this resolution shall be deducted from the global maximum limit set in the ninth resolution.

Twelfth resolution:
Authority to the Board of Directors to increase the capital stock by capitalizing additional paid-in capital, reserves, earnings or other

Having received and considered the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of articles L225-129-2 and L228-92 of the French Commercial Code, the shareholders hereby authorize the Board of Directors for a period of twenty-six months to increase the capital stock on one or more occasions by capitalizing additional paid-in capital, reserves, retained earnings or other items that may be capitalized under the provisions of law and the company's bylaws, either by means of issuing bonus shares or by increasing the par value of existing shares.

The total amount of capital increases that may be made pursuant to this resolution, plus the amount required by law to preserve the rights of holders of securities conferring rights in the capital stock may not exceed €150 million (one hundred and fifty million euros), nor in any event the total amount of additional paid-in capital, reserves, retained earnings or other items referred to above existing at the time of the capital increase.

Should the Board of Directors use this authority, the shareholders resolve in accordance with the provisions of article L225-130 of the French Commercial Code that any fractional rights shall not be negotiable and the corresponding shares shall be sold and the proceeds allocated to the holders of the fractional rights within the time period provided for by law.

This authority cancels and supersedes any similar authority previously granted.

Thirteenth resolution:
Authority to grant stock options

Summary: the purpose of this resolution is to renew the authority granted at the annual general meeting of May 31, 2001, which expires this year, to grant employees of Natexis Banques Populaires and its subsidiaries and other employees of the Banque Populaire Group, options to subscribe for new or purchase existing shares in the company.

Having received and considered the report of the Board of Directors and the special report of the Statutory Auditors, the shareholders hereby authorize the Board of Directors to grant on one or more occasions options to subscribe for new or purchase existing shares to those beneficiaries designated by it, which may include:

- employees and executive directors of Natexis Banques Populaires and other companies in which Natexis Banques Populaires directly or indirectly holds the majority of the capital stock;
- employees and executive directors of Banque Fédérale des Banques Populaires which controls Natexis Banques Populaires, the Banque Populaire banks and entities that are more than 50 %-owned either directly or indirectly, exclusively or jointly, by Banque Fédérale des Banques Populaires or affiliated institutions.

Each option shall entitle the holder, under the terms and conditions provided for by law, to subscribe for or purchase one share in the company.

The shareholders accordingly authorize the Board of Directors to increase the share capital on one or more occasions up to a maximum limit of 500,000 options, plus the additional number of options to be granted as required by law to preserve the rights of stock option holders.

In accordance with the law, this authority constitutes *ipso jure* waiver by the shareholders of any pre-emptive rights over the shares to be issued upon exercise of the options.

The exercise price of options to subscribe for new shares fixed by the Board of Directors may not be more than the average share price quoted on the Paris stock exchange during the twenty trading sessions preceding the date of grant, nor less than 97% of that averaged rounded up to the nearest one tenth of a euro.

In the case of options to purchase existing shares, the exercise price may not be less than 97% of the average purchase price paid by the company for its shares under the provisions of articles L225-208 and L225-209 of the French Commercial Code.

Options that are not exercised within seven years from the date of grant shall lapse.

The shareholders confer full powers on the Board of Directors to designate the beneficiaries of the options, to fix any additional terms and conditions of grant and exercise of the options in line with the principles set out above, and to complete all formalities required to place on record the capital increase arising from exercise of the options.

This authority is valid for a period of fourteenth months with effect from the date of this meeting.

Fourteenth resolution:
Authority to increase the share capital by issuing shares to employees

Summary: the purpose of this resolution is to authorize the Board of Directors to make one or more share issues restricted to employees in accordance with the provisions of article L225-129-6 of the French Commercial Code

Having received and considered the report of the Board of Directors and the special report of the Statutory Auditors, the shareholders hereby authorize the Board of Directors to increase the share capital on one or more occasions by issuing new shares to employees of the company.

The total number of shares that may be issued pursuant to this authority may not exceed 500,000.

The issue price of the shares may not be more than the average share price quoted on the Paris stock exchange during the twenty trading sessions preceding the date on which the Board of Directors sets the opening date of the offer, nor more than 20% less than that average.

The shareholders confer full powers on the Board of Directors to set the terms and conditions of eligibility for the share issues, and more particularly any length of service conditions, the opening and closing dates for applications and other terms and conditions of the capital increase.

The shareholders also empower the Board of Directors to complete and place the capital increases on record, and to alter the bylaws accordingly.

This authority constitutes *ipso jure* waiver by the shareholders of any pre-emptive rights over the shares to be issued to employees pursuant to this resolution.

In accordance with the law, this authority is valid for a period of twenty-six months.

Fifteenth resolution:
Authority to the Board of Directors to reduce the share capital as part of a share buyback program

Having received and considered the report of the Board of Directors and the special report of the Statutory Auditors, and voting under the quorum and majority conditions required to transact extraordinary business, the shareholders hereby authorize the Board of Directors to cancel at its own discretion on one or more occasions shares purchased or which may be purchased in the company pursuant to the provisions of article L225-209 of the French Commercial Code, up to a maximum of 500,000 shares or 1.03% of the capital stock, and to reduce the capital stock accordingly in accordance with the provisions of the law.

The maximum par value of capital stock cancelled may not exceed €8 million.

This authority is valid for a period of eighteen months with effect from the date of this meeting.

The shareholders confer full powers on the Board of Directors to complete the transactions required to cancel the shares and reduce the capital stock, to alter the bylaws accordingly and fulfill any other formalities required.

Sixteenth resolution:
Powers for formalities

The shareholders hereby confer full powers on the bearer of a copy or abstract of the minutes of this meeting for the purpose of completing any filing or publication formalities required by law.

Additional information

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1 – General information about Natexis Banques Populaires

NAME

Natexis Banques Populaires

HEAD OFFICE

45, rue Saint-Dominique - 75007 Paris

LEGAL FORM

Natexis Banques Populaires is a *société anonyme* governed by French company law, the provisions of the French Monetary and Financial Code (Code Monétaire et Financier) and its bylaws.

DATE OF INCORPORATION AND TERM

The Company was incorporated on November 20, 1919 under the name Crédit National. Its term was increased to 99 years on November 9, 1994, unless extended or wound up early. The name "Natexis Banques Populaires" was adopted by the shareholders at their meeting of July 27, 1999.

CORPORATE OBJECT

Pursuant to Article 2 of the bylaws, the company's corporate object in France and abroad is:

- the conduct of all and any banking business and related businesses within the meaning of the French Banking Act;
- the provision of all and any investment services as defined in the French Monetary and Financial Code;
- the performance of specific assignments on behalf of the French State in economic and financial areas under the provisions of special agreements;
- the conduct of all and any brokerage business;
- the acquisition of interests in companies, groups or associations with a direct or indirect connection with the activities referred to above;
- the completion of all and any private and commercial transactions.

INCORPORATION PARTICULARS

Paris Trade and Companies Register
Registration number: B 542 044 524
APE Code: 652 C

ACCESS TO LEGAL DOCUMENTS

All documents concerning the company, including its bylaws, financial statements and reports presented to general meetings of shareholders by the Board of Directors or the Statutory Auditors, are available at the company's head office.

FINANCIAL YEAR

The company's financial year runs from January 1 to December 31.

APPROPRIATION OF EARNINGS (TITLE V, ARTICLE 34 OF THE BYLAWS)

After deduction of any prior year losses, a minimum of 5% of each year's earnings shall be transferred to the legal reserve as required by law. This provision shall no longer apply once the legal reserve has reached one tenth of the value of the company's capital stock, but shall be reinstated if for any reason the legal reserve falls back below this minimum requirement.

The balance, plus any retained earnings, comprises the sum available for distribution, which may by resolution of the shareholders at the annual general meeting be used as they deem appropriate within the limits permitted by law, either by way of transfer to retained earnings or other reserves, or at the recommendation of the Chairman of the Board duly approved by the Board of Directors, distributed in full or in part as a dividend.

The shareholders may also resolve to distribute sums from retained earnings or reserves to which they are entitled. In this case, their resolution must expressly indicate which reserve accounts are to be used.

The shareholders' resolution may offer the option of receiving all or part of the dividend in either cash or shares. In the latter case, payment will be made by means of allotting shares in the company in accordance with any applicable provisions of the law.

As permitted by law, the Board of Directors may decide to pay an interim dividend either in cash or in shares.

Annual dividends shall be paid on the date or dates set by the Board of Directors but no later than nine months after the year end.

2 – Information about the capital stock

FORM AND REGISTRATION OF SHARES (TITLE II, ARTICLE 4 OF THE BYLAWS)

Shares may either be registered shares or identifiable bearer shares, at the option of the holder. They are registered in an account and transferred according to the provisions of the law.

CAPITAL STOCK

The capital stock was €772,095,392 at December 31, 2004, divided into 48,255,962 fully paid shares each with a par value of €16.

CAPITAL STOCK AUTHORIZED BUT NOT YET ISSUED

At their annual general meeting of May 31, 2001, the shareholders authorized the Board of Directors to make capital increases on one or more occasions, with or without pre-emptive rights in favor of existing shareholders. This was a global authority for a maximum non-cumulative amount of €150 million, granted in accordance with article L 225-129 para. 3 of the French Commercial Code for a period of twenty-six months.

This authority was renewed for the same amount and the same period at the extraordinary general meeting of shareholders held on June 22, 2003.

SECURITIES NOT CONFERRING RIGHTS IN THE CAPITAL STOCK

None.

OTHER SECURITIES CONFERRING RIGHTS IN THE CAPITAL STOCK

At their annual general meeting of May 27, 2004, the shareholders renewed the authority given to the Board of Directors in 2001, which expired in 2004, to grant employees of Natexis Banques Populaires and its subsidiaries and other employees of the Banque Populaire Group options to subscribe to new or purchase existing shares, for a further period of three years. The maximum number of new shares that may be issued pursuant to this authority is 1,884,473, including those issued upon exercise of options granted after May 27, 2004 (427,750 options) and those issued upon exercise of options granted prior to that date liable to be exercised within the period fixed at the time of grant (i.e. a maximum balance of 1,456,723 options).

Options may be granted to:

- employees and executive directors of Natexis Banques Populaires and other companies in which Natexis Banques Populaires directly or indirectly holds the majority of the capital stock;
- employees and executive directors of Banque Fédérale des Banques Populaires which controls Natexis Banques Populaires, the Banque Populaire banks and entities that are more than 50%-owned either directly or indirectly, exclusively or jointly, by Banque Fédérale des Banques Populaires or affiliated institutions.

The exercise price is equal to the average price quoted in the twenty trading sessions preceding the date on which the Board of Directors fixed the terms and conditions of grant, with a discount of 5%, as provided for by law.

At its meeting of November 17, 2004, after consultation with the Remuneration Committee, the Board of Directors decided to grant a maximum of 450,000 stock options in respect of 2004. A total of 427,750 options were ultimately granted, as follows:

- 254,300 to employees and executive directors of Natexis Banques Populaires and its direct or indirect subsidiaries;
- 173,450 to employees and executive directors of Banque Fédérale des Banques Populaires, the Banque Populaire regional banks or other entities that are more than 50%-owned either directly or indirectly, exclusively or jointly, by Banque Fédérale des Banques Populaires or affiliated institutions.

The exercise price was set at €89.10.

STOCK OPTIONS GRANTED

	2000 plan	2001 plan	2002 plan	2003 plan	2004 plan
Number of options granted	220,000	497,050	331,110	406,890	427,750
Number of beneficiaries	107	446	427	563	573
Exercise price (€)	83.14	94.30	72.47	83.25	89.10
First exercise date	11/25/2005*	09/20/2005*	09/11/2006*	09/11/2007*	17/11/2008*
Number of options exercised	20,000	20,000	11,000	0	0
Number of options cancelled	9,400	11,200	5,600	2,200	0
Number of options outstanding	190,600	465,850	314,510	404,690	427,750

*Under some circumstances, options may be exercised early (e.g. offers by third parties involving Natexis Banques Populaires S.A.'s capital stock, beneficiary's retirement, negotiated departure or death).

STOCK OPTIONS GRANTED TO EXECUTIVE DIRECTORS**

	2000 plan	2001 plan	2002plan	2003 plan	2004 plan
Number of options granted	92,000	116,500	66,000	37,800	84,000
Number of beneficiaries	10	12	10	11	11
Exercise price (€)	83.14	94.30	72.47	83.25	89.10
First exercise date	11/25/2005*	09/20/2005*	09/11/2006*	09/11/2007*	17/11/2008*
Number of options exercised	20,000	20,000	11,000	0	0
Number of options cancelled	0	0	0	0	0
Number of options outstanding	72,000	96,500	55,000	37,800	84,000

*Under some circumstances, options may be exercised early (e.g. offers by third parties involving Natexis Banques Populaires S.A.'s capital stock, beneficiary's retirement, negotiated departure or death).

**The amounts shown in this table are included in the table above.

OPTIONS GRANTED TO THE TOP TEN EMPLOYEES (EXCLUDING EXECUTIVE DIRECTORS)

	Total number of options granted	Exercise price (€)	Plan number
2004	60,500	89.10	N°12-CA 11/17/04

OPTIONS EXERCISED BY THE TEN EMPLOYEES WHO EXERCISED THE MOST OPTIONS

	Total number of options exercised	Average weighted price (€)	1998 plan	1999 plan
2004	37,300	59.28	600 (€57.65)	36,700 (€59.31)

CHANGES IN CAPITAL STOCK OVER THE PAST FIVE YEARS

	Opening number of shares	Number of shares issued during the year	Closing number of shares	Capital stock (€)
2000	33,213,635	9,505,757	42,719,392	683,510,272
2001	42,719,392	1,594,960	44,314,352	709,029,632
2002	44,314,352	3,128,485	47,442,837	759,085,392
2003	47,442,837	602,302	48,045,139	768,722,224
2004	48,045,139	210,823	48,255,962	772,095,392

The table below shows the additional paid-in capital arising on each capital increase.

Year	Transaction	Number of shares	Capital stock (€)	Additional paid-in capital arising on the capital increase (€)
2000	**Opening number of shares**	**33,213,635**	**531,418,160**	
	New shares issued in exchange for transfer of the Bail Banque Populaire shares owned by the Banque Populaire regional banks	606,225	9,699,600	25,256,952.52
	Payment of dividends in shares	1,014,910	16,238,560	51,973,541.10
	New shares issued in exchange for the transfer of Assurances Banque Populaire and Factorem and the transfer-merger of SAS Fructivie and Factorem	3,386,962	54,191,392	144,992,018.29
	Shares issued to employee stock ownership plans	8,172	130,752	371,354.53
	Conversion of perpetual subordinated notes convertible into shares	83,310	1,332,960	4,191,769.44
	Exercise of stock options	5,550	88,800	201,666.06
	Conversion of bonds convertible into shares	236	3,776	22,487.92
	Rights issues made in November and December 2000	4,400,392	70,406,272	325,629,008.00
	Closing number of shares	**42,719,392**	**683,510,272**	
2001	**Opening number of shares**	**42,719,392**	**683,510,272**	
	Shares issued to employee stock ownership plans	1,321,486	21,143,776	83,297,066.12
	Conversion of perpetual subordinated notes convertible into shares	258,527	4,136,432	13,007 869.36
	Exercise of stock options	12,000	192,000	500,683.53
	Conversion of bonds convertible into shares	2,947	47,152	280,813.10
	Closing number of shares	**44,314,352**	**709,029,632**	
2002	**Opening number of shares**	**44,314,352**	**709,029,632**	
	Shares issued to employee stock ownership plans	5,355	85,680	286,620.37
	Conversion of perpetual subordinated notes convertible into shares	1,717,431	27,478,896	86,413,090.39
	Exercise of stock options	4,400	70,400	108,393.66
	Shares issued in exchange for the acquisition of Arnhold & S. Bleichroeder shares	1,401,082	22,417,312	83,448 443.92
	Shares issued following the merger with real estate company ABC	217	3,472	3,943.16
	Closing number of shares	**47,442,837**	**759,085,392**	

Year	Transaction	Number of shares	Capital stock (€)	Additional paid-in capital arising on the capital increase (€)
2003	**Opening number of shares**	**47,442,837**	**759,085,392**	
	Shares issued to employee stock ownership plans	3,756	60,096	161,981.00
	Exercise of stock options	43,340	693,440	1,733,850.39
	Shares issued in exchange for the transfer of Banque du Dôme-Crédifrance Factor shares	218,559	3,496,944	14,643,375.64
	Shares issued in exchange for the transfer of Sopromec Participations shares	336,647	5,386,352	25,248,563.45
	Closing number of shares	**48,045,139**	**768,722,224**	
2004	**Opening number of shares**	**48,045,139**	**768,722,224**	
	Shares issued to employee stock ownership plans	3,086	49,376	175,126.36
	Exercise of stock options	207,737	3,323,792	10,204,917.64
	Closing number of shares	**48,255,962**	**772,095,392**	

OTHER INFORMATION ABOUT THE CAPITAL STOCK

Natexis Banques Populaires has not pledged any of its shares.

3 – Ownership of capital stock and voting rights

OWNERSHIP OF CAPITAL STOCK AT DECEMBER 31, 2004

At December 31, 2004, the main shareholders of Natexis Banques Populaires were:

	% capital	% voting rights
Banque Fédérale des Banques Populaires	75.59	83.84
o/w employees (Alizé Levier plan)	*2.18*	*2.54*
Employees (other plans)	1.19	1.38
Banque Populaire regional banks and Casden BP	3.11	2.68
ASB Holdings	2.89	3.37
DZ Bank	1.88	1.09
Maine Services (1)	1.35	0.83
IKB Financière France	0.89	1.04

(1)Wholly-owned subsidiary of Banque Fédérale des Banques Populaires.

To the best of the Company's knowledge, no other shareholder owns over 5% of the share capital or voting rights.

SHARES HELD BY DIRECTORS AND EXECUTIVE DIRECTORS

Members of the Board of Directors, whether natural or legal persons, own 73.41% of the capital stock of Natexis Banques Populaires (almost entirely Banque Fédérale des Banques Populaires).

The number of shares owned by the executive directors is not material. Please see page 216 for stock options granted to certain employees and executive directors.

TREASURY STOCK

Under the share buyback program authorized by the shareholders at the annual general meeting of May 27, 2004, at December 31, 2004 Natexis Banques Populaires owned 1,594,438 treasury shares (stripped of voting rights) representing 3.30% of the capital stock.

The table below shows the number and percentage held at February 28, 2005.

	Quantity purchased	Purchase price (€)	Average purchase price per share (€)	Quantity sold	Selling price (€)	Average selling price per share (€)	Final stock	% of capital stock
At January 1, 2005	**1,594,438**	**135,157,292**	**84.77**	-	-	-	**1,594,438**	**3.30**
Buyback program	4,496	471,309	104.83	10,537	986,883	93.66	-	-
Alizé	-	-	-	-	-	-	-	-
Sub-total	*4,496*	*471,309*	*104.83*	*10,537*	*986,883*	*93.66*	-	-
At February 28, 2005	**1,598,934**	**135,628,601**	**84.82**	**10,537**	**986,883**	**93.66**	**1,588,397**	**3.29**

EMPLOYEE STOCK OWNERSHIP

By extraordinary resolution at their general meeting of June 16, 1998, the shareholders renewed for a further five years the provisions adopted at their meeting of April 27, 1993 concerning the creation of employee stock ownership plans, with a maximum authorized cumulative capital increase of FRF 100 million or its equivalent in euro. As of December 31, 2004, these plans held 1,624,830 shares.

By extraordinary resolution at their general meeting of May 31, 2001, the shareholders authorized the Board of Directors to issue new shares to employees of the Banque Populaires Group on one or more occasions, up to a maximum of 2,500,000 shares, for a period of five years.

In June 2001, a first Group employee stock ownership plan was established, resulting in the issuance of 1,273,854 new shares to Banque Populaire Group employees. 17,275 employees representing 50% of the total, subscribed to the offering. The shares are held in two new corporate mutual funds, which owned 2.54% of the capital stock of Natexis Banques Populaires at December 31, 2004. Including the corporate mutual funds previously established, Banque Populaire Group employees now hold 3.37% of the capital stock.

CHANGES IN SHARE OWNERSHIP OVER THE PAST THREE YEARS

At December 31	2002	2003	2004
Banque Populaire Group and its subsidiaries	77.38%	77.58%	77.87%
Employees	4.30%	4.12%	3.37%
IKB Financière France	0.91%	0.89%	0.89%
ASB Holdings	2.95%	2.92%	2.89%
DZ Bank	1.91%	1.89%	1.88 %

NATURAL OR LEGAL PERSONS THAT EXERCISE OR HAVE THE POWER TO EXERCISE CONTROL OVER NATEXIS BANQUES POPULAIRES

As the majority shareholder of Natexis Banques Populaires, the Banque Populaire Group exercises the responsibilities provided for under banking law.

4 – Market in Natexis Banques Populaires shares

MARKET LISTINGS

Until February 21, 2005, Natexis Banques Populaires shares were traded on the main market (Premier Marché) of Euronext Paris. Since that date, when the single Euronext market came into being, the shares have been traded on the Euronext Paris Eurolist. They are still eligible for deferred settlement (ISIN code: FR0000120685). Natexis Banques Populaires shares form part of the SBF 120 index.

MARKET IN THE SHARES

TRENDS IN AVERAGE MONTHLY PRICES AND TRADING VOLUMES SINCE SEPTEMBER 2003

Year	Month	Average price (€)	High (€)	Low (€)	Number of shares traded	Capital traded (€ 000s)
2003	September	87.56	90.50	85.50	187,421	16,508
	October	89.94	92.05	85.70	170,563	15,441
	November	90.77	92.00	88.50	78,350	7,118
	December	89.96	91.90	86.90	159,170	14,305
2004	January	86.80	90.45	85.20	222,909	19,438
	February	91.93	95.00	88.50	298,313	27,680
	March	95.24	99.40	92.00	157,977	15,121
	April	94.85	98.95	90.20	144,820	13,635
	May	90.13	94.00	87.50	76,927	6,934
	June	90.10	93.00	88.00	198,062	17,930
	July	91.25	92.90	89.40	281,534	25,849
	August	90.88	93.50	88.75	191,443	17,427
	September	93.57	96.00	90.05	259,221	24,189
	October	93.63	95.00	91.00	217,936	20,454
	November	94.10	98.10	92.75	325,916	30,776
	December	98.79	109.60	94.75	262,949	26,502
2005	January	101.67	105.00	100.00	423,189	43,402
	February	108.63	115.00	101.60	651,386	69,880

5 – Dividends

Dividends not claimed within five years of the date of payment lapse and become the property of the French State in accordance with the law.

Dividends paid in the past five years:

Year ended December 31	2000	2001	2002	2003	2004
Number of shares comprising the share capital	42,719,392	44,314,352	47,442,837	48,045,139	48,255,962
Net dividend per share	€2.50	€2.50	€1.50	€2.50	€3.30*

*To be proposed at the annual general meeting of May 19, 2005.

Up until payment of the dividend in respect of 1999, Natexis Banques Populaires offered shareholders the option of receiving the dividend payment in shares. This option will not be offered in 2005 in respect of the 2004 dividend.

6 – Other information about Natexis Banques Populaires

BACKGROUND

Natexis Banques Populaires was created following the transfer of the operating activities of Caisse Centrale des Banques Populaires (CCBP) to Natexis S.A. The transfer was approved by the shareholders of both entities in extraordinary general meetings held on July 27, 1999.

HISTORY OF CCBP

CCBP was founded in 1921 to support the expansion of the Banque Populaire regional banks, and to conduct both institutional activities on behalf of the Banque Populaire regional banks (managing and monitoring their cash surpluses, special assignments on behalf of the Chambre Syndicale des Banques Populaires, bond and similar issuance) and banking activities in the competitive market sector.

In October 1997, CCBP acquired a 23.35% holding in Natexis S.A. This was followed by a friendly takeover bid as a result of which the Banque Populaire Group held 71.4% of Natexis S.A. on June 2, 1998. This percentage was raised to 74.36% at end 1998.

Following the transfer of its operating activities to Natexis S.A. in July 1999, CCBP became the Banque Fédérale des Banques Populaires (BFBP).

At the end of 1999, the Banque Populaire Group held 88.06% of the newly formed Natexis Banques Populaires. At the end of 2000, its holding was reduced to 79.23% following a new share issue placed primarily with retail investors.

Under the law of May 15, 2001, BFBP replaced CCBP as central body of the Banque Populaire Group.

HISTORY OF THE ENTITIES COMPRISING NATEXIS

Founded in 1919, Crédit National initially focused on developing its business as a medium and long-term lender before branching out into related activities in order to offer its corporate clients a broader and more comprehensive solution to their needs.

During 1996, Crédit National increased its stake in Banque Française du Commerce Extérieur (BFCE) from 10.06% to 88% and then 100%. BFCE, which was founded in 1947, had focused on developing its commercial banking activities while gradually scaling back its export support activities on behalf of the French State.

In June 1997, Crédit National, now renamed Natexis S.A., transferred its entire commercial banking arm to BFCE, which was renamed Natexis Banque. Natexis S.A. became a holding company and was responsible for the consistency and strategic management of all Natexis Group activities.

SIMPLIFICATION AND UNIFICATION OF LEGAL STRUCTURES

Natexis Banques Populaires was created in July 1999 following the transfer of CCBP's operating activities to Natexis S.A.

At their extraordinary general meeting of June 28, 2000, the shareholders of Natexis Banques Populaires approved the merger of Natexis Banque into Natexis Banques Populaires, with effect from June 30, 2000. As the transaction involved a wholly-owned subsidiary, it took place under the simplified merger regime and no new shares were issued.

A series of other measures were taken during 1999 and 2000 to simplify the legal structure:

- December 1999: merger of Banques Populaires Ingénierie (B.P.I.) into Natexis Banques Populaires;
- December 1999: restructuring of the private equity arm;
- June 2000: transfer to Natexis Banques Populaires of Bail Banque Populaire shares held by the Banque Populaire regional banks in exchange for 606,225 Natexis Banques Populaires shares;
- transfer of Natexis Gestion's fund management activities to Banque Populaire Asset Management.

From 2000 to 2002, Natexis Banques Populaires took measures to obtain full control over its subsidiaries. In 2000, it carried out transactions giving it 100% control over Assurances Banque Populaire and Factorem. A similar process took place in 2001 in the private equity and asset management arms. The program was completed in 2002 with the buyout of the Banque Populaire banks' holdings in BPAM and Interépargne.

ARRIVAL OF NEW SHAREHOLDERS IN NATEXIS BANQUES POPULAIRES IN 2002

In May 2002, the German bank DZ Bank AG acquired shares in Natexis Banques Populaires as part of its partnership with the Banque Populaire Group. At December 31, 2004, its holding amounted to 1.88%.

In July 2002, Natexis Banques Populaires agreed to acquire the entire capital stock of Arnhold & S. Bleichroeder Holdings Inc. ("ASB"), a company incorporated under the laws of New York State, for the sum of USD105 million, payable in Natexis Banques Populaires shares.

At an extraordinary general meeting held on December 6, 2002, the shareholders of Natexis Banques Populaires approved all the provisions of this agreement, as well as the transfer value of ASB shares. The shareholders approved a capital increase of €22,417,312 via the issuance of 1,401,082 fully paid €16 par value shares to pay for the acquisition.

At December 31, 2004, ASB held 2.89% of Natexis Banques Populaires.

DEPENDENCY

Natexis Banques Populaires is not dependent on any patents, licenses or industrial, commercial or financial sourcing agreements.

EXCEPTIONAL EVENTS AND LITIGATION

There are no exceptional events or litigation pending likely to have a material adverse impact on the company's operations, results or financial position.

7 – Persons responsible for the shelf-registration document and audit

PERSON RESPONSIBLE FOR THE SHELF-REGISTRATION DOCUMENT

François Ladam
Chief Executive Officer

STATEMENT BY THE PERSON RESPONSIBLE FOR THE SHELF-REGISTRATION DOCUMENT

"To the best of our knowledge, the information provided in this document is true and accurate, contains all the facts required for investors to make an informed assessment of the company's assets, operations, financial condition, earnings and outlook, and contains no omissions liable to impair its significance".

François Ladam

PERSONS RESPONSIBLE FOR AUDIT

ACTING AUDITORS

- Deloitte & Associés
  185 avenue Charles de Gaulle - 92200 Neuilly-sur-Seine
- Salustro Reydel
  8, avenue Delcassé - 75378 Paris Cedex 08
- Barbier Frinault et Autres
  41, rue Ybry - 92576 Neuilly-sur-Seine

SUBSTITUTE AUDITORS

- BEAS:
  7/9 Villa Houssay - 92200 Neuilly-sur-Seine
- François Chevreux:
  40, rue Guersant - 75017 Paris
- Pascal Macioce:
  41, rue Ybry - 92576 Neuilly sur Seine

The acting and substitute auditors were appointed or re-appointed at the annual general meeting held on May 27, 2004 for a term of six years ending on the date of the annual general meeting held to approve the financial statements for the year ended December 31, 2009.

Opinion of the statutory auditors on the shelf-registration document

Year ended December 31, 2004

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

As statutory auditors to Natexis Banques Populaires and as required by article 211-5-2 of the general regulations of the Autorité des Marchés Financiers, we have verified the information concerning the financial position and historical financial statements included in this shelf-registration document in accordance with the professional standards applied in France.

This shelf-registration document is the responsibility of François Ladam, Chief Executive Officer of Natexis Banques Populaires. Our role is to express an opinion on the fairness of the financial information contained therein.

We conducted the procedures we considered necessary, in accordance with the professional standards applied in France, to assess the fairness of the information concerning the financial position and historical financial statements included in the shelf-registration document and to verify its consistency with the financial statements audited by us. We also verified all other information contained in the shelf-registration document in order to identify any material inconsistencies with the information concerning the financial position and historical financial statements and to report any apparent material misstatement of information that we may have uncovered based on the knowledge we have gained of the company during the course of our engagement.

The shelf-registration document does not include any isolated forward-looking information resulting from a structured modeling process. Accordingly, we were not required to review any assumptions or related estimates made by the company's management.

The parent company and consolidated financial statements for the year ended December 31, 2002, as approved by the Board of Directors, were audited by Barbier Frinault & Autres, Salustro Reydel and Deloitte Touche Tohmatsu in accordance with the professional standards applied in France. They expressed an unqualified opinion on those financial statements and their report contained no emphasis of matter paragraphs.

The parent company financial statements for the year ended December 31, 2003, as approved by the Board of Directors, were audited by Barbier Frinault & Autres, Salustro Reydel and Deloitte Touche Tohmatsu in accordance with the professional standards applied in France. They expressed an unqualified opinion on those financial statements. Their report contained an emphasis of matter paragraph concerning a change in method of accounting for loan loss provisions and for major repair programs, as described in note 17 to the financial statements.

The consolidated financial statements for the year ended December 31, 2003, as approved by the Board of Directors, were audited by Barbier Frinault & Autres, Salustro Reydel and Deloitte Touche Tohmatsu in accordance with the professional standards applied in France. They expressed an unqualified opinion on those financial statements. Their report contained an emphasis of matter paragraph concerning changes in accounting methods as described in note 2.17 to the financial statements pursuant to the first-time adoption of standard CRC 2002-03 on the treatment of credit risk by companies governed by the Comité de la Réglementation Bancaire et Financière and of standard CRC 2002-10 on asset depreciation and impairment.

The parent company financial statements for the year ended December 31, 2004, as approved by the Board of Directors, were audited by us in accordance with the professional standards applied in France. We expressed an unqualified opinion on those financial statements. Our report contained an emphasis of matter paragraph concerning a change in method of accounting for long service awards as described in paragraph 17 of the section on accounting policies and valuation methods in the notes to the financial statements.

The consolidated company financial statements for the year ended December 31, 2004, as approved by the Board of Directors, were audited by us in accordance with the professional standards applied in France. We expressed an unqualified opinion on those financial statements and our report contained no emphasis of matter paragraphs.

Based on our investigations, we have no comments as to the fairness of the financial information and financial statements presented in this shelf-registration document.

Paris and Neuilly-sur-Seine, March 24, 2005

The Statutory Auditors

SALUSTRO REYDEL	DELOITTE & ASSOCIÉS	BARBIER FRINAULT & AUTRES ERNST & YOUNG
Michel Savioz	José-Luis Garcia Damien Leurent	Richard Olivier Olivier Durand

Additional information:

This shelf-registration document contains:

- The Statutory Auditors' reports on the parent company and consolidated financial statements for the year ended December 31, 2004 on pages 193 and 152 respectively, including a justification of their assessments as required by the provisions of article L225-235 of the French Commercial Code.
- The Statutory Auditors' report (page 204) on the Chairman's report on internal control procedures relating to financial reporting, drawn up pursuant to the final paragraph of article L225-235 of the French Commercial Code.

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This document is an English-language translation of the French shelf-registration document filed with the Autorité des Marchés Financiers (AMF) on March 25, 2005, in compliance with article 211-6 of the AMF's standard regulations. Only the original French version can be used to support a financial transaction, provided it is accompanied by a *note d'opération* duly certified by the Autorité des Marchés Financiers. The shelf-registration document was produced by the issuer, and the signatories to it are responsible for its contents.

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