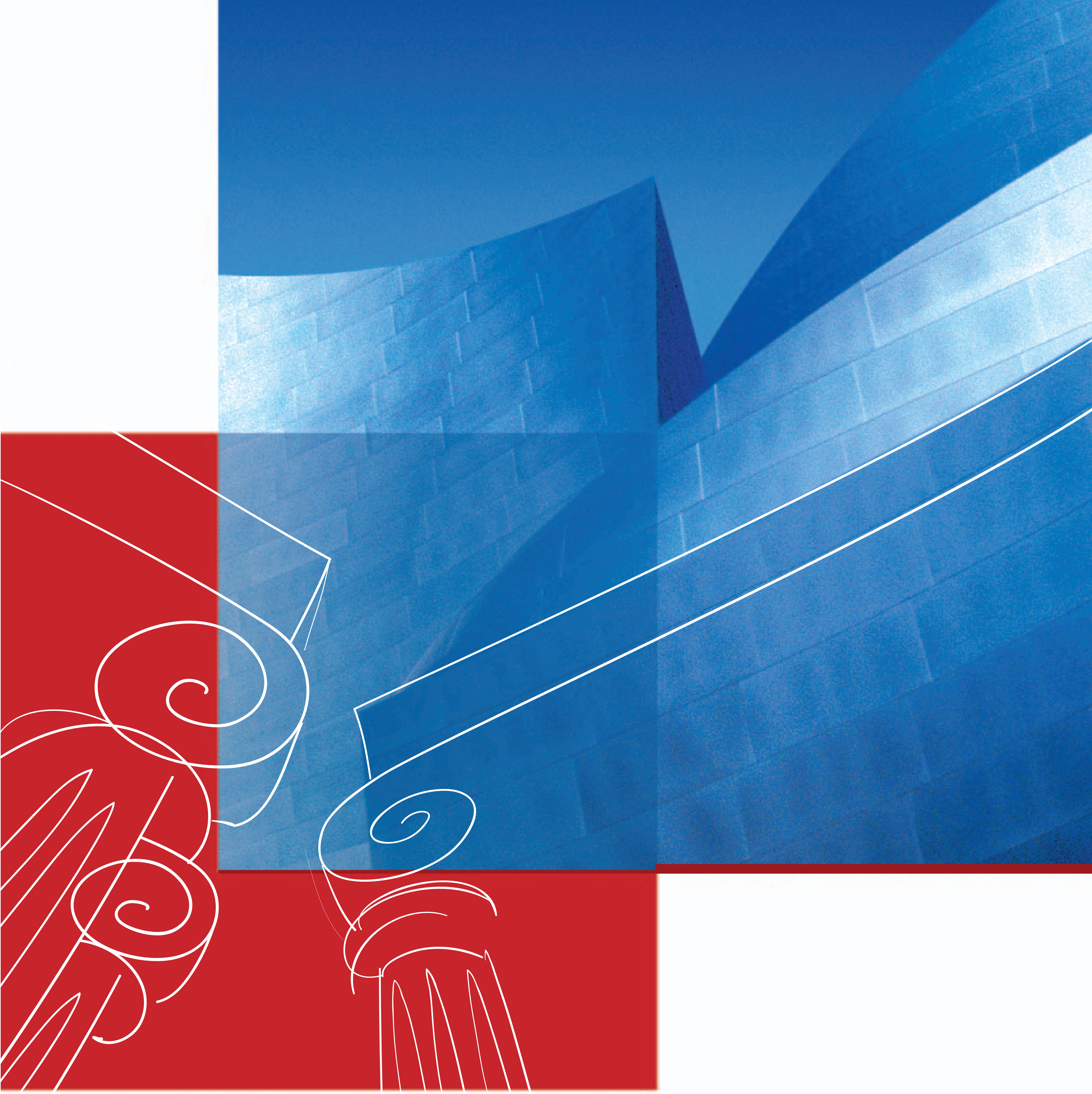


2005

Annual Report

NATEXIS BANQUES POPULAIRES

Profile

NATEXIS BANQUES POPULAIRES **IS A MAJOR PLAYER**

Natexis Banques Populaires, the Banque Populaire Group's listed entity, is a financing, investment banking and services bank and is currently developing a unique offering in receivables management.

With more than 12,900 employees and a network of 155 offices, including 117 abroad, Natexis Banques Populaires builds long-term domestic and international partnerships with its clientele of large and medium-sized companies, financial institutions and the Banque Populaire network.

Drawing on its expertise in a wide range of complementary areas, Natexis Banques Populaires provides not only traditional banking services but also high value-added technology-based services. In order to meet its clients' needs and ensure the highest quality standards, the bank offers specialist services in each of its businesses.

A prominent player in financing activities, Natexis Banques Populaires maintains relationships with virtually all major French companies. Through its subsidiary Coface, it is one of the world's leading providers of credit insurance and credit management services. At the same time, Natexis Banques Populaires is ranked among the leaders in private equity and financial engineering, and is one of the foremost brokerage firms. It also ranks among the top providers of high-tech services. Finally, it is a well-known and highly respected player in the bancassurance and asset management segments and the leading employee savings plan manager in France.

Table of contents

P.01 > Profile
P.04 > Chairman's message
P.05 > Chief Executive Officer's message
P.06 > Key figures 2005

01 P.08 > Natexis Banques Populaires and its shareholders

- P. 08 > NATEXIS BANQUES POPULAIRES SHARE PERFORMANCE
- P. 10 > KEY SHARE DATA
- P. 11 > VALUE CREATED FOR SHAREHOLDERS
- P. 12 > SHAREHOLDER RELATIONS
- P. 13 > PARTICIPATING IN THE ANNUAL GENERAL MEETING

02 P.14 > Corporate Governance

- P.14 > EXECUTIVE MANAGEMENT COMMITTEE
- P.14 > BOARD OF DIRECTORS
- P.15 > CORPORATE GOVERNANCE RULES

03 P.30 > Cross-functional theme

- P.30 > STRONGER STRATEGIC MANAGEMENT TOOLS
- P.34 > INTERNATIONAL NETWORK
- P.36 > SIMPLIFIED FINANCIAL ORGANIZATION CHART

04 P.38 > Businesses

- P.38 > CORPORATE AND INSTITUTIONAL BANKING AND MARKETS
- P.42 > PRIVATE EQUITY AND WEALTH MANAGEMENT
- P.45 > SERVICES
- P.49 > RECEIVABLES MANAGEMENT

05 P.52 > Human resources

- P.52 > ACCOMPANYING THE BANK'S STRATEGIC DEVELOPMENT

06 P.56 > Sustainable development

- P.56 > NATEXIS BANQUES POPULAIRES DEEPENS ITS COMMITMENT
- P.63 > NRE APPENDICES

07 P.69 > 2005 financial information

P.69 > MANAGEMENT REPORT
P.69 > Changes in scope of consolidation
P.69 > Review of operations and results
P.70 > Income statement analysis
P.81 > Risk Management
P.92 > Financial structure and regulatory ratios
P.93 > Refinancing
P.94 > Subsequent events
P.95 > Information on Natexis Banques Populaires parent company and proposed distribution of net income
P.96 > RECENT DEVELOPMENTS
P.98 > FINANCIAL INFORMATION
P.102 > Consolidated financial statements to December 31, 2005
P.202 > Auditors' report on the consolidated financial statements
P.204 > Parent company financial statements to December 31, 2005
P.243 > Auditors' report on the parent company financial statements
P.245 > Auditors' report on related-party agreements

08 P.246 > Chairman's report on internal control

P.246 > Corporate governance
P.246 > Internal control
P.256 > Statutory auditor's report on the Chairman's report

09 P.257 > Legal information

P.257 > General meetings of shareholders
P.257 > Report of the Board of Directors on the resolutions to be put to the vote at the annual general meeting
P.258 > Resolutions to be put to the vote at the Annual General Meeting of May 18, 2006

10 P.262 > Additional information

P.262 > General information about Natexis Banques Populaires
P.264 > General information about the capital stock
P.268 > Ownership of capital stock and voting rights
P.269 > Market in Natexis Banques Populaires shares
P.270 > Dividends
P.271 > Other information about Natexis Banques Populaires
P.272 > Persons responsible for the annual report and information
P.272 > Documents available to the public

P.274 > Cross-reference table
P.276 > Contacts

Editorial

PHILIPPE DUPONT,
CHAIRMAN OF THE BANQUE POPULAIRE GROUP

Natexis Banques Populaires performed very well in 2005, posting net income attributable to equity holders of the parent up 43% over the previous year.

These record profits were right in line with management's projections and market expectations, against a backdrop of fierce competition in banking and the financial markets. In this context, Natexis Banques Populaires was an active participant in the Banque Populaire Group's success, and its net banking income represented 37% of that of the Group.

This performance validates the bank's strategic choices and rewards the efforts of employees of the Group's financing, investment banking and services bank, expressed through their strategic plan.

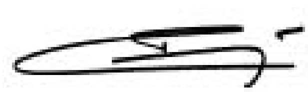
With sound fundamentals, Natexis Banques Populaires is gaining momentum and positioning itself as a unique and innovative market participant.

Natexis Banques Populaires is a vital force in the banking industry. It both designs solutions in the vanguard of the industry for its various client groups – large and medium-sized companies, financial institutions and the Banque Populaire network – and creates industry models.

The bank's ambitious growth strategy is grounded in its profit-generating strengths. Now more than ever these strengths are being called upon to provide long-term security and ensure the bank's ability to expand in an evolving banking sector.

By adhering to its fundamental values, the bank is able to achieve ambitious and regular growth for its clients, employees and shareholders.

> **"Natexis Banques Populaires is gaining momentum and positioning itself as a unique and innovative operator in its market."**



Philippe Dupont
Chairman

Interview

FRANÇOIS LADAM,
CHIEF EXECUTIVE OFFICER OF NATEXIS BANQUES POPULAIRES

What is your reaction to the earnings the bank posted in 2005?

Natexis Banques Populaires and its subsidiaries reported a 14% increase in net banking income. At the same time, the cost of risk declined and expenses were kept under control, lifting net income attributable to equity holders of the parent to €695 million.

All of the bank's employees contributed to these results, as did significant investments undertaken with a long-term perspective in mind. In 2005, all four core businesses – Corporate and Institutional Banking and Markets, Private Equity and Wealth Management, Services and Receivables Management contributed to this healthy performance. Each core business benefited from the right conditions for harmonious growth, profitability and security.

What is Natexis Banques Populaires' expansion based on?

Natexis Banques Populaires has a high-quality clientele, a strong business culture, a transparent structure and clear corporate governance.

To take full advantage of its strengths and achieve the ambitious targets of its strategic plan, our bank intends to:

- build stronger relationships with corporate and institutional clients, thanks to better coordination of the various business teams and an enhanced range of products and services;

- foster growth in insurance, asset management, leasing and factoring activities by federating the sales and marketing efforts of the Banque Populaire regional banks with those of the respective business line teams;

- strengthen investment in high-potential activities, with particularly impressive performance in structured finance and private equity;

- accelerate international growth by strengthening European subsidiaries, developing Coface's international operations and expanding Natexis Algérie's network;

- further improve the effectiveness of the core businesses and reinforce the main support functions, efforts that are already tangible through the revised IT governance system and the Compliance department that has been created within the General Secretariat.

All of these initiatives are aimed at ensuring robust, profitable and secure growth.

> **"A high-quality customer base, a strong business culture, a transparent structure and clear corporate governance."**

I am convinced that our membership in the Banque Populaire Group, the strengthening of our strategic management tools and the skills and commitment of our 13,000 employees will lead us to success.

François Ladam
Chief Executive Officer

Key figures 2005

"**Solid growth** in all business lines. Sharp increase in net income"

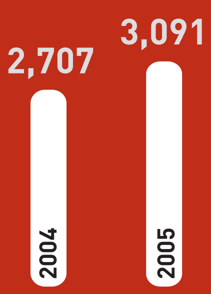
AS OF DECEMBER 31, 2005

155
offices, including **117** outside France

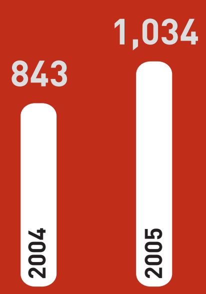
12,973 employees

AA- Standard & Poor's	**Aa3** Moody's

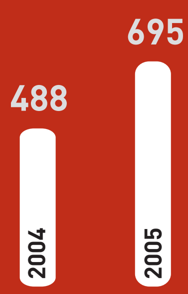
LONG-TERM RATINGS as of January 31, 2006



NET BANKING INCOME
in millions of euros



GROSS OPERATING INCOME
in millions of euros



NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
in millions of euros

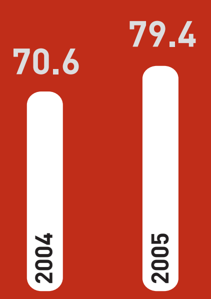
NET BANKING INCOME BY CORE BUSINESS in millions of euros

	2004	2005
Corporate and Institutional Banking and Markets	1,159	1,259
Private Equity and Wealth Management	188	264
Services	611	724
Receivables Management	683	781
Net banking income of core businesses	2,641	3,029
Other net banking income	67	62
TOTAL	2,707	3,091

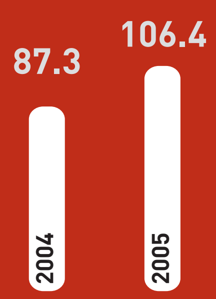
in billions of euros

	01/01/05	12/31/05
Total assets	140	168.3
Regulatory capital*	6.7	8.6
International capital adequacy ratio	12.3%	11.9%
Tier one ratio	8.3%	8.3%

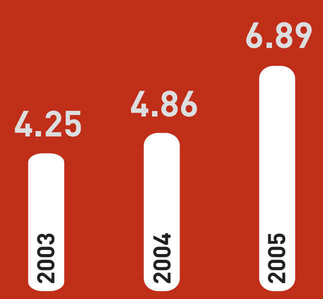
* On an extended Cooke basis.



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

2005 figures: EU IFRS; 2004 figures: IFRS excluding IAS 32, 39 and IFRS 4
(see note II to consolidated financial statements)

Natexis Banques Populaires
and its shareholders

NATEXIS BANQUES POPULAIRES **SHARE PERFORMANCE**

STOCK MARKET PROFILE AS OF DECEMBER 31, 2005

Capital stock	**€783,927,680**
Number of shares	**48,995,480**
Market capitalization	**€6.89 billion**
Number of individual shareholders	**150,000**
Market	**Eurolist Paris (compartment A) eligible for deferred settlement service**
ISIN code	**FR0000120685**
Reuters code	**CNAT.PA**
Bloomberg France code	**KN**
voting rights	Shares registered in the name of the same holder for at least two years carry double voting rights. As of December 31, 2005, there were 85,854,423 voting rights outstanding.

MARKET INDICES

The Natexis Banques Populaires share is included in the SBF 120, SBF 250 and CAC MID 100 indices.

On January 3, 2005, the share was removed from the SBF 250, because the ratio of the number of shares traded to the total number of shares was less than 5%. Euronext Paris' Committee of Experts readmitted Natexis Banques Populaires to the index on September 1, 2005, as the ratio had increased during the May 2004 - June 2005 period to 7.57%.

During this time, the Natexis Banques Populaires share remained in the SBF 120.

OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2005

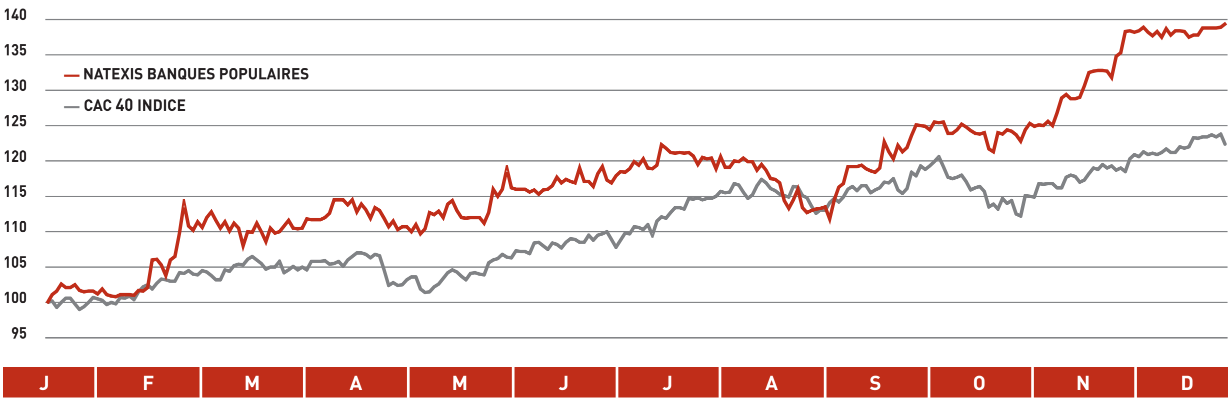
At December 31, 2005, the main shareholders of Natexis Banques Populaires were as follows:

	% interest	% voting rights
Banque Fédérale des Banques Populaires	74.97%	84.88%
of which Alizé Levier employee investment plan	*2.09%*	*2.39%*
Employees (other employee investment plans)	1.34%	1.40%
Banque Populaire regional banks and CASDEN BP	1.78%	1.91%
ASB Holdings	1.57%	1.80%
DZ BANK	1.85%	1.06%
Maine Services [1]	1.33%	1.48%
Neptuno	0.88%	0.50%

(1) wholly-owned subsidiary of Banque Fédérale des Banques Populaires.

NATEXIS BANQUES POPULAIRES SHARE PRICE (REBASED 100 ON JANUARY 1, 2005)

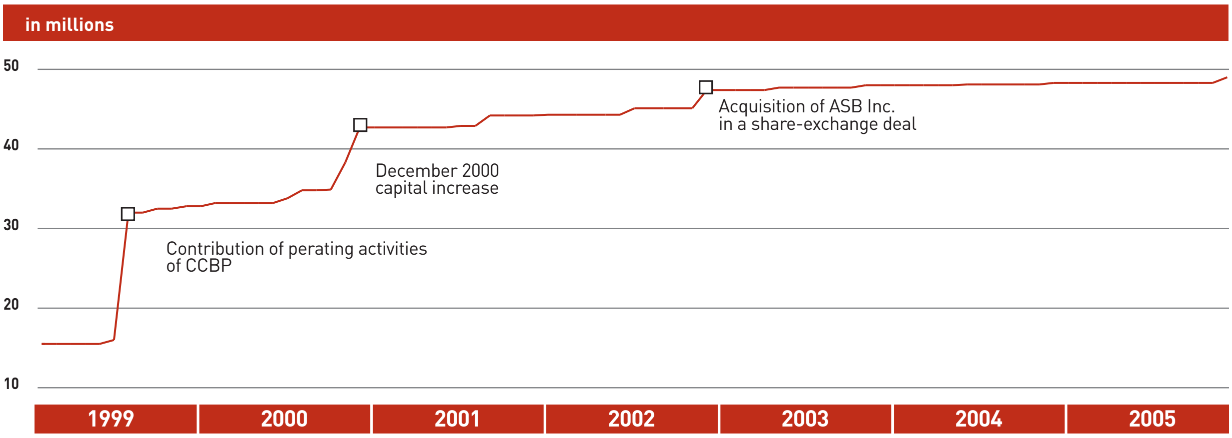
Natexis Banques Populaires shares closed on December 30, 2005 at €140.7, up 39.7% from end-2004.



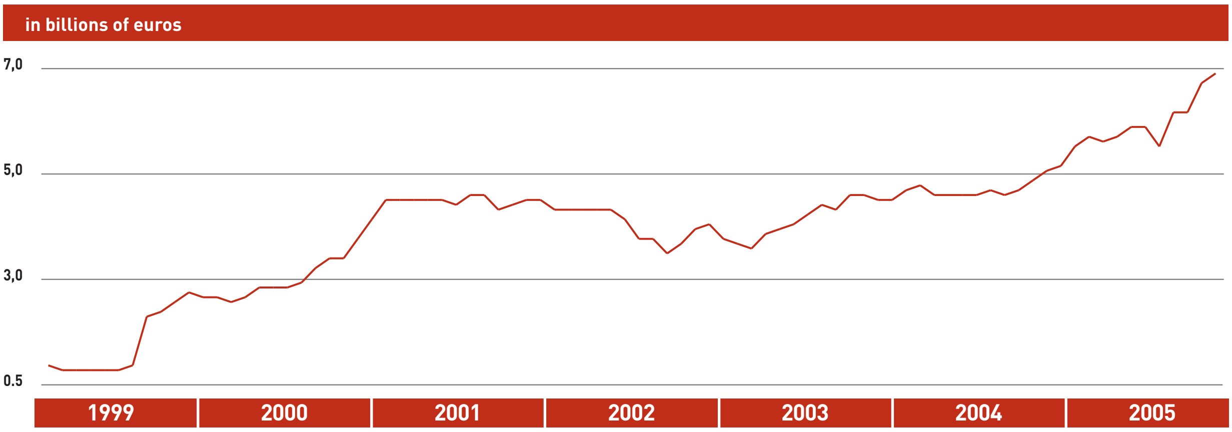
2005 TRADING VOLUME

1st quarter	1,306,417
2nd quarter	992,875
3rd quarter	1,484,661
4th quarter	1,231,767

NUMBER OF SHARES



MARKET CAPITALIZATION



KEY SHARE DATA

in euros	2001	2002	2003	2004	2005
Earnings per share [1]	6.70	2.40	5.60	8.50	14.90
Book value per share [2]	84.60	84.50	86.50	91.10	113.20
Net dividend per share	2.50	1.50	2.50	3.30	5.00 [3]
Pay-out ratio	37.30	62.50	45.50	38.80	40.00 [4]
12-mo. high	102.20	97.50	92.05	109.60	140.80
12-mo. low	86.00	70.00	69.10	85.20	100.00

(1) Based on average number of shares outstanding during the year (excl. treasury shares).
(2) Based on number of shares outstanding at end of year (excl. treasury shares).
(3) Proposal to be submitted to shareholders at the May 18, 2006 Annual General Meeting.
(4) Excl. exceptional items.

VALUE CREATED FOR **SHAREHOLDERS**

Natexis Banques Populaires measures shareholder value created for an individual shareholder over a six-year period, corresponding to a medium-to-long-term investment period.

CALCULATION ASSUMPTIONS

The following calculations are based on a gross dividend, including the *avoir fiscal* tax credit at the 50% rate (except for 2004). Dividends are assumed to be reinvested in Natexis Banques Populaires shares. Returns were calculated as of December 23, 2005 and are shown before tax and brokerage costs.

INVESTMENT RETURNS

The table below shows the growth in value of an investment in one Natexis Banques Populaires share acquired at the December 31, 1999 closing price of €72.70.

FISCAL YEAR	GROSS DIVIDEND PER SHARE (IN EUROS)	PAYMENT DATE	DIVIDEND REINVESTMENT SHARE PRICE (1) (IN EUROS)	FRACTIONAL SHARE ACQUIRED THROUGH DIVIDEND REINVESTMENT	TOTAL SHARES AFTER REINVESTMENT OF GROSS DIVIDEND
1999	3.30	07/03/00	73.20	0.0451	1.045
2000	3.75	06/05/01	96.55	0.0388	1.084
2001	3.75	05/28/02	90.50	0.0414	1.125
2002	2.25	05/26/03	75.15	0.0299	1.155
2003	3.75	06/03/04	88.20	0.0425	1.198
2004	3.30	05/25/05	117.00	0.0282	1.226

(1) Dividend is assumed to be reinvested at the opening share price on the first trading day following payment.

Based on a share price of €140 on December 23, 2005, the initial investment had appreciated to €140 x 1.23 = €171.67 at that date, representing average annual growth of 15.4%. The initial 1999 investment increased 2.4 times.

SHAREHOLDER **RELATIONS**

An integral part of the Banque Populaire Group's Financial Communication department, the Investor Relations unit aims to increase awareness of Natexis Banques Populaires in the financial community of individual and institutional investors, analysts and rating agencies, both as a corporate group and as an investment. It handles all contact with these groups and places prime importance on the regular issuance of accurate, high-quality financial information.

Shareholder Relations prepares Natexis Banques Populaires' annual report and its updates, and ensures that they are filed with the AMF (*Autorité des Marchés Financiers*), the French market watchdog. Owing to the quality of its 2004 annual report, Natexis Banques Populaires was one of the eight SBF 120 companies nominated for the annual report "grand prix" awarded each year by the French financial publication "La Vie Financière".

Annual and interim results are announced in press releases and presented at meetings with the financial press and financial analysts. All of these documents are available on the Natexis Banques Populaires website, in both English and French. Earnings announcements are also published in the financial press.

Whenever a significant event occurs, details are published in a press release and a special meeting is organized with the press and analysts. Specifically, Natexis Banques Populaires published a press release on April 21, 2005 regarding the impact of IFRS on its 2004 financial statements.

Regular roadshow presentations are organized for institutional investors in France and internationally, and information sessions are held for employees of the Banque Populaire regional banks who sell Natexis Banques Populaires shares.

For individual investors, the primary means of communication is the Shareholders' Newsletter. Three Shareholders' Newsletters were sent out in 2005 to all identified shareholders, including a special edition devoted to the Annual General Meeting. A similar newsletter is sent to the approximately 17,000 Banque Populaire Group employees who have subscribed to the employee stock ownership plan launched in June 2001. These documents are available upon request and may also be downloaded from the website.

Individual shareholders in France can also obtain information throughout the year by dialing a toll-free number (0 800 600 525 *calls originating in France only*) or by sending email to relinvest@nxbp.fr. In an effort to personalize shareholder relations and ensure that the information provided is of a consistently high quality, all calls and emails are handled directly by members of the Shareholder Relations team.

Several hundred shareholders attended the Annual General Meeting on May 19, 2005. Held in the main auditorium of the Paris Bourse, it was a perfect opportunity for management and individual shareholders to exchange views. As in prior years, the Meeting was preceded by a broad-based consultation process to identify the topics of particular interest to shareholders, and the rate of response has increased every year. The 2005 themes included Natexis Banques Populaires' financial performance and the 2007 strategic plan, the Group's lines of business – a presentation this year focused on Corporate and Institutional Banking and Markets – as well as share price performance, dividend policy and sustainable development.

As in prior years, the Annual General Meeting could be viewed on the website beginning the following day, together with the results of voting on the resolutions.

Finally, for the fifth consecutive year, the Shareholder Relations team met individual shareholders at the Actionaria individual investors' trade fair held on November 18 and 19, 2005 at the Palais des Congrès conference center in Paris.

The Group's corporate website, *http://www.nxbp.banquepopulaire.com/*, offers a "Shareholders and investors" section, in both French and English. Visitors to the site can listen to the Annual General Meeting for several weeks after it is held, view the share price in real time, or download any document published by the Shareholder Relations team.

2006 Financial Calendar

February 23, 2006
2005 earnings release

May 18, 2006
Annual General Meeting

September 7, 2006
First-half 2006 earnings release

Dividend payment date
See resolution page 259

INVESTOR RELATIONS
INDIVIDUAL SHAREHOLDERS RELATIONS
Tel.:+33(0)1.40.39.68.79 - Fax: +33(0)1.40.39.63.40
Toll free number (in France): 0 800 600 525
Internet: *www.nxbp.banquepopulaire.com*
E-mail: relinvest@nxbp.fr

SECURITIES DEPARTMENT
Tel.:+33(0)1.58.32.31.86 – Fax: +33(0)1.58.32.29.30
e-mail: emetteurs.charenton@nxbp.fr

REGISTERED SHAREHOLDERS
Internet: *www.emetline.com*
e-mail: emetline@nxbp.fr

PARTICIPATING IN THE ANNUAL **GENERAL MEETING**

The Notice of Meeting

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

Holders of bearer shares are notified of the Meeting through notices published in the *Bulletin des Annonces Légales Obligatoires* (BALO – http://balo.journal-officiel.gouv.fr) and the financial press at least 30 days prior to the Meeting date, by calling the toll-free number reserved for shareholders (*calls originating in France only*) or by visiting the bank's web site. Copies of the Notice of Meeting and the voting forms can be obtained from the bank or broker that manages their share account.

Legal formalities to be carried out before the Meeting

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

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

Attending the Meeting in person

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

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

Postal and proxy voting

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

- giving proxy to the Chairman of the Meeting, by returning the signed form of proxy. The Chairman then casts a "Yes" vote on all resolutions presented or approved by the Board of Directors and a "No" vote on all other resolutions;
- voting by post, by returning the signed postal voting form after checking the appropriate boxes so as to vote "Yes", "No" or "Abstain" on each resolution presented to shareholders;
- giving proxy to their spouse or another Natexis Banques Populaires shareholder to vote on their behalf.

Corporate governance

EXECUTIVE **MANAGEMENT COMMITTEE**

As of January 1, 2006*

PHILIPPE DUPONT
Chairman

FRANÇOIS LADAM
Chief Executive Officer

FRANÇOIS CASASSA
General Secretariat, Human Resources, Communications, Management Training

JÉRÔME CAZES
Receivables Management

JEAN DUHAU DE BERENX
Private Equity and Wealth Management

JEAN-YVES FOREL
Services

LUC JARNY
Information Systems and Logistics

ANDRÉ-JEAN OLIVIER
Finance Department

OLIVIER SCHATZ
Corporate and Institutional Banking and Markets

* The following individuals were members of the Executive Management Committee until December 31, 2005:

JEAN-FRANÇOIS MASSON, Human Resources

JEAN-PIERRE MORIN, Services/Insurance

BOARD **OF DIRECTORS**

As of January 1, 2006

Chairman of the Board of Directors, **Philippe Dupont**
Chief Executive Officer, **François Ladam**

DIRECTORS:

>>> **Philippe Dupont**, Chairman of the Board of Directors of Natexis Banques Populaires

>>> Banque Fédérale des Banques Populaires, represented by **Pierre Desvergnes**, Chairman of CASDEN Banque Populaire

>>> **Vincent Bolloré**, Chairman and Chief Executive Officer of Groupe Bolloré

>>> **Christian Brevard**, Deputy Vice-Chairman of Banque Populaire Alsace

>>> **Jean-François Comas**, Chief Executive Officer of Banque Populaire Côte d'Azur

>>> **Claude Cordel**, Chairman of Banque Populaire du Sud

>>> **Daniel Duquesne**, Chief Executive Officer of Banque Populaire Loire et Lyonnais

>>> **Stève Gentili**, Chairman of BRED Banque Populaire

>>> **Jean de La Chauvinière**

>>> **Yvan de La Porte du Theil**, Chief Executive Officer of Banque Populaire Val de France

>>> **Richard Nalpas**, Chief Executive Officer of Banque Populaire Toulouse-Pyrénées

>>> **Francis Thibaud**, Chief Executive Officer of Banque Populaire du Sud-Ouest

>>> **Jean-Louis Tourret**, Chairman of Banque Populaire Provençale et Corse

>>> **Robert Zolade**, Chairman of H.B.I. (Holding Bercy Investissement)

>>> **Jean-Pierre Chavaillard**, director representing employee-shareholders

NON-VOTING DIRECTOR:

>>> **Michel Goudard**, Deputy Chief Executive Officer of Banque Fédérale des Banques Populaires

BOARD SECRETARY:

>>> **Jean-René Burel**

ACTING AUDITORS

Deloitte & Associés
Salustro Reydel
Barbier Frinault et Autres

SUBSTITUTE AUDITORS

BEAS
François Chevreux
Pascal Macioce

CORPORATE GOVERNANCE RULES

Sections 1 and 2 below constitute part one of the Chairman's report on the Board of Directors and how it prepares and organizes its assigned tasks (Articles 225-37 and 225-51 of the Commercial Code).

Natexis Banques Populaires is a French corporation (société anonyme) with a Board of Directors. Philippe Dupont is the Chairman of the Board and also Chairman and Chief Executive Officer of Banque Fédérale des Banques Populaires. On January 16, 2002, the company opted to separate the functions of Chairman and Chief Executive Officer. François Ladam, who is not a member of the Board of Directors, has been named Chief Executive Officer.

1 > The Board of Directors and its members

1.1 - Composition

There are 15 members of the Board of Directors.

The composition of the Board of Directors remained stable during the year, except that the permanent representative of the Banque Fédérale des Banques Populaires changed. Nevertheless, Board membership is regularly refreshed. The average length of service of the current Board members is 3.9 years.

Board members can be divided into three groups:

- Banque Populaire Group,
- Independent directors,
- Employee shareholders.

The Banque Populaire Group, the majority shareholder and by far the largest with 76% of the shares, holds 11 seats or 73% of the 15 seats on the Board. Aside from the Chairman, the directors from the Banque Populaire Group are equally divided between chairmen of Banque Populaire regional banks and Chief Executive Officers of Banque Populaire regional banks.

Employee shareholders, who hold approximately 3.4% of the shares, are represented by a Board member appointed by shareholders in accordance with legislation. The current holder of this position is the deputy head of the risks and results unit of the capital markets middle office.

All Board members, with the exception of Banque Fédérale des Banques Populaires, the principal shareholder, are individuals.

Each Board member owns at least 100 shares of the company, in accordance with the bylaws.

In accordance with EU regulations, the bank reports that apart from this obligation there is no restriction on the sale, within a given time period, of the shares owned by members of the Board of Natexis Banques Populaires. Except for Banque Fédérale des Banques Populaires, Board members own no shares other than those mentioned above.

1.2 - Independent directors

The three independent directors satisfy the criteria endorsed by the AFEP-MEDEF report on corporate governance. They have no ties with any of the bank's direct or indirect shareholders, are not members of the bank's management team and have not sat on the Board for more than 12 years. They can therefore take part in the work of the Board on an objective basis:

- the first independent director, Jean de La Chauvinière, is a retired banker and stockbroker. He is now completely independent of any financial institution. Mr. de La Chauvinière is also Chairman of the Remuneration Committee and a member of the Audit Committee and is particularly attentive to the concerns of small, minority shareholders;
- Robert Zolade is the Chief Executive and co-founder of one of France's top two food services groups;
- the third independent director is Vincent Bolloré, Chairman and Chief Executive Officer of the eponymous group, a leading company in a diversified range of manufacturing, service and communications industries.

Mr. Bolloré and Mr. Zolade satisfy the independence criteria, and the banking relationships Natexis Banques Populaires maintains with their groups do not compromise their impartiality. The Bolloré group is a major client of Natexis Banques Populaires, as it is of many other large banks, but outstanding loans to the Bolloré group represent less than 1% of the bank's outstandings. Natexis Banques Populaires holds no stake in the capital of these groups or in any of their subsidiaries.

Owing to their long-standing experience, these three directors provide valuable insight and a different point of view, complementing that of the bankers who represent the majority of Board members. Finally, no member of the Board of Directors of Natexis Banques Populaires sits on the Board of Directors of one of the groups managed by these three individuals.

1.3 - Competence and integrity of Board members

In accordance with regulations, the table on page 18 lists the functions exercised by the executive directors of Natexis Banques Populaires. The brief summary of their responsibilities shows that they all have recognized business expertise, in particular through their positions as executives of banks or large industrial companies or as former bank executives.

In accordance with the enforcement rules of the EU directive 2003/71 (Article 14.1, paragraph 2), the bank reports that none of these Board members or members of Executive Management has been convicted of fraud over the past five years (minimum), has been subject to bankruptcy, liquidation or receivership over the past five years (minimum), has been officially incriminated or punished by corporate or regulatory authorities, has been enjoined from acting as a director or executive of an issuer or from managing or participating in the business of an issuer over the last five years (minimum).

1.4 - Agreements between the bank and the members of its Board of Directors

The bank also reports, in accordance with EU regulations, that there are no agreements between members of the Board of Directors or Executive Management and the bank that could grant advantages to them at the termination of such an agreement and that might by their nature compromise their independence or interfere with their decisions.

No Natexis Banques Populaires director, except for the director representing employee-shareholders, has an employment contract with the bank or one of its subsidiaries.

1.5 - Potential conflicts of interest

The members or the Natexis Banques Populaires Board of Directors are unlikely to be subject to conflicts of interest between their obligations to the bank and their private or other interests.

Specifically, the bank reports, in accordance with the abovementioned EU directive, that no there is no arrangement or agreement between the bank and one of its shareholders, customers or suppliers that has given rise to the appointment of a member of the Board of Directors or Executive Management.

Members of the board of directors

NAME OF PERSON OR COMPANY	FIRST ELECTED/ APPOINTED	TERM EXPIRES (AGM CALLED TO APPROVE THE FINANCIAL STMTS. FOR THE YEAR INDICATED)	MAIN POSITION WITHIN THE COMPANY	MAIN POSITION OUTSIDE THE COMPANY
Dupont Philippe	Board meeting of November 25, 1997	2007	Chairman of the Board, Director	Chairman and Chief Executive Officer Banque Fédérale des Banques Populaires Le Ponant de Paris - 5, rue Leblanc 75511 Paris cedex 15
Banque Fédérale des Banques Populaires represented by Pierre Desvergnes	Board meeting of November 25, 1997	2007	Director	Chairman CASDEN Banque Populaire 91, cours des Roches – Noisiel 77424 Marne-la-Vallée cedex 2
Bolloré Vincent	AGM of May 27, 2004	2009	Director	Chairman and Chief Executive Officer groupe Bolloré Tour Bolloré - 31-32, quai de Dion Bouton 92800 Puteaux
Brevard Christian	AGM of May 27, 2004	2007	Director	Deputy Vice-Chairman Banque Populaire d'Alsace Immeuble le Concorde - 4, quai Kléber BP 10401 - 67000 Strasbourg
Comas Jean-François	AGM of May 23, 2002	2009	Director	Chief Executive Officer Banque Populaire Côte d'Azur 457, promenade des Anglais 06292 Nice cedex 3
Cordel Claude	AGM of May 23, 2002	2007	Director	Chairman Banque Populaire du Sud 10, place de la Salamandre CS 98-001 - 30969 Nîmes cedex 9
Duquesne Daniel	AGM of May 23, 2002	2009	Director	Chief Executive Officer Banque Populaire Loire & Lyonnais Immeuble PDG Part-Dieu - 141, rue Garibaldi 69211 Lyon cedex 03
Gentili Stève	AGM of May 23, 2002	2005	Director	Chairman BRED Banque Populaire 18, quai de la Rapée 75012 Paris
de La Chauvinière Jean	AGM of May 3, 1996	2007	Director	25, rue de Madrid 75008 Paris
de La Porte du Theil Yvan	AGM of May 27, 2004	2005	Director	Chief Executive Officer Banque Populaire Val-de-France 9, avenue Newton 78183 Saint-Quentin-en-Yvelines cedex
Nalpas Richard	AGM of May 23, 2002	2009	Director	Chief Executive Officer Banque Populaire Toulouse-Pyrénées 33-43, avenue Georges Pompidou 31135 Balma cedex
Thibaud Francis	AGM of May 23, 2002	2008	Director	Chief Executive Officer Banque Populaire du Sud-Ouest 10, quai des Queyries 33072 Bordeaux cedex
Tourret Jean-Louis	AGM of May 23, 2002	2009	Director	Chairman Banque Populaire Provençale et Corse 245, boulevard Michelet BP 25 - 13274 Marseille cedex 09
Zolade Robert	Board meeting of September 22, 1999	2006	Director	Chairman of H.B.I. (Holding Bercy Investissement) Groupe Elior - 65, rue de Bercy 75589 Paris cedex 12
Goudard Michel	AGM of May 23, 2002	2010	Non-voting director	Deputy Chief Executive Officer Banque Fédérale des Banques Populaires Le Ponant de Paris - 5, rue Leblanc 75511 Paris cedex 15
Chavaillard Jean-Pierre	AGM of May 23, 2002	2007	Director representing employee shareholders	Natexis Banques Populaires 45, rue Saint-Dominique 75007 Paris

Executive management

Ladam François	Board meeting of October 23, 2002		Chief Executive Officer	Natexis Banques Populaires 45, rue Saint-Dominique 75007 Paris

Other executive positions and directorships held by members of the Board of Directors of Natexis Banques Populaires in 2005

Philippe Dupont

CHAIRMAN AND CHIEF EXECUTIVE OFFICER:
Banque Fédérale des Banques Populaires

François Ladam

PERMANENT REPRESENTATIVE OF NATEXIS BANQUES POPULAIRES, DIRECTOR:
Natexis Altaïr,
Natexis Assurances,
Natexis Private Equity

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

Legal representative of Natexis Banques Populaires, manager:
Natexis Arbitrage

Non-voting director:
Banque Fédérale des Banques Populaires

Vincent Bolloré

French companies

CHAIRMAN AND CHIEF EXECUTIVE OFFICER:
Bolloré Participations,
Bolloré

Chairman of the Board of Directors:
Havas,
Bolloré Investissement,
Financière de l'Odet,
Bolloré Média

Chairman of SAS:
Bolloré Production

Chief Executive Officer:
Sofibol,
Omnium Bolloré,
Financière V

Director:
Batscap,
Bolloré,
Bolloré Participations,
Bolloré Investissement,
Bolloré Média,
Compagnie des Glénans,
Financière Moncey,
Financière de l'Odet

Member of the Supervisory Board:
Vallourec

Permanent representative of Bolloré Participations, director:
Compagnie des Tramways de Rouen,
Safa,
Société des Chemins de Fer et Tramways du Var et du Gard,
Société Industrielle et Financière de l'Artois,
Société Bordelaise Africaine,
IER

Permanent representative of Bolloré, director:
Afrique Initiatives

Permanent representative of Bolloré Participations, member of the Supervisory Board:
Compagnie du Cambodge

Permanent representative of Compagnie du Cambodge, member of the Supervisory Board:
Société Financière HR,

Foreign companies

Chairman of the Board of Directors:
Plantations des Terres Rouges (Luxembourg)

Vice Chairman:
Société des Caoutchoucs de Grand Bereby – SOGB (Abidjan),
Bereby Finances (Abidjan)

Deputy Chairman:
Nord Sumatra Investissements (Bruxelles)

Director:
BB Groupe SA (Luxembourg),
Centrages,
Compagnie Internationale de Cultures (Luxembourg),
Financière Privée (Bruxelles),
Liberian Agricultural Company LAC,
Mediobanca,
Plantations Nord Sumatra Limited,
Red Land Roses (Kenya),
SDV Gabon,
SDV Sénégal,
Société Financière des Caoutchoucs Socfin (Bruxelles),
Socfinaf Cy Ltd (Kenya),
Société Financière Luxembourgeoise – Socfinal (Luxembourg),
Socfinasia (Luxembourg),

Socfin Consultant Services – Socfinco (Bruxelles),

Pt Socfin Indonesia Ord. – Socfindo (Indonésie),

Socfin International – Socfininter (Bruxelles),

Socfin Plantations Sendirian Berhad (Malaisie),

Société de Gestion pour le Caoutchouc et les Oléagineux – Sogescol (Bruxelles)

Permanent representative of Bolloré Participations, director:
SDV Cameroun,

SDV Congo,

SDV Côte d'Ivoire,

Immobilière de la Pépinière

Christian Brevard

DEPUTY VICE CHAIRMAN:
Banque Populaire d'Alsace

Chairman of the Board of Directors:
Natexis Bleichroeder S.A.

Chairman of the Management Board:
Bruker Biospin S.A.

Director:
Banque Fédérale des Banques Populaires,

Natexis Bleichroeder Inc. (New York)

Permanent representative of Banque Populaire d'Alsace, director:
Natexis Pramex International

Manager:
Bruker Daltonique (eurl),

Membre de l'Académie des Technologies

Jean-François Comas

CHIEF EXECUTIVE OFFICER:
Banque Populaire Côte d'Azur

Director:
Banque Fédérale des Banques Populaires,

Natexis Assurances,

Natexis Coficiné

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

Permanent representative of Banque Populaire Côte d'Azur, director:
Informatique-Banque Populaire

Claude Cordel

CHAIRMAN OF THE BOARD OF DIRECTORS:
Banque Populaire du Sud

Chairman:
SAS CPSL,

SAS Holding Clobia

Chairman of the Board of Directors:
Natexis Factorem

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

Director:
SAS Dupleix,

SNC Hydromons

Pierre Desvergnes

CHAIRMAN AND CHIEF EXECUTIVE OFFICER:
Casden Banque Populaire

Chairman of the Board of Directors:
Fructi-Actions Rendement,

Invest Kappa,

Maine Gestion,

Parnasse Finance

Vice Chairman:
GIE Ccomcen

Director:
Banque Fédérale des Banques Populaires,

Natexis Asset Management, Parnasse Maïf S.A.,

Permanent representative of Casden-Banque Populaire, director:
Natexis Altaïr,

Parnasse Services,

Valorg

Permanent representative of Parnasse Finance, director:
Parnassienne de Crédit

Permanent representative of Casden-Banque Populaire, member of the Supervisory Board:
SCPI Parnasse Immo

Manager:
SARL Cours des Roches,

SARL Inter Promo

Jean Dufresne de La Chauvinière

Director:
Natexis Asset Management,

France Entreprises

Vice Chairman:
La Demeure Historique

Daniel Duquesne

CHIEF EXECUTIVE OFFICER:
Banque Populaire Loire et Lyonnais

Director:
Banque Fédérale des Banques Populaires,

Natexis Asset Management,

Garibaldi Participations

Permanent representative of Banque Populaire Loire et Lyonnais, director:
Informatique-Banque Populaire

Member of the Supervisory Board:
Volksbank International AG,
Volksbank CZ

Chairman:
Garibaldi Capital Développement,
Sepel

Stève Gentili

CHAIRMAN OF THE BOARD OF DIRECTORS:
BRED Banque Populaire,
BRED Gestion,
Natexis Pramex International

Member of the Supervisory Board:
Banque Internationale de Commerce-BRED

Director:
Banque Fédérale des Banques Populaires,
Bercy Gestion Finances +,
BRED Cofilease,
Coface,
Cofibred - Compagnie Financière de la BRED,
LFI,
Natexis Algérie,
Pramex Italia S.R.L

Permanent representative of BRED Gestion on the Board of Directors:
Vialink

Permanent representative of BRED Banque Populaire, director:
BICEC - Banque Internationale pour le Commerce, l'Épargne et le Crédit

Yvan de La Porte du Theil

CHIEF EXECUTIVE OFFICER:
Banque Populaire Val de France

Member of the Supervisory Board:
SBE (renamed M.A. Banque - Multi Accès Banque on January 1, 2006)

Director:
Banque Fédérale des Banques Populaires,
Coface

Permanent representative of Banque Populaire Val de France, director:
i-BP (Informatique-Banque Populaire)

Richard Nalpas

CHIEF EXECUTIVE OFFICER:
Banque Populaire Toulouse-Pyrénées

Vice-Chairman of the Board of Directors:
Natexis Bleichroeder S.A.

Director:
Banque Fédérale des Banques Populaires,
Natexis Assurances,
Natexis Bleichroeder Inc. (New York)

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

Permanent representative of Banque Populaire Toulouse-Pyrénées, member of the Supervisory Board:
Latécoère

Francis Thibaud

CHIEF EXECUTIVE OFFICER:
Banque Populaire du Sud-Ouest

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

Director:
Socami Bordeaux Région

Permanent representative of Banque Populaire du Sud-Ouest, director:
Informatique-Banque Populaire,
Socama Sud-Ouest,
Soprolib Sud-Ouest

Jean-Louis Tourret

CHAIRMAN OF THE BOARD OF DIRECTORS:
Banque Populaire Provençale et Corse,
Natexis Interépargne,
Proclair SAS,
Tourret SAS

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

Director:
Lafarge Ciments

Manager:
Tourret Electronique,
Tourret Entreprises,
Proclair Provence,
Proclair Rhône-Alpes,

Chairman:
SAS Sopres

Robert Zolade

French companies

CHAIRMAN:
Servinvest 2

Chairman and director:
Eliance,
H.B.I.

Senior Executive Vice President:
Elior Nederland BV,
Elior UK Ltd

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

Member of the Supervisory Board:
Pragma Capital

Manager:
Servinvest

Manager and partner:
Bercy Participations

Legal co-representative of Bercy Participations, co-manager and General Partner of:
Société Elior

Legal co-representative of HBI, co-manager and General Partner of:
Société Elior

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

Legal representative of Eliance, managing partner:
Eliance Orly Ouest,
Eliance Aéroport

Chairman:
H.B.I. (SAS),
Bercy Présidence (SAS)

Legal representative of HBI, the company that is Chairman of:
Bercy Participations (SAS)

Legal representative of HBI, the company that is Chairman of Bercy Participations, the company that is manager and General Partner of:
Elior (SCA)

Chairman and director:
Avenance (SAS)
Eliance (SAS)

Legal representative of Avenance SAS, the company that is Chairman of:
Bercy Services I (SAS),
Bercy Services V (SAS),
Elior Gestion (SAS)

Legal representative of Elior, the company that is Chairman of:
Elior Services (SAS)

Member of the Supervisory Board:
Pragma Capital (S.A.)

Foreign companies

Chairman and director:
Elior UK Ltd

Vice-Chairman and Director:
Areas (SA)

Director:
Areas Ibericoamericana,
Avenance UK,
Serunion (SA)

Michel Goudard

DEPUTY CHIEF EXECUTIVE OFFICER:
Banque Fédérale des Banques Populaires

Director:
Natexis Altaïr,
Natexis Bleichroeder Inc. (New York),
Natexis Bleichroeder S.A.,
Natexis Private Equity

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

Chairman and Chief Executive Officer:
Informatique-Banque Populaire (until December 31, 2005)

Non-voting director:
Europay France

Member of the Executive Committee:
Confédération Internationale des Banques Populaires

Chairman:
Association des Banques Populaires pour la Création d'Entreprise

Member of the Supervisory Board:
Fonds de Garantie des Dépôts,
SBE (renamed M.A. Banque – Multi Accès Banque - on January 1, 2006)

2 > Responsibilities of the Board of Directors

2.1 - Internal rules of the Board of Directors and Director's Charter

The Board of Directors has had a set of Internal Rules and a Charter since 2001, summarized below. A copy of both of these documents is given to new directors when they join the Board.

The Internal Rules describe the matters falling within the competence of the Board, its rules of procedure, its code of ethics and its methods for resolving conflicts of interest. They also specifically provide for the Board to be assisted by three Committees. Lastly, they describe the rules of conduct to be followed by each individual director.

The Internal Rules also describe the method used to determine director's fees. These include a small fixed annual fee (€1,525 since 2001) and a variable fee of €1,220 per meeting attended by the director during the year (also since 2001). In addition, members of the Committees of the Board are paid a fee of €915 per Committee meeting attended.

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

2.2 - Meetings of the Board of Directors in 2005

The Board of Directors of Natexis Banques Populaires met seven times during 2005. The attendance rate was high: 96% on average over the year for all members at all meetings.

Several days before each meeting, directors were given documents containing detailed, comprehensive information about each item on the agenda.

Detailed minutes are prepared after every meeting. They summarize the information presented, remarks made by the Board members, and the decisions of the Board.

As part of its overall responsibilities, the Board made decisions about all matters related to the bank's strategy and business orientation. It approved the financial statements of the bank and the Group and reviewed the annual budget. At each meeting, the Board received regular information about business performance and also approved financial press releases.

The internal control report, in accordance with CRBF rule n° 97-02, as well as the Chairman's report on internal control, in accordance with the Financial Security Act (loi sur la sécurité financière), were presented to and discussed by the Board.

Under the French Monetary and Financial Code, the Board has a oversight role vis-à-vis the bank. In this regard, the Board was particularly attentive to the recommendations of the Banking Commission.

In accordance with regulations, the Board approved, prior to signature, certain related party transactions concerning one or more of its members. This was particularly true of Banque Fédérale des Banques Populaires, the majority shareholder of Natexis Banques Populaires, with which the bank has several executives and directors in common. In 2005, the transfer of the electronic banking activities of Natexis Banques Populaires to its subsidiary Natexis Paiements was subject to this procedure, because Banque Fédérale des Banques Populaires is a director of both companies.

Lastly, the Board continued to approve in advance all major equity investments planned by Natexis Banques Populaires. External growth operations planned by subsidiaries were also submitted to the Natexis Banques Populaires Board for approval. Even though the powers of the Chief Executive Officer are not specifically limited, the bylaws require the Board of Directors to approve any significant equity investment. The threshold has therefore been set particularly low (€1 million) so that the Board is required to make the decision on most transactions of this kind.

As at the beginning of every year, the Board set risk limits in January 2005.

In addition to these regulatory responsibilities, the Board of Directors examined the following specific subjects in 2005:

- the strategic plan drawn up by Executive Management for the 2005-07 period, approved its major themes and studied the consequences of the plan on the organization, operation and outlook of the bank's principal lines of business.

In so doing:

- the Board analysed the transverse sales organization implemented in the Corporate and Institutional Banking and Markets core business and the business development initiatives of Natexis Banques Populaires with regard to mid-cap corporate customers;
- it also assessed developments in capital markets within the Corporate and Institutional Banking and Markets core business;
- with regard to extending the bank's activities abroad, the Board examined country risk policies, and more specifically, the bank's business development plan in the United States.
- on several occasions, the Board focused on recent events and the outlook in the Services core business. In particular it examined this core business' organization, which includes Banking Services, Financial Services, Insurance, Employee Benefits Planning, and Asset management. It also examined the creation of Natexis Investor Servicing, a new subsidiary dedicated to asset servicing; and various development and partnership projects in the corresponding business lines.

■ against a backdrop of profound changes in accounting and financial reporting, a detailed report on the consequences of the conversion to IFRS and on their impact on the consolidated financial statements was presented to the Board, as was a report on progress achieved in implementing the Basel II ratios.

■ in a similar vein, the Senior Executive Vice President, Finance presented a report to the Board on capital allocation methods.

Generally, for the presentation of technical subjects, the Board calls upon the heads of the relevant departments so as to have input from those individuals most directly connected with the subject matter at hand.

2.3 - Committees of the Board of Directors

The Board of Directors of Natexis Banques Populaires has had three special committees for the past several years. Their job is to assist the Board in the performance of its functions:

■ an Audit Committee (set up in 1996),
■ a Risk Management Committee (set up in 2000),
■ a Remuneration Committee (set up in 1996).

Operating rules have been prepared for the Risk Management Committee and the Audit Committee.

Whenever necessary, the Committees of the Board make inquiries of the head of Internal Audit, the Corporate Secretary, the Senior Executive Vice President, Finance, the Senior Executive Vice President, Risk Management, the Compliance Officer, the Senior Executive Vice President, Internal Control, the Financial Crime Prevention Officer, or any other persons in a position to provide the technical information required. The Auditors are invited to take part in the Audit Committee's meetings. Neither the Chairman nor the Chief Executive Officer attends meetings of the Committees. Formal minutes are produced after each meeting and the Committee chairmen report periodically to the Board on their activities and recommendations.

■ The Audit Committee has four members: Richard Nalpas, Chairman, Pierre Desvergnes, Jean de La Chauvinière (independent director) and Francis Thibaud. Its overall responsibilities, pursuant to its operating rules, are to assist the Board of Directors in controlling risk at Natexis Banques Populaires, to review draft financial statements and related financial disclosures. Where necessary, the Committee obtains explanations about material items before the financial statements are presented to the Board. During its review, the Committee examines the accounting treatment of non-recurring transactions and obtains assurance concerning the appropriateness and consistent application of accounting principles and methods.

As well as meeting before the publication of the interim and annual financial statements, the Committee may also hold other meetings during the year to review any issues that fall within its purview. In 2005, the Committee met twice, with an 75% attendance rate, to review the 2004 annual financial statements and the 2005 interim financial statements, prior to their presentation to the Board. The Auditors attended both meetings.

The Auditors submit a summary of the nature and objectives of their work to the Committee. This summary includes their observations on the accounting choices made and on the technical aspects of the closing, their opinion on the level of provisions and on the various risks to which the bank is subject. The Auditors also draw the Committee's attention to the consequences of regulatory and accounting changes affecting the presentation of the parent-only and consolidated financial statements. They make suggestions intended to improve the quality of the financial information that the bank produces.

■ The Risk Management Committee has four members: Daniel Duquesne, Chairman, Jean-François Comas, Claude Cordel and Jean-Louis Tourret.

In accordance with its operating rules, the Risk Management Committee assists the Board of Directors in managing the risks incurred by Natexis Banques Populaires. To this end, the Committee analyses the bank's main areas of risk – other than those concerning the accuracy of the financial statements and financial disclosures – and assesses the effectiveness of the internal control systems. In the same way as the Audit Committee, the Risk Management Committee may review any issues that fall within its purview.

In 2005, the Risk Management Committee met four times, with a 100% attendance rate, and examined, in accordance with CRBF rule no. 97-02, the Chairman's report on how the Board of Directors' work is prepared and organized and on the bank's internal control procedures, as stipulated in the Financial Security Act. The Committee was informed of the results of internal audit assignments carried out in 2004 and of the auditing schedule for 2005; finally, it was consulted on the proposed responses to the Banking Commission's various audit reports.

To make more detailed information about the evaluation of market risks available to the members of the Board, the Risk Management Committee organized a meeting in 2005 attended by several heads of risk management and market units, who each presented the concepts and tools used to manage risk and furnished explanatory documentation on these complex topics.

Finally, given the importance of the topic, affecting both the quality and the reliability of financial reporting, a report was presented to the Committee on the bank's enterprise systems development plan.

■ The Remuneration Committee has four members. Its chairman is Jean de La Chauvinière (independent director) and the other members are Stève Gentili, Vincent Bolloré (independent director) and Yvan de La Porte du Theil.

It considered various mechanisms for maintaining a steady flow of employee-owned shares, including stock options and bonus shares, so as to make proposals to the Board. In this context, the "Alizé" plan, instituted in 2001, will expire in 2006.

It also examined the methods for determining the variable portion of executive compensation, detailed in the section below entitled "Compensation paid to the Chairman, Chief Executive Officer and directors".

2.4 - Evaluation of the Board of Directors

The work of the Board of Directors was evaluated for the first time in 2005, in accordance with corporate governance recommendations.

The evaluation was carried out in July/August 2005 via a 32-point questionnaire addressed to all Board members, including the non-voting member, but excluding the Chairman.

The questionnaire included both yes-no and open questions, quantitative ratings and space for free-form comment, and was divided into three main parts:

- the operating procedures of the Board of Directors;
- discussions and deliberations;
- advisory responsibilities and participation in debate.

No oral interviews were held for this initial survey. The survey was conducted internally, without any external consultant.

The Board discussed the results of the evaluation during one of its meetings in the second half of the year.

Analysis of the responses showed that overall, directors were positive about work carried out by the Board of Directors of Natexis Banques Populaires. Board members said they were satisfied with the volume, form and quality of the information they received during Board meetings.

Nevertheless, the Chairman made several specific proposals so as to take into account remarks and suggestions about how meetings are organized and run. He also made suggestions about topics in which directors showed keen interest, in particular strategy and human resources. These proposals can be implemented very soon. The Board decided to conduct evaluations regularly in the future, so as to have a constant barometer of how well improvements are working and to have wide-ranging input on corporate governance.

3 > Compensation paid to the Chairman, Chief Executive Officer and directors

Articles 8 and 9 of the July 26, 2005 law intended to modernize and enhance confidence in the economy call for disclosure of "compensation and other benefits granted to executives". Article L. 225-102-1 of the Commercial Code stipulates:

"This report shall describe and distinguish between the fixed, variable and exceptional components of their compensation and benefits as well as the criteria used to calculate them or the circumstances in which they were determined. It shall also indicate any commitments undertaken by the company for the benefit of its executives that represent compensation, indemnities or benefits due or potentially due to them as a result of accepting, relinquishing or changing responsibilities or subsequent thereto."

The report must therefore include not only the exact amount of each component of total compensation but also the context and the reasons that led to it.

3.1 - Compensation paid

The compensation paid to the Chairman and Chief Executive Officer includes:

- components of direct compensation plus, if applicable, fringe benefits;
- director's fees, if applicable.

As can be seen in the information presented below, direct compensation has been stable, composed essentially of a fixed portion and a "variable" portion, which, as in prior years, was adjusted only marginally. Director's fees were very low.

The Remuneration Committee, which rendered its opinion on these payments, emphasized that the amounts were moderate and virtually constant over the past few years, compared in particular with that of other companies and with regard to the growth in earnings.

CHAIRMAN

Fixed and variable portions of the Chairman's compensation

2005

- In his capacity as Chairman of Natexis Banques Populaires, Philippe Dupont was paid a fixed annual salary of €263,000 in 2001, 2002, 2003, 2004 and 2005.

- The Board decided to pay Mr. Dupont a bonus of €75,000, as the variable portion of his 2005 compensation, together with his December 2005 salary. The Board decided that this bonus could be reduced should earnings for the 2005 fiscal year not meet projected levels. This procedure made it possible to compare Natexis Banques Populaires' published earnings and the variable pay of its most senior executives.

2006

- For 2006, the Board of Directors decided to hold the fixed portion of Mr. Dupont's compensation constant at the level of the previous five years, i.e. €263,000.

- The variable portion of Mr. Dupont's 2006 compensation will be calculated through a formula proposed by the Remuneration Committee and approved by the Board of Directors on February 22, 2006.

In determining the formula, the Board emphasized simplicity, choosing a linear function, wherein variable pay would drop to zero if earnings were below a certain threshold.

The parameters of variable pay calculation are as follows:

- if the full-year consolidated net income (after tax) of Natexis Banques Populaires is less than €250 million, the variable portion of compensation is equal to zero;
- if the full-year consolidated net income (after tax) of Natexis Banques Populaires is equal to or greater than €250 million, the variable portion of compensation is equal to 1.5/10,000 (one point five ten thousandths) of this income.

SUMMARY OF PHILIPPE DUPONT'S COMPENSATION

	2002	2003	2004	2005	2006
Fixed	€263,000	€263,000	€263,000	€263,000	€263,000
Variable	€30,000	€75,000	€75,000	€75,000	Function of consolidated net income

Mr. Dupont received compensation of €299,427 and €63,868 in fringe benefits in his capacity as Chairman and Chief Executive Officer of Banque Fédérale des Banques Populaires, the controlling shareholder of Natexis Banques Populaires.

Fringe benefits

Mr. Dupont did not receive any fringe benefits from Natexis Banques Populaires.

Director's fees paid to the Chairman.

In his capacity as Chairman of the Board of Directors, Philippe Dupont received €10,065, calculated on the same basis as that used for all directors.

Mr. Dupont holds no other directorship at any subsidiary of Natexis Banques Populaires.

CHIEF EXECUTIVE OFFICER

Fixed and variable portions of the Chief Executive Officer's compensation

2005

- The Remuneration Committee, accepted the proposal of the Chairman, Philippe Dupont, and set the fixed portion of compensation paid to François Ladam in his capacity as Chief Executive Officer of Natexis Banques Populaires in 2005 at €365,000.

The Board of Directors set the variable portion of Mr. Ladam's compensation, to be paid in December 2005 and based on the likely earnings of the current year, at €100,000, provided projected results were achieved. The Board decided that this bonus could be reduced should earnings for the 2005 fiscal year not meet projected levels.

2006

- For 2006, the Board decided that the fixed portion of Mr. Ladam's compensation would be maintained at €365,000.
- The variable portion of Mr. Ladam's 2006 compensation will be calculated by applying the same principles as those described for the Chairman's variable pay.

The parameters of variable pay calculation are as follows:

- if the full-year consolidated net income (after tax) of Natexis Banques Populaires is less than €250 million, the variable portion of compensation is equal to zero;
- if the full-year consolidated net income (after tax) of Natexis Banques Populaires is equal to or greater than €250 million, the variable portion of compensation is equal to 2/10,000 (two ten thousandths) of this income.

SUMMARY OF FRANÇOIS LADAM'S COMPENSATION

	2002	2003	2004	2005	2006
	Deputy Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer	Chief Executive Officer
Fixed	€290,000	€362,000	€362,000	€365,000	€365,000
Variable	€0	€100,000	€100,000	€100,000	Function of consolidated net income

Fringe benefits

Mr. Ladam has a company-owned apartment in Paris and a company car. The value of these benefits in 2005 was estimated at €18,064 for the apartment and €4,228 for the car. This brings the monetary equivalent of his compensation to €387,292.

Director's fees paid to the Chief Executive Officer.

Mr. Ladam received no director's fees for the directorships he holds in two subsidiaries of Natexis Banques Populaires.

OTHER EXECUTIVES

Director's fees.

Director's fees include a small fixed annual fee of €1,525 (since 2001) and a variable fee of €1,220 per meeting attended by the director during the year (also since 2001). Members of the Committees of the Board are paid a fee of €915 per Committee meeting attended. This fee structure has not been changed since 2001.

In accordance with these rules, the total fees paid to the directors and the one non-voting director for taking part in Board and Committee meetings in 2005 amounted to €171,410. This amount excludes the Chairman's fees, detailed above, which were calculated on the same basis as those of the other directors. This amount broke down into €144,875 in fees for attendance at Board meetings (including €22,875 in fixed fees and €122,000 in variable, attendance-based fees) and €26,535 in fees for attendance at meetings of Committees of the Board.

The director paid the highest total fee received an amount of €13,725.

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

FEES AND OTHER COMPENSATION PAID TO DIRECTORS FOR 2005

Name (individuals)	Board member from 01/01/2005 to 12/31/2005	Number of Board meetings attended a	Total number of meetings during the year b	a/b	DIRECTOR'S FEES Variable portion €1,220 /meeting	Fixed annual fee €1,525	Total
Philippe Dupont	x	7	7	100%	8,540	1,525	10,065
Jean de La Chauvinière	x	7	7	100%	8,540	1,525	10,065
Robert Zolade	x	4	7	57%	4,880	1,525	6,405
Vincent Bolloré	x	6	7	86%	7,320	1,525	8,845
Christian Brevard	x	7	7	100%	8,540	1,525	10,065
Jean-François Comas	x	7	7	100%	8,540	1,525	10,065
Claude Cordel	x	7	7	100%	8,540	1,525	10,065
Daniel Duquesne	x	7	7	100%	8,540	1,525	10,065
Stève Gentili	x	7	7	100%	8,540	1,525	10,065
Richard Nalpas	x	7	7	100%	8,540	1,525	10,065
Yvan de La Porte du Theil	x	7	7	100%	8,540	1,525	10,065
Francis Thibaud	x	7	7	100%	8,540	1,525	10,065
Jean-Louis Tourret	x	7	7	100%	8,540	1,525	10,065
Jean-Pierre Chavaillard	x	7	7	100%	8,540	1,525	10,065
BFBP represented by: Mr. Clavaud (2 meetings, until April 5), then Mr. Desvergnes (4 meetings, beginning on April 5)	x	6	7	86%	7,320	1,525	8,845
Michel Goudard, non-voting director	x	7	7	100%	8,540	1,525	10,065
Total		**107**	**112**	**96%**	**130,540**	**24,400**	**154,940**

The system for compensating Board members was set by the Board of Directors of Natexis Banques Populaires on March 21, 2001.

Name (individuals)	Fee for Audit Committee members		Fee for Remuneration Committee members		Fee for Risk Management Committee members		Total amount (euros)	FOR INFORMATION Fees paid by companies controlled by NBP	Fees paid by company controlling NBP
	nbr m.	€915 / meeting	nbr m.	€915 / meeting	nbr m.	€915 / meeting			
Philippe Dupont	-	0	-	0	-	0	10,065	-	11,024
Jean de La Chauvinière	2	1,830	2	1,830	-	0	13,725	2,700	-
Robert Zolade	-	0	-	0	-	0	6,405	-	-
Vincent Bolloré	-	0	2	1,830	-	0	10,675	-	-
Christian Brevard	-	0	-	0	-	0	10,065	7,200	9,646
Jean-François Comas	-	0	-	0	3	2,745	12,810	2,700	12,909
Claude Cordel	-	0	-	0	4	3,660	13,725	7,200	12,854
Daniel Duquesne	-	0	-	0	4	3,660	13,725	-	11,024
Stève Gentili	-	0	2	1,830	-	0	11,895	10,700	11,024
Richard Nalpas	2	1,830	-	0	-	0	11,895	3,600	15,957
Yvan de La Porte du Theil	-	0	2	1,830	-	0	11,895	8,000	16,329
Francis Thibaud	2	1,830	-	0	-	0	11,895	1,800	15,294
Jean-Louis Tourret	-	0	-	0	4	3,660	13,725	9,000	16,832
Jean-Pierre Chavaillard	-	0	-	0	-	0	10,065	-	-
BFBP represented by: Mr. Clavaud (2 meetings, until April 5), then Mr. Desvergnes (4 meetings, beginning on April 5)	-	0	-	0	-	0	8,845	-	-
Michel Goudard, non-voting director	-	0	-	0	-	0	10,065	-	-
Total		**5,490**		**7,320**		**13,725**	**181,475**	**52,900**	**132,893**

3.2 - Senior executive stock options

CHAIRMAN

Options granted

As authorized by shareholders on May 19, 2005 and in accordance with regulations, the Board of Directors granted 7,000 options to the Chairman of Natexis Banques Populaires with regard to 2005. The exercise price, as set by shareholders, is €119.24.

The Chairman was also granted 7,000 options in his capacity as Chairman and Chief Executive Officer of Banque Fédérale des Banques Populaires.

Options exercised

In 2005, Mr. Dupont exercised 20,000 Natexis Banques Populaires options granted in 2001, at an exercise price of €94.30.

CHIEF EXECUTIVE OFFICER

Options granted

As authorized by shareholders on May 19, 2005 and in accordance with regulations, the Board of Directors granted 14,000 options to the Chief Executive Officer of Natexis Banques Populaires with regard to 2005. The exercise price, as set by shareholders, is €119.24.

Options exercised

In 2005, Mr. Ladam exercised 4,500 Natexis Banques Populaires options granted in 2001, at an exercise price of €94.30.

3.3 Executive pension plans and severance payments

3.3.1 Pension plans

The Chairman and Chief Executive Officer of Natexis Banques Populaires belong to the complementary group retirement plan applicable to all Chief Executive Officers of the Banque Populaire Group.

In this regard, the total of all pension benefits payable to executives may not exceed 60% of the income they received in their last year of service, with the income figure capped at €335,000. For executives appointed after January 1, 2005, this maximum has been reduced to 50%.

This system was implemented before May 1, 2005, i.e. prior to the effective date of the July 26, 2005 law (no. 2005-842).

These provisions apply to the Chairman with regard to his responsibilities at Banque Fédérale des Banques Populaires and at Natexis Banques Populaires.

3.3.2 Severance payments

Should an executive be dismissed prior to the expiration of his term, except in the event of professional misconduct, the Banque Populaire Group will pay an indemnity equal to one year of compensation, plus 1/12 of annual compensation for every year of service in the Group and, if applicable, 1/12 of the same compensation for every year of service as Chief Executive Officer. The amount of the indemnity is limited to a maximum of 42/12 of annual compensation.

When an executive takes retirement or early retirement, he receives a payment equal to 1/40 of annual compensation per year of service in the Banque Populaire Group, capped at 40/40 of that compensation.

4 > Auditors

The bank's financial statements are audited by three independent accounting firms. Their terms will expire with the Annual General Meeting called to approve the 2009 financial statements:

- 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

In return for their services, the Auditors were paid the following fees:

in thousands of euros	Deloitte & Associés 2005	%	Deloitte & Associés 2004	%	Salustro Reydel-KPMG 2005	%	Salustro Reydel 2004	%
AUDIT SERVICES								
Statutory audit services	2,636	83%	1,934	35%	1,570	93%	1,360	98%
Audit-related services	265	8%	3,517	63%	60	4%	26	2%
Sub-total	**2,901**	**92%**	**5,451**	**97%**	**1,630**	**96%**	**1,386**	**100%**
OTHER SERVICES								
Legal and tax advice	209	7%	130	3%	41	2%	-	-
IT services	1	-	-	-	-	-	-	-
Internal audit services	-	-	-	-	-	-	-	-
Other	57	2%	15	0%	22	1%	-	-
Sub-total	**267**	**9%**	**145**	**3%**	**63**	**4%**	**0**	**0%**
Total	**3,168**	**100%**	**5,596**	**100%**	**1,693**	**100%**	**1,386**	**100%**

in thousands of euros	Barbier Frinault & Autres-Ernst & Young 2005	%	Barbier Frinault & Autres-Ernst & Young 2004	%
AUDIT SERVICES				
Statutory audit services	1,031	68%	884	39%
Audit-related services	72	5%	1,141	50%
Sub-total	**1,103**	**73%**	**2,025**	**89%**
OTHER SERVICES				
Legal and tax advice	-	-	-	-
IT services	-	-	-	-
Internal audit services	55	4%	48	2%
Other	362	24%	191	8%
Sub-total	**417**	**27%**	**239**	**11%**
Total	**1,520**	**100%**	**2,264**	**100%**

The substitute auditors are:

- BEAS, 7/9 Villa Houssay - 92200 Neuilly-sur-Seine
- Mr. François Chevreux, 40, rue Guersant - 75017 Paris
- Mr. Pascal Macioce, 41, rue Ybry - 92576 Neuilly-sur-Seine

Although there is no legislation regarding corporate governance in France today, Natexis Banques Populaires believes, based on the information disclosed above, that it follows the recommendations resulting from the consolidation of the AFEP, MEDEF and ANSA reports, published in 2003.

Cross-functional theme

STRONGER STRATEGIC **MANAGEMENT TOOLS**

In 2005, Natexis Banques Populaires began to implement its 2005-07 strategic plan. A Strategy department is now in charge of updating and monitoring it. In so doing, the bank strengthened its strategic management and internal control systems, as well as its tools for managing and controlling risks, including operational risks. In addition, in accordance with regulatory requirements, a Compliance department was created. A new system of governance was implemented in the IT area so as to optimise the information systems dedicated to the various business lines. Finally, international expansion continued, and Natexis Banques Populaires revised the organization of its international offices.

In 2005, Natexis Banques Populaires implemented its 2005-07 strategic plan emphasizing growth through expansion. Through this medium-term plan, modelled on the aims of the Banque Populaire Group, the bank has created three-year business plans for each of its activities. To do so, Natexis Banques Populaires focused on four major growth avenues: diversifying and optimising business value deriving from its large and medium-sized corporate and institutional customers; developing the potential for expansion that the Banque Populaire regional banks and their customer base represent, optimising the strong positions the bank has established in specialized business lines; expand Natexis Banques Populaires' international presence. In 2005, as a result of this focus on growth, both cross-selling and synergies between business lines were intensified and customer relationships were monitored comprehensively.

Strategic management and internal control systems strengthened

As an extension of the plan, the bank created a Strategy department to update and monitor the strategic plan, as well as to help the business lines carry out their development projects.

In the area of strategic management, Natexis Banques Populaires defined an enterprise systems development plan in 2005, with the aim to rethink the architecture of the bank's financial and cost accounting systems, financial control and risk management. Apart from its regulatory aspects, this program aims to develop cross-functional strategic management tools and to foster the development of synergies between business lines, leading to a comprehensive customer approach.

On the cost management side, Natexis Banques Populaires is implementing a multi-year program in its various business lines. The program uses activity-based costing methods to tighten cost controls and strengthen the profitability of each business line.

The capital allocation system, implemented in 2004, was also updated. Use of capital is now an integral part of the considerations of the business lines when setting their growth objectives.

In addition, Natexis Banques Populaires created a Purchasing department responsible for all types of purchases made by the various entities within the bank. The first phase of optimisation efforts focused on temporary work contracts, office supplies, IT consumables and travel expenses. The second phase includes executive search firms, attorneys' fees, printing, software and building use, which represent purchases totalling €80 million.

Better control of risk

Natexis Banques Populaires has continued to build up its market risk teams. Internal control systems have been strengthened on the most specialized business lines, as defined in the strategic plan: commodities financing, capital markets and structured finance. In addition, a project was launched to adapt the credit risk management model to the needs of sales teams and to domestic and international offices. Its objective is to implement a decentralized system, by creating risk management units wherever they may be needed. Similarly, local commitment limits have been reviewed with an eye toward decentralizing decisions and monitoring them once they are already in place. Ideas for simplifying centralized decision-making are also being explored.

In 2005, work on managing operational risks also moved up a gear. Launched by Banque Fédérale des Banques Populaires, it aims to create a map of operational risks and to implement tools that can manage and consolidate them. The Cash Management & Operations department, Natexis Factorem, Natexis Altaïr and IT systems have already implemented this system and tested its reporting model and incident management capabilities. This approach will be employed bank-wide in stages between now and the end of 2006. Finally, in 2005, Natexis Banques Populaires remained very involved in the implementation of the Basel II ratios.

Compliance department

In accordance with new regulatory requirements, Natexis Banques Populaires has also created a Compliance department. Reporting directly to the highest level and completely independent from sales functions, the Compliance department's purview extends to every activity the bank and its subsidiaries conduct. This new department brings Ethics and Compliance, Financial Crime Prevention and certain specific cross-functional activities under one roof. "New Products" committees have been created or modified in collaboration with representatives of the Compliance department. Procedures for preventing conflicts of interest and handling management contracts and watch lists have been drawn up. Monitoring of adherence to ethical standards has been intensified.

Natexis Banques Populaire continued its efforts to combat money laundering. It continued to train employees, implement procedures in the various business lines and deploy the Fircosoft software, which manages the list of individuals suspected of involvement in the financing of terrorism. The bank has also installed Norkom, a behavioural analysis software package, so as to strengthen its ability to detect money laundering transactions. Norkom will support the procedures already in place to detect the full range of suspect or atypical transactions. This new profiling tool, which requires an existing databank to work properly, will be progressively deployed at Natexis Banques Populaires in 2006, then at its subsidiaries.

Continued expansion abroad

In line with the priorities it has set for itself, Natexis Banques Populaires continued to strengthen its activities in Italy, Spain and Germany. The bank augmented its presence in certain business lines in these countries, in particular in capital markets and in structured finance. At the same time, Natexis Banques Populaires determined the avenues that will support its growth in the United States in the coming years. Finally, Coface actively continued to develop its receivables management businesses abroad.

In support of its growth aspirations, the bank also worked hard to reinforce the coordination and efficiency of the various international offices. Country managers were given responsibility for driving sales efforts, and certain functions were mutualised, in particular in the US and the UK.

In systems, the bank undertook important projects in 2005 to re-equip the European branch offices with the tools they need. These projects will serve as a pilot program for more wide-scale deployment to other sites during the 2005-07 period.

Finally, communication with and integration of the employees of the bank's international network remained a priority.

Business lines are complementary

Financing, investment banking and services now generate 37% of the Banque Populaire Group's net banking income.

Natexis Banques Populaires develops products distributed by the Banque Populaire regional banks and is in charge of specific businesses not found elsewhere in the Group. Because the various entities complement each other, the Banque Populaire Group is present in all the business lines exercised by the major integrated banks.

Implementation of IT governance

In information systems, an IT governance system was implemented in 2005 to tie the bank's strategy and IT systems together in the most efficient manner. Functional domains were created, each headed by an individual. This person encourages discussion at the business line level and manages the available choices and all strategic decisions, thereby enabling the bank to optimise the contribution of its information systems. The objective is to be more demanding of maintenance work and to choose the most appropriate projects. Similarly, the bank began to reorganize the Research department so as to better distinguish between application maintenance and new projects. This separation will make the new projects more flexible and allow them to advance more rapidly.

A new set of rules for using IT, digital and technological resources came into force in 2005. The rules codify the use of these resources so that they benefit customers, improve individual efficiency and the bank's overall performance.

Properties used in the business have been rationalized

In 2005, 2,300 employees moved into the new Liberté 2 premises in Charenton-le-Pont just outside Paris. This building has received the grand prize awarded by the real estate profession in the new building category for its aesthetic, architectural, technical and environmental qualities. Natexis Banques Populaires will continue to rationalize the properties it uses in the business in 2006. Specifically, Global Debt & Derivatives Markets and Equity Group will be brought together in the Montmartre premises. Separately, the bank carried out an important real estate transaction, selling the Liberté 2 building to an institutional investor and leasing it back for a minimum period of 12 years.

Technical partnerships

Natexis Banques Populaires also entered into several major technical partnerships in 2005. Since 2002, the bank has been in charge of creating a technical platform for MA Banque, a unit of Banque Populaire Group and MMA/MAAF that has been operational since the autumn of 2005.

BNP Paribas and the Banque Populaire Group – whose electronic banking is managed by Natexis Banques Populaires – have signed a definitive agreement to create a common electronic banking development platform in their retail banking units. Named Partecis (PARTnership European Card Information System), the unit is held 50-50 by the two banking groups.

This partnership aims to improve performance in electronic banking, foster the pooling of capital expenditure and facilitate the changes that implementation of SEPA (Single Euro Payment Area) has necessitated.

Finally, Natexis Altaïr now centralizes all the main-frame machines of i-BP (informatique Banque Populaire) and provides a growing volume of value-added services to i-BP and the Banque Populaire regional banks. In particular, an internet access common to the entire Banque Populaire Group was implemented in 2005, ensuring a very high level of security.

>>>

INTERNATIONAL **NETWORK**

- ● NATEXIS BANQUES POPULAIRES
- ○ COFACE
- ◉ JOINT NETWORK

○ ALICANTE	● MONACO	○ SOFIA
○ AMSTERDAM	◉ MOSCOW	○ STOCKHOLM
◉ BARCELONA	○ MUNICH	○ STUTTGART
○ BERLIN	○ NUREMBERG	○ TALLINN
○ BIELEFELD	○ OSLO	○ VALENCIA
○ BIELLA	○ PRAGUE	○ VIENNA
○ BIRMINGHAM	○ RIGA	○ VILNIUS
○ BONN	◉ ROME	◉ WARSAW
○ BRATISLAVA	○ SAINT PETERSBURG	○ WATFORD
○ BREDA	○ SAN SEBASTIAN	○ ZAGREB
○ BRUSSELS	○ SEVILLE	○ ZURICH
○ BUCHAREST		
○ BUDAPEST		
○ COLOGNE		
○ DUBLIN		
◉ DÜSSELDORF		
○ ESCHBORN		
● FRANKFURT		
○ FREDERIKSBERG		
○ HAMBURG		
○ HANOVER		
○ ISTANBUL		
○ KARLSRUHE		
○ KIEV		
○ LA CORUÑA		
○ LAUSANNE		
○ LINZ		
○ LISBON		
○ LJUBLJANA		
◉ LONDON		
○ LOUVAIN-LA-NEUVE		
● LUXEMBOURG		
◉ MADRID		
○ MAINZ		
◉ MILAN		

For more information:
www.nxbp.banquepopulaire.com

- ● ALMATY
- ○ BANGALORE
- ◉ BANGKOK
- ◉ BEIJING
- ● HANOI
- ● HO CHI MINH CITY
- ◉ HONG KONG
- ● JAKARTA
- ◉ KUALA LUMPUR
- ● LABUAN
- ◉ MUMBAI
- ○ NEW DELHI
- ○ OSAKA
- ○ SECUNDERABAD
- ◉ SEOUL
- ◉ SHANGHAI
- ◉ SINGAPORE
- ○ SYDNEY
- ○ TAIPEI
- ● TEHRAN
- ◉ TOKYO
- ● YANGON

- ○ BALTIMORE
- ◉ BOGOTA
- ◉ BUENOS AIRES
- ○ CARACAS
- ○ CHICAGO
- ○ EAST WINDSOR
- ○ FAIRFIELD
- ○ GLENDALE
- ● GREENWICH
- ○ GUAYAQUIL
- ● HOUSTON
- ○ LIMA
- ● LOS ANGELES
- ○ MEXICO CITY
- ● MIAMI
- ● MONTREAL
- ○ NEW HAVEN
- ◉ NEW YORK
- ○ PANAMA
- ○ PIERREFONDS
- ○ QUITO
- ○ SAN JOSE
- ○ SANTIAGO
- ◉ SÃO PAULO

- ◉ ABIDJAN
- ● ALGIERS
- ○ BAMAKO
- ○ BNEI-BRAK
- ● CAIRO
- ○ COTONOU
- ○ DAKAR
- ○ DOUALA
- ● DUBAI
- ● JOHANNESBURG
- ○ LOMÉ
- ● ORAN
- ○ OUAGADOUGOU
- ○ SANDTON
- ● SETIF

SIMPLIFIED FINANCIAL **ORGANIZATION CHART**

AS OF JANUARY 1, 2006

3,000,000 member-shareholders

100%

19 Banque Populaire regional banks
CASDEN Banque Populaire, Crédit Coopératif

99.3%

Banque Fédérale des Banques Populaires

75% (of which Alizé Levier employee investment plan 2.1%)

Natexis

CORPORATE AND INSTITUTIONAL BANKING AND MARKETS

- 92.5% **Natexis Coficiné** – Financial company (audiovisual)
- 100% **Natexis Lease** – Lease financing
- 100% **Natexis Algérie** – Banking in Algeria
- 100% **Natexis Luxembourg S.A.** – Banking in Luxembourg
- 100% **Natexis Moscow** – Banking in Russia
- 99% **Natexis Pramex International** – Assistance for companies setting up abroad
- 100% **Natexis Immo Développement** – Real estate renovation and sales
- 100% **Natexis Transport Finance** – Aircraft financing
- 100% **Natexis Commodity Markets Limited** – Commodities brokerage (London)
- 100% **Natexis Bleichroeder S.A.** – Investment company (Paris)
- 100% **Natexis Bleichroeder Inc.** – Investment company (New York)
  - 100% **Natexis Bleichroeder UK** – Investment company (London)
- 100% **Natexis ABM Corp.** – Portfolio management and mortgage lending in the US
- 100% **Natexis Arbitrage** – Equities arbitrage and derivatives
- 100% **Natexis Finance** – Mergers and acquisitions

PRIVATE EQUITY AND WEALTH MANAGEMENT

- 100% **Natexis Private Equity** – Private equity
  - 99.8% **Natexis Industrie** – Buy-in/Buy-out financing
  - 100% **Spef LBO** – Buy-in/Buy-out financing
  - 100% **Initiative & Finance Gestion** – Buy-in/Buy-out financing
  - 98.9% **Natexis Investissement** – Expansion capital
  - 100% **Naxicap Partners** – Expansion capital
  - 90% **EPF Partners** – Expansion capital
  - 100% **Providente** – Expansion capital
  - 100% **Natexis Equity Management** – Expansion capital for listed companies
  - 100% **Ventech** – Venture capital
  - 100% **Seventure (formely Spef Venture)** – Venture capital
  - 100% **Natexis Private Equity International** – International private equity
- 95.8% **Natexis Private Banking Luxembourg S.A.** – International wealth management
- 100% **Banque Privée Saint Dominique** – Wealth management in France

100% **Natexis Altaïr** – IT outsourcing company

Free float, employees and other shareholders

25%

Banques Populaires

SERVICES

- 100% **Natexis Assurances**
  Life, personal risk and non-life insurance
- 100% **Natexis Asset Management**
  Fund management
  Financial management of employee investment plans
  - 100% **Natexis Asset Square**
    Multi-manager investment
- 100% **Natexis Axeltis Ltd**
  Multi-distributor investment
- 100% **Natexis Interépargne**
  Employee savings plans
  Account keeping and marketing
  - 99.9% **Natexis Intertitres**
    Service vouchers
- 99.6% **Natexis Asset Management Immobilier**
  Real estate fund management
- 100% **Natexis Paiements**
  Electronic banking
- 100% **Slib**
  Banking software and IT facilities management
- 100% **Natexis Investor Servicing**
  Valuation, middle office, reporting

RECEIVABLES MANAGEMENT

- 100% **Coface S.A.**
  Credit insurance and Credit management services
  - 100% **Coface Services**
    Business information and Debt collection
  - 100% **Coface Deutschland**
    Credit insurance, Credit management services
  - 100% **Coface Italia**
    Credit insurance, Guarantees, Credit management services
  - 94% **Coface Austria**
    Credit insurance, Credit management services
  - 100% **Kompass International**
    Services (France)
  - 100% **Coface North America**
    Credit insurance and Credit management services
- 99.7% **Natexis Factorem**
  Factoring and Credit insurance
  - 51% **VR Factorem**
    Factoring (Germany)

Businesses

CORPORATE AND INSTITUTIONAL BANKING AND MARKETS

Client relationships based on proximity

Serving both corporate and institutional clients, the Corporate and Institutional Banking and Markets core business proposes solutions for customer needs – be they in loans and cash management, capital markets, employee savings or asset management – by drawing on all the business lines of Natexis Banques Populaires. Two business development departments – one dedicated to corporate clients, the other to institutions – ensure strategic and marketing oversight for these customers and coordinate the salesforces of the specialized business lines.

Corporate and Institutional Banking and Markets posted net banking income of €1,259 million, up 9% from 2004, taking advantage of synergies between its various business lines and making better use of the bank's business assets.

Corporate France

This department's mission is to facilitate origination and ensure that all of the bank's products and services are offered to its French corporate customers.

Corporate France has refined its organization to bring itself even closer to customers. It strengthened its salesforce in the 16 regional offices, in individual sector teams and at the Global Relationship Manager level. Every company is monitored by a "key banker" whose primary mission is to initiate and coordinate relationships with all product lines. Clients with a multi-business profile are followed by Global Relationship Managers. Moreover, the department offers its sectoral expertise, in particular in healthcare, media, agrifood, construction and environmental services. It also offers traditional loans and leases, as well as cash management services.

Natexis Banques Populaires has business relationships with 90% of the top 350 French companies, and with more than half of all companies with sales of more than €150 million. In 2005, the bank was increasingly successful, in particular with syndicated loans for clients such as Gaz de France, CMA CGM or Zodiac.

The Cash Management & Operations department was successful on several competitive bids, and its net banking income increased despite a backdrop of heightened competition. These successes validated organizational changes made at the end of 2004. Cash Management & Operations was turned into an integrated business line, from design to processing, with sales teams encompassing both specialists and generalists. An entity dedicated to client assistance was also created.

The Cash Management & Operations department develops its line of products and services selectively. For example, Swiftnet plays a major role in transaction dematerialization. Domestic cash pooling has been redesigned and now constitutes the base for a nationwide range of cash management services, developed through a dense network of regional offices in close coordination with the Banque Populaire regional banks.

In addition, the Operations department's ISO 9001 certification was renewed in 2005.

In equipment leasing, Natexis Lease advanced by 10%, with more than €1 billion in new business. New leases from the Banque Populaire regional banks, at Crédit Maritime Mutuel and with Natexis Banques Populaires' corporate clientele contributed to this performance.

Vendor programs were put in place. In particular, a partnership was signed with the Manitowoc group (Potain) covering the French and Spanish markets. In energy management and environmental lease financing, Énergéco was a major player in wind farm financing.

With €530 million in new lease production, Natexis Lease is the second-largest property leasing company in France (*source: Association française des sociétés financières*). Internationally, Natexis Lease saw a significant rise in its business activity in Spain, two years after opening an office in Madrid. A new branch is to be opened in Barcelona in 2006. In the fourth quarter of 2005, a branch was opened in Milan. Lastly, Natexis Lease created a leasing department at Natexis Algérie.

€ 1,259 million in net banking income (up 9% from 2004)

€ 76.9 billion in outstanding loans

No. 3 lead manager for French corporate bond issues, by volume *(source: Bloomberg)*

International

The International department serves corporate and institutional clients outside France. In addition to business it conducts with foreign companies, it supports French companies by offering them a complete range of banking and advisory services abroad. It coordinates development of all the bank's businesses in the international network.

The international arena is the bank's new vein of growth

Against a background of excess liquidity and low cost of risk, the International department maintained its income level, because the bank did more business abroad. Net banking income from international entities advanced by 23% all businesses combined, driven in particular by the United States and Europe.

In emerging countries, the volume of business was more mixed. Asian business stagnated, while Algeria, Brazil, Turkey and Russia saw robust growth leading to a significant rise in net banking income. In Algeria, for example, net banking income rose by 62%, as more resources were devoted to corporate business. Already present in three cities, Natexis Algérie expects to open 10 new branches by 2007. The International department covers 130 emerging markets in all.

Finally, the International department launched an ambitious project aimed at strengthening its local presence while fostering cross-selling, in particular in Europe and North America. It has hired staff skilled in several business lines, and it assists clients in international capital markets activities.

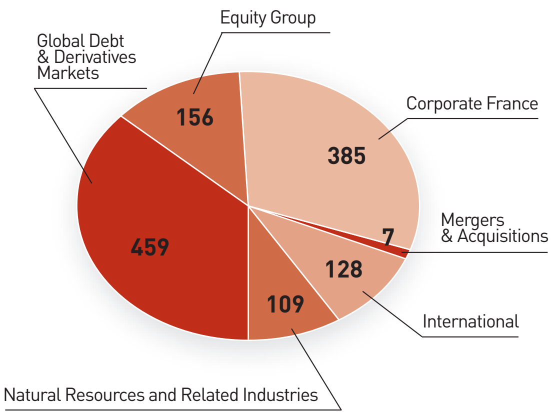
Natexis Pramex International, a subsidiary specialized in advisory services for international corporate expansion, posted an increase in net banking income of 16%, thereby strengthening its position in France and abroad. Having opened subsidiaries in Montreal and Bombay in 2005, it plans to beef up its presence in Russia, Brazil and the Persian Gulf in 2006. Through this expanded, 14-country coverage, it will be able to develop its corporate management and delegated management services for its clients' foreign subsidiaries.

Emphasis on the relationship aspect

>>> The Corporate and Financial Institutions Business Development departments expanded cross-selling in 2005 and structured their approach to customers active in several businesses. With new structures at their disposal – sales committees, business line strategic planning committees, pilot sales initiatives, strategic management tools – the Business Development units focused the efforts of the business lines and the sales teams on this specific customer base. As a result of the work of the Business Development units, the number of transactions handled for target clients of the Global Relationship Managers and Senior Bankers, particularly in the realm of financing, engineering and capital markets rose significantly.

BREAKDOWN OF NET BANKING INCOME FROM CORPORATE AND INSTITUTIONAL BANKING AND MARKETS

in millions of euros



Natural Resources and Related Industries

The Natural Resources and Related Industries department strengthened its presence vis-à-vis all producers, traders, distributors and other service providers in the energy, metals and soft commodities markets.

In 2005, Natexis Banques Populaires strengthened its skills and positioning in the worldwide commodity financing market. Its teams acted as mandated arranger in 25 transactions, including an increasing number of reserve-based lending deals. Seven of these transactions were named "Deal of the year" by Trade Finance magazine: Sonangol, IUD, Caraiba Metais, SUAL, RUSAL, Kazatomprom and Pearl Energy.

In emerging countries, management emphasizes local client relationships. For this reason, the bank has commodities specialists in its offices in Singapore, Hong Kong, São Paulo, Buenos Aires, Santiago de Chile, Moscow and Abidjan, as well as New York and Houston. In 2005, a Kazakhstan office was added to the network.

A team dedicated to the mining sector was created in the Metals unit. In addition, the department intensified its liaison role so as to offer its specialized clients financing and hedging solutions developed by other specialized departments, such as Equity Group, Capital Markets, Project Finance and Natexis Commodity Markets Limited.

Financing transaction in the Italian market

Alongside two Italian banks, Natexis Banques Populaires acted as exclusive arranger for the financing of the acquisition of la Rinascente, the Italian store chain, from Eurofind SA. The consortium of investors included, among others, Pirelli and Deutsche Bank. The financing totaled €900 million and was composed of a medium-term loan and a short-term acquisition loan to be refinanced by a five-year facility backed by real estate assets of la Rinascente.

Global Debt & Derivatives Markets

The bank's borrowing platform, which brings together the financing, engineering and issuing businesses, offers global borrowing, investment and risk hedging solutions, both for issuers and investors.

These businesses posted a sharp increase in sales volume, generated by an extension in the range of value-added services. New skills in the operational and functional areas led to the bank being named as arranger on 149 transactions.

Exported expertise

Global Debt & Derivatives Markets continued to offer higher value-added services internationally. Aircraft financing increased its market share through the creation of a new dedicated entity, Natexis Transport Finance and won four "Deal of the year" awards for the Nouvelair, Air Asia and Jazeera Airways (2x) transactions.

With the financing of the la Rinascente stores acquisition, the real estate financing unit bolstered its position as a major player in the Italian market. The LBO and project financing units, as well as shipping, also obtained recurrent positions as arranger or underwriter in international transactions, specifically on transactions involving Amadeus, Jefferson Smurfit, Ebic, Grupo TMM and Pemex.

It is by bringing together a variety of products that the bank has been able to strengthen its position as a prominent arranger of structured debt facilities. Clients receive turnkey financing, both in France and abroad. For example, a financing package arranged for Eurazeo for the purchase of Financière Galaxie, the holding company of B&B Hotels, combined acquisition financing with real estate-backed borrowings.

The new financial engineering unit also made a significant contribution to overall performance, owing to innovative, structured deals, such as the financing of the Colony fund's investment in Accor. Tailor-made solutions backed by a variety of underlying assets, from equities to real estate, are also offered to institutional and corporate clients.

Targeting specific client segments

The Primary Markets and Securitization unit continued to grow, as customer targeting was enhanced. In France, despite a overall decline in new issues, this unit focused on significant corporate mandates, such as SFR, Bouygues, Schneider and Alstom, while expanding in the French and international financial institutions segment (Groupama, Banca Caja, IKB, Alpha Bank, Veneto Banca and Islandsbanki) and in inflation-indexed instruments (Cades and Réseau Ferré de France). The bank continued to gain stature in syndicated credits in France, as a top-tier arranger and bookrunner (Gaz de France, Air France, Vinci, LVMH, Partouche and CMA CGM). It also played a significant role in the Europe, Middle East and Africa (EMEA) regions (Wincor Nixdorf, Barry Callebaut, Immobiliare Colonial).

Corporate Securitization continued the expansion it began in 2004, despite a significant decline in the number of market transactions. It also expanded its services to reach the entire Banque Populaire Group.

Capital markets

The Capital Markets unit, consisting principally of the money market, foreign exchange, fixed-income and lending desks, advanced by 21%, benefiting from the combination of capital market and financing dimensions and a new organization fostering more sophisticated products on each desk (lending, fixed-income, foreign exchange). By raising the level of sophistication in its products this unit was able to increase profits realized in the institutional segment. The lending desk benefited from a portfolio of new products. The foreign exchange unit advanced by 54%, owing in particular to structured transactions. The money market unit continued to diversify its funding sources on behalf of the Banque Populaire Group, both from the point of view of markets (US & UK, public issues/structured issues, launch of a new, extendible notes program in the US) and investors.

Natexis Commodity Markets Limited is one of the 11 ring dealing members with access to open outcry trading on the London Metal Exchange. It expanding the range of products (metals, energy, soft commodities) it offers to its own clients and in support of Banque Populaire Group clients on organized markets and on OTC derivatives.

The investment portfolio management unit implemented an active management methodology. The objective is to allocate an investment envelope to each asset class depending on the extent to which they obey their risk/return relationship.

Equity Group

A specialist in the French market, Natexis Bleichroeder S.A. continued to redeploy its equity research capabilities, in coordination with Natexis Bleichroeder Inc. and its partner, DZ Bank. Investment in the execution platform enabled this brokerage unit to expand its range of services for institutional investors and make interaction with the New York platform more fluid. Market conditions were once again favorable, and brokerage income increased sharply. In 2005, Natexis Bleichroeder S.A. managed two IPOs (Entrepose Contracting and Rue du Commerce) and participated in seven equity issues, including three as lead manager. In cooperation with the Banque Populaire regional banks, the subsidiary participated in three privatizations during the year (SANEF, GDF, EDF). Natexis Bleichroeder S.A. also consolidated its already-strong position in public-sector issues.

In the United States, 2005 was a key year for Natexis Bleichroeder Inc. Following two difficult years in a lackluster market, net banking income increased significantly, outstripping the pace of the market recovery. It handled transactions on most of the world's major trading markets, and international execution overall continued to advance. After undergoing reorganization, international sales increased significantly. Natexis Bleichroeder Inc. also acted as underwriter and co-manager in primary market transactions, drawing on relationships with the bank's US corporate clientele. The subsidiary offers a wide-ranging distribution capacity vis-à-vis institutions and hedge funds. It also has particular sectoral expertise in energy, healthcare and media. Finally, Natexis Bleichroeder Inc. continued to invest in electronic platforms and in audit and compliance functions.

The Equity Derivatives unit continued to restructure and to invest in research. A new, more ambitious business development plan was approved in the second half of 2005. It calls for new hires and targets first and foremost products with low market risk.

This business is currently being integrated into Natexis Arbitrage, which posted excellent results in 2005 on certain portfolio strategies, such as risk arbitrage / event driven strategies in North America and securities repurchase agreements. The market for convertibles arbitrage was very unfavorable in the first half, and this business posted mixed results.

Mergers & Acquisitions

Benefiting from a strong position in middle-market banking, Natexis Finance improved its presence vis-à-vis corporate clients and investment funds. Cross-border transactions will gather pace once this unit forges partnerships in large European countries. Natexis Finance has built up its teams through targeted hiring efforts, making the mergers and acquisitions business of Natexis Banques Populaires more visible and more profitable against a more favorable market context.

Sharp increase in number of arranger mandates

In 2005, Natexis Banques Populaires was named arranger for 149 transactions, up 16% from 2004. It placed fourth as bookrunner in the syndicated loan market in France and fourth as bookrunner in LBO & acquisition financing in France in number of deals (*source: Dealogic*). It also placed fifth worldwide as arranger for aircraft financing, through its subsidiary Natexis Transport Finance (*source: AirFinance Journal, H1 2005*).

In the LBO & acquisition financing market, Natexis Banques Populaires won Private Equity Magazine's "LBO lender of the year" award in 2005 (debt and mezzanine). The prize was awarded by a jury of 18 professionals for the number and quality of arranger mandates.

PRIVATE EQUITY AND WEALTH MANAGEMENT

A top tier position

The Private Equity and Wealth Management core business includes Natexis Private Equity, Banque Privée Saint Dominique and Natexis Private Banking Luxembourg S.A.

Natexis Private Equity and its subsidiaries, specialized in private equity business lines, play a role in every stage of a company's development, from founding to pre-flotation financing. Natexis Private Equity builds relationships with investors and entrepreneurs based on its values of commitment and entrepreneurship. Banque Privée Saint Dominique, dedicated to private asset management, personalizes its approach to managing wealth by combining management of a diversified investment portfolio with legal and tax advisory services. Natexis Private Banking Luxembourg S.A. is specialized in international estate planning.

Natexis Private Equity

Natexis Private Equity remained very active in the areas of expansion capital and buy-out/buy-in financing. It also contributed to a surge in the venture capital market, carrying out successful exits from the portfolios of its specialized subsidiaries.

At the same time, it gave its investment teams what they needed to be competitive and for them to adhere to the principles of corporate governance. This commitment helps ensure performance for its investment partners.

With 630 investments and €2.3 billion in assets under management in its 11 subsidiaries, Natexis Private Equity bolstered its position as a French specialist in private equity dedicated to small and medium-sized enterprises (SMEs).

Business continued apace in 2005, with €252 million in equity issues managed, €371 million in invested capital and €161 million in gains on sales. These performances validated the choices made both in France and abroad.

Widening the lead

In expansion capital, Natexis Private Equity strengthened its status as leading investment partner for unlisted French SMEs. Managed assets totaled €666 million and the amount invested €131 million.

In venture capital, five investments of subsidiaries of Seventure (formerly Spef Venture) and Ventech were floated on Alternext, Euronext and Nasdaq, and 11 others were sold to industry players, at rising valuation multiples. These results validated the expertise of the bank's professionals and the reasoning behind their investment and management decisions.

On the strength of its expertise in these two business lines, Natexis Private Equity also expanded its range of products for individual clients of the Banque Populaire regional banks. Naxicap Partners launched three new "proximity" investment funds (Banque Populaire Proximité Sud-Est 2005, Sud-Ouest 2005 and Ile-de-France Nord Centre 2005). In the meantime, Seventure participated in the launch of its tenth innovation mutual fund (Banque Populaire Innovation 10).

Buy-in/buy-out financing

French teams dedicated to buy-in/buy-out financing were very active in 2005. Natexis Industrie, Initiative & Finance and Spef LBO assisted companies such as Maisons du Monde (household furnishings), Elexience (distribution of electronic components and scientific instrumentation), Européenne de la Mer and Datavance (IT services, systems and network engineering). Natexis Industrie, Initiative & Finance and Spef LBO also realized significant gains on sales, such as on Eau Ecarlate (household cleaning products), Cibleclick (affiliate marketing), Holophane (vehicle lighting systems) and Médiascience (publisher of teaching materials).

A new international dimension

Through its role as an active sponsor of teams based in Europe, Asia and Latin America, Natexis Private Equity's international commitment contributed significantly to the favorable 2005 results.

International business posted fresh growth, with €752 million in funds under management and sizable investments. For example, Finatem in Germany invested in J&S (metallic spare parts manufacturer) and Derby (bicycle assembly), Natexis Mercosul Fund invested in Lupatech (manufacturer of valves for the oil industry) in Brazil, Natexis Cape invested in Phoenix (manufacturer of molds for the aluminum industry) in Italy, and Natexis Private Equity Asia invested in Suntech Power (manufacturer of photovoltaic cells), which has since been floated on the New York Stock Exchange.

Natexis Private Equity

€ 2,345 million in managed assets

€ 371 million in new investments

Banque Privée Saint Dominique

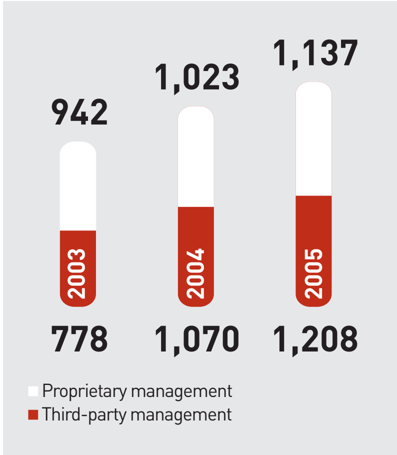
1,600 client families

Natexis Private Banking Luxembourg S.A.

4,657 clients

Responding to the demands of its role as sponsor

By working in close collaboration with private equity regulatory and oversight bodies (AFIC, EVCA, AMF) and by implementing a bona fide system of corporate governance, with internal controls, a compliance officer, risk management, a supervisory board and other safeguards, Natexis Private Equity is a conscientious sponsor, committed to responding to the demands of its investor and entrepreneur partners.



MANAGED ASSETS OF NATEXIS PRIVATE EQUITY
in millions of euros

Banque Privée Saint Dominique

Specialized in wealth management, Banque Privée Saint Dominique helps more than 1,600 families to protect and develop their assets. Funds under management totaled €2.9 billion in 2005.

Wealth Management has become a key business, particularly in the preparation and monitoring of corporate LBOs, in which Banque Privée Saint Dominique is able to provide its expertise. This is because Banque Privée Saint Dominique has developed a great deal of expertise in wealth management and can offer personalized, premium services in asset management, legal and tax advice, life insurance, financing, real estate transactions and the art market.

These services are particularly well suited to business executives, who have been clients of Natexis Banques Populaires and its subsidiaries for many years.

A new fund of funds

In 2005, Natexis Private Equity launched a new €500 million fund of funds, Dahlia, in partnership with Fonds Européen d'Investissement. Designed for institutional investors and insurance companies, the fund draws on all the skills of its two sponsors to invest in all branches of private equity, at both primary and secondary levels. It supplements the LBO fund of funds, NPE LBO Europa, launched at the end of 2004 with €100 million. This fund targets small- and mid-cap LBOs.

Uniquely placed to assist and advise business owners

Banque Privée Saint Dominique and the various subsidiaries of Natexis Banques Populaires complement each other and offer clients a comprehensive range of products and services.

For example, synergies between Banque Privée Saint Dominique and Natexis Private Equity provide business owners with a range of services to accompany them in their growth and help them manage their company's assets when the business is to be sold.

In addition, Banque Privée Saint Dominique clients enjoy special access to unlisted investments offered by Natexis Private Equity.

In this way, Banque Privée Saint Dominique enables the Banque Populaire Group, against a backdrop of fierce competition, to strengthen its positions in the wealth management market, increase loyalty among its clients and win new ones.

Natexis Private Banking Luxembourg S.A.

Natexis Private Banking Luxembourg S.A., a private bank, offers real estate asset management, financial asset management, finds international investors and acts as a bancassurer to an international clientele of individuals and legal entities.

During the year, the bank collected new funds and sealed new client relationships, bringing total managed assets to €2.4 billion at the end of the year, with a significant increase in the number of discretionary management contracts.

Natexis Private Banking Luxembourg S.A. is positioned in the heart of Europe and benefits from efficient, practical, flexible domestic legislation. It enjoys a stable political, social and economic environment and a competitive tax context. It embodies local presence and a banking tradition of quality, oriented toward its client-investor-partners.

High value-added financial services

To address the needs of an ever-more-demanding clientele, the expertise of Natexis Private Banking Luxembourg SA extends to all banking and financial services. The range of products offered includes discretionary asset management, various types of exclusive management, based in particular on an open architecture approach, financial engineering, innovative optimization and asset structuring, tailor-made lending solutions, life insurance products, mutual products and structured products with a guaranteed or protected capital feature.

The subsidiaries of Natexis Private Equity in France

VENTURE CAPITAL
Seventure (formerly Spef Venture)
Ventech

EXPANSION CAPITAL
EPF Partners
Natexis Investissement
Natexis Equity Management
Naxicap Partners
Providente (created in 2006)

INTERNATIONAL
Natexis Private Equity International Management

BUY-IN/BUY-OUT FINANCING
Initiative & Finance
Natexis Industrie
Spef LBO

SERVICES

Newly reorganized to increase business development

Composed of more than 2,500 people, the Services core business now includes six business lines. It has two objectives. The first is to support the Banque Populaire regional banks and help them achieve their growth and new business development goals through the design of products and systems. The second is to adapt its services to the other client groups of Natexis Banques Populaires: large companies, institutions, retail banks, specialized banks with or without a branch network and other financial institutions.

The Services core business was reorganized in 2005. It now encompasses asset management, employee benefits planning, insurance, custody, investor servicing, and domestic and international payment media management.

Synergies between these business lines are leveraged to develop high value-added industrial and technological processes, as well as increasingly seamless information systems to provide an effective range of products and services, designed for maximum business sense and profitability.

Gratifying results

The results of the Services core business reflected robust growth in all business lines, validating the initiatives undertaken. Net banking income increased by 19% and totaled €724 million.

Natexis Interépargne benefited from growth in the pension funds market two years after "PERCO" employee pension plans were created by the loi Fillon. Moreover, 2005 was rich in new legislation. The work-time management plan was revised and new impetus was given to collective performance bonuses and employee share ownership in SMEs. As of December 31, 2005, Natexis Interépargne managed more than 2.6 million employee accounts for 25,756 client companies, representing market share of 20.6% (as of June 30, 2005). As such, Natexis Interépargne maintained its ranking as France's leading administrative manager of employee savings.

In 1985, thanks to Natexis Intertitres, the Banque Populaire Group became the first banking network approved for distribution of a range of service vouchers exempt from employer and employee taxes and social welfare contributions. Owing to its expertise, Natexis Intertitres became the first issuer and distributor of prefinanced chèques emploi service to be approved by the *Agence nationale des services à la personne*, having received authorization for these simplified salary vouchers on December 20, 2005. Natexis Intertitres issued 47.7 million service vouchers in 2005, 20% more than in 2004 and has a market share of 8.26% (*source: Centrale de Règlement des Titres*). With the creation of chèques culture vouchers, giving access to cultural events, the regulatory context has also been favorable to Natexis Intertitres.

With a 22% increase over 2004 in assets under management and a rise in net new money, €7.5 billion excluding employee savings, Natexis Asset Management is the fourth-largest fund manager in France and has market share of 6.25% (*source: Europerformance for mutual funds available as of December 31, 2005*). It also has a leading position as financial manager of employee savings in France (*source: AFG*).

Natexis Asset Square posted an increase in managed or advised assets of 71.4% and remained one of France's largest multi-manager fund managers.

Natexis Asset Management Immobilier ranked fourth among French real estate investment trusts (REITs) (*source: Institut de l'épargne immobilière et foncière*). Its managed assets rose by €169 million, up 15% from 2004, with net new money of €82 million. This put it in second place, with market share of 6.7% in terms of managed assets (*source: AEIF, December 31, 2005*).

Natexis Axeltis Ltd, the London-based subsidiary dedicated to B-to-B distribution of multibrand funds, increased its penetration of the financial institutions market, with a rise of nearly 74% in intermediated outstanding loans at end-2005 compared with end-2004.

Natexis Assurances saw its life insurance revenues rise 27%, outstripping the market average. Managed assets totaled €23.7 billion as of the end of 2005, of which 16.5% were under unit-linked policies, up 11% from 2004.

No. 1 **administrative** and financial manager of employee savings in France
(source: AFG)

No. 2 **asset management** investor in France *(source: Europerformance)*

No. 1 **issuer of payment cards** for small business customers in France
(source: SAS Carte Bleue)

11.7% **market share** in interbank teleclearing (SIT) transactions
(source: 2005 SIT data)

Complete range of property & casualty insurance

After renewing its product range in 2004 (auto, homeowners, young people, schoolchildren) Natexis Assurances introduced two new policies in 2005, ASSUR-BP Moto and ASSUR-BP Cyclo. This expansion reflects Natexis Assurances' desire to offer products that not only meet customer expectations but also cater to their behavior and way of life. Ten years after creating this business line, the Banque Populaire Group is continuing its policy of rapid growth so as to reach one million property & casualty policies by 2010.

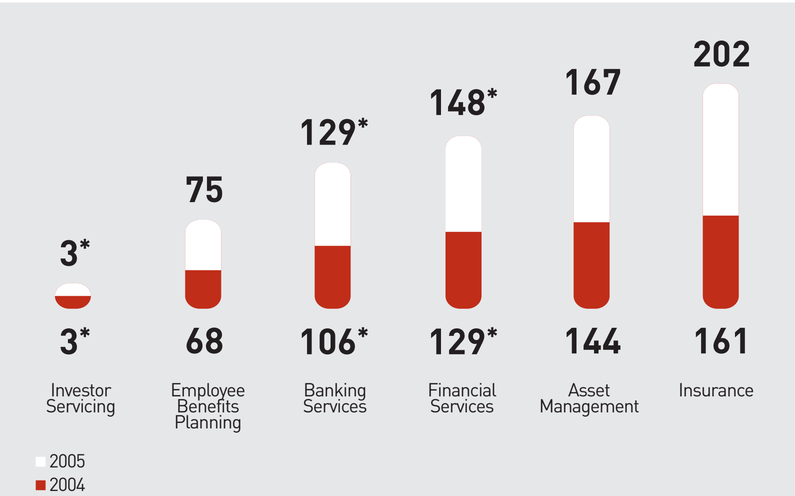
In its first year of operation, Natexis Investor Servicing performed more than 150,000 valuations and handled 164,000 middle office transactions.

Financial Services, after undergoing restructuring that saw it abandon unprofitable activities, posted better-than-expected results with net banking income of €148 million, up 15% compared with 2004.

Natexis Paiements, which handles electronic banking and all processing and management of domestic and international payments, posted a 23% advance in net banking income and 28% in electronic banking alone.

Innovative product lines

Individuals wanting to top up their retirement funds must invest their financial savings for the long term.



2004-05 GROWTH IN NET BANKING INCOME OF BUSINESS LINES IN THE SERVICES CORE BUSINESS
in millions of euros
*** external net banking income**

Natexis Asset Management, Natexis Assurances and Natexis Asset Management Immobilier have reorganized the range of financial investments available to customers to better respond to the various customer segments and the distribution channels within the network of the Banque Populaire regional banks.

Natexis Assurances has added new services to its multi-vehicle life insurance range, enabling clients to safeguard or invigorate their investments to generate capital gains. Similarly, Hisséo Vie Plus gradually diversifies the client's investments in the general fund toward more dynamic investment vehicles.

In individual "PERP" pension plans, Natexis Assurances signed more than 43,000 new contracts in 2005. The MAV personal accident policy and Fructi-famille, the personal risk policy are complementary, and this contributed to a 15.4% rise in revenues from these lines. At the same time, a range of property & casualty insurance products, Assur-BP Auto and Assur-BP Habitat, was launched and policies for young people and school-age children were relaunched, enabling the Banque Populaire Group to increase the number of new contracts signed to 162,500 in 2005. The number of contracts in the portfolio now exceeds 500,000.

A new discretionary management contract, Privilège, launched in the second half of 2005, was added to Natexis Asset Management's range of products dedicated to wealthy clients. Natexis Assurances meanwhile added Solevia Patrimoine to its range of Solévia and Solévia Capi life insurance products. Solévia Patrimoine is more flexible and offers a wider range of investment vehicles. Natexis Asset Management Immobilier continued to attract new funds to the BP Résidence Patrimoine REIT, through which customers of the Banque Populaire Group can take advantage of the favorable *loi Robien* tax treatment. Through this innovative product, investors enjoy guaranteed liquidity throughout the life of the REIT (15 years).

A training program called "*coeur de l'épargne financière*" (the heart of financial savings) was designed, in collaboration with Banque Fédérale des Banques Populaires, to assist the network's salesforce in selling the range of consumer mutual funds.

To accompany the restructuring of the corporate and institutional range, Natexis Asset Management created new products, such as Natexis Actions Euro, Money + AAA and Natexis Obli Euro Inflation.

Natexis Asset Management Immobilier attracted more than €39 million in 2005 to the Fructifonds Immobilier REIT. This fund enables institutional investors to diversify their exposure to corporate real estate markets. Similarly, good performance in the Fructipierre and Fructirégions REITs, also specialized in corporate real estate, opened the way for regular capital increases to take advantage of opportunities in real estate investment. These two REITs attracted new funds of €15 million and €26 million respectively.

A new sales organization was deployed for employee benefits planning in 2005, and this led to new products and services designed specifically for employees of companies that are clients of Natexis Interépargne. More self-employed professionals were attracted to ES-PL and small businesses in general to the Fructi Épargne + (PEI-PERCO-I), Fructi Professionnel (loi Madelin contracts) and *Chèque de Table* (restaurant vouchers) products. In the large companies segment, there were several successes on complex competitive bids.

In electronic banking, secure payment solutions were expanded. Use of the e-Visa card was extended to professional cards and the Cyberplus payment service for mail-order companies was redesigned.

Efficient systems

Natexis Investor Servicing, created in 2005, offers three complementary services to management companies and more generally to institutional investors: fund administration, financial and regulatory reporting, transaction management and position keeping. In 2005 priority was on implementing a new fund valuation system and on integrating nearly 1,000 new funds into the system.

At the same time, Financial Services continued to upgrade its processing and marketable securities management applications, integrating operational risk surveillance modules. The new on-line trading platform offers two levels of service and handles nearly 70% of Banque Populaire Group customer orders.

Leveraging Natexis Banques Populaires' strong presence vis-à-vis French companies in services, financing and employee benefit planning, the securities services department posted encouraging results, validating the business development plan launched in 2004.

Banking Services, which includes Natexis Paiements and the Personal Banking Services department, created a single telecollection platform for credit/debit card transactions sent in by retailer customers of the Banque Populaire Group. The progressive implementation of TOGE simplified the handling of domestic and international funds transfers.

The software platform of LineBanque, the multi-channel bank catering to the clients of Natexis Banques Populaires, was deployed at MA Banque, a unit of the Banque Populaire Group, implementing a partnership strategy with MAAF and MMA to distribute banking products to their clients.

Employee benefits planning brings together several competencies to help companies improve their compensation policies

>>> By federating expertise in employee savings, group insurance and service vouchers under a single "employee benefits planning" banner, Natexis Interépargne offers comprehensive, innovative compensation solutions to companies and independent professionals.

>>> The new organization combines several, traditionally distinct business lines that all address a single question: how to motivate employees and make them loyal to the company. If offers clients a single point of contact.

Rapid growth at Natexis Asset Management

In 2005 Natexis Asset Management saw its business surge forward, driven essentially by commercial success with institutions.

Natexis Asset Management and Natexis Asset Square together managed nearly €100 billion at December 31, 2005. In 2005, their mutual funds attracted net new money of €8.4 billion.

Continued expansion abroad

The customer base of Natexis Axeltis Ltd is growing at a healthy pace, with 35 external distributors of Banque Populaire Group funds and third-party funds – private banks, insurance companies, brokers, multi-managers – in France, Luxembourg and Switzerland. Its catalog includes more than 5,400 funds offered by 87 large investment houses and boutiques in Europe, covering both traditional and alternative investment styles. In 2006, Natexis Axeltis Ltd's priority will be on developing in the principal European markets, in particular with distributors in the UK, in collaboration with Natexis Asset Management.

To support its European business development strategy, Natexis Asset Management opened its first branch in the UK: Natexis Asset Management UK.

Natexis Assurances' equity investments and technical cooperation agreements with local banking networks in Italy, Lebanon and Tunisia posted sharply increased results in 2005, which exceeded expectations in some cases. A project to open a new subsidiary in Algeria was also undertaken.

Finally, Slib, a subsidiary specialized in stock market order flow logistics for European brokers and banks, strengthened its pan-European reach in 2005, signing contracts with major European companies in securities services and brokerage. It also finalized its clearing risk management system for clearing houses and traders active on the major European markets.

Long-term strategy

One of the main objectives of the Services core business lies in asset management and life insurance. Beginning in 2006, Services aims to boost new inflows to savings plans of individual customers of the Banque Populaire regional banks.

For Natexis Asset Management, developing its positions in long-term asset management in the institutional market will remain a priority, both in France and abroad, through its UK branch and in collaboration with Natexis Axeltis Ltd.

Leader in employee savings, Natexis Interépargne is preparing to go on a sales offensive so as to achieve a comparable position in the pension funds market and in the employee benefits planning market in general.

In property & casualty insurance, Natexis Assurances aims to double the number of contracts in the Banque Populaire Group's portfolio to one million by 2010. Natexis Assurances also aims to expand significantly in personal risk insurance with the launch of a long-term care plan in April 2006.

Development of technical partnerships in all bank transaction processing and management systems will be examined in 2006, so as to pool IT costs arising from regulatory changes and ensure that services offered to clients of the Services core business remain competitive. In a similar vein, Natexis Banques Populaires has signed a definitive agreement with BNP Paribas to create a common electronic banking development platform in their retail banking units. Partecis (PARTnership for European Card Information System), held 50-50 by the two banking groups, will spearhead the technical work involved in bringing together all the electronic banking application systems.

Asset Management

The Banque Populaire Group places great importance on customer savings, and to accompany its development, Natexis Asset Management launched an advertising campaign in the second half of 2005 aimed at institutional investors. Benefiting from widespread media coverage, the campaign addressed the dual objective of raising awareness of the Group's asset management capabilities and showcasing the areas of expertise of Natexis Asset Management.

Natexis Paiements innovates with a Monediag' Santé sales assistance team

>>> To help attract self-employed healthcare professionals, Natexis Paiements has created a department of technical representatives called Monediag' Santé to assist the Banque Populaire regional banks in assessing needs and proposing the best electronic banking solutions for them. Monediag' Santé will enable the Banque Populaire Group to position itself in the near term as a major player in supplying electronic banking capabilities to France's 300,000 doctors, dentists and specialists.

RECEIVABLES MANAGEMENT

High-quality services on a single platform

Receivables Management brings together the resources and expertise of Coface and Natexis Factorem. It enables companies to optimize, in whole or in part, the financial management of their customer and supplier relationships. This core business comprises four business lines: company information, receivables management, credit insurance and factoring, enabling companies to manage, protect and finance their accounts receivable. Natexis Banques Populaires is at the forefront of these four businesses in France and across the globe. Coface offers companies a broad spectrum of receivables management solutions through its own network spanning 58 countries and through those of its partners in the CreditAlliance network (insurance companies and services companies). Natexis Factorem provides its services primarily through the Banque Populaire network. This multi-network strategy is one of the strengths of the Receivables Management core business, enabling it to maximize the volume of customer sales it handles.

With a net banking income of €781.3 million in 2005, up 14.4%, the Receivables Management core business contributed €223.2 million to Natexis Banques Populaires' earnings before tax, an increase of 36%.

Further growth

Coface posted premium income of €1,218 million in 2005, up 8%, and a 16% rise in net banking income. It was driven by three factors: I) changes in the scope of consolidation, as LEID and Cual, Lithuanian and South African credit insurers, respectively, entered the Group, II) factoring in Germany, up 18%, and III) a significant increase in business in countries Coface has recently entered. The claims rate (claims paid plus changes in the provision for IBNR claims) increased slightly over 2004, with a claims/premiums ratio of 49%.

Natexis Factorem's financial indicators continued to improve in 2005. Factored receivables increased 8% over 2004 to €11.8 billion (incl. €0.5 billion at its German subsidiary VR Factorem). Net banking income, at €107 million, including €3.8 million from VR Factorem, increased by 5%.

Coface has an ambitious business development strategy

Present in 58 countries and able to offer locally-based services in 93 countries, Coface generated 62% of its consolidated premium income outside France in 2005 (vs. 61% in 2004). It strengthened its ability to offer locally-based services across the globe, by offering all of its receivables management solutions through its own networks and those of its partners in the CreditAlliance international network (insurance and service companies). In addition to the four business lines that make up the Receivables Management core business, Coface also offers guarantee insurance, receivables management training, and export credit guarantees that it manages for the account of the French government (prospecting insurance, export, currency risk and investment guarantees).

Its long-term business development strategy is ambitious. Launched in 2005, the plan aims to make Coface a major player in each of the countries in which it is present within three years and the world leader in receivables management within ten years. Apart from meeting its growth targets for economic net income, the plan calls for Coface to deploy its four business lines in all of its entities, both subsidiaries and branch offices, in every country in which it is present, revise its new business organization so as to adapt it to the needs of its clients and complete its worldwide IT infrastructure around its four business lines, while integrating those of Natexis Factorem. It also calls for Coface to take advantage of acquisition opportunities that might arise in these business lines. In 2005, Coface met its plan targets. Specifically, it expanded the availability of its range of products and services in the countries in which it is present: company information in nine additional countries, receivables management in seven countries, credit insurance in two countries and factoring in two countries. It also strengthened its international network. It acquired the

COFACE

€ 238 billion
in guaranteed receivables

€ 674 million
in net banking income

€ 111 million
in net income

NATEXIS FACTOREM

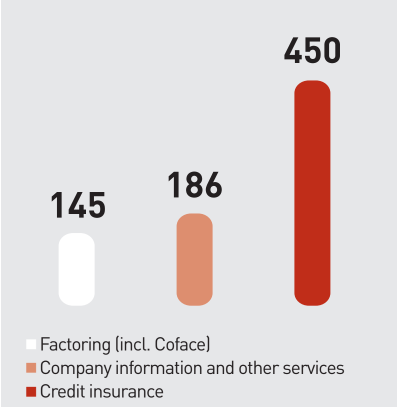
€ 12 billion
in factored receivables

€ 107 million
in net banking income

€ 32 million
in net income

second-largest South African credit insurer CUAL and the Lithuanian credit insurer LEID, it opened credit insurance subsidiaries in Brazil and Mexico, acquired a majority interest in BDI, a large Israeli specialist in company information, and it signed an agreement with the Dubai insurer NGI (Emirates Bank group) to provide credit insurance in that country.

In France, the network was further consolidated. On January 1, 2006, Coface Services, a new company information unit, was created bringing the expertise of Coface Scrl and Coface Ort, the two largest French company information firms, under one roof. As a result, Coface Services will be France's largest collections and receivables management company.



NET BANKING INCOME OF THE BUSINESS LINES WITHIN RECEIVABLES MANAGEMENT
in millions of euros

Synergies with Natexis Factorem are now stronger

Natexis Factorem strengthened its position as the third-largest factor in France (*source: ASF*), growing in all client segments. In 2005, it continued to pursue its strategy to win new clients and heighten customer loyalty.

In an environment characterized by heightened competitive pressures, Natexis Factorem decided to differentiate itself through the quality of its services. It became the first factor to obtain certification. Delivered by BVQI, certification recognizes that Natexis Factorem has honored a specific set of commitments to its clients over the full range of its factoring services. One of its commitments, for example, is to finance 100% of every factored receivable from one day following reception.

Since January 2005, Natexis Factorem has been selling all of the services of the Receivables Management core business in the Banque Populaire regional banks and at Natexis Banques Populaires. This means it offers not only factoring but also company information, receivables management and credit insurance. Products dedicated to the Banque Populaire Group network follow a naming convention based on the French word for receivables: CREANCEinfo, CREANCEassur, CREANCEpro, CREANCEplus, and so on to emphasize the complementary nature of the range. This new positioning, which responds to corporate needs in receivables management, has led to an upsurge in sales.

At the same time, Natexis Factorem has renewed its range of factoring services for large companies and SMEs (confidential factoring and trade balance purchasing). In this way, Natexis Factorem strengthened its positioning in the segment that generates most of the growth in the French factoring market (up 10.7% in 2005 vs. 2004).

Natexis Factorem has also signed distribution agreements with the main brokers specialized in the distribution of

The business lines within Receivables Management

- Credit insurance protects financial and non-financial companies alike against the risk of non-payment of their customer receivables.

- Company information enables them to evaluate the financial condition of their business partners and their ability to meet their commitments (solvency information) and to detect business opportunities with solvent customers (marketing information).

- Receivables management helps companies recover the amounts that are due to them.

- Factoring enables companies to monetize their accounts receivable by transferring them to a third party, the factor, who takes responsibility for collecting them and may suffer potential losses owing to debtor insolvency.

Coface's @rating system is the link between all these business units. A unique, worldwide system for rating insurable companies, @rating includes:

- an @rating opinion, including a suggested credit limit on 44 million companies worldwide (1@ = €20,000, 2@ = €50,000, 3@ = €100,000, etc.);

- an @rating credit score, now available on all French companies, which indicates a probability of bankruptcy in the coming year;

- a country @rating on 152 regularly monitored countries;

- a sectoral @rating measuring the average non-payment risk of companies in the sector.

VR Factorem posts initial success in the German market

Already present in the German factoring market for large companies through Coface Deutschland, the Receivables Management core business is now entering the corresponding market for SMEs, through its dedicated subsidiary, a joint venture with DZ Bank. VR Factorem's objective is to use the network of German Volksbanken to position itself as the leading factor for small and medium-sized companies.

receivables management services. This channel already generates a significant part of its new business.

In Germany, the success of VR Factorem, a joint venture with VR Leasing (subsidiary of DZ Bank), offers a new growth area. In the fast-growing German factoring market, VR Factorem's business model, based on attracting small corporate customers of the Volksbanken network, has been working very well. After only two years of operation, the subsidiary, 51%-held by Natexis Factorem, is already profitable, with net income of €0.3 million.

Just the right density of sales offices

>>> The Receivables Management core business has an extensive network of offices, enabling it to optimize sales, based on a customer-centric approach. Natexis Factorem sells all of the core business' services in the Banque Populaire regional banks and at Natexis Banques Populaires. Brokers, very significant in the factoring and credit insurance business lines, complement this network. Coface has its own network of multiproduct sales teams and manages its relationships with major partners, be they other insurers or other banks. It also has partnerships in company information, credit insurance and receivables collection.

Human Resources

ACCOMPANYING THE BANK'S **STRATEGIC DEVELOPMENT**

Natexis Banques Populaires has undertaken strategic and organizational changes to optimize its business assets, develop working relationships with the Banque Populaire network and its customers and expand international activities. In 2005, the Human Resources department accompanied the bank in these endeavors. To effect these changes, the bank had to strengthen support functions, such as information systems and strategic management tools. During the year, many new employees were hired, special training courses were held, incentives were added to the compensation policy, and the bank continued to harmonize the status of its various groups of employees.

Jobs and careers are managed dynamically

Human Resources contributed to the company's development with a vigorous hiring policy. Nearly 730 employees were hired under permanent contracts, a 50% increase over 2004. Almost a third of new hires were relationship managers or market traders, 15% were managers in sales, technical or strategic teams and 15% were back-office administrators. The bank also recruited experts in risk management and strategic management tools. New employees had an average age of 33 and the majority of them were experienced and had significant educational credentials.

The bank continued to encourage workforce mobility in 2005. At the individual level, more than 300 parent company employees changed department. Many others changed jobs within the same department. The members of a resources committee, drawn from the parent company and subsidiaries, exchanged information about available positions and employees available for transfer. Transfers were also facilitated by expanded internal communication about available positions through an intranet and internal memoranda. The monthly average of published offers increased from 20 in 2004 to 27 in 2005. Natexis Banques Populaires also helped integrate 20 people from two Banque Populaire Group entities, *Société de Banque et d'Expansion and Crédit Maritime*.

New training programs

Natexis Banques Populaires actively encourages skills development throughout an individual's professional life, so as to enable everyone to advance and strengthen the company's performance.

In France, more than 7,000 employees participated in nearly 200,000 hours of training in 2005.

Training programs focused on two themes: continued cross-functional skills, such as foreign languages, information technology, degree programs and regulations on the one hand and a new program that comes into play at key junctures in an employee's professional life on the other. The objective of these programs is to consolidate technical expertise, develop managerial culture and strengthen the sense of belonging to a constantly-evolving enterprise.

All new employees participate in an initiation program

The program includes several phases spread out over the employee's first year in the bank. Initially, employees take part in an orientation day, during which the company's organizational structure, operating procedures and environment are presented. Later, they attend modules devoted to security and money laundering. Finally, they participate in multi-day seminars entitled "*Objectif Découvertes*" for management-level employees, who represent 60% of new hires, and "*Premiers Contacts*" for technical staff. During the seminar, they meet executives, Human Resources managers and other key people in the company. They broaden their

Committed to integrating young people

Natexis Banques Populaires also places emphasis on introducing young people to the business world as a way to prepare them for their professional life. More than 660 student interns worked in the bank in 2005 in various departments and subsidiaries, for periods of six months to a year. In addition, 117 young people were on work-study programs leading to 2-5 year higher-education degrees and 34 participated in programs enabling young graduates to obtain international work experience (*volontariat à l'international*). They were working for 18-24 months in one of the bank's international offices, usually in North America or Asia. In all, more than 800 young people were consolidating their classroom training with practical experience.

Community projects financed by professional training taxes

For the last ten years, Natexis Banques Populaires has devoted part of the special payroll tax devoted to professional training (*taxe d'apprentissage*) to teaching projects for young people with learning problems, difficulties in finding a job or who must cope with disabilities.
Together with employee representatives, the bank devoted €112,350 to the financing of six school projects. These projects range from a preparatory class for young people lacking the requirements for entry into a vocational high school to a system to help blind people use public transportation.

knowledge of Natexis Banques Populaires, its values and its business lines.

Looking beyond the initiation program, employees receive skills training in their field as it evolves, or when they change jobs. This training is articulated around a set of skills common to all functions in their business line plus optional modules tailored to individual needs and special modules that apply to the employee's entity. Skills training takes place a few days per month over several months.

Finally, various forms of managerial training are offered to managers depending on their experience. They address the role of the manager as team leader and as provider of information, in accordance with the managerial objectives outlined in "*Être manager chez Natexis Banques Populaires*", an internal manager's guidebook.

Natexis Management, a force for cultural change

In 2005, Natexis Management, Natexis Banques Populaires' management institute, launched a leadership development plan for 100 high-level managers. Participants focus on two major themes: 1) the strategic priorities of Natexis Banques Populaires and their implications for the various business lines, and 2) the qualities that the bank's leaders will need in the future.

Entitled "*Vision*", this innovative program alternates leadership-oriented meetings with 100 business owners and 20 community leaders, athletes or prominent cultural figures with working sessions involving the members of the bank's Executive Management Committee. In addition, Natexis Management continued to offer "Executive Management Forums", "Banque Populaire Business Games" and breakfasts organized with Executive Management to imbue high-level managers with a common vision of the challenges facing the bank and the strategy it has adopted.

Attractive compensation policies

In 2005, Natexis Banques Populaires was particularly attentive to trends in individual and collective compensation, both fixed and variable. Every year, individual compensation and changes therein are evaluated with respect to the employee's performance targets. This individual compensation policy motivates employees and aims to retain talented people.

In addition, Natexis Banques Populaires applies the Banque Populaire Group salary increase agreement to all employees whose contracts are governed by the collective bargaining agreement applicable to banks. Employee compensation is also tied to the bank's earnings. The profit-sharing and incentive plans now represent around two months of base salary.

A profit-sharing agreement applicable to 6,000 bank employees and nine subsidiaries was also signed in 2005 and helped harmonize employee status. This was a first step in a plan to expand the agreement in 2006 to other subsidiaries of Natexis Banques Populaires.

Gross operating income and net income serve as the basis of the special profit-sharing reserve calculation.

The incentive plan is based solely on the net income figure.

A new, more progressive calculation method, based on net income, was implemented for the profit-sharing plan. Up to €500 per employee, profit-sharing is based solely on the number of hours or days worked in the company during the period. Above €500, it is a function of salary.

The three-year incentive plan agreement signed in 2003 was applied for the last time in 2005. 60% of the total envelope was distributed on the basis of salary and 40% on the basis of hours or days worked in the company during the period.

The bank is also negotiating with employee representative bodies in an effort to implement a group pension fund invested solely in socially-responsible funds. Socially-responsible funds will be added to the bank's employee savings plan beginning in 2006.

Personalized coaching

Coaching is an approach to personal and professional development for high-level managers starting a new position or taking on new responsibilities. Natexis Management has accredited ten coaches from outside the company. They carry out their assignments within established coaching guidelines that ensure equal treatment and strict adherence to ethical principles. The French business daily *Les Echos* cited Natexis Banques Populaires' coaching system as one of the best in France in a survey of corporate coaching practices published at the end of 2005.

NUMBER OF EMPLOYEES AT NATEXIS BANQUES POPULAIRES*

	12/31/2003	12/31/2004	12/31/2005
Fixed-term + permanent	11,913	12,534	12,973
Corporate and Institutional Banking and Markets	3,199	3,331	3,594
Private Equity and Wealth Management	428	419	374
Services	2,393	2,350	2,302
Receivables Management	4,160	4,666	4,863
Information Systems and Logistics	1,072	1,062	1,066
Other	669	707	774

* Full-time equivalent – end of period

CONSOLIDATED PROFIT-SHARING AND INCENTIVE PLAN COSTS

in millions of euros	2001	2002	2003	2004	2005
Employee profit-sharing	12.0	9.1	11.2	15.6	18.8
Employee incentive plan	17.0	11.6	27.2	38.9	52.5

MATCHING AMOUNTS PAID UNDER THE EMPLOYEE SAVINGS PLAN

PARENT COMPANY in millions of euros	2001	2002	2003	2004	2005
	4.3	5.8	4.9	5.8	7.0

The Human Resources Charter

Developed at the end of 2004, the Human Resources Charter aims to harmonize human resources policies across the bank and its subsidiaries. The charter clarifies the roles of the various HR positions and defines the principles and practices common to all human resources management. It fosters internal consistency, equal treatment and a sense of belonging. Potential action and areas for development were identified in six key aspects of human resources management: hiring, integrating new employees, mobility, career management, training, benefits / labor relations / administration and managerial culture.

The organization has embraced change

During the year, the Human Resources (HR) department began to explore ways to adapt its structure to changes in the bank. It began to redeploy its HR teams to create an organization articulated around the core businesses. This organization emphasizes proximity, with HR managers who know the business representing HR on site. At the same time, certain functions started to be consolidated at the head office HR department, such as hiring and training.

An HR intranet for everyone

Construction of a new HR intranet was undertaken in 2005. The site is to be open to all employees of Natexis Banques Populaires and its subsidiaries. Roundtable discussions were organized, with both employees and HR managers present, drawn from both the parent company and subsidiaries. The aim was to create a multi-purpose space that would bring employees closer together and address everyone's needs.

The site is set to go on line in 2006 and should reinforce the feeling of belonging to Natexis Banques Populaires. It will also include two dedicated areas. In one, human resources specialists will exchange information regardless of which structure they belong to; in the other, managers will find information and tools for better monitoring of their employees' development.

Communication has been harmonized

In 2005, internal communication was revamped to make it more responsive to reader concerns and needs. A reader survey supported this initiative. More international content will be included, information will circulate more efficiently and more accurately, and communication, whether the medium is paper, electronic or audiovisual, will be more attuned to employees.

Horizons, the internal magazine for all employees, has a new layout and new categories, including an international one, to reflect the bank's development strategy. An English version of the magazine is now sent to all employees outside France.

A weekly newsletter, *Trait d'Union*, also has new content and a new format. It has been translated into English since September 2005 and sent electronically to all employees outside France.

Features have also been added to *Forum*, the bank's video system and its 200 screens in Paris, Caen and Reims. More visual, more dynamic, with fewer categories but more content, *Forum* disseminates not only information about Natexis Banques Populaires and the Banque Populaire Group, but also, at some sites, specific, local information.

In addition, Natexis Banques Populaires created *Traits d'Union Métier*, a communication vehicle for certain business lines present in more than one entity or core business.

Finally, an English-language intranet called *Cont@cts* has been opened, with a home page that makes employees outside France feel closer to corporate events and that strengthens their ties with the bank.

The values of Natexis Banques Populaires

The bank's corporate culture is articulated around three clearly identified values.

Commitment: constantly implementing innovative and efficient solutions, we have long-term commitments with our clients and employees.

Team spirit: enriched by and supportive of our diversity, our relationships are based on respect, responsibility and confidence.

An exacting approach: motivated by a taste for challenge and success, we are responsive and pragmatic. We bring our professionalism and our expertise to bear to provide the most appropriate service to the client.

In 2005, these values were translated into concrete principles for managers in a document entitled "*Être manager chez Natexis Banques Populaires*" ("Being a Manager at Natexis Banques Populaires").

Sustainable Development

NATEXIS BANQUES POPULAIRES **DEEPENS ITS COMMITMENT**

Sustainable development – defined as healthy, controlled economic development that treats the environment with respect, while fostering social progress and attentiveness to the interests of society at large – is now an integral part of corporate life. Natexis Banques Populaires has chosen to undertake sustainable development initiatives within its reach, and to gradually upgrade its everyday practices by maximizing employee involvement.

A project team created at the end of 2004, drawing together expertise in human resources, environment and asset management has raised employee awareness and is leading to gradual integration of sustainable development issues in the business lines. The bank's program has been customized to the needs of numerous subsidiaries, in coordination with Banque Populaire Group.

Gradually integrated into each business line

A major focus in 2005 was financing and investment in favor of the environment. Indeed, these are business lines in which a financial institution can make one of the most significant contributions to sustainable development.

New environmental constraints taken into account

Since 2004, Natexis Banques Populaires has been attentively watching the emerging carbon market (negotiable emission rights, carbon credits, Kyoto projects, etc.). Given its positioning in commodity and energy markets, the bank is well-qualified to support clients facing new environmental constraints and can offer them new products and services.

The new European system of CO_2 quotas went into effect in 2005, and the bank is operational as an intermediary in this new market. It can now execute, buy and sell orders for negotiable emission rights on the European Climate Exchange (ECX).

To raise corporate awareness about global warming, the bank is also a signatory to the Carbon Disclosure Project, a questionnaire sent by 155 investors to the 500 largest companies in the world. The questionnaire asks them for information about their policies regarding CO_2 emissions. This year, 70% of companies surveyed responded, vs. 58% last year.

Natexis Banques Populaires was also a partner in the most recent international conference sponsored by the IFP (Institut français du pétrole), the French oil & gas research institute, devoted to CO_2 emissions and geological carbon storage.

Natexis Banques Populaires has held onto its position as a major player in the environment and renewable energy. Not only has it greatly increased financing of wind farms, but it also is diversifying into solar, ethanol and biomass project finance.

Project financing and the environment

In July 2005, credit committees began requiring an environmental score on all proposed financing, regardless of amount, so as to evaluate environmental impact. Scores take into account the project's impact (level A, B or C depending on the sector or country), the extent to which regulations are adhered to, the conclusions of the environmental report and the risk of opposition to the project. Thanks to this information, now systematically provided by relationship managers, the evaluation of environmental impacts has become an integral part of the analysis of a project.

At Coface, the methods for handling sustainable development issues in the various business lines are different but complementary. For guarantees managed on behalf of the French government, Coface has been evaluating the impact of projects on the natural and human environment as part of regular examination of guarantee requests since 2000. All relevant information on this topic is available and regularly updated on Coface's internet site.

An Ethics, Compliance and Sustainable Development department was created in 2005 with dominion over all

Recognized contribution to sustainable development

Rated by Vigeo for the third year in a row, the bank made significant progress in all areas between 2004 and 2005. Natexis Banques Populaires is among the top-ranking banks for human resources, relations with customers and suppliers and its commitment to society. The bank is also a member of the rating agency's "ASPI Eurozone" index, composed of the 120 euro-zone companies with the best social and environmental responsibility performance.

Sharp increase in wind farm financing

>>> In 2005, Natexis Lease, in particular through its Energeco subsidiary, participated in the financing of 25 wind farms with a total capacity of 236 MW. It extended loans totaling €99 million, representing a significant increase over the €57 million it extended between 2001 and 2004. With market share of around 30%, Energeco thereby strengthened its position as one of the leaders in arranging and financing projects of this kind in France.

>>> Moreover, through the Project Finance department and it's involvement in international projects, Natexis Banques Populaires doubled its portfolio of wind farm financing. The bank participated in the financing of ten new wind farms in France, Spain, Portugal, the United Kingdom, Ireland and the United States. Financing amounted to €115 million for a total capacity of 1,100 MW.

Coface activities. Its mission is to evaluate Coface's practices with regard to sustainable development values, to propose improvements where necessary, and to involve each employee directly in the company's commitments by creating a code of conduct for all Coface employees in the 58 countries where it has a direct presence.

Asset management is also committed to sustainable development

For several years now, Natexis Asset Management has been developing a range of socially-responsible funds covering all asset classes (equities, bonds, and money-market): Natexis Développement Durable. In managing these funds, the bank combines social, environmental and corporate governance criteria with traditional financial criteria.

In addition, Natexis Asset Management is placing increasing importance on corporate governance, which aims to achieve the right balance between the rights and responsibilities of managers and shareholders. For example, it always exercises its right to vote at the shareholders' meetings of companies in its equities portfolios. It examines each company in detail and analyzes the resolutions in light of Natexis Asset Management's voting policy. Using this integrated approach, Natexis Asset Management exercised its voting rights on 150 European stocks in 2005.

In employees savings, Natexis Asset Management and Natexis Interépargne have jointly developed Fructi ISR, a complete range of six employee investment plans managed according to the principles of socially-responsible investing (SRI). Since 2002, the Comité Intersyndical de l'Epargne Salariale, an organization created by French labor unions to represent employees in employee savings plan negotiations, has given Fructi ISR its stamp of approval every year.

SRI assets managed by Natexis Asset Management soared in 2005. At December 31, 2005, they totaled €465.65 million, up 138.11% since the previous year-end.

Natexis Banques Populaires is also actively promoting these funds to all employees. In January 2006, a range of SRI and solidarity-based savings was added to employee savings options.

Support for the solidarity-based economy

The Fructi ISR range contains a solidarity-based fund, "Fructi ISR Rendement Solidaire". Five percent of the fund's assets are invested in securities issued by accredited associations or companies such as Habitat et Humanisme (aid for the financing of solidarity-based housing), Association pour le Droit à l'Initiative Economique (aid for the long-term unemployed to start their own business) and Société d'investissement France Active (investment in small firms creating jobs for people with financial difficulties). These three organizations promote economic development and help disenfranchised people.

"Fructi ISR Rendement Solidaire" has gained 12.67% since its December 2003 inception, demonstrating that it is possible to marry social responsibility with financial performance. With the support of Natexis Interépargne, France's leader in employee savings, Natexis Asset Management is actively helping to structure and launch new solidarity-based projects. Many accredited solidarity-based organizations that might be able to use the resources collected through group employee pension plans (PERCOs) have been contacted. This type of fund is set to experience robust

A socially-responsible asset management company

Since the end of 2004, in line with the management of its socially-responsible funds and looking beyond products per se, Natexis Asset Management has been developing a comprehensive approach aimed at embodying and promoting the values of responsible financial management. Specifically, it has been integrating the components of sustainable development in its strategic planning, organization and all of its products. This initiative was rated A++* in September 2005 by BMJ Ratings, a European firm specialized in extra-financial ratings.

** on a ten point scale ranging from D to AAA.*

growth in the years to come, because any company that wishes o set up a PERCO must propose at least one solidarity-based employee investment plan.

The solidarity-based savings market totaled €613 million at the end of 2004 and €130 million of it was in solidarity-based employee savings. Natexis Asset Management and Natexis Interépargne are market leaders in solidarity-based savings, with solidarity-based employee savings of €93 million under management at December 31, 2004, or 71% of that market. Assets under management advanced significantly again in 2005, to €150 million. The bank owes its first-tier position to the complementary expertise of its two subsidiaries.

Innovative PERCO solutions

Natexis Interépargne offers a PERCO that is entirely managed according to the principles of socially-responsible investing. The fact that the plan includes extra-financial factors in the selection process is regarded as an indication that it evaluates risk better and therefore that it has a better chance of achieving lasting performance. This dovetails with the pension-fund investment horizon.

Turning up the heat on financial crime

Efforts in the battle against financial crime have been intensified. The team was reorganized, staff was beefed up, technical resources were strengthened and training in how to combat money-laundering continued. As of the end of 2005, 80% of parent-company staff and 75% of subsidiary staff had attending the training.

A surveillance system was implemented. The bank acquired a behavioral analysis software that will be used to detect suspicious transaction flows in the accounts of companies, correspondent banks and individuals.

Since the end of 2004, more rigorous prevention rules have been applied. For each new account and for each line of credit renewal, a customer identification form must be filled out.

Partners in Solidarity-based Savings Week in the Paris region

Natexis Asset Management and Natexis Interépargne participated in the fourth solidarity-based savings week organized by Finansol* in the Paris metropolitan area at the end of 2005. The aim of this event was to inform the general public about the advantages and mechanisms of solidarity-based savings and about projects supported by this type of investment, such as social integration, job creation, solidarity-based housing and renewable energy. Natexis Asset Management and Natexis Interépargne took advantage of the opportunity to invite employee-savings clients and Natexis Banques Populaires employees to conferences on the theme of solidarity-based employee savings.

** Finansol: solidarity-based finance representative body*

Development that treats the environment with respect

In 2005, Natexis Banques Populaires endeavored to control the direct impact it has on the environment, which, given the scale of its operations and its 12,900 employees, is not negligible.

Raising awareness about global warming

Natexis Banques Populaires showed its commitment to sustainable development and the battle against climate change in joining Ademe's "Planète Gagnante" club. Ademe, the *Agence de l'environnement et de la maîtrise de l'énergie*, is the French environment and energy management agency. The bank has agreed to promote the energy-saving message of Ademe's publicity campaign. The campaign aims to make the general public aware of the environmental problems caused by greenhouse gas emissions and encourage people to control their energy consumption. Natexis Banques Populaires has greatly expanded the impact of the campaign. Its first act was to make employees aware that their everyday activities are responsible for half of all greenhouse gas emissions. Using the Climact test, available on the bank's intranet, employees can measure their own greenhouse gas production in a few minutes, as well as how to reduce them. The test was also distributed outside the bank. It was distributed in paper form at a conference of French Association of Corporate Treasurers (AFTE).

The Logistics department oversees consumption

The Logistics department is in charge of managing the bank's direct impact on the environment. On its various buildings, energy consumption – specifically electricity, heating and cooling – is managed by a centralized system so as to minimize operating costs while optimizing user comfort. Lights are configured to go off outside of normal working hours. Heating and air conditioning systems are regulated based on outside weather and the thermal properties of each building. System performance is monitored and improved by comparing actual, monthly consumption with budgeted energy requirements. In 2005, consumption monitoring was expanded to include subsidiaries and locations outside the Paris metropolitan area.

The new Liberté 2 building

In 2005, 2,300 Natexis Banques Populaires employees moved into the new *Liberté 2* offices in Charenton-le-Pont

Participation in "gestes verts" campaign

After increasing sensitivity to greenhouse gases, the bank included its employees in the "*Gestes verts*" ("eco-behavior") campaign. Via a questionnaire distributed in June 2005, employees suggested measures to reduce energy, paper and fuel consumption or to optimize waste management. The key suggestions were published on a "*Gestes verts*" intranet at the end of September 2005. Certain suggestions have already been implemented. In 2006, the bank will focus on promoting five key measures for employees to keep in mind and on implementing new projects: widespread use of selective waste collection, research into a carpooling system and developing procurement of environment-friendly products.

just outside Paris. An intranet site was created and orientation brochures published to answer employees' questions about the new building, the specifics of the move, measures to address transportation concerns, housing information, etc. Through a series of 120 visits to the new building, 1,200 employees were able to tour the site before the move.

From the outset the building was designed to maximize user comfort while minimizing impact on the environment. Selective waste collection was implemented and employees were informed of a procedure for collecting used ink cartridges. The *Liberté 2* building is also scheduled to have a carbon assessment.

In 2005, Liberté 2 was awarded the year's grand prize for office buildings at the corporate real estate trade fair in Paris (SIMI). Among the determining criteria, the jury appreciated the building's approach to sustainable development and its high environmental quality, as well as functionality and flexibility from the user's point of view.

Optimal use of office equipment

Shared multi-function printers operating by default in double-sided, ink-saving mode contribute to reducing paper and ink cartridge consumption in the *Liberté 2* building.

In addition, when the bank purchased 2,600 new flat screens, the old screens were collected by a company proposing an attractive combination of environment-friendly (recycling, reconditioning, ISO 14001 certified factories) and social initiatives. The equipment is recovered and refurbished by a association that helps people integrate socially and professionnally and then sells IT material for a limited price to NGO's.

Raising awareness among suppliers

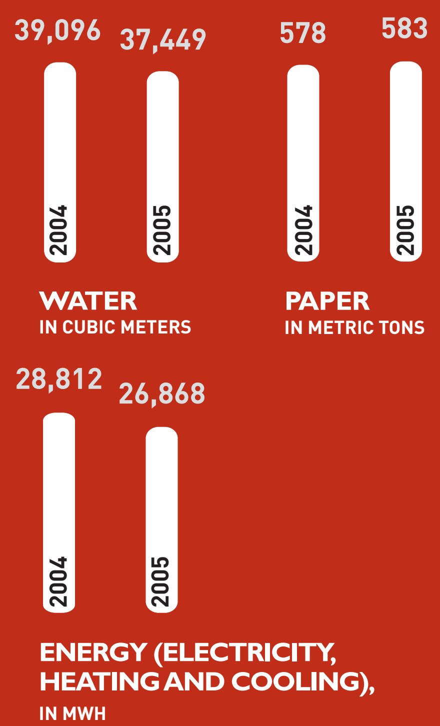
In fulfillment of its end-2004 commitments, the bank integrated sustainable development criteria into its 2005 calls for tender. The Purchasing department now follows this procedure systematically. To accomplish this, the bank called upon the expertise of Ademe's "eco-design and sustainable consumption" department. This made it possible to choose products with less impact on the environment over their entire life cycle. Official eco-labels (e.g. EU, the French "NF Environnement" standard) were widely used. The results obtained in the various calls for tender were very encouraging and demonstrate that it is possible to combine economic and ecological goals.

For commercial printing, for example, the bank turned to printers carrying the "Imprim'vert" label, used natural, vegetable inks and replaced all previously used varnishes and coatings with acrylic varnish.

Consumption under control

>>> Given that the Liberté 2 building came on stream and the monitoring scope for water and energy consumption was expanded to include all subsidiaries, including Coface, 2005 was a transition year.

At constant scope, water, paper and energy consumption were kept under control.



Purchase of "green" products

In 2005, the bank chose products having less impact on the environment, including:
> paper containing recycled fibers or new fibers from forests managed according to the principles of sustainable development,
> recyclable envelopes carrying the "NF Environnement" label,
> recycled ink cartridges for printers and fax machines,
> office supplies marked as "green products"; in 2005, out of a catalog of 572 products, 86 were designated as "green".

Going one step further, Natexis Banques Populaires integrated exclusion criteria into certain calls for tender at the end of 2005. Purchased furniture, for example, must not contain hazardous substances. The wood used must derive from forests managed according to the principles of sustainable development and exportation or commercial exploitation of the type of wood used must not be against the law.

A call for tenders on flat screens excluded suppliers that could not guarantee the absence of toxic substances in their equipment that could be harmful to employees.

In various product categories, Natexis Banques Populaires also placed importance on ISO 14001 or EMAS certification for supplier production sites. Finally, the Purchasing department indicated the working conditions at sub-contractor locations in all calls for tender concerning service contracts.

Development fostering progress in employment practices

According to the Vigeo criteria, the bank is among the leaders in human resources management, given its determination with regard to training, employability and internal dialog (*see chapter entitled "Human resources"*).

The bank places particular importance on diversity. In 2005 it continued to seek the enrichment that comes with a broad cross-section of ages, cultures and backgrounds. In hiring, for example, the bank intentionally does not distinguish any category (sex, age, disability, ethnic minority, etc.).

Nevertheless, two categories were singled out for special attention. Several women were hired for high-level positions. The proportion of women among management-level employees at the parent company is gradually increasing. It was 33.7% in 2003, 34.1% in 2004 and 34.9% in 2005. The percentage of promotions that involved women has also been rising and should improve these figures. It was 52.2% in 2003, 56.4% in 2004 and 59.1% in 2005, the same percentage as among the bank's French workforce.

Hiring and integrating people with disabilities is also becoming an important aspect of social responsibility. Natexis Banques Populaires has initiated a partnership with universities and *grandes écoles* through which it informs them that the bank is prepared to hire candidates with disabilities. To make sure the bank is truly integrating this initiative into its hiring policies, the Human Resources department has staffed a new function dedicated to diversity issues, and in particular to the hiring of people with disabilities.

In addition, it uses sheltered workshops and other supported employment programs for various services, such as answering job applications, gardening and certain printing jobs.

Attentive to the interests of society at large

Committed to the battle against malaria

In 2005, Natexis Banques Populaires decided to join the struggle against malaria. A forgotten disease that kills over two million people a year, many of them children, malaria is advancing at an alarming rate.

Natexis Banques Populaires began by supporting the Franco-African fight-against-malaria day organized by Plan France, an NGO, on April 25, 2005, with an extensive outdoor advertising campaign in the Paris metropolitan area. It also finances, together with its subsidiaries, programs to increase awareness and distribute mosquito nets among affected populations. A campaign of this type has been underway in Cameroon since last May, with the support of Natexis Asset Management.

Two anti-malaria projects initiated by other NGOs were also supported by Natexis Banques Populaires at year-end. One was proposed by an employee of Banque Populaire

Employees are directly involved

Natexis Banques Populaires has decided to involve employees as much as possible in sustainable development efforts so as to make them common practice throughout the company. An initial information stage took place in 2005, in particular via regular internal communication. Sustainable Development Week, in June, offered another opportunity to increase employee sensitivity. On that occasion, a traveling exhibit on the theme of sustainable development and the forms it takes at Natexis Banques Populaires was presented in the bank's principal sites. In addition, conferences on such topics as ecological footprints, fair trade, socially-responsible investment and the struggle against malaria were offered throughout the week.

Toulouse-Pyrénées, who is president of an organization called "*Les enfants de l'Aïr*" (the children of Aïr). This program distributed mosquito nets and raised awareness about the disease in villages around Agadez, in Niger. In the other, the bank helped finance a biomedical research program run by the Institut Pasteur in Madagascar.

Active cultural patronage

Natexis Banques Populaires continued its "*Patrimoines d'hier, Trésors d'avenir*" patronage program, launched two years ago. It helped promote knowledge about the Coronelli terrestrial and celestial globes and financed their exhibition at the Grand Palais in September 2005. The globes will join the permanent collection of the *Bibliothèque Nationale de France* (BNF), the French national library, in the Autumn of 2006. The bank also financed the acquisition of Coronelli's "*Terre Artiche*" map, representing the North Pole, the most damaged part of the terrestrial globe.

Sensitive to the realms at the crossroads of art and science, Natexis Banques Populaires complements its patronage initiatives with a scientific element. The bank is financing a study by the *Centre de Recherche et de Restauration des Musées de France,* a French government research center specialized in restoration, that will enable the BNF to restore the Coronelli globes before they are shown to the public.

A partnership between the BNF and the *Centre National d'Études Spatiales* will make it possible to draw a parallel between yesterday's and today's knowledge by comparing the globes and satellite images.

The Banque Populaire Group Foundation

For the past ten years, the Banque Populaire Group Foundation, one-third financed by Natexis Banques Populaires, has supported projects in three areas: music, disabilities and more recently, marine and freshwater treasures. The Foundation helps three groups of people: young classical musicians starting out in their career, young people with disabilities who want to return to a professional activity, and individuals with projects centered around renewal or increasing understanding of oceans, lakes and rivers. Through its patronage initiatives in cultural and social fields, the Foundation ensures the Group's commitment to those whose initiative, creativity, talent and energy deserve decisive and lasting support.

Young musicians obtain help in starting their career through scholarships lasting one to three years. Young people with disabilities receive financial aid enabling them to obtain professional training, higher education, to found a company or to buy a car customized to their professional requirements.

Finally, in the field of marine and freshwater heritage, the Foundation helps rehabilitate certain sites, improve or modernize specialized museums, renovate historically important ships, and protect certain species and their natural milieu.

2005 PROJECTS	SIGNIFICANT ACHIEVEMENTS IN 2005	OUTLOOK FOR 2006
Increase financing and investment in favor of the environment	■ Raising awareness among sales teams ■ CO_2 emission rights trading ability ■ Integration of an environmental scoring element in project financing proposals ■ Sharp increase in wind farm financing	■ Extend sensitivity to all employees ■ Develop a range of products for clients subject to new environmental constraints ■ Integrate environmental risk in project monitoring ■ Continue financing of renewable energy
Confirm position in socially-responsible investing and the solidarity-based economy	■ Strong growth in managed SRI and solidarity-based funds ■ Natexis Asset Management and Natexis Interépargne are leaders in solidarity-based employee savings	■ Continue to promote SRI/solidarity-based products and growth in volume of managed assets ■ Forge new partnerships with companies in the solidarity-based economy
Pursue and refine fraud prevention	■ 80% of parent-company employees and 75% of subsidiary employees have received training in anti-money-laundering techniques. ■ A compliance form is filled out at each new account opening	■ Finalize employee training. Make specialised training modules available to business lines. Put teaching materials on intranet (e-learning) ■ Implement a behavioral analysis tool to improve detection of suspicious transaction flows with regard to anti-money-laundering regulations
Control direct impact on the environment	■ Membership in Ademe's "Planète gagnante" club ■ Raise employee awareness about eco-behavior through questionnaire and intranet	■ Codify an environmental policy and set quantified targets for the control of energy consumption ■ Follow up "*gestes verts*" initiative. Identify the five key measures, consider implementation of carpooling system, perform a carbon assessment, develop selective waste collection
Incorporate environmental criteria in the selection of suppliers and products	■ Partnership with Ademe's eco-design and sustainable consumption department ■ Sustainable development criteria integrated in all calls for tender	■ Continue to include sustainable development criteria in all calls for tender ■ Incorporate discriminating environmental criteria in the selection of suppliers and products
Promote dedication to diversity in all stages of human resource management	■ New function dedicated to management of diversity, particularly regarding hiring of people with disabilities	■ Raise awareness of employees involved in recruiting and career planning (HR and managers) about diversity issues ■ Take better account of diversity in hiring practices ■ Implement a voluntary program to hire individuals with disabilities
Contribute to the development development of the poorest countries	■ Commitment to the struggle against malaria (support for several NGOs) ■ Raising awareness among employees (exhibit about malaria)	■ Continue support for the struggle against malaria (new projects) ■ Involve employees (skills patronage, project participation) ■ Support microenterprises in developing countries
Make sustainable development a vector for education and improvement, involving all employees	■ Employees regularly informed through traditional communication channels ■ Traveling exhibit on sustainable development	■ Build training program on sustainable development ■ Organize conferences
Develop social and environmental reporting	■ Expand reporting scope to include all French subsidiaries (incl. Coface)	■ Integrate criteria proposed in the Global Reporting Initiative

NRE **APPENDICES**

Social data

Quantitative information – except for workforce totals covering France and other countries – relate to Natexis Banques Populaires and virtually all of its French subsidiaries. The reporting system, currently undergoing improvement, is moving toward a consolidated presentation of the parent company and all subsidiaries. Additional information is available in the 2005 corporate report.

Total number of employees (in FTE terms)

The total number of employees was 12,973 FTE as of December 31, 2005, including 9,438 FTE in France and 3,535 FTE in foreign offices.

Employees at the parent company totaled 4,902 FTE (including 67 fixed-term contracts) and at subsidiaries 8,071 FTE.

	2003	2004	2005
France	8,909	9,274	9,438
International	3,004	3,260	3,535
Total	11,913	12,534	12,973

The percentage of management-level employees at the parent company has regularly increased: 53.5% in 2003, 56.6% in 2004, 60% in 2005. This percentage is close to that of the bank's French worforce.

New hires

An active hiring policy led to a total of 984 new hires in 2005, of which 728 were under permanent contracts and 256 under fixed-term contracts. 60% of them were management-level employees.

At the parent company, the number of new hires under permanent contracts* increased by 76.6% over 2004.

NATEXIS BANQUES POPULAIRES' RECRUITMENTS

	2001	2002	2003	2004	2005
Permanent contracts	738	287	185	261	461
Fixed-term contracts	69	70	79	62	99
Total	807	357	264	323	560

The diversity of new employees reflects that of Natexis Banques Populaires' needs and business lines. The bank needs complementary talents and cultures.

Of the 560 individuals hired at the parent company, 57.4% held four- or five-year higher education degrees. Positions of high responsibility or requiring specific, business-line expertise were filled by experienced candidates, both male and female.

* figures include subsidiary hiring

Many new employees with two years of higher education were hired, principally for back-office positions. Many of them possess the technical and linguistic skills necessary for handling complex IT applications.

No significant recruiting problems were encountered. In addition to the nxbp.fr web site, the bank used the major employment sites available on the internet to publish its job offers.

In many cases, entry-level employees (24.6% of new hires) joined the bank after successfully completing a student internship (*see chapter entitled "Human Resources"*).

Lay-offs

There were 221 lay-offs in France in 2005, including 137 at the parent company. Most of them were motivated by individual circumstances.

Early retirement

An industry-wide early retirement program forms the basis of a Banque Populaire Group agreement implemented in 2003. The program allows early retirement from the age of 58 until March 31, 2006, provided certain conditions are met. Under the agreement, 50% of all departures were to be replaced by new hires. Approximately 40 employees took advantage of the program. Their departure was more than offset by the high number of new hires over the last three years.

Overtime

Overtime in France totaled 24,899 hours in 2005, including 15,530 at the parent company.

Workers employed by non-Group companies

Temporary employees represented 2.8% of French employees at December 31, 2005, representing a monthly average number of 278.

At the parent company, the average number of temporary employees, after declining sharply in 2003, then stabilizing in 2004 at 167, was reduced to 143 in 2005.

Services providers were used essentially for IT functions (IT consulting companies and project leadership assistance).

Redundancy plans

As defined by French labor law, not applicable to Natexis Banques Populaires.

Work scheduling, working time, absenteeism

Seven collective bargaining agreements cover the varied lines of business exercised by Natexis Banques Populaires and its subsidiaries in France. The banking and insurance agreements apply to more than 80% of employees.

As a result, there are specific provisions depending on the sector, in particular with regard to working time.

The workweek is 38 hours long, with additional vacation days granted to employees. As a result, on an annualized basis, the workweek at the parent company averages 35 hours.

Management-level employees who work on a number-of-days basis rather than an hourly basis worked 209 days, including the additional work day stipulated under the June 30, 2004 act for the protection of elderly and disabled people (*loi sur la solidarité et l'autonomie des personnes âgées et handicapées*).

11.2% of employees worked part time, either 50, 60, 70, 80 or 90% of a full-time schedule. Similarly, management-level employees on a number-of-days basis may opt for part-time arrangements of 105, 126, 147, 167 or 188 days.

Out of all French employees, 9.9% worked part time.

Compensation and raises

Labor negotiations at the Banque Populaire Group resulted in a 1.8% overall gross salary increase in May 2005. Natexis Banques Populaires applies the Group agreement to all employees whose contracts are governed by the collective bargaining agreement applicable to banks.

In addition, individual compensation and raises are evaluated every year in March with respect to the employee's performance targets.

In 2005, management and employee representatives decided to take certain category-wide measures in favor of employees earning the lowest salaries and to look closely at employees who had not been promoted for four years.

Equal status for men and women

As of December 31, 2005, women represented 51.8% of the total French workforce (47.3% of the parent company workforce).

The number of women hired by the parent company increased in 2005. Out of 560 new hires, 45.2% were women, compared with 41% in 2004.

Proportion of women in management-level positions (parent company):

- 32.9% in 2002
- 33.7% in 2003
- 34.1% in 2004
- 34.9% in 2005

Proportion of women among promoted employees (parent company):

- 50.7% in 2002
- 52.2% in 2003
- 56.4% in 2004
- 59.1% in 2005

Among all French employees, women received 59% of all promotions and 51.8% of all raises (note that the second percentage is equivalent to their representation in the bank's French workforce).

Training (parent company): women represented 48.8% of trainees, slightly more than their percentage in the workforce.

Labor relations and results of collective agreements

Since 2000, more than 90 agreements and amendments have been signed with employee representatives on subjects ranging from support for internal reorganization, to long-term service awards payable to employees on retirement, to labor union functions.

In June 2005, a profit-sharing agreement was signed, applicable to more than 6,000 employees of the parent company and nine subsidiaries.

With socially-responsible employee savings in mind, management of Natexis Banques Populaires and labor unions signed an amendment to the Employee Savings Plan at the end of 2005. Mutual funds proposed to employees now include socially-responsible investment funds.

In accordance with an amendment to the Employee Savings Plan signed in 2004 (parent company and Natexis Paiements), the ceiling for matching contributions was increased, effective January 1, 2005.

In compliance with the loi Breton, an agreement with employee representatives allowed employees to gain early access to their 2004 profit-sharing until December 31, 2005.

Each labor union has space on the intranet to facilitate the expression and dissemination of its ideas within the company. In addition, since 2004, employees have been able to access the Central Works Council's intranet site from outside the company.

To ensure that employees are properly informed, certain information the company is required to post were put on line in a new section of the HR intranet.

A new "charter" for using IT, digital and technological resources was discussed on several occasions with employee representatives and implemented on October 15, 2005. This charter and its accompanying user's guide define employees' rights and responsibilities regarding the IT resources made available by the employer.

Health and safety

The Health, Safety and Working Conditions Commission (CHSCT) of the Paris metropolitan area has 16 members rather than the legally-required minimum of nine. Three committees handle issues related to stress and harassment, smoking on the company premises and the tracking of employees redeployed in the context of the Liberté 2 project.

Concerning employee health, the independent, occupational medicine department regularly monitors employees in the Paris metropolitan area. Independently of the new system of biennial physical examinations, employees requiring special surveillance will continue to be monitored on an annual basis.

A doctor who advises patients on medical reimbursement is available twice a week for employee consultations in the Paris metropolitan area.

As is the practice every year, an influenza vaccine campaign took place in the Group's offices in October 2005.

In liaison with the *Comité régional d'éducation pour la santé d'Ile-de-France*, an association that promotes health education, the CHSCT smoking sub-committee organized anti-smoking events in the bank's Paris offices, based on the results of an employee survey held at the end of 2004.

Following on from the 2004 summer program, 2005 summer interns were informed of the company's smoking policy during their initial orientation. In the summer of 2005, anti-stress balls replaced the candy boxes distributed in 2004.

As part of the business recovery plan, a partnership was concluded in 2004 with the *Institut de Victimologie* to provide psychological support to employees in the event of a serious business interruption.

To reduce response time in the event of a problem, the personal data of French employees was updated in 2005.

A toll-free number was made available to employees to enable them to obtain practical information in the event of a business interruption. This number has been printed on employee pay slips since June 2005 and on badges issued since then.

Training

The time devoted to training indicates the importance Natexis Banques Populaires and its subsidiaries place on developing the skills of their employees. More than 7,000 employees participated in nearly 200,000 hours of training in 2005.

The number of parent company employees participating in training totaled 3,554, including 2,159 management-level and 1,395 business line specialists, which is in line with the relative sizes of these categories.

Training hours broke down by subject according to the needs expressed in 2005. IT training represented 24.5% of total hours, languages 20.3% and business line topics 21.8% (products and markets, sales and financial techniques, risk analysis). In addition, management training continued to expand (15.4%), with degree programs accounting for 8.5% of total hours.

Training offered by Natexis Banques Populaires on behalf of its subsidiaries tripled between 2002 and 2004 and continued to rise in 2005 to a total of 9,353 hours.

Employees have easy access to all training programs offered by the parent company, available on the HR intranet.

Employment and opportunities for disabled workers

The bank and its French subsidiaries employ 146 people with disabilities.

The number of employees with disabilities declined in 2005 because a certain number took retirement. The bank pays close attention to the management of diversity, and one of the parent company's employees is responsible for developing a plan in 2006 to foster the hiring of disabled workers.

Community donations

In the wake of the tsunami that devastated southeast Asia at the end of December 2004, Natexis Banques Populaires employees came to the aid of victims. Donations to the Works Council were doubly matched by management and the total was contributed to humanitarian associations.

Similarly, every year many employees make charitable contributions to the Telethon. These donations are also doubly matched by management.

During 2005, the Central Works Council created a humanitarian commission to coordinate the Council's solidarity activities.

A mutual assistance organization helps employees who are confronted with a personal accident or other serious personal problem. Annual voluntary contributions are also matched by the company.

The *Liberté 2* building project included a contribution to the community infrastructure. Tennis, basketball and handball courts, co-financed by the town of Charenton, the Île de France region and Natexis Banques Populaires were made available to the residents of Charenton and bank employees.

In addition, to make it easier for employees to use public transportation, a bus (line 109) runs continuously throughout the day. It is cofinanced by the Île-de-France transportation authority, the town of Charenton and the beneficiary companies, Natexis Banques Populaires and Crédit Foncier de France.

Methods employed by the company to account for the impact of its activities on employment and regional development

Natexis Banques Populaires accompanies regional development by financing its client's activities. It builds long-term partnerships with them (see chapter entitled "Businesses").

Relationships with educational institutions and associations that combat social exclusion

Natexis Banques Populaires maintains and develops relationships with certain university-level educational institutions, selected to match the company's business lines (business and engineering colleges, graduate schools). In this context, 665 student interns worked in various capacities in the bank and its French subsidiaries in 2005.

Thirty-four young graduates participated in the *Volontariat International en Entreprise* program offered by the parent company and its Coface and Natexis Pramex International subsidiaries. The program offers young graduates an initial experience abroad as a step toward a subsequent hire either locally or in France.

The company has forged close ties with certain training and apprenticeship centers, which enables young people with a baccalaureate degree plus 2-5 years of higher education to join the company through apprenticeship contracts.

In all, 117 young people worked in France in work-study programs.

The parent company pays 52% of the "apprenticeship tax" (*taxe d'apprentissage*) directly to the training and apprenticeship centers and 48% to secondary schools, universities and *grandes écoles*. In this way, it consolidates its relationship with partner organizations, while financing educational and social projects intended, among other things, to help youngsters having difficulty academically or socially (*see chapter entitled "Human Resources"*).

Extent of subcontracting and adherence to fundamental conventions of the ILO code

The company makes sure that its sub-contractors adhere to legal requirements regarding management of their personnel. The Purchasing department indicates working conditions at sub-contractor locations in all calls for tender on service contracts.

The use of temporary workers has been scaled back over the last three years.

No bank processing is externalized to developing countries.

Methods employed by foreign subsidiaries to account for the impact of their activities on regional development and local inhabitants

Natexis Banques Populaires contributes to local development outside France through its international locations. Virtually all of the 3,500 employees who work in foreign offices, branches and subsidiaries are recruited locally.

Environmental data

Consumption of resources

A new building (*Liberté 2*) came into service in 2005, and the monitoring scope has expanded. Natexis Banques Populaires consolidated water and energy consumption in its main buildings (Paris and Charenton-le-Pont) and in the rest of France with consumption at its subsidiaries, including Coface. Figures presented in 2005 cover 183,000 sq. m. of premises with 12,700 workstations. To facilitate comparison of water consumption from one year to the next, figures are also presented on a comparable basis between 2004 and 2005.

Water consumption, for all companies and locations of Natexis Banques Populaires (parent company and subsidiaries, including Coface) is estimated at 91,962 cu. m. On a comparable basis, consumption declined slightly.

- 2001: 49,036 cu. m.
- 2002: 51,127 cu. m.
- 2003: 50,013 cu. m.
- 2004: 56,132 cu. m. (39,096 cu. m. on a comparable structure basis)
- 2005: 91,962 cu. m. (37,449 cu. m. on a comparable structure basis)

Raw materials consumption includes primarily consumption of paper by the parent company, Natexis Banques Populaires. There was a downtrend between 2002 and 2004, because much supporting documentation now exists only in electronic form, copying and desktop publishing resources have been optimized and an ambitious environmental policy has been implemented. In 2005, consumption advanced slightly because of business growth and an increase in the number of employees.

- 2001: 730 metric tons
- 2002: 684 metric tons
- 2003: 642 metric tons
- 2004: 578 metric tons
- 2005: 583 metric tons (of which printing: 337 tons, copying: 22 tons and desktop publishing: 224 tons)

Energy consumption

Energy consumption (electricity, heating and cooling), for all companies and locations of Natexis Banques Populaires (parent company and subsidiaries, including Coface) totaled nearly 80,000 MWh. On a comparable structure basis, it declined between 2004 and 2005.

- 2001: 31,046 MWh
- 2002: 32,897 MWh
- 2003: 34,468 MWh
- 2004: 34,485 MWh (28,812 MWh on a comparable structure basis)
- 2005: 77,425 MWh (26,868 MWh on a comparable structure basis)

Consumption of gas and heating oil remained low: 330,000 cu. m. and 200 cu. m., respectively, in 2005.

Measures taken to improve energy efficiency

Energy and fluid consumption generated by the activities of Natexis Banques Populaires is managed by the Logistics department. This department's policy is to limit the direct environmental impact of the company's activities, while maintaining high-quality working conditions for employees. In an effort to achieve this delicate balance, qualitative and quantitative consumption objectives are set annually for each building.

The Logistics department has individual building representatives who interact directly with users. They are responsible, among other things, for optimizing energy consumption. To do so, they use centralized technical management tools to optimize user comfort while minimizing energy consumption. These tools automatically manage technical installations, taking account, for example, of outside temperature and the thermal properties of the building.

System performance is monitored and improved through regular comparison of actual consumption with budgeted energy requirements. Energy budgets are based on annual targets and take into account seasonal variations recorded for each building over several years.

The environmental quality of interior space in new buildings is also taken into account right from the design stage. The *Liberté 2* building, which opened in 2005, is a perfect example. From the outset, financial, architectural and technical aspects were fully planned from a long-term perspective. Building materials and technical equipment were chosen not only on the basis of the initial investment, but through a comprehensive approach including future operational costs over the building's estimated useful life. This approach made it possible to opt for modern, efficient solutions that minimize energy consumption while offering high-quality interior space. In 2005, *Liberté 2* was awarded the year's grand prize for office buildings at the corporate real estate trade fair in Paris (SIMI). The prize was awarded by a jury composed of corporate real estate managers of CAC 40 companies and was based on the building's architectural, environmental and technical qualities.

Finally, through a partnership with Ademe, 2005 saw increased awareness of global warming on the part of employees. The "*gestes verts*" eco-behavior campaign (see above) involved them both on individual and collective levels. As a result, paper and energy consumption was reduced and waste management optimized.

Use of renewable energy sources

In 2005, Natexis Banques Populaires considered a program to purchase electricity produced from renewable energy sources. However the program did not offer acceptable environmental guarantees, and was therefore not pursued.

Ground use, emissions of substances having a serious impact on the environment into the air, water and ground

Natexis Banques Populaires attaches particular importance to the environmental quality of the building work environment, so as to limit the impact of its activities on the environment immediately around its buildings.

Along these lines, the company has reinforced measures to prevent the spread of the legionella bacteria into the air. Installations prone to risk – particularly water heaters and refrigeration towers – are monitored very closely. The practice of taking and analyzing samples biennially has been extended to all buildings in operation. Maintenance is now performed more frequently on these installations, too. In addition, a program to replace installations at risk of proliferating legionella was initiated in 2005.

Similarly, an asbestos detection program was launched in 2003 and completed in 2005. At the same time, materials containing asbestos were removed in 2005, and this program will continue in 2006.

Natexis Banques Populaires implemented waste sorting in one of its largest central locations, Rives de Seine, in 2003. In 2004, the volume of waste sorted at this site was 1,316 cu. m., including 829 cu. m. of paper and cardboard. In 2005, this practice was extended to the new *Liberté 2* building.

In addition, the bank encouraged employees to use and recycle more environment-friendly IT consumables. In 2005, 65% of laser cartridges used in 2005 were remanufactured, and 2,500 ink cartridges were recovered for recycling.

Measures taken to limit harm to biological equilibria, natural habitats and protected animal and plant species

Located essentially in an urban environment, the offices of Natexis Banques Populaires do not have a significant, direct impact on the natural environment. Nevertheless, preventive measures are taken to avoid any accidental water or air pollution. Sensitive installations are regularly maintained, premises containing potential pollutants are sealed, etc.

Similarly, the company does not install air conditioning systems that discharge heated water, so as not to pollute effluents. Instead, glycolated water from heat exchangers is periodically emptied and recovered by companies specialized in the treatment of it.

Used fluids from combustion engines (generators, vehicles, etc.) are also recovered and treated by specialized companies.

Evaluation or certification initiatives undertaken with respect to the environment

As it is a listed company, Natexis Banques Populaires is regularly evaluated and assigned "investor-solicited" ratings by extra-financial rating agencies. In particular, these agencies look at the company's environmental strategy. In 2005, Natexis Banques Populaires asked an extra-financial agency to rate its sustainable development policy. The agency concluded that "integrated management of direct environmental impact is a reality at Natexis Banques Populaires."

Measures taken, if any, to ensure compliance of the company's activities with environmental legislation and regulation

Natexis Banques Populaires complies with legal and regulatory environmental requirements. The company has building-use experts who are in close contact with users and know the technical equipment intimately, thereby ensuring that monitoring is up to standards. Moreover, technical installations and maintenance processes are subject to regular inspection by outside, specialized entities.

Expenditure devoted to preventing undesirable consequences of the company's activities on the environment

In 2005, the company spent an estimated €500,000 (excl. VAT) on the prevention of environmental risk. This expenditure covered the following areas: asbestos detection and removal, bacteriological testing, recovery and treatment of potential liquid pollutants, air conditioning replacement studies.

Existence of internal department for environmental protection, training and information dispensed to employees, resources devoted to reducing environmental risks, arrangements for dealing with pollution accidents whose consequences extend beyond the company's premises

A cross-functional unit within the Logistics department centralizes environmental issues related to building construction and operation. It tracks consumption on a consolidated basis, and it coordinates and federates the activities of the Logistics department's operating units.

In 2005, employees began to be informed about and trained in everyday behavior that can reduce the company's impact on the environment (Ademe partnership, "*gestes verts*" campaign).

Elements of the above objectives that apply to the company's foreign subsidiaries

Information is disseminated to employees in all locations, including those outside France.

Amount of provisions and guarantees for environmental risks

None.

Amount of environmental penalties paid during the period as the result of court decisions and the action taken to repair the environmental damage

None.

2005 Financial Data

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. Changes in the scope of consolidation compared with 2004 were insignificant:

- consolidation of LLD;
- sale of OFIVM at the end of 2005;
- acquisition of CUAL (February 2005), Coface's insurance subsidiary in South Africa;
- acquisition of LEID (April 2005), Coface's insurance subsidiary in Lithuania.

Furthermore, in accordance with the new international financial reporting standards (IFRS), the Group's non-trading real estate companies (SCIs) and mutual funds dedicated to insurance company investments are now fully consolidated.

The Group's financial statements have been prepared using IFRS including IAS 32, IAS 39 and IFRS 4 (EU IFRS) for 2005 and using IFRS excluding IAS 32, IAS 39 and IFRS 4 (2004 IFRS) for 2004.

The new standards used for interim reporting comply with the provisions of CNC recommendations, the main impacts being:

- reclassification of exceptional items in net banking income or operating expenses depending on their nature;
- reclassification of gains and losses on non-current assets in net banking income, except for gains or losses on properties used in the business and investments in consolidated companies;
- reclassification of interest on preferred shares from minority interests in net banking income.

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

- Corporate and Institutional Banking and Markets, which comprises Corporate France, International, Global Debt and Derivatives Markets, Equity Group, Natural Resources & Related Industries and Mergers & Acquisitions;
- Private Equity and Wealth Management, which comprises Private Equity, Private Banking and International Estate Planning;
- Services, which comprises Insurance, Employee Benefits Planning, Asset Management, Financial Services, Banking Services and Investor Servicing, formed from the creation in 2005 of the Natexis Investor Servicing subsidiary, which groups together around 160 employees from the different Services activities and is responsible for a number of services intended for asset management companies;
- Receivables Management, which comprises Coface and Natexis Factorem.

2 > Review of operations and results

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Net banking income	3,090.9	2,707.2	+14%
Operating expenses, depreciation and amortization	(2,056.5)	(1,864.6)	+10%
Gross operating income	1,034.4	842.6	+23%
Impairment charges and other credit provisions	(81.0)	(101.2)	-20%
Gains and losses on disposals of fixed assets	98.1	(1.5)	ns
Share of income of associates	13.6	10.5	+30%
Change in value of goodwill	1.6	(6.5)	ns
Earnings before tax	1,066.8	743.8	+43%
Tax	(341.3)	(239.0)	+43%
Minority interests	(30.1)	(17.2)	+75%
Net income	**695.4**	**487.7**	**+43%**

Natexis Banques Populaires achieved an excellent performance in 2005, with each of its four core businesses delivering strong growth compared with 2004:

- Net banking income totaled €3,090.9 million, an increase of 14% on the previous year. Net banking income generated by the core businesses came to €3,029 million, an increase of 15% compared with 2004. Overall, the adoption of EU IFRS in 2005 had a positive impact of €20.5 million. The currency impact was insignificant given the stability of the dollar in 2005 compared with 2004, at an average of €1.24 per dollar;
- Operating expenses were up 10% at €2,056.5 million;
- Consequently, gross operating income amounted to €1,034.4 million, an increase of 23% on 2004;
- The cost/income ratio improved by 2.4 percentage points to 66.5%. Excluding Coface, it would have been 64.8%;
- Impairment charges and other credit provisions came to just €81 million, despite an increase in collective provisions. The charge for the year represented 0.14% of Natexis Banques Populaires' risk-weighted assets;
- Gains and losses on disposals of fixed assets included the capital gain on the sale of the Liberté II building (€95 million) and totaled €98.1 million in 2005;
- Earnings before tax came to €1,066.8 million, up 43% compared with 2004;
- Net income came to €695.4 million, also up 43% on the previous year. This includes a sharp increase in tax and minority interests;
- Natexis Banques Populaires' ROE stood at 15.9%.

3 > Income statement analysis

3.1 - Contribution of core businesses to net banking income

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Corporate and Institutional Banking and Markets	1,259.3	1,159.0	+9%
Private Equity and Wealth Management	264.0	187.7	+41%
Services	724.4	610.9	+19%
Receivables Management	781.3	683.0	+14%
Total	**3,029.0**	**2,640.5**	**+15%**

3.1.1 - Corporate and Institutional Banking and Markets

The Corporate and Institutional Banking and Markets core business was created in late 2004 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 generated net banking income of €1,259 million in 2005, an increase of €100 million or 9% compared with 2004. The adoption of IAS 32 and IAS 39 as of 2005 had a negative impact of €29.9 million. On the basis of the same accounting standards, net banking income would have increased by 11%.

Despite high new business volumes, Corporate France was penalized by the decline in margins, while International benefited from the growth in momentum of foreign branches. Global Debt & Derivatives Markets, Natural Resources & Related Industries and Equity Group delivered an excellent performance, with growth of 12%, 18% and 24% respectively, despite unfavorable market conditions in terms of interest rates and lending in H1.

Corporate and Institutional Banking and Markets accounted for 41% of total net banking income generated by the core businesses.

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Corporate France	385.0	401.1	-4%
International	127.6	123.1	+4%
Global Debt & Derivatives Markets	458.8	410.4	+12%
Natural Resources & Related Industries	108.7	92.1	+18%
Equity Group	156.0	125.6	+24%
Mergers & Acquisitions	6.5	5.8	+12%
Other	16.7	0.8	ns
Total	**1,259.3**	**1,159.0**	**+9%**

Corporate France

In respect of its traditional banking business, Corporate France produced net banking income of €385 million, down €16.2 million or 4% compared with 2004. The adoption of EU IFRS had a marginal negative impact of €0.4 million.

■ Corporate lending activities achieved a high level of origination of €9.3 billion, following an exceptional year in 2004 with origination of €7.5 billion. New business was focused on credit lines (€7.5 billion, accounting for 81% of total new business), with a decline in margins and a low level of drawings. New lending business amounted to €1.7 billion compared with €1.3 billion in 2004 and margins on medium and long-term maturities did not fall as sharply.

Net banking income came to €272.0 million, down €29 million or 10% compared with 2004. Net banking income on financing activities fell by 13% or €32.6 million due to the year-on-year change in the composition of outstandings in favor of undrawn loans, as well as the decline in margins on average outstandings. Meanwhile, net banking income on cash management activities increased by 6% thanks to robust payment activities.

■ Against the backdrop of particularly fierce competition, origination in lease financing increased by 12% between 2004 and 2005. New business in equipment leasing increased sharply (up 13%), while the performance of property leasing was in line with that of 2004 (down 2%).

Average loans outstanding in lease financing increased by 3%, mainly due to property leasing (increase of 5%), to €5.59 billion at the end of 2005.

Net banking income on lease financing activities came to €113 million in 2005 compared with €100.2 million the previous year, an increase of 13%, due to a net release of €3 million in risk-related expenses in 2005 compared with a charge of €2.7 million in 2004.

■ Corporate France risk-weighted assets rose by €3.2 billion or 15% over the year to €24.5 billion.

International

■ Medium and long-term origination totaled nearly €6 billion in 2005, an increase of €2.6 billion or 77% compared with 2004. Branches accounted for 83% of the department's total medium and long-term origination.

Average loans outstanding amounted to €13.4 billion, up €1.2 billion or 10%. Financial institutions were still the main contributors, with 33% of outstandings coming from the New York branch and 22% from branches in Asia (robust business in India and China).

Risk-weighted assets rose by 37% to €5.9 billion.

■ Net banking income for International activities came to €127.6 million, up 4% compared with 2004. The adoption of IAS 32 and IAS 39 had a negative impact of €7.2 million. Excluding the impact of IAS, the department's growth would have come to 9.5%.

Entities outside France accounted for 64% of the department's net banking income.

Global Debt & Derivatives Markets

Global Debt & Derivatives Markets produced net banking income of €459 million in 2005, up 12% compared with 2004.

This increase was driven by strong growth in structured financing (up 16%), while capital markets activities delivered growth of 8%.

Global Debt & Derivatives Markets was particularly hard hit by the adoption of EU IFRS, with a negative impact of €23.7 million. Under 2004 IFRS, net banking income would have increased by 18%.

Structured financing

■ Origination amounted to €8.2 billion, an increase of 88% compared with 2004.

■ Overall, risk-weighted assets increased by 57% or €3.9 billion to €10.8 billion.

■ With net banking income of €218.6 million, up 16% compared with 2004, structured financing achieved a remarkable performance in 2005.

LBO and acquisition financing was again the main contributor, with net banking income of €83.2 million in 2005. Real estate financing produced net banking income of €62 million, up €26 million or 72% compared with 2004. Project financing saw a 15% increase in net banking income to €38.2 million, thanks to a sharp rise in service commissions, while margins on loans declined. Shipping financing also increased by 15% to €15.2 million, thanks to robust business and all-in margin holding up against the decline in spreads and commissions. Following a year of strong growth in 2004, aircraft financing produced net banking income of €17.6 million, despite fierce competition, the interruption of Japanese operating leases and the weakening of airlines' profitability as a result of the fall in the dollar and the rise in fuel prices.

Capital markets

Capital markets contributed net banking income of €240.2 million in 2005, an increase of €18 million or 8% compared with 2004. The adoption of EU IFRS had a negative impact of €10.4 million and the department was penalized by the adoption of IAS 32 and IAS 39. Under the same accounting methods, net banking income would have increased by 13%.

■ Net banking income on fixed income activities more than doubled year-on-year. In the first half of 2005, against the flattening of the yield curve in the eurozone, positions anticipating an increase in ECB rates were reduced. Priority was given to more lucrative and less volatile customer activities, as part of the cross-selling strategy. These measures boosted income in the second half of the year.

■ Foreign exchange activities maintained strong business momentum from the start of the year, fuelled by the sharp rise in the dollar against the euro in a highly volatile environment. Net banking income increased by 54% year-on-year.

■ Treasury activities achieved a 3% increase in net banking income against the backdrop of less favorable market conditions.

■ Having been affected by the crisis in spreads at the start of the year, credit activities picked up in the second half of the year. However, net banking income declined by 17% in 2005. Primary bond market activities also performed well, with 74 mandates (up 51%) and further expansion in international activities. Natexis Banques Populaires was ranked No. 3 in France for corporates and No. 4 in France for financial institutions in 2005 (*source: Bloomberg*).

■ Optimization and credit placement activities sustained a slight fall in net banking income. Asset management activities generally held up well over the period, with cautious and diversified growth in the volume of the investment portfolio over the year.

■ IPO and syndication activities achieved a 49% increase in net banking income thanks to the development of the financial engineering business and despite limited securitization activity in the first half of the year. Natexis Banques Populaires maintained its position as No. 4 arranger in France by number of transactions (source: Dealogic). The bank also diversified its activities outside France, with international mandates accounting for 28% of mandates signed out of a total of 90.

■ Natexis Commodity Markets sustained a 22% drop in net banking income compared with 2004, which was an exceptional year.

Natural Resources & Related Industries

■ Natural Resources & Related Industries achieved strong medium and long-term origination of €1.5 billion in 2005, up 62% compared with 2004. Activities in the energy sector, in which the bank acted as mandated lead manager in major deals such as Rosneftgas ($7.5 billion) and Sonangol ($3 billion), again constituted the main contributor, accounting for 76% of origination in 2005.

The New York branch achieved origination of €1.1 billion compared with €642 million the previous year.

Natexis Moscow continued to gain momentum, with origination rising from €103 million in 2004 to €192 million in 2005.

■ Average outstandings increased by 42% to €6.0 billion, reflecting robust business and the development of commodities prices.

■ Risk-weighted assets amounted to €5.9 billion, up €2.8 billion compared with 2004.

■ Natural Resources & Related Industries contributed net banking income of €108.7 million in 2005, an increase of 18% compared with 2004. The main contributor was again the energy sector, with a 13% increase in net banking income to €63 million. However, other sectors also saw strong growth, with net banking income up 38% to €27.4 million for the metals sector.

Equity Group

Equity Group produced net banking income of €156 million in 2005, up €30.3 million or 24%. This includes adjustments of €3.6 million relating to the adoption of EU IFRS. Excluding these adjustments, net banking income would have increased by 21%.

■ Equity brokerage is conducted by Natexis Bleichroeder S.A. in the eurozone and Natexis Bleichroeder Inc. in the Americas and Asia. This activity generated net banking income of €104.6 million in 2005, up 24% compared with 2004.

- Natexis Bleichroeder S.A. (€49.5 million) achieved a 17% increase in net banking income. Growth was fuelled by institutional equity sales (€14.2 million), which increased by €3.3 million or 30% thanks to improvement in the sales system and new stock lending/borrowing, as well as primary equity market activities, with major deals including Maurel et Prom, Entrepose, Gaz de France and Rue du Commerce.

- Natexis Bleichroeder Inc. generated net banking income of €54 million in 2005, an increase of €12.2 million or 29% compared with 2004; global trading activities saw growth of 54% thanks to strong business momentum; meanwhile, equity brokerage rose by 38% compared with 2004; the subsidiary was also involved in primary market transactions with energy companies in collaboration with the Houston office.

■ Equity derivatives groups together the parent company's equity derivatives activities and those of subsidiary Natexis Arbitrage. This business generated net banking income of €30.5 million in 2005, up €11.2 million compared with 2004. Risk arbitrage trebled its targets, primarily in the US, thanks in particular to anticipated growth relating to oil prices, while convertible bond arbitrage activities were penalized by the crisis in the first half of 2005.

■ Mortgage securitization activities conducted by ABM Corp. sustained a 2% drop in net banking income to €13.7 million due to unfavorable market conditions relating to the yield curve and inflationary tensions. Equity option market making activities, conducted by Dupont-Denant Contrepartie, also sustained a fall in net banking income, down 8% at €7.1 million, due to limited index market volatility for the majority of the year.

■ **Mergers & Acquisitions**

Net banking income totaled €6.5 million, compared with €5.8 million in 2004. 2005 was a year of transition, with the replacement of over one-third of employees and the restructuring of the portfolio to include larger and higher quality transactions.

3.1.2 - Private Equity and Wealth Management

Private Equity and Wealth Management delivered an excellent performance in 2005, with a 41% increase in net banking income. Private Equity was the main contributor, with an increase of €76.6 million compared with 2004.

Private Equity and Wealth Management contributed 9% of total net banking income generated by the core businesses.

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Private Equity	221.1	144.5	+53%
Wealth Management	42.9	43.2	-1%
Total	**264.0**	**187.7**	**+41 %**

Private Equity produced net banking income of €221 million, a rise of €76.6 million compared with 2004. This was mainly thanks to the €74.5 million increase in unrealized capital gains from January 1, 2005, to December 31, 2005, on the invested portfolio under EU IFRS. Natexis Investment Corp in New York contributed €34.7 million in 2005 compared with €22.9 million in 2004.

Natexis Private Equity's investments reached €370 million, an increase of €59 million compared with 2004. A breakdown of investments by activity reveals strong growth in international activity:

Expansion capital	€131 millions	(+3%)
Venture capital	€51 millions	(-18%)
LBOs	€69 millions	(+2%)
International	€120 millions	(+118%)

Total capital managed by Natexis Private Equity amounted to €2.3 billion, including funds raised but not yet invested and unrealized capital gains, up 12% or €252 million compared with 2004. The proprietary portfolio accounted for 51 % of total capital managed. The total portfolio breaks down as follows:

Expansion capital	€666 millions	(+3%)
Venture capital	€546 millions	(+5%)
LBOs	€381 millions	(-5%)
International	€752 millions	(+43%)

Net banking income from Wealth Management amounted to €42.9 million, down 1% compared with 2004.

Banque Privée Saint-Dominique produced net banking income of €21.8 million, in line with that of 2004. Assets managed stood at €2.9 billion at end-2005 compared with €2.3 billion at end-2004, mainly due to the increase in valuation.

Natexis Private Banking Luxembourg S.A., which specializes in international estate planning, generated net banking income of €21.1 million, down 3% on 2004, due to the closure of the Monaco branch. Assets managed stood at €2.4 billion, with a cumulative inflows and valuation impact of €0.5 billion.

3.1.3 - Services

Total net banking income from Services rose by 19% to €724.4 million. The impact of the transition to EU IFRS was limited to €7.2 million.

Services contributed 24% of total net banking income generated by the core businesses. The six departments making up the core business contributed to this performance:

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Insurance	202.1	160.6	+26%
Employee Benefits Planning	74.7	68.1	+10%
Fund Management	166.8	144.4	+15%
Investor Servicing	3.4	2.7	+26%
Financial Services	148.3	128.9	+15%
Banking Services	129.1	106.1	+22%
Total	**724.4**	**610.9**	**+19%**

■ Insurance

Insurance delivered extremely strong growth:

Life Insurance and Personal Risk Insurance premium income increased by 25% and broke the €3 billion level for the first time at €3.2 billion:

- Individual Life Insurance premium income rose by 27% against market growth of 14% in 2005; the majority of Life Insurance premium income is now generated from multi-fund contracts, which account for 74.9% of total premium income, compared with 25.1% for euro-linked contracts. Total premium income invested in unit-linked contracts (€494 million, an increase of around 47.5%) accounted for around 16.5% of total premium income versus 14.7% in 2004;

- Personal Risk Insurance premium income increased by 15.4% to €123.6 million in 2005.

Net banking income totaled €202.1 million, an increase of 26% or €41.5 million compared with 2004, thanks to strong growth in net premium income, a further rise in managed assets and a low level of loss claims in personal risk insurance.

The adoption of EU IFRS had an impact of €7.7 million in 2005. Excluding this impact, net banking income increased by 24%.

■ Employee Benefits Planning

Business was generally robust in 2005. Natexis Interépargne confirmed its market leading position (AFG data at end-June 2005), increasing its market share to 20.6% from 20.1% at the end of 2004.

The number of corporate clients rose continually over the course of the year, increasing by 23%, mainly as a result of the success of Fructi-Epargne Plus (4,742 new contracts since the start of the year) and in particular the Perco group pension plan offering.

The number of employee accounts increased by 31%.

Managed assets increased by 20% in 2005, as a result of:

- the increase in new contracts due to considerable gains from competitors (18% of inflows compared with 2% in 2004), as well as the 'return' effect of withdrawals made in 2004 as a result of tax measures implemented by French finance minister Nicolas Sarkozy;

- the 37% reduction in withdrawals, despite the effects of the Breton law (€140 million in all funds);

- the positive effect of the €1.5 billion increase in valuation, thanks in particular to the rise in market indices.

Net banking income totaled €74.4 million, an increase of 10% or €6.6 million compared with 2004, reflecting the solid performance of account holding activities and development of managed assets after the impact of the Sarkozy measures, as well as growth in securities activities, contributing €2 million.

■ Asset Management

The scope of activity of the Asset Management business developed significantly compared with 2004:

■ Natexis Asset Management took over the Group's employee stock ownership plan management activities following the acquisition and merger of Natexis Epargne Entreprise, which had previously been dedicated to this activity;

- Natexis Asset Management outsourced its Asset Servicing activities (Middle Office and Reporting) through the partial transfer of assets to specialist subsidiary Natexis Investor Servicing, created in March 2005;

- Finally, Natexis Asset Management took over the operations of Crédit Maritime Gestion, acquired at the end of 2004.

Managed assets stood at €101.1 billion at end-2005 compared with €83.1 billion at end-2004.

Net inflows came to €8.4 billion, broken down as follows:

- Mutual funds and mandates: €6.2 billion (€4.6 billion short term and €1.6 billion long term)

- Insurance mandates: €1.3 billion

- Employee savings: €0.8 billion

Net banking income totaled €166.8 million in 2005, including €137.3 million for Natexis Asset Management, €18.5 million for Natexis Asset Square and Axeltis and €11 million for Natexis Asset Management Immobilier.

This constitutes an increase of 15% or €22.4 million, thanks to:

- a 12% increase in assets managed;

- a sharp increase in transfer fees relating to the restructuring of Natexis Asset Management's product range and solid activity in "equities and other" portfolio management;

- a high level of outperformance fees.

Financial Services

2005 was marked by the reorganization of the Global Custody business on the basis of a partnership with Bank of New York. Funds deposited outside France are now traded on Fundsettle, Euroclear's automated fund processing platform.

Procedures for controlling operating risks were reinforced with the creation of an alerts system, systematic analysis of incidents, the drawing up of operating procedures and the implementation of preventative measures. The choice of Fundsettle for mutual funds deposited outside France, allowing for automated and secure processing, made a significant contribution to the control of operating risks.

Funds held increased by 8% to €429 million, mainly thanks to an increase in customer assets and the positive development of stock market indices.

Net banking income from Financial Services increased by 15% to €148.3 million in 2005. This strong performance was primarily due to the increase in custodian activities, privatization operations (Sanef, GDF and in particular EDF) and the low level of operating risk.

Banking Services

In mid-December, BNP Paribas and Natexis Banques Populaires signed an agreement to create a shared e-banking software platform for retail banking. The two groups plan to form a joint venture called Partecis in early 2006. This project entails the sharing of all IT developments and will be based principally on the Natexis Banques Populaires platform at the outset.

Banking Services produced net banking income of €129 million in 2005, an increase of €23 million or 22% compared with 2004.

Despite a slowdown in growth in the electronic banking market, Natexis Paiements' electronic banking business achieved a 28% increase in net banking income.

Checks and payment systems delivered a contrasting but generally robust performance, with net banking income up 17%.

Personal banking services produced net banking income of €18.9 million, more or less stable compared with 2004.

Investor Servicing

Since March 31, the Group's Investor Servicing activities have been grouped together in a new subsidiary, Natexis Investor Servicing, which offers a wide range of services:

- administrative and accounting management of mutual funds and mandates;

- middle-office services;

- regulatory and financial reporting.

These services are intended for asset management companies belonging to the Group or outside the Group, as well as institutional investors.

Natexis Investor Servicing is a key player in the asset servicing market, with 10% market share in fund administration in terms of the number of funds and 5.3% in terms of managed assets. Its aim is to develop its activities outside the Group.

Natexis Investor Servicing produced net banking income of €24.5 million in 2005. By way of convention, only net banking income generated outside the Group (€3.4 million) is taken into account in the contribution to net banking income for the Services division.

3.1.4 - Receivables Management

Net banking income increased by 14% to €781.3 million, accounting for 26% of total net banking income generated by the core businesses.

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Coface	674.2	580.8	+16%
Factoring	107.1	102.2	+5%
Total	**781.3**	**683.0**	**+14%**

Coface

Coface continued the worldwide roll-out of its product range. In the 58 countries in which it is present, company information services are now provided in 51 countries compared with 43 the previous year, with receivables management services available in 32 countries compared with 25 the previous year.

Coface made several acquisitions in 2005, mainly in credit insurance:

- Cual in South Africa;
- Leid in Lithuania;
- Coface Chile, now 85% consolidated (retroactively as of January 2005).

Coface Scrl and Coface Ort were merged to create Coface Services, French market leader in business information and debt recovery, with market share of around 40%.

2005 was characterized by acceleration in revenue growth, maintaining a good claims rate of 49%, and favorable conditions in the financial markets, allowing for a sharp increase in income on the investment portfolio.

Revenues totaled €1,217.9 million, representing an increase of 7.7% or 4.8% like-for-like. Premium income from insurance activities rose by 6.9% to €973.3 million. In services, revenues increased by 11.1% to €244.6 million, driven partly by factoring activities, which benefited from a robust German market and the roll-out in the UK and Italy.

Coface's equivalent net banking income amounted to €674.2 million, an increase of 16% compared with 2004. Apart from revenue growth, this growth in net banking income was thanks to a reduction of €27 million in reinsurance costs and a €50 million increase in financial income, although this was offset by a €52 million rise in the cost of claims, with a claims rate of 49% in 2005 compared with 46% in 2004.

The cost of loss claims corresponds to the end cost paid to policyholders after all recovery and risk elimination efforts. Since 2005, it also includes provisions for future deterioration in economic conditions, which represented an additional cost of nearly €15 million, corresponding to 1.8 percentage points of the claims rate in 2005.

Factoring

Factorem's factored receivables increased by 8% to €11.8 billion.

According to provisional data from the ASF, the factoring market grew by 10.7% to €89 million. Natexis Factorem therefore has market share of 12.7%.

Factoring fees fell to 0.57% from 0.59%, with a decline in each segment.

A total of 1,850 new factoring contracts were signed in 2005 compared with 1,396 in 2004. In France, 505 new CREANCEassur policies (versus 334 in 2004) and 802 new CREANCEinfo contracts were recorded in 2005.

Potential revenues from new factoring contracts amount to €3.58 billion, up 7% compared with 2004. The proportion of potential sales from international contracts – as opposed to domestic contracts – increased by 10 percentage points from 5% to 15%.

Total net banking income came to €107.1 million compared with €102.2 million in 2004, an increase of 5%. Net banking income generated in France rose by 4% to €103.3 million. In Germany, VR Factorem – which has been proportionally consolidated (51%) since the start of 2004 – produced net banking income of €3.8 million, up 26%.

3.1.5 - Non-core businesses

Net banking income from non-core businesses totaled €61.9 million compared with €66.6 million in 2004, down €4.7 million.

Information Systems and Logistics produced net banking income of €51.0 million, an increase of €13 million or 34% compared with 2004, due to the increase in Altaïr services provided to the Banque Populaire regional banks.

Institutional Activities, which comprise a series of operations conducted on behalf of the government, contributed €11.5 million compared with €18.5 million the previous year, entirely due to the reduction in moratorium interest.

The real estate subsidiaries contributed €12.1 million to net banking income compared with €9.7 million in 2004.

The proprietary portfolio and other activities made a negative contribution to net banking income of €12.7 million in 2005 compared with €0.3 million in 2004. This was primarily due to the elimination of income on treasury stock, in accordance with the adoption of IAS 32 and IAS 39 (€19 million in 2004).

3.2 - Operating expenses

3.2.1 - Operating expenses

Operating expenses rose by 10% or €192 million to €2,056.5 million in 2005. This increase reflects investment in human resources and systems operated by Natexis Banques as part of its business development plan, as well as the increase in incentive and profit-sharing payments and performance-related variable pay components.

The main factors behind the increase in operating expenses in 2005 were as follows:

- a significant increase in the number of employees (365 more permanent and contract full-time employees in 2005);

- a significant increase in costs relating to incentive and profit-sharing payments and variable pay components,

- greater use of external support in major cross-functional projects and development programs at Natexis Banques Populaires.

3.2.2 - Cost/income ratio

The cost/income ratio stood at 66.5%, an improvement of 2.4 percentage points compared with the previous year (68.9%).

3.2.3 - Gross operating income

Gross operating income amounted to €1,034.4 million, an increase of 23% compared with 2004.

3.3 - Net income

3.3.1 - Provisions for loan losses

Impairment charges and other credit provisions, calculated in accordance with IFRS, came to €81 million, with specific provisions accounting for €44.3 million and provisions for the portfolio accounting for €36.7 million.

■ Specific provisions

As in 2004, the level of loss claims remained low in 2005. Client defaults required a provision charge of €50 million due to just 10 or so borrowers.

Provisions amounted to close to 60% of non-performing loans, down slightly compared with the end of 2004; this relative reduction also reflects the decreased risk relating to non-performing loans.

■ Collective provisions

Collective provisions were booked for portfolios of similar assets with objective evidence of impairment based on the expected loss on maturity. This method resulted in the recognition in the opening balance sheet of a provision of €156 million for country risks and €208 million for industry risks. This method was applied as of January 1, 2005, and risks were monitored throughout the year.

■ Country risks: release of €21.3 million, relating to South America following repayments and reductions in outstandings (reversal of €17 million). A release of €6 million was made in the Africa-Middle East region due to losses or client defaults.

■ Industry risks: charge of €58 million. Provisions of €8 million were required for two new sectors showing evidence of impairment in 2005. The remainder relates to industries requiring provisions on a collective basis as at January 1, 2005.

Breakdown of provisions by core business

The following table shows a breakdown of specific provisions by core business:

in € millions	2005 EU IFRS	2004 2004 IFRS
Corporate and Institutional Banking and Markets	(26)	(104)
Private Equity and Wealth Management	(2)	(1)
Services	(4)	(1)
Receivables Management	(7)	(6)
Other	(5)	(4)
Specific provisions	**(44)**	**(116)**

Breakdown of Corporate and Institutional Banking and Markets:

in € millions	2005 EU IFRS	2004 2004 IFRS
Corporate France	(33)	(66)
International	(5)	(4)
Natural Resources & Related Industries	3	(2)
Global Debt & Derivatives Markets	(9)	(31)
Capital Markets	18	(9)
Total	**(26)**	**(104)**

The following table shows a breakdown of specific provisions by region:

in € millions	2005 EU IFRS	2004 2004 IFRS
Africa and Middle East	(8)	(7)
Central and Latin America	18	(9)
North America	(14)	(21)
Asia	0	4
Eastern Europe	0	1
Western Europe	(40)	(84)
Total	**(44)**	**(116)**

Total provisions

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

in € millions	2005 EU IFRS	2004 2004 IFRS
Corporate and Institutional Banking and Markets	(65)	(91)
Private Equity and Wealth Management	(2)	(1)
Services	(4)	(1)
Receivables Management	(7)	(6)
Other	(3)	(5)
Total	**(81)**	**(101)**

Breakdown of Corporate and Institutional Banking and Markets:

in € millions	2005 EU IFRS	2004 2004 IFRS
Corporate France	(38)	(57)
International	9	(11)
Natural Resources & Related Industries	(5)	(9)
Global Debt & Derivatives Markets	(46)	(18)
Capital Markets	15	4
Total	**(65)**	**(91)**

3.3.2 - Other items

- Gains and losses on asset disposals came to €98 million, including a capital gain of €95 million on the sale of the Liberté II building.
- The share of income from associates increased by €3 million to €13.6 million.
- Consequently, earnings before tax came to €1,066.8 million, up 43% compared with €743.8 million in 2004.
- Net income came to €695.4 million, also up 43% compared with the previous year. This includes a sharp increase in tax and takes into account minority interests.

3.4 - Analysis of income by core business

All core businesses achieved significant growth in earnings before tax in 2005.

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Corporate and Institutional Banking and Markets	471.5	403.8	+17%
Private Equity and Wealth Management	158.6	84.1	+89%
Services	281.8	187.3	+50%
Receivables Management	223.2	164.3	+36%
Total	**1,135.2**	**839.5**	**+35%**

Corporate and Institutional Banking and Markets

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Net banking income	**1 259.3**	**1 159.0**	**+9%**
Operating expenses	(726.0)	(654.5)	+11%
Gross operating income	**533.3**	**504.5**	**+6%**
Impairment charges and other credit provisions	(64.9)	(91.3)	-30%
Earnings before tax	**471.5**	**403.9**	**+17%**

Corporate and Institutional Banking and Markets contributed €472 million in earnings before tax, an increase of 17% on 2004. Gross operating income rose by 6% to €533 million as a result of symmetrical growth in net banking income and operating expenses. Impairment charges and other credit provisions decreased further to €65 million.

Private Equity and Wealth Management

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Net banking income	**264.0**	**187.7**	**+41%**
Operating expenses	(90.5)	(89.0)	+2%
Gross operating income	**173.6**	**98.7**	**+76%**
Earnings before tax	**158.6**	**84.1**	**+89%**

Earnings before tax in Private Equity and Wealth Management rose by €74.5 million, almost entirely due to the €76.3 million increase in net banking income, with operating expenses remaining stable compared with 2004.

Services

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Net banking income	**724.4**	**610.9**	**+19%**
Operating expenses	(439.8)	(410.1)	+7%
Gross operating income	**284.6**	**200.8**	**+42%**
Impairment charges and other credit provisions	(4.1)	(1.2)	ns
Earnings before tax	**281.8**	**187.3**	**+50%**

Due to the combined impact of strong growth in net banking income (up 19 %) and good cost discipline (up 7%), earnings before tax from Services increased by 50% to €281.8 million.

Receivables Management

in € millions	2005 EU IFRS	2004 2004 IFRS	% change
Net banking income	**781.3**	**683.0**	**+14%**
Operating expenses	(546.9)	(513.9)	+6%
Gross operating income	**234.4**	**169.1**	**+39%**
Earnings before tax	**223.6**	**164.3**	**+36%**

Receivables Management contributed €223.6 million to earnings before tax, an increase of 36%. Growth in costs was contained to 6%.

4 > Risk Management

4.1 - General System and Principles

Natexis Banques Populaires' risk management system 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 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 independant from the business lines. Third tier control is provided by the Internal Audit department. Under current regulations, the General Secretary, a member of the Executive Management Committee, is responsible for permanent controls.

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 the 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 2005, its work covered commodities, major risks, optimization and loan placement.

The risk committees established by each of the core businesses include business line heads and representatives of the Risk Management and Internal Audit departments. They include:

- Credit Committee of Corporate and Institutional Banking and Markets and the subsidiaries that report to it;
- Country Risk Committee;
- Risk Committees of the Services business;
- Risk Committees and Investment Committees of the Private Equity and Wealth Management core business;
- 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.

4.2 - 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. Natexis Banques Populaires has retained a highly centralized delegation system. The Risk Management department issues an opinion on all counterparty risks when new facilities are granted or existing facilities renewed.

4.3 - 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 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. The roll-out continued in 2005 to upgrade risk assessment methods, statistical and historical data monitoring and back-testing models to meet regulatory requirements. As planned, the new interbank ratings model and a system for calculating the regulatory ratio were implemented. 2006 will see the continuation of the roll-out and the implementation of a new sovereign risk ratings model.

4.4 - Credit risk

4.4.1 - Average client exposure (on and off-balance sheet) in 2005, management data:

- Corporate and Institutional Banking and Markets: €76.9 billion
  - Corporate France: €39.2 billion
  - Lease Financing: €5.6 billion
  - International: €13.4 billion
  - Natural Resources & Related Industries: €6.0 billion
  - Global Debt & Derivatives Markets: €12.8 billion
- Factoring: €2.4 billion

4.4.2 - Breakdown of exposure by internal rating at December 31, 2005

Natexis Banques Populaires continued to roll out its internal ratings system in 2004, in line with 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. Counterparty risks borne by the Bank showed satisfactory resilience in 2005.

Based on a wider scope compared with the previous year, the following table shows a breakdown of corporate, structured finance and banking exposure (fund assets excluding non-significant subsidiaries) at December 31, 2005:

Investment grade equivalent	73.7%
Non-investment grade equivalent and defaults	23.2%
Not rated, not analyzed	3.1%
Total	**100.0%**

4.4.3 - Breakdown of exposure at December 31, 2005

■ a) Breakdown of exposure by business sector and region (total fund assets excluding non-significant subsidiaries, excluding equity, enlarged scope compared with previous year)

The following table shows a breakdown of corporate, structured finance and banking exposure at December 31, 2005:

For the first time, the breakdown by industry is presented including all of Natexis Banques Populaires' banking counterparties. This explains the predominance of the finance and insurance sector. Excluding this item, the breakdown is equally divided between all sectors, as in previous years. The services industry continues to make up a large part of Natexis Banques Populaires' portfolio.

Breakdown by industry

Industry	%
Food	2.8%
Construction	3.4%
Consumer goods	1.8%
Retailing	3.9%
Energy	6.2%
Finance and insurance	40.3%
Holding companies and conglomerates	4.1%
Tourism, hotels and leisure	1.5%
Real estate	4.1%
Media	3.2%
Basic industries	2.8%
Mechanical and electrical engineering	4.3%
International trading, commodities	2.6%
Pharmaceuticals, healthcare	1.8%
Services	7.8%
Technology	3.4%
Utilities	1.4%
Government	4.0%
Other	0.6%
Total	**100.0%**

Breakdown by region

France	58.6%
Rest of European Economic Area	20.9%
Rest of Europe	3.4%
North America	8.5%
Latin America	2.1%
Africa/Middle East	2.9%
Japan	0.2%
Asia Pacific	3.2%
Unallocated	0.2%
Total	**100.0%**

The development of the Group's activities in Europe is reflected in the breakdown by region in 2005, with the growth in momentum of the Rest of the Europe Economic Area to the detriment of the relative proportion in France. Exposure to emerging markets remained under control.

■ b) Breakdown of exposure by MacDonough counterparty category

Total fund assets at December 31, 2005 (consolidated, excluding insignificant subsidiaries, excluding equity)

Portfolio	% Exposure	% top 10
Corporate	50.3%	9.2%
Structured finance	10.9%	14.2%
Retail	0.7%	10.3%
Sovereign	4.5%	82.5%
Banks	31.0%	34.1%
Securitization	2.6%	40.0%
Total	**100.0%**	

4.4.4 - Breakdown of loan loss provisions by region at December 31, 2005

IFRS

in € millions	Specific risks	Country risks	Industry risks	Total
France	(38)	-	(30)	(68)
Other Western Europe	(2)	-	(36)	(38)
Eastern Europe	-	-	(1)	(1)
North America	(14)	-	17	3
Central and Latin America	18	17	(2)	33
Africa and Middle East	(8)	6	(4)	(6)
Asia-Pacific	-	(2)	(2)	(4)
Total	**(44)**	**21**	**(58)**	**(81)**

There was a further significant decrease in loan loss provisions in 2005, due to a continuing favorable business climate.

4.4.5 - Breakdown of risks and provisions at December 31, 2005

in € millions Region	Specific risks	Country risks	Industry risks	Total risks	Provisions for specific risks	Provisions for country risks	Provisions for industry risks	Total Provisions
France	874	-	5,074	5,948	527	-	69	596
Other Western Europe	176	-	3,578	3,754	135	-	91	226
Eastern Europe	25	44	1,081	1,150	17	1	5	23
North America	152	-	1,795	1,947	81	-	94	175
Central and Latin America	90	973	180	1,243	46	37	3	86
Africa and Middle East	25	1,510	192	1,727	13	91	11	115
Asia-Pacific	54	653	518	1,225	18	12	5	35
Risks and hedges	**1,396**	**3,180**	**12,417**	**16,993**	**837**	**140**	**278**	**1,256**

4.5 – Market risks

4.5.1 - Market risk organization and management

Control over market risks is the responsibility of the middle office, 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 major responsibilities of each control entity are as follows:

First tier controls are carried out by the middle office, which plays an operational role through the applications it manages and uses daily. Its key duties are:

- producing and analyzing results and risks on a daily basis;
- producing and analyzing provisions on a monthly basis;
- ensuring the reliability of market parameters used to calculate results and risks;
- proposing methods to calculate reserves while ensuring that they are exhaustive and correspond to the nature of risks;
- developing the system of delegated limits and method of calculating risk, in conjunction with Risk Management;
- monitoring and reporting any limit violations.

Risk Management is responsible for the financial component of second tier controls, in particular 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 where necessary;
- monitoring market risks at the various consolidation levels and particularly at Group level;

- ensuring internal and external reporting on market risks;
- validating internally-developed models and software models used to value products;
- 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;
- leading Market Risk activities at Natexis Banques Populaires subsidiaries and branches.

Internal Audit is responsible for the operational component of controls:

- 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;
- more generally, ensuring that procedures governing the management and monitoring or market risks are respected.

This structure is completed by:

- a new products committee, enabling capital markets activities to launch new products safely, after identifying and analyzing the different risk factors that may impact the value of the product. The new products committee meets every six weeks and is completed by working parties that meet every week. The committee examines the different risks inherent to a new product, in particular market, counterparty, legal, accounting, tax and non-conformity risks.
- a market risks committee, which meets monthly and comprises the heads of the various control levels together with front office managers. It is chaired by the head of capital markets activities. The committee validates new limits, proposes changes to limits and reviews any identified limit violations;
- a risk monitoring and supervision committee, which meets quarterly, comprising front office and middle office managers, the Risk Management department and the Internal Audit department to present new methods for measuring risks and divide up developments for their implementation.

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.

4.5.2 - 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 VaR calculations.

Standard metrics

The key standard metrics used are:

- sensitivity to a +/- 1% change in interest rates (overall and by maturity);
- yield curve exposure expressed as the potential loss;
- 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 change in Treasury bond/swap spreads;
- sensitivity to change in issuer spreads;
- sensitivity to change in correlations;
- 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-date potential loss horizon;
- a 99% confidence level.

The scope of VaR calculations is as follows:

- trading and investment portfolios of the Corporate and Institutional Banking and Markets core business, excluding the "structured equities" portfolio;
- trading portfolios of Natexis Bleichroeder S.A.;
- trading portfolios of Natexis Arbitrage;
- trading portfolios of Natexis Metals;
- the investment portfolio of the Finance department.

For the Corporate and Institutional Banking and Markets core business, VaR calculations are conducted daily by the middle office and monthly by the Risk Management department.

Natexis Metals' VaR calculations are conducted daily using local Riskmanager software and monthly by the Risk Management department.

Data is inputted into Riskmanager primarily using automatic interfaces developed between the front office/middle office systems and the software. These interfaces supply the characteristics of an operation, enabling the software to understand the various operations.

Market data are provided by Riskmetrics on the basis of information from Reuters and are subject to a data management process by Riskmetrics.

Natexis Banques Populaires' VaR:

in € millions

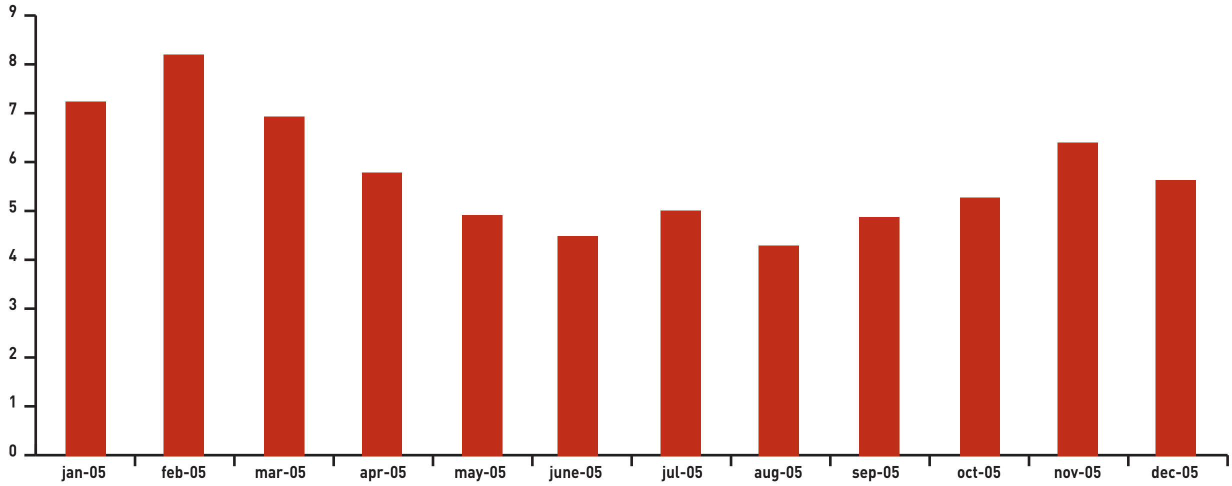
Total VaR

Global Debt & Derivatives Markets
Equity Group
Natural Resources & Related Industries
Finance Department

Confidence level: 99 %
Horizon: 1 day
History: 1 year non-weighted

dates	Total VaR	Interest rates VaR	Currency VaR	Equities VaR	Commodities VaR
jan-05	7.28	4.47	1.80	6.44	0.17
feb-05	8.24	5.14	2.39	7.23	0.27
mar-05	6.97	5.31	1.98	5.10	0.37
apr-05	5.82	4.47	0.91	4.38	0.44
may-05	4.95	3.98	0.50	3.34	0.17
june-05	4.52	4.06	0.96	3.18	0.28
jul-05	5.05	5.45	1.14	2.07	0.31
aug-05	4.33	4.69	0.35	2.15	0.30
sep-05	4.91	4.72	0.39	2.00	0.19
oct-05	5.31	5.16	0.54	3.11	0.26
nov-05	6.44	5.33	0.65	2.90	0.32
dec-05	5.67	4.78	0.48	3.34	0.34

Total VaR in 2005



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 30, 2005, the impact of the worst-case scenario would be an $18.31 million (€15.52 million) fall in the value of the portfolio.

4.5.3 - 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 2005. Improvements concerned organization, procedures and risk measurement.

Organization and procedures:

- In July 2005, the Risk Management department distributed the pricer and model validation chart, which sets out the duties of the Risk Management department in validating models and pricers, as well as the documents that must be provided by other divisions (Research and MO);

- Distribution of the Executive Management directive, formalizing the structure of the different teams involved in managing market risks. This directive sets out the works carried out in 2004 to determine each department's duties in terms of controlling market risks;

- Creation of the risk monitoring and supervision committee. This committee meets on a quarterly basis to examine new risk measures and the developments required for their implementation. It comprises the head of Corporate and Institutional Banking and markets, the Director of the Risk Management division, as well as middle-office teams, market risk teams and a representative of the Internal Control department.

Measurement of risks and limits:

- Deployment of the methodology for interest-rate risk measurement: curve risk indicator;

- Specific indicators relating to product developments giving rise to new types of risk (correlations). All of these new products have been subject to the "new products" procedure and model validation;

- Further improvements to limits for interest-rate products and hybrid derivatives;

- Significant increase in assets authorized for money market securities, with deployment of the spread risk measurement metric (Xsi) for this portfolio;

- Launch of high-yield activities;

- Increased sensitivity to yields on short-term treasury instruments;

- Increase in limits for long/short equity, capital structure arbitrage and convertible bonds from Natexis Arbitrage;

- Tightening of loss alert levels.

Limits

Maximum sensitivity of interest rate maturity schedules to a +/-1% shift in the yield curve is €100 million.

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 €10 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;

- €1.35 million for a 1% change in equity volatility;

- €0.683 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.

4.5.4 - 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 and investment of own funds. An ALM officer reporting to the Finance department is responsible for the coordination of asset and liability management.

Interest rate, currency and liquidity risks have been centralized at Natexis Banques Populaires since 2000. These risks are monitored and managed by Corporate and Institutional Banking and Markets.

Structural interest rate risk

Interest rate limits for capital markets activities:

Maximum sensitivity of interest rate maturity schedules to a +/-1% shift in the yield curve is €100 million for capital markets activities (including treasury desks). This limit also applies to a point-by-point distortion of the yield curve. Within the overall interest rate limits described above, the sub-limits for short-term and long-term treasury have been set at €40 million and €30 million respectively.

ALM interest rate limits for refinancing books – Adaptation to Banque Populaire Group system:

The ALM Committee validated the principles of expressing sensitivity limits for refinancing books as a percentage of regulatory capital. For sensitivity to a 200bp change in interest rates, the Committee set an overall limit of 2.5% of regulatory capital or €164 million. 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 are:

in € millions	Limits for 100 bp	Limits for 200 bp
LT treasury	30	60
ST treasury	40	60
Natexis Lease	8	16
Natexis Factorem	4	8
Total	**82**	**164**

Liquidity risk

Corporate and Institutional Banking and Markets refinances all the liquidity needs of the various Natexis Banques Populaires business 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, 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 Market Risks Committee and the ALM Committee;
- Structural currency risk, which is monitored by the ALM Committee.

Management of market risks and hedging

The objectives of the Group's strategy for the management of financial risks – namely interest rate and liquidity risks – are based on the centralization of these risks within the treasury department.

The interest rate risk of Natexis Banques Populaires and its main subsidiaries is subject to maximum exposure limits, which are defined and validated annually by the ALM Committee.

Within the framework of its structural interest rate risk management, Natexis Banques Populaires uses primarily vanilla interest rate swaps as hedging instruments.

As regards overall management of Natexis Banques Populaires' interest rate and liquidity risks in respect of IFRS, Natexis Banques Populaires uses two types of hedge accounting.

"Shock" proposed by the banking regulator in the second pillar of the Basel II accord published in June 2004

Cash flow hedges

Previous macro-hedging transactions under French GAAP are documented mainly as cash flow hedges under IFRS.

- Hedging of variable rate borrowings and issues:

Natexis Banques Populaires uses vanilla interest rate borrower swaps at fixed rates to fix future variable-rate borrowing costs and private or public issues.

- Hedging of variable-rate loans:

Natexis Banques Populaires uses vanilla interest rate lender swaps at fixed rates to fix future variable-rate borrowing costs (commercial loans, interbank loans, loans to subsidiaries and branches).

For cash flow hedge management, Natexis Banques Populaires uses mainly derivative financial instruments to hedge income or expenses relating to variable-rate assets/liabilities.

Given the specific nature of Natexis Banques Populaires' balance sheet (no behavioral option, no need to recognize potential early redemptions as financial compensation is paid), the use of this type of hedging is justified by the implementation of variable-rate future repayment schedules are represented by all transactions with a set maturity.

- Prospective test:

The prospective test entails the establishment of (by index type and currency):

- a schedule of cumulative variable-rate borrowings and fixed-rate borrower swaps by maturity;

- a schedule of cumulative variable-rate loans and fixed-rate lender swaps by maturity.

The prospective test is used to verify that the scope of derivatives is admissible in a macro-hedging relationship.

Hedging is demonstrated if for each maturity category of the target repayment schedule, the nominal amount of items to be hedged is higher than the notional amount of hedging derivatives.

By default, derivative financial instruments could not be justified in a hedging relationship of this kind.

- Retrospective test:

The retrospective test is used to ensure whether or not the hedging implemented at different accounting dates is effective.

At each accounting date, changes in the fair value excluding accrued interest of hedging instruments are compared with those of hypothetical assets and liabilities (synthetic instruments representing assets and liabilities to be hedged at the risk-free rate). The ratio of their respective changes should be between 80% and 125%.

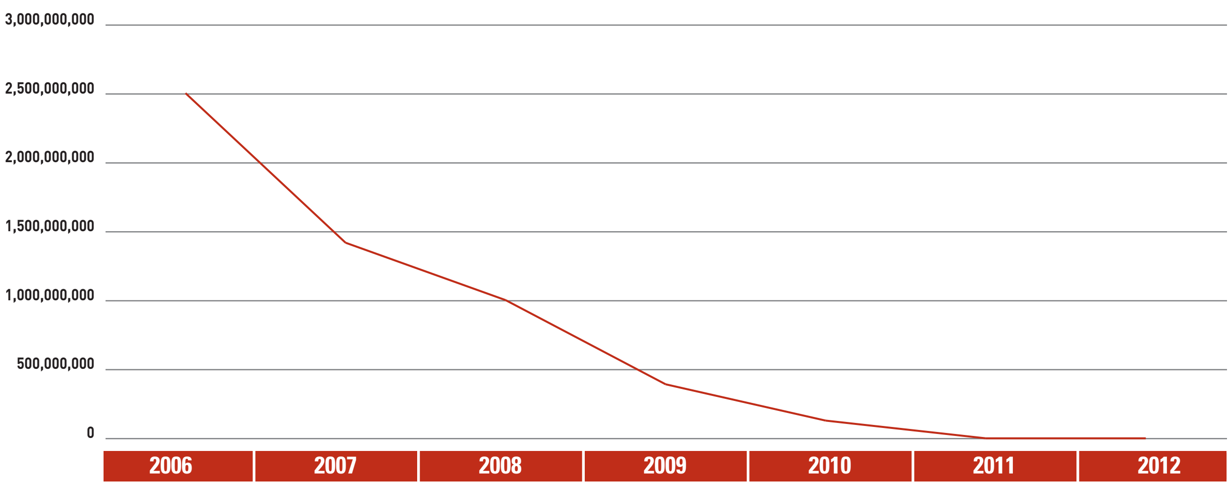
Outside these limits, the hedging ratio would no longer be justified under IFRS.

- Impacts on equity and consolidated income:

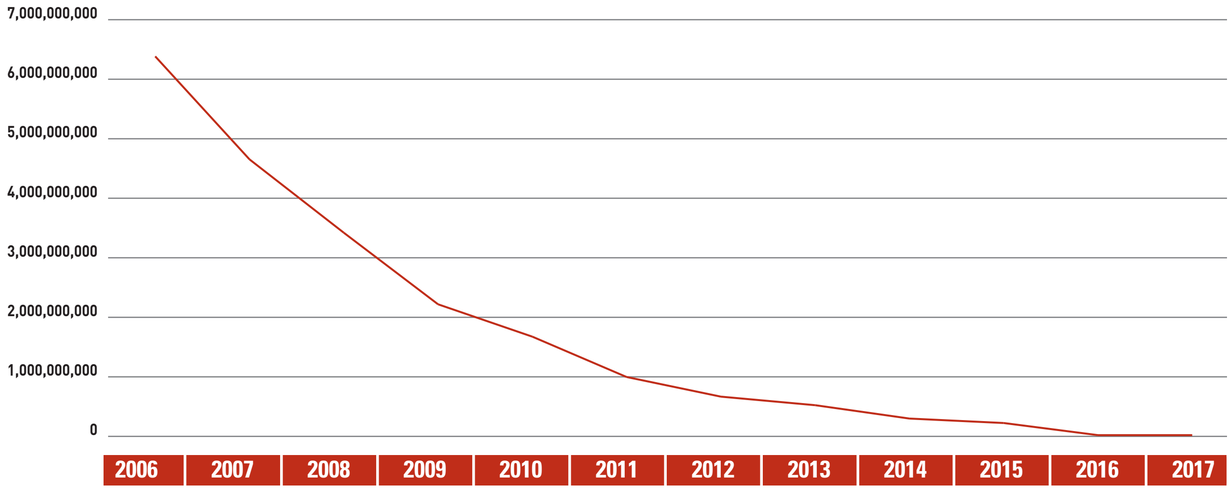
Changes in the marked-to-market of derivative financial instruments are taken to equity and only the ineffective portion of the hedge impacts the income statement at each accounting date.

Periods for which cash flow hedging is justified (all currencies versus valued in euros)

Cash Flow hedges of variable-rate loans



Cash Flow hedges of variable-rate borrowings



Fair value hedges

- Hedging of fixed-rate borrowings and issues:

Natexis Banques Populaires uses vanilla interest rate lender swaps at fixed rates to protect itself against unfavorable changes in interest rates.

- Hedging of loans and securities held for sale:

Natexis Banques Populaires uses vanilla interest rate borrower swaps at fixed rates to protect itself against unfavorable changes in interest rates.

- Prospective test:

The prospective test is used to check that the financial characteristics of the hedged item and the hedging instrument are the same.

- Retrospective test:

The retrospective test is used to ensure whether or not the hedging implemented at different accounting dates is effective.

At each accounting date, changes in the fair value excluding accrued interest of hedging instruments are compared with those of hypothetical assets and liabilities (synthetic instruments representing assets and liabilities to be hedged at the risk-free rate). The ratio of their respective changes should be between 80% and 125%.

Outside these limits, the hedging ratio would no longer be justified under IFRS.

- Impact on consolidated income:

Changes in the marked-to-market value of derivative instruments are recorded in the income statement (effective and ineffective portion).

At the same time, changes in the marked-to-market value of "hypothetical" assets and liabilities are also recorded in the income statement.

Credit derivatives

Apart from securitization transactions, credit derivatives held by Natexis Banques Populaires and its subsidiaries represented a nominal amount of around €2 billion, principally in credit default swaps, about 60% in protection purchased and 40% in protection sold.

Natexis Banques Populaires wanted to develop a credit derivatives business within its capital markets activities. As part of a cautious approach, the Group has implemented trading limits in several stages:

- January 2004: creation of a credit derivatives trading portfolio. In January 2004, the risk committee delegated authorization to the trader to trade CDS within the framework of the base position (cash/CDS);

- April 2004: delegation of the trading desk was extended to direction positions in CDS. This authorization is granted subject to a volume restriction, allowing for tight control of the operating process;

- September 2004: the non-government bonds portfolio is authorized to trade in CDS. The delegated limits are fairly restrictive and the volume restriction also applies to transactions initiated by traders on this desk;

- October 2004: as the operating process is considered satisfactory, the volume restriction is lifted;

- Since December 2004: transfer of CDS trading positions within the scope of non-government bonds, which will now be in charge of trading in CDS. The idiosyncratic risk is measured using the Xsi indicator (Natexis Banques Populaires indicator), which is set monthly based on the historic levels of JP Morgan bond indices. An Xsi base measurement is also made in order to limit the base cash risk versus CDS.

The authorized credit derivatives are vanilla credit default swaps.

One restriction applies to trading positions: piling up of positions is not allowed – in order to close a position, the trader either has to cancel or assign the transaction.

A CDS steering committee met on a weekly basis from January 2004 to October 2004. Minutes were drawn up at the end of each committee meeting.

4.6 - 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 the principle of the responsibility of business line management for first tier risks and an internal control system applicable to all activities.

This system was strengthened in 2005 with the launch of the "Departmental operational risk management" project, in accordance with the Banque Populaire Group's approach.

This project, placed under the responsibility of the Risk Management department, is based on a bottom-up systematic and homogenous approach in each core business, with the aim of:

- identifying operational risks on a self-assessment basis;
- among these risks, defining the risks to be managed within the business line, implementing a system for monitoring and reducing these risks using indicators and plans of action;
- identifying the type of operational risk incidents and losses relating to the business line; defining the inflow process for these incidents;
- at the end of the project phase, defining and implementing a permanent operational risk management system, based on dedicated human resources (operational risk officers), a dedicated organization and a system for reporting to the Risk Management department.

At the end of the pilot phase in the first half of 2005, the plan for the roll-out of the Departmental operational risk management project was validated by Executive Management. The project will be implemented in four stages: one – which is already complete – in the last four months of 2005, and another three in 2006.

After the project phase, each business line will implement its own permanent operational risk management system, coordinated with the Risk Management department, primarily via monthly reporting of losses and incidents, as well as a quarterly review of risks to be managed, their indicators and plans of action to reduce these risks.

In 2004, Natexis Banques Populaires redefined the duties and the composition of the operational risks committee in order to make it a body for the management of operational risks. As a result, the scope of the operational risks committee now includes the management of Natexis Banques Populaires' operational risks and the business recovery plan. The operational risks committee is co-chaired by the General Secretary and the Head of Information Systems and Logistics; Natexis Banques Populaires' four core businesses are represented by operating risk officers. The operational risks committee met five times in 2005.

In 2004, Natexis Banques Populaires also redefined the accounting, analysis and control procedure at parent company level for unusual income and expenses relating to operational risks. The implementation of this procedure at the end of 2004 enabled the Group in 2005 to step up the process for the recording of these incidents, conduct more extensive analysis and improve the reporting system.

4.7 - 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 2005 insurance program for general risks and risks specific to the business of Natexis Banques Populaires and its subsidiaries (excluding Coface) included the following:

- Buildings used in the business in France and their contents (excluding IT equipment) are insured against the usual risks (fire, explosion, terrorism, flooding etc.) at reconstruction or replacement value. Buildings outside France are insured locally;

- IT equipment and consequential loss of banking business is covered under a blanket group policy taken out by Banque Fédérale des Banques Populaires. Capital insured varies depending on the geographical sites insured (maximum of €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 worldwide excluding the US and Canada, 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 paid by Natexis Banques Populaires for the risks described above amounted to just over €4.6 million in 2005.

4.8 - Legal risks

4.8.1 - Dependency

Natexis Banques Populaires is not dependent on any patents, licenses or industrial, commercial or financial sourcing agreements.

4.8.2 - Legal and arbitration proceedings

There are no administrative, legal or arbitration proceedings pending likely to have a material impact on the financial statements of Natexis Banques Populaires.

5 > Financial structure and regulatory ratios

5.1 - Analysis of the consolidated balance sheet

Assets

in € billions	12/31/2005	12/31/2004
Financial assets at fair value through profit or loss and hedging instruments	26.0	24.8
Available-for-sale financial assets	22.3	20.8
Due from banks	19.0	13.3
Customer loans	43.9	34.4
Securities held under resale agreements	42.8	34.3
Held-to-maturity financial assets	7.1	5.7
Other assets	7.3	6.7
Total assets	**168.3**	**140.0**

Liabilities

in € billions	12/31/2005	12/31/2004
Financial liabilities at fair value through profit or loss and hedging instruments	5.5	7.2
Due to banks	21.1	14.1
Customer deposits	9.7	7.6
Securities delivered under repurchase agreements	48.6	40.6
Debt securities in issue	37.8	30.8
Other liabilities and provisions	9.5	8.2
Technical reserves of insurance companies	26.2	23.4
Subordinated debt	4.3	3.5
Equity	5.6	4.7
Total liabilities	**168.3**	**140.0**

Total consolidated assets amounted to €168.3 billion at December 31, 2005, compared with €140.0 billion the previous year, after restatements in accordance with IFRS, an increase of €28.3 billion or 20%.

5.1.1 - Assets

The increase in loans and advances to banks was mainly due to a €4.4 billion increase in forward accounts and loans.

Customer loans, including lease financing, amounted to €43.9 billion, an increase of €9.5 billion compared with December 31, 2004, mainly as a result of growth in short-term loans, equipment loans and factoring operations.

Securities held under resale agreements – chiefly government securities – increased by €8.5 billion. These assets are financed by securities delivered under repurchase agreements, recorded under liabilities.

5.1.2 - Liabilities

Refinancing of activities excluding securities delivered under repurchase agreements was reflected in a significant increase in debt securities in issue, which rose to €37.8 billion from €30.8 billion the previous year, in particular through the issue of CDs and forward and ordinary accounts with financial institutions.

5.2 - Shareholders' equity and capital adequacy

5.2.1 - Capital stock

Capital stock increased to 739,518 shares following the exercise of stock options, a capital increase reserved for Banque Fédérale des Banques Populaires and shares issued to existing employee stock ownership plans.

At December 31, 2005, capital stock therefore amounted to €783,927,680, divided into 48,995,480 shares each with a par value of €16.

5.2.2 - Regulatory capital and international capital adequacy ratio

At December 31, 2005, Natexis Banques Populaires' total regulatory capital for international capital adequacy purposes, enlarged to encompass market risks, amounted to €8.6 billion compared with €6.7 billion at December 31, 2004.

Tier One capital amounted to €6.0 billion at December 31, 2005, against €4.6 billion one year earlier. The increase was mainly due to 2005 earnings transferred to reserves, the proportion of the dividend for which the share-based payment option will be exercised, proceeds from the issuance of €300 million of super-subordinated securities, the increase in minority interests, the positive impact of the rise in the dollar and capital increases.

Tier Two, Tier Three and other regulatory capital rose to €2.6 billion from €2.2 billion at December 31, 2004, mostly due to the issuance of €750 million of redeemable subordinated notes in October 2005.

Risk-weighted assets increased by €17.0 billion to €71.7 billion. €16.5 billion of this growth was due to credit risks, mainly in relation to the increase in financing activities (corporate, structured finance and commodities financing), the impact of the rise in the dollar and the inclusion of Coface's factoring activities in banking risks.

As a result of these trends, the international capital adequacy ratio stood at 11.9%, including a Tier one ratio of 8.3% at December 31, 2005, compared with 12.3% and 8.3% respectively at December 31, 2004. Natexis Banques Populaires therefore maintained its financial structure, despite robust business growth.

5.2.3 - 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 requirement for counterparty and market risks.

This ratio must be higher than 100%. At December 31, 2005, the ratio stood at 155% versus 162% one year earlier.

5.2.4 - 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 falling due within one month must be higher than 100%. It stood at 139% at December 31, 2005.

Natexis Banques Populaires complies with the 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

In 2005, liquidity conditions on the financial markets were favorable for issuers and facilitated the refinancing of the Banque Populaire Group, provided by Natexis Banques Populaires.

The majority of short-term requirements were covered by CD and ECP issues in Paris and CD and USCP issues in New York.

In order to cover medium- and long-term requirements of a total of €7 billion, use of the EMTN program was frequently favored.

In the market for public issues in euros, Natexis Banques Populaires preferred to offer a limited number of lines to investors but of a benchmark size, totaling €3,050,000 million, comprising two senior debt issues of €1 billion each, a

€750 million redeemable subordinated notes issue and a €300 million super-subordinated notes issue.

However, the private placement of a number of EMTN issues ensured that the majority of requirements of more than one year were covered.

In general, Natexis Banques Populaires' issuing policy is based on the continuing search for maximum debt diversification in order to optimize the cost.

Natexis Banques Populaires was the first French bank to issue extendable notes of €1 billion on the US domestic market.

Natexis Banques Populaires issues in 2005 (expressed in millions of euros equivalent except for extendible notes, expressed in millions of dollars)

	CD	USCP	ECP	EMTN	BMTN	Bonds	Extendible notes
Cumulative issuance during the year	247,032	29,381	6,315	3,260	317	2,250	1,000
Outstanding at 12/31/2005	10,471	3,260	606	8,852	1,011	6,998	1,000
Outstanding at 12/31/2004	6,408	1,204	1,675	7,126	1,412	5,280	None

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

Senior debt:

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

(ii) 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:

Redeemable subordinated notes do not contain any covenants.

Super-subordinated notes (issued for the first time in January 2005) contain certain covenants, notably:

- Non-payment of interest at the due date under certain circumstances;
- Reduction in the amount of accrued interest and the nominal amount of the issue in the case of certain events affecting the issuer's financial situation or certain ratios.

There is a subordination clause, validated by the French Banking Commission.

Finally, the issue prospectus should provide for an early redemption option (partial or total, as decided by the issuer).

7 > Subsequent events

- In January 2006, credit rating agency Standard & Poor's published new long and short-term credit ratings for Natexis Banques Populaires and Banque Fédérale des Banques Populaires, with a long-term rating of AA- (with a stable outlook) and a short-term rating of A1+.

This constitutes an upgrade in Natexis Banques Populaires' long and short-term ratings, an upgrade in Banque Fédérale des Banques Populaires' short-term rating and the first long-term rating for Banque Fédérale des Banques Populaires.

- Natexis Banques Populaires' medium-term business plan(1) has been revised to take into account new economic conditions and the change in accounting standards.

Despite these changes, the major axes of the three-year plan have been confirmed:

- Growth in net banking income of 9-10% a year;
- Maintaining provisions at around 35bp of risk-weighted assets;
- Reduction in the cost/income ratio;
- ROE of around 15%.

The plan has also been defined in line with the aims of the Group's strategic development plan, of which it forms an integral part.

- In accordance with the European Commission's regulation n° 809/2004 implementing the Prospectus Directive, no material changes in Natexis Banques Populaires' financial or commercial situation have been seen since the end of the last financial year for which audited financial statements have been published.

(1)The four major axes for growth are diversifying and increasing revenues from large and medium-sized companies and institutional companies, exploiting the growth potential offered by the Banque Populaire banks and their customers, optimizing the Group's strong position in specialist areas and developing Natexis Banques Populaires' international presence.

8 > Information on Natexis Banques Populaires parent company and proposed distribution of net income

8.1 - Information on the parent company (French GAAP)

Net banking income rose by 14.5% or €183 million in 2005, including a €69 million increase in gains on trading portfolios, a €36 million increase in net commission income and a €96 million or 49% increase in income from variable income securities.

Operating expenses rose by 12% compared with the previous year.

Gross operating income amounted to €520 million, an increase of 20% over 2004. The cost/income ratio stood at 63.9%.

Provisions for loan losses fell by 7% to €76 million compared with €82 million in 2004.

Gains on fixed assets came to €32 million and exception income of €82 million included the company's share of the capital gain realized on the sale of the Liberté II building.

Net income came to €459 million versus €213 million in 2004.

At December 31, 2005, total assets stood at €127,425 million versus €100,587 million one year earlier.

8.2 - Proposed distribution of parent company net income

Natexis Banques Populaires parent company reported net income of €459,177,494.14 for the year ended December 31, 2005.

The third resolution to be put to the annual general meeting on May 18, 2006, proposes to deduct from net income the negative balance held on the retained earnings account, being €89,039,924.52, and to transfer the sum of €3,985,870.37 to the legal reserve, leaving the sum of €366,151,699.25 available for distribution.

Shareholders will be asked to approve the following distribution of this sum: payment of a dividend in the sum of €244,977,400.00, transfer to the general reserve in the sum of €121,170,000.00 and transfer of the balance to retained earnings, in the sum of €4,299.25.

RECENT **DEVELOPMENTS**

■ On March 12, 2006, Groupe Banque Populaire issued a press release stating that the Board of Directors of Banque Fédérale des Banques Populaires had unanimously approved the start of exclusive negotiations between Groupe Banque Populaire and Groupe Caisse d'Epargne concerning the creation of NATIXIS through the combination of some businesses.

■ On March 12, 2006, Groupe Banque Populaire issued a joint press release with Groupe Caisse d'Epargne stating the following:

"Groupe Banque Populaire and Groupe Caisse d'Epargne have entered into exclusive negotiations for the creation of NATIXIS

Groupe Banque Populaire and Groupe Caisse d'Epargne, each one representing over 3,000,000 member stakeholders, have just signed a letter opening exclusive negotiations, which shall end at the latest June 1, 2006, for the combination of some of their respective businesses.

This ambitious project is designed to constitute a significant player in the finance and investment banking and banking services sector, whilst safeguarding each of the partners' own retail banking models.

The project dovetails naturally into both groups' current development strategies. For Groupe Caisse d'Epargne, this is a natural extension of their current reorganization. For Groupe Banque Populaire, it provides their finance and investment banking business with the necessary growth to take it to new dimensions.

There are three guiding principles to the negotiations underway between the two groups:

■ respect for the identity and independence of each of the two networks' regional banks and their head office organizations;

■ the implementation of cross stockholdings between the BFBP (Banque Fédérale des Banques Populaires) and the CNCE (Caisse Nationale des Caisses d'Epargne) so as to reinforce the overall cohesion of the new entity;

■ the combination of all their investment and finance banking and banking services in one single vehicle. The name of the legal entity will be NATIXIS. It is listed and will be jointly and equally controlled by Groupe Banque Populaire and Groupe Caisse d'Epargne.

NATIXIS, a major player in finance and investment banking and in banking services

The new entity NATIXIS will be a leader in a number of sectors in France (especially employee savings, asset management, automated payment systems and bancassurance). It will be a subsidiary of Caisse Nationale des Caisses d'Epargne and Banque Fédérale des Banques Populaires and will have its own client base and strong distribution networks based on a high quality service platform designed to deliver best practices aimed at achieving the best performance on the market.

NATIXIS will be created by the combination of Natexis Banques Populaires and various Caisse Nationale des Caisses d'Epargne contributed subsidiaries in the finance and investment banking sector (IXIS Corporate & Investment Bank, IXIS Asset Management Group and CIFG), and in the specialist banking services sector (Crédit Foncier and Cefi) and private asset management (Compagnie 1818). Existing strategic partnerships at Groupe Banque Populaire and at Groupe Caisse d'Epargne, in particular CNP, will not be brought into the new entity.

Caisse Nationale des Caisses d'Epargne and Banque Fédérale des Banques Populaires will have equal stakes (34% each) in NATIXIS. This parity will be achieved by the combination of assets, the issue of cooperative investment certificates and cash contributions, where necessary. NATIXIS will have a free float of at least 25% and market capitalization of more than €20 billion. It will have the resources necessary to take part in consolidation moves currently underway in the industry. Both parties aim to propose a rate of dividend payout of 50% of NATIXIS' consolidated net profits subject to profits, sufficient free reserves are to hand, then, taking into account all regulatory capital requirements.

NATIXIS' corporate governance will be conducted through a Supervisory Board and a Management Board. Both groups will have equal representation on the Supervisory Board and the chairmanship will alternate between representatives of each group. Mr Charles Milhaud will be the first chairman of the Supervisory Board. The chairman of the Management Board, appointed by the Supervisory Board, will be selected by mutual agreement between the two groups. Mr Philippe Dupont will be the first chairman of the Management Board.

Close ties between the two groups

The intention is to strengthen ties between the two groups by putting in place cross equity holdings, within the constraints of current legislation and regulations, between Caisse Nationale des Caisses d'Epargne and Banque Fédérale des Banques Populaires. The chief executive of each group will have a seat on the board of the other party with the title of vice-chairman. The first Groupe Banque Populaire representative on Caisse Nationale des Caisses d'Epargne Supervisory Board will be Philippe Dupont and the first Caisse Nationale des Caisses d'Epargne representative on the Banque Fédérale des Banques Populaires Board of Directors will be Charles Milhaud.

Project to be launched end-2006

The timetable provides for the project to be implemented in the course of December 2006, after the period of exclusive negotiation, which will end at the latest on June 1, 2006, with the signature of the final agreements following the required consultations and agreement from the appropriate bodies in each group and in accordance with the commitments to and rights of shareholders. In this respect, it shall be noted that Caisse des Dépôts et Consignations, which holds a 35% stake in Caisse Nationale des Caisses d'Epargne, has specific shareholders' rights pursuant to the shareholders agreement dated June 30, 2004. Consequently, when required, Caisse des Dépôts et Consignations will have to take a position on the proposed transaction to allow the execution of the final agreements. To date, Caisse des Dépôts et Consignations has stated it is opposed to this project.

Groupe Banque Populaire will be assisted in this project by Citigroup, Rothschild & Cie and Philippe Villin Conseil. Groupe Caisse d'Epargne is assisted by Bucéphale Finance, Lazard Frères & Cie and Merrill Lynch.

Building on the strengths and mutually society culture of each group, the implementation of this project should result in the creation of NATIXIS, a strong player in the finance and investment banking sector and banking services sector in its French domestic market and with the capability to develop in Europe and beyond."

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES YEAR ENDED DECEMBER 31, 2005

Consolidated financial statements

Consolidated balance sheet

Consolidated income statement

Consolidated statement of changes in equity

Cash flow statement

Notes to the Consolidated financial statements

I **Basis of presentation**

II **Impact of the first-time adoption of IFRS**

III **Consolidation methods and principles**

IV **Scope of consolidation**

V **Accounting principles and valuation methods**

VI **Risk exposure and management**

VII **Segment reporting**

VIII **Notes to the balance sheet**

VIII.1 **Assets and liabilities at fair value through profit or loss**
VIII.1.1 Financial assets at fair value through profit or loss
VIII.1.1.1 Variable-income securities at fair value through profit or loss
VIII.1.2 Financial liabilities at fair value through profit or loss
VIII.1.3 Derivative financial instruments held for trading

VIII.2 **Hedging derivatives - assets and liabilities**
VIII.2.1 Cash flow hedges
VIII.2.2 Fair value hedges

VIII.3 **Available-for-sale financial assets**

VIII.4 **Loans and advances**
VIII.4.1 Loans and advances to banks
VIII.4.1.1 Performing loans to banks
VIII.4.2 Loans and advances to customers
VIII.4.2.1 Performing loans to customers
VIII.4.2.2 Lease financing
VIII.4.2.3 Other loans and advances to customers

VIII.5 **Held-to-maturity financial assets**

VIII.6 **Deferred tax assets and liabilities**

VIII.7 **Other assets and liabilities**
VIII.7.1 Sundry other assets and liabilities

VIII.7.1.1 Other assets
VIII.7.1.2 Other liabilities
VIII.7.2 Accrued income and prepaid expenses and deferred income and accrued charges
VIII.7.2.1 Accrued income and prepaid expenses
VIII.7.2.2 Deferred income and accrued charges
VIII.7.3 Accrued income and prepaid expenses and deferred income and accrued charges - insurance companies
VIII.7.3.1 Accrued income and prepaid expenses - insurance companies
VIII.7.3.2 Deferred income and accrued charges - insurance companies

VIII.8 Property, plant & equipment, intangible assets, investment property
VIII.8.1 Development of non-current assets over the period
VIII.8.2 Investment property

VIII.9 Goodwill

VIII.10 Deposits from banks and customer deposits
VIII.10.1 Deposits from banks
VIII.10.2 Customer deposits

VIII.11 Debt securities in issue

VIII.12 Technical reserves of insurance companies

VIII.13 Provisions and impairment charges
VIII.13.1 Summary of provisions
VIII.13.2 Provisions

VIII.14 Subordinated debt

IX Notes to the income statement

IX.1 Net interest income

IX.2 Net fees and commission

IX.3 Gains or losses on financial assets and liabilities at fair value through profit of loss

IX.4 Gains or losses on available-for-sale financial assets

IX.5 Income and expenses from other activities
IX.5.1 Finance leases
IX.5.2 Other insurance income and expense
IX.5.3 Other income and expense

IX.6 Operating expenses

IX.7 Impairment charges and other credit provisions

IX.8 Share of income of associates

IX.9 Gains or losses on other assets

IX.10 Change in value of goodwill

IX.11 Reconciliation of the tax charge in the financial statements and the theoretical tax charge

X Payroll costs, number of employees, compensation and employee benefits

X.1 Payroll costs

X.2 Number of employees

X.3 Employee benefits

X.4 Share-based payment plans

XI Segment reporting

XI.1 Segment reporting by business segment
XI.1.1 Income
XI.1.2 Balance sheet items

XI.2 Segment reporting by region
XI.2.1 Income
XI.2.2 Balance sheet items

XII Commitments

XII.1 Guarantee commitments
XII.2 Financing commitments

XIII Other information

XIII.1 Maturity of assets and liabilities
XIII.2 Breakdown of assets and liabilities by currency
XIII.3 Information about finance leases and operating leases
XIII.3.1 Leases as lessor
XIII.3.2 Leases as lessee
XIII.4 Relations between consolidated companies
XIII.5 Results of insurance companies
XIII.5.1 Results of insurance companies
XIII.5.2 Insurance companies' contribution to the consolidated income statement
XIII.6 Breakdown of notional amount of derivatives - reconciliation with fair value

PARENT COMPANY FINANCIAL STATEMENTS AND NOTES YEAR ENDED DECEMBER 31, 2005

Parent company balance sheets

Parent company income statements

Notes to the parent company financial statements

Accounting policies and valuation methods
Note 1 Interbank and money market assets
Note 2 Customer loans and lease financing
Note 3 Bonds, equities and other fixed and variable income securities
Note 3 bis Non-performing and irrecoverable assets and impairment charges
Note 4 Investments in subsidiaries and associates, other securities held for investment and treasury stock
Note 4.1 Investment portfolio
Note 4.2 Disclosure of significant shareholdings
Note 4.3 Information concerning subsidiaries and associates
Note 4.4 Treasury stock - assets
Note 5 Property, plant & equipment and intangible assets
Note 6 Accrued income, prepaid expenses and other assets
Note 7 Interbank and money market liabilities
Note 8 Customer deposits
Note 9 Debt securities in issue
Note 10 Deferred income, accrued charges and other liabilities
Note 11 Provisions for contingencies and charges
Note 12 Long-term subordinated debt
Note 13 Fund for General Banking Risks
Note 14 Share capital, share premium, reserves and retained earnings

Note 15	Intergroup transactions
Note 16	Balance sheets - institutional activities
Note 17	Interest income
Note 18	Interest expense
Note 19	Income from variable income securities
Note 20	Net fee and commission income
Note 21	Net gains/(losses) on trading account securities
Note 22	Net gains/(losses) on securities held for sale
Note 23	Other banking revenue and expense
Note 24	General operating expenses
Note 25	Impairment charges and other credit provisions
Note 26	Net gains/(losses) on disposals of non-current assets
Note 27	Exceptional items
Note 28	Corporate income tax
Note 29	Change in average number of employees
Note 30	Off-balance sheet financial instruments
Note 31	Off-balance sheet commitments and foreign currency transactions
	Five-year summary of financial data

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO 12/31/2005

Consolidated financial statements

Consolidated balance sheet - Assets

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Cash due from central banks		217	192
Financial assets measured at fair value through profit or loss	*VIII.1*	26,013	24,494
Hedging derivatives	*VIII.2*	43	295
Available-for-sale financial assets	*VIII.3*	22,240	20,784
Due from banks	*VIII.4*	56,099	41,120
o/w institutional activities		250	333
Customer loans	*VIII.4*	49,200	40,695
o/w institutional activities		697	1,133
Revaluation differences on portfolios hedged against interest rate risk		-	-
Held-to-maturity financial assets	*VIII.5*	7,053	5,748
Current tax assets		-	-
Deferred tax assets	*VIII.6*	248	231
Other assets	*VIII.7*	4,766	4,089
Non-current assets held for sale		-	-
Investments in associates	*IX.8*	50	130
Investment property	*VIII.8*	1,001	910
Property, plant & equipment	*VIII.8*	314	508
Intangible assets	*VIII.8*	142	109
Goodwill	*VIII.9*	733	729
Total assets		**168,119**	**140,034**

Consolidated balance sheet - Liabilities

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Due to central banks		412	22
Financial liabilities at fair value through profit or loss	*VIII.1*	5,288	6,724
Hedging derivatives	*VIII.2*	212	497
Due to banks	*VIII.10*	54,853	39,320
o/w institutional activities		322	408
Customer deposits	*VIII.10*	23,990	22,937
o/w institutional activities		727	1 166
Debt securities in issue	*VIII.11*	37,760	30,792
Revaluation differences on portfolios hedged against interest rate risk		-	-
Current tax assets		120	94
Deferred tax assets	*VIII.6*	414	346
Other liabilities	*VIII.7*	8,490	7,412
o/w institutional activities		95	100
Liabilities associated with non-current assets held for sale		-	-
Technical reserves of insurance companies	*VIII.12*	26,236	23,356
Provisions for contingencies ans losses	*VIII.13*	382	346
Subordinated debt	*VIII.14*	4,293	3,498
Equity attributable to equity holders of the parent		5,357	4,590
Share capital and reserves		3,224	3,116
Retained earnings		1,232	951
Unrealized or deferred capital gains or losses		206	35
Net income		695	488
Minority interests		312	100
Total liabilities and equity		**168,119**	**140,034**

Consolidated income statement

in € millions	Notes	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Interest and similar income	IX.1	5,791	4,896
Interest and similar expenses	IX.1	(4,305)	(3,493)
Fees and commission (income)	IX.2	1,255	1,156
Fees and commission (expenses)	IX.2	(675)	(574)
Net gains or losses on financial instruments at fair value through profit and loss	IX.3	555	156
Net gains or losses on available-for-sale financial assets	IX.4	345	123
Income from other activities	IX.5	4,927	3,946
Expenses from other activities	IX.5	(4,802)	(3,503)
Net banking income		**3,091**	**2,707**
Operating expenses	IX.6	(1,983)	(1,788)
Amortization, depreciation and impairment of property, plant and equipment and intangible assets		(74)	(77)
Gross operating income		**1,034**	**842**
Impairment charges and other credit provisions	IX.7	(81)	(101)
Operating income		**953**	**741**
Share of income of associates	IX.8	14	11
Gains or losses	IX.9	98	(1)
Change in value of goodwill	IX.10	2	(7)
Earnings before tax		**1,067**	**744**
Income tax	IX.11	(342)	(239)
Consolidated net income		**725**	**505**
Minority interests		(30)	(17)
Net income attributable to equity holders of the parent		**695**	**488**
Earnings per share Consolidated net income - group share - per share, calculated on the basis of the average number of shares over the period excluding treasury shares		**14.9**	**10.5**
Diluted earnings per share Consolidated net income - group share - per share, calculated on the basis of the average number of shares over the period excluding treasury shares and including potential shares arising from the exercise of stock options		**14.8**	**10.4**

Consolidated statement of changes in equity

in € millions	Share capital and reserves: Share capital	Share capital and reserves: Reserves (1)	Share capital and reserves: Elimination of treasury shares	Retained earnings: Retained earnings (2)
Equity at December 31, 2003, before appropriation - French GAAP	**769**	**2,261**	**(4)**	**644**
Impact of adopting 2004 IFRS	-	-	-	259
2003 net income	-	70	-	195
Equity at January 1, 2004 - 2004 IFRS	**769**	**2,331**	**(4)**	**1,098**
Capital increase	3	11	-	-
Equity component of share-based payment plans	-	-	-	2
2003 dividend paid in 2004	-	-	-	(117)
Total movement related to relations with shareholders	3	11	-	(115)
2004 net income - 2004 IFRS	-	-	-	-
Impact of acquisitions and divestments on minority interests (4)	-	-	-	-
Change of accounting method (3)	-	-	-	-
Change in translation reserves	-	-	-	-
Equity at December 31, 2004, before appropriation - 2004 IFRS	**772**	**2,342**	**(4)**	**983**
Impact of adopting EU IFRS	-	-	(156)	129
2004 net income	-	37	-	451
Equity at January 1, 2005 - EU IFRS	**772**	**2,379**	**(160)**	**1,563**
Capital increase	12	60	-	-
Elimination of treasury shares	-	-	(6)	-
Equity component of share-based payment plans	-	-	-	3
2004 dividend paid in 2005	-	-	-	(154)
Total movements related to relations with shareholders	12	60	(6)	(151)
Change in fair value of financial instruments through equity (5)	-	-	-	-
Net income at December 31, 2005 - EU IFRS	-	-	-	-
Impact of acquisitions and divestments on minority interests	-	-	-	-
Change in translation reserves	-	-	-	-
Change of accounting method and correction of errors (6) (7)	-	-	-	(14)
Proposed dividend	-	-	-	(237)
Equity at December 31, 2005 - EU IFRS after dividends	**784**	**2,439**	**(166)**	**1,162**

(1) Share premiums, statutory reserve, contractual reserves, long-term capital gains reserve and other reserves

(2) Includes the equity component of share-based payment plans

(3) Change in method of consolidating Bancassurance Popolari

(4) Including: Change in minority interests in Coface following squeeze-out	(9)
Coface's buyout of minorities in Unistrat	(15)
Change in method of consolidating Sopromec	(9)
Dilution Natexis Private Equity's percentage holding in FCPR Industrie.	9
Divestment by Nem2 of its holding in Natexis Capital Structurant	4
Buyout of minorities in Line bourse	(6)
Total	(26)

(5) Includes changes in fair value of derivative financial instruments designated as cash flow hedges

(6) Includes transfers from retained earnings to unrealized gains/losses 14

(7) Includes equity attributable to minorities following the change in method of consolidating BP Développement and Sopromec 213

Unrealized/deferred gains or losses (net of tax): Related to translation reserves	Change in fair value of financial instruments: Available-for-sale assets	Change in fair value of financial instruments: Hedging instruments	Net income, group share	Shareholders' equity, group share	Equity attributable to minorities	Total consolidated equity
(22)	**0**	**0**	**265**	**3,913**	**835**	**4,748**
28	-	-	-	287	(5)	282
-	-	-	(265)	-	-	0
6	**-**	**-**	**-**	**4,200**	**830**	**5,030**
-	-	-	-	14	-	14
-	-	-	-	2	-	2
-	-	-	-	(117)	(54)	(171)
-	-	-	-	(101)	(54)	(155)
-	-	-	488	488	73	561
-	-	-	-	-	(27)	(27)
-	-	-	-	-	(5)	(5)
(47)	-	-	-	(47)	(39)	(86)
(41)	**0**	**0**	**488**	**4,540**	**778**	**5,318**
-	146	(70)	-	49	(678)	(629)
-	-	-	(488)	-	-	-
(41)	**146**	**(70)**	**0**	**4,589**	**100**	**4,689**
-	-	-	-	72	-	72
-	-	-	-	(6)	-	(6)
-	-	-	-	3	-	3
-	-	-	-	(154)	(28)	(182)
-	-	-	-	(85)	(28)	(113)
-	53	6	-	59	3	62
-	-	-	695	695	31	726
-	-	-	-	-	(10)	(10)
99	-	-	-	99	1	100
-	10	4	-	-	215	215
-	-	-	-	(237)	(12)	(249)
58	**209**	**(60)**	**695**	**5,120**	**300**	**5,420**

Consolidated cash flow statement

in € millions	12/31/05 EU IFRS	12/31/04 2004 IFRS
Income before income taxes	1,067	744
+/- Net charge to depreciation and amortization of property, plant & equipment and intangible assets	74	74
+/- Impairment of goodwill and other non-current assets	(10)	5
+/- Net charge to other provisions (including insurance reserves)	2,507	1,492
+/- Share of results of associates	(14)	(10)
+/- Net loss/(gain) on investing activities	(308)	(143)
+/- Net loss/(gain) on financing activities	0	0
+/- Other movements	(278)	337
= Total non-cash items included in income before income taxes and other adjustments	1,972	1,755
+/- Decrease/(increase) in interbank and money market items	405	5,526
+/- Decrease/(increase) in customer items	(7,274)	(9,173)
+/- Decrease/(increase) in other financial assets or liabilities	454	522
+/- Decrease/(increase) in non-financial assets or liabilities	3,196	3,830
- Income taxes paid	(309)	(188)
= Net decrease/(increase) in operating assets and liabilities	(3,528)	517
Total net cash provided/(used) by operating activities (A)	**(490)**	**3,015**
+/- Decrease/(increase) in financial assets and investments in associates	(2,747)	506
+/- Decrease/(increase) in investment property	(143)	35
+/- Decrease/(increase) in property, plant & equipment and intangible assets	105	(95)
Total net cash provided/(used) by investing activities (B)	**(2,786)**	**446**
+/- Cash received from/(paid to) shareholders	(116)	(157)
+/- Other cash provided/(used) by financing activities	1,520	(1,721)
Total net cash provided/(used) by financing activities (C)	**1,404**	**(1,878)**
Effect of exchange rate changes on cash and cash equivalents (D)	**98**	**(29)**
Net increase/(decrease) in cash & cash equivalents (A + B + C + D)	(1,773)	1,554
Net cash provided/(used) by operating activities (A)	(490)	3,015
Net cash provided/(used) by investing activities (B)	(2,786)	446
Net cash provided/(used) by financing activities (C)	1,404	(1,878)
Effect of exchange rate changes (D)	98	(29)
Opening cash & cash equivalents	(4,735)	(6,289)
Cash, central banks, post offices (assets & liabilities)	170	124
Interbank balances	(4,906)	(6,413)
Closing cash & cash equivalents	(6,508)	(4,735)
Cash, central banks, post offices (assets & liabilities)	(193)	170
Interbank balances	(6,315)	(4,906)
Change in cash & cash equivalents	(1,773)	1,554

Notes to the consolidated financial statements

Note I > Basis of presentation

As required by European regulation 1606/2002 of July 19, 2002, concerning the application of international accounting standards, Natexis Banques Populaires has, for the first time, prepared its consolidated financial statements for the year ending December 31, 2005, using the International Financial Reporting Standards (IFRS) as adopted in the European Union and applicable on that date. These standards include IAS 1 to 41, IFRS 1 to 6 and their interpretations adopted by the European Union as at December 31, 2005.

Natexis Banques Populaires' consolidated financial statements include a balance sheet, income statement, statements of changes in equity, cash flow statement and notes to the financial statements.

Natexis Banques Populaires has prospectively adopted the amendment to IAS 39 'Financial Instruments: Recognition and Measurement' of June 2005 relating to use of the fair value option. This amendment allows for the recognition of financial instruments at fair value through profit or loss provided that they meet one of the following three criteria:

- hybrid instruments that contain one or more embedded derivatives;
- a group of assets or liabilities measured and managed at fair value;
- the elimination or significant reduction of an accounting treatment inconsistency between an asset and associated liability.

Meanwhile, Natexis Banques Populaires has elected not to adopt prospectively the following amendments adopted by the European Union as at December 31, 2005:

- the amendment to IAS 39 'Financial Instruments: Recognition and Measurement' concerning cash flow hedges of forecast intragroup transactions in foreign currencies;
- the amendment to IAS 19 'Employee Benefits' concerning actuarial gains and losses, group plans and disclosures.

The application of these two amendments as of January 1, 2006, is not expected to have a significant impact.

The Group has also elected not to adopt the following amendments which have been published by the IASB or IFRIC and were adopted by the European Union on January 11, 2006:

- the amendment to IAS 1 concerning capital disclosures;
- IFRS 7 'Financial Instruments: Disclosures';
- the amendment to IAS 39 and IFRS 4 concerning financial guarantee contracts, which will be applied by Natexis Banques Populaires as of January 1, 2006.

Natexis Banques Populaires will apply the first two amendments as of January 1, 2007.

As permitted by IFRS 1, Natexis Banques Populaires elected not to adopt IAS 32, IAS 39 and IFRS 4 for its opening balance sheet at January 1, 2004. These standards have been adopted for the first time as of January 1, 2005. The 2004 comparative data affected by these standards are therefore based on the French GAAP previously used by Natexis Banques Populaires in accordance with standards CRC 1999-07 and 2000-04 of the Comité de la Réglementation Comptable.

The principles of first-time adoption of IFRS are described in note II of this document.

The comparative figures presented in these financial statements include:

- comparative income statement data at December 31, 2004, prepared using 2004 IFRS (i.e. excluding IAS 32, IAS 39 and IFRS 4, which have been adopted as of January 1, 2005);
- comparative balance sheet and cash flow statement data at January 1, 2005, prepared using 2004 IFRS.

The statement of changes in equity shows changes between January 1, 2004, and December 31, 2005, separately identifying the effects of first-time adoption of 2004 IFRS and then EU IFRS.

Note II > Impact of the first-time adoption of IFRS

The 2004 financial statements provided by way of comparison have been prepared in accordance with IFRS excluding IAS 32, IAS 39 and IFRS4, applied in accordance with the option provided by IFRS 1 as of January 1, 2005.

The effects of the transition to IFRS on the 2004 financial statements were described in a press release issued by Natexis Banques Populaires on April 21, 2005.

Restatements relating to the adoption of IAS 32, IAS 39 and IFRS 4 were presented with the interim financial statements to June 30, 2005.

Details of all of the effects of the transition to IFRS on equity, capital, the balance sheet and the income statements are given in this report.

The following terminology has been used for all of the financial documents provided:

- 2004 IFRS: IFRS excluding IAS 32, IAS 39 and IFRS 4;

- EU IFRS: IFRS as adopted by a series of EU regulations, comprising IAS 1 to 41, IFRS 1 to 6 and their interpretations as adopted by the European Union as at December 31, 2005.

Some information previously provided about the transition to IFRS has been amended following the prospective adoption of the amendment to IAS 39 concerning the fair value option (endorsed by the EC regulation of November 15, 2005) and some adjustments to the method. The level of provisions for loans and receivables on a collective basis was based on expected losses resulting from the application of Basel II using probability of default on a one-year horizon. Expected losses have been recalculated in order to factor in the probability of default taking into account the actual maturity of each segment (activities and countries) to be impaired. Refining this parameter resulted in a €45 million increase in the level of provisions in the opening balance sheet, with a resulting deduction from equity (€30 million) and increase in deferred tax assets (€15 million).

II.1 - Impact on equity and Tier One capital

	Equity			Tier One ratio
	Reserves	Unrealized gains & losses	Net income	
	(€ millions)	(€ millions)	(€ millions)	(basis points)
French GAAP at December 31, 2004	**3,804**	**(41)**	**407**	**8.16%**
2004 IFRS restatements (after deferred tax effect)				
Restatement of fund for general banking risks	+242	-	-	-
Restatement of equalization provisions	+88	-	+33	+22
Additional provisions for employee benefits	(53)	-	+1	(9)
Restatement of capitalization reserve (deferred tax liability)	(24)	-	+1	(4)
Component accounting for property, plant and equipment	(20)	-	(1)	(4)
Capitalization of software development expenses	+16	-	+3	+3
Reclassification of Coface network assets	-	-	-	(31)
Restatement of goodwill	+42	-	+47	+3
Other impacts	(2)	-	(3)	(1)
Total 2004 IFRS restatements	**+289**	**-**	**+81**	**(21)**
2004 IFRS at December 31, 2004	**4,093**	**(41)**	**488**	**7.95 %**
EU IFRS restatements (after deferred tax effect)				
Amortized cost	(29)	-	-	(5)
Discounting of specific provisions	(17)	-	-	(3)
Restatement of collective provisions	+57	-	-	+10
Elimination of treasury shares	(156)	-	-	-
Fair value of private equity business	+116	+10	-	+21
Fair value of other instruments (1)	+1	+28	-	+3
Fair value of insurance investments	(1)	+38	-	+7
Other restatements	+2	-	-	-
Total EU IFRS restatements	**(27)**	**+76**	**-**	**+33**
EU IFRS at January 1, 2005	**4,066**	**35**	**488**	**8.28%**

(1) Including unrealized gains on AFS instruments held by Coface +9

Breakdown of EU IFRS impacts on unrealized gains & losses	AFS	CFH	Total
Fair value of private equity business	+10	-	+10
Fair value of other instruments	+98	(70)	+28
Fair value of insurance investments	+38	-	+38
Total	**+146**	**(70)**	**+76**

Breakdown of unrealized gains & losses at January 1, 2005	Total
AFS	+ 146
CFH	(70)
Translation reserves	(41)
Total	**+ 35**

II.1.1 Impact on equity and Tier One capital at December 31, 2004, under 2004 IFRS

Comments:

(1) Elimination of FGBR

Under international accounting standards (IAS 30 and IAS 37), provisions of a general nature do not qualify for recognition as liabilities. The fund for general banking risks was therefore reclassified in full as equity at January 1, 2004. Charges or reversals have been eliminated from the income statement.

(2) Equalization reserve

This type of provision, which is booked by Coface (credit insurance) and ABP IARD, is a technical reserve permitted by French GAAP to protect insurance companies against the risk of catastrophe. IFRS does not permit the recognition of reserves covering risks of a general nature. Accordingly, the equalization reserve has been fully reclassified as equity as of January 1, 2004. Charges to the equalization reserve recorded during 2004 under French GAAP have been reversed.

(3) Employee benefits

IAS 19 stipulates more precise rules for the measurement and recognition of employee benefits. These new rules result in an increase in employee benefits, relating primarily to actuarial gains and losses. An additional provision is taken from opening capital. Actuarial gains and losses comprise differences relating to changes in assumptions used (mainly the discount rate used) owing to the transition from French GAAP to IFRS.

(4) Deferred tax on the capitalization reserve

The capitalization reserve in the individual financial statements of insurance companies is intended to defer capital gains realized on the disposal of certain bonds to offset subsequent capital losses. Any portion considered by management as never likely to be used is reclassified as equity. Under French GAAP, no deferred taxation is recognized. Conversely, IAS 12 treats this restatement as a temporary difference that gives rise to the recognition of a deferred tax liability.

(5) Restatements of property, plant and equipment and intangible assets (excluding network assets)

- Capitalization of software development expenses:

Contrary to the French GAAP rules applicable until 2004, it is obligatory to capitalize software development expenses under IFRS. As a result, intangible assets are recognized under assets and opening capital is increased by the same amount under the new standards.

- Implementation of component accounting for property, plant and equipment:

The impact of this approach relates primarily to property. Under French GAAP, (operating or non-operating) property assets are depreciated over a period that is unique to the whole of the relevant property. Under IFRS, when one or more components of a property derive economic benefits at a pace that differs from that of the property as a whole, these components are depreciated over their own useful life. The depreciation differential resulting from adoption of the component approach was charged against opening equity.

(6) Goodwill and elimination of Coface network value

- Goodwill:

Unlike under French GAAP, goodwill is no longer amortized. Impairment tests are conducted as soon as any signs emerge of impairment in value or at least once a year, giving rise to the recognition of an impairment loss. Negative goodwill is reclassified under equity when the opening balance sheet is prepared and immediately recognized in the income statement in subsequent years.

- Reclassification of Coface network assets:

Network assets previously recognized as intangible assets in the French GAAP financial statements do not satisfy the criteria laid down in IAS 38 for the recognition of intangible assets. In accordance with IFRS 1 on first-time adoption, these items have been reclassified as goodwill. Since this adjustment represents a reclassification, there is zero impact on opening equity.

(7) Restatement of finance leases

IAS 17 imposes stricter rules for the recognition of finance leases and operating leases. Certain contracts have therefore been reclassified as operating leases, as a result of which the unrealized reserve recognized under French GAAP is no longer recognized.

8) Scope of consolidation and consolidation methods

Analysis of the criteria for control as defined under IFRS did not have any material impact on the scope of consolidation. The only changes in the scope of consolidation related to ad hoc entities that were not consolidated under French GAAP. This concerns four real estate trusts ('Sociétés Civiles Immobilières') relating to the property investments of Natexis Assurances and SCI Cofimmo of the Coface sub-group.

Investments in private equity subsidiaries, which range from 20% to 50% of capital, have not been accounted for under the equity method because they are classified in the 'instruments at fair value through profit or loss' category as of January 1, 2005. IAS 28 and 31 covering investments in associates state that for such investments, fair value represents a superior level of information to consolidating them proportionally or accounting for them under the equity method. The adoption of IAS 27 for the private equity business has not led to the consolidation of any majority investments, as none is material.

II.1.2 Impact on equity and Tier One capital at January 1, 2005, under EU IFRS

Comments:

(1) Amortized cost

Under French GAAP, loans are measured at cost with accrued interest for the period recognized in profit or loss.

Most fee and commission income is recognized on a cash basis.

Under IFRS, loans and receivables are measured at amortized cost using the effective interest method. Under this method, certain fees and commissions received or paid which are directly connected with the loan transaction are deferred over the term of the loan on an actuarial basis.

(2) Provisions

- Specific provisions for credit risk – impact of discounting:

The conditions for identifying impairment of specific loans are similar to those used by Natexis Banques Populaires under French GAAP. However, under IFRS, the amount of the provision is the difference between the net carrying amount of the loan and the estimated recoverable amount discounted at the effective interest rate applicable at the inception of the loan.

- Collective provisions:

The rules for recognizing collective provisions are stricter under IAS 39 than under French GAAP. If there is no objective evidence of impairment for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

(3) Measurement of certain financial instruments at fair value

- Impact of measurement at fair value:

Under French GAAP, the only financial instruments measured at fair value through profit or loss are securities and derivatives held for trading purposes.

IFRS requires the following financial instruments to be measured at fair value:

- Through profit or loss: derivative financial instruments, instruments held for trading, instruments subject to a fair value hedge (to the extent of the components hedged), instruments with separable embedded derivatives, instruments for which the management strategy and performance assessment are based on fair value, instruments for which changes in fair value may be offset by changes in the fair value of related instruments;

- Through equity: financial instruments classified as available for sale and derivative financial instruments designated as cash flow hedges for macro-hedging purposes.

Under French GAAP, private equity investments were recognized as equity securities held for investment and provisions taken only for unrealized losses. IFRS requires different treatment according to the percentage holding:

- Holdings under 20% may be classified either as available for sale or at fair value through profit or loss;

- Holdings between 20% and 50% may be classified either as at fair value through profit or loss or accounted for using the equity method;

- Holdings over 50% are consolidated if they are material or classified as at fair value through profit or loss otherwise.

Natexis Banques Populaires has elected to designate the large majority of its private equity investments as at fair value through profit or loss and the remainder as available for sale.

Under IFRS, insurance company investments are recognized and measured in accordance with IAS 39. However, unrealized gains or losses on investments representing contracts with a discretionary participation feature are largely offset (about 92%) by the recognition of a deferred participation liability under the shadow accounting principle permitted by IFRS 4, which equates to considering that a proportion of revaluations will be passed on to policyholders in the form of interest paid on their contracts.

- Impact of the restatement of day one P&L:

Under French GAAP, some combined instruments give rise to the recognition of a gain or loss at inception due to the difference between the transaction price and their fair value based on internal models.

Under IFRS, if an instrument is not quoted on an active market, its fair value is determined by reference to prices of similar transactions or using internal measurement models. If an internal model is used, a gain may only be recognized at inception (day one P&L) if all the parameters used by the internal model are based on directly observable market data and if the model used complies with generally accepted economic methods for setting the price of these financial instruments. Otherwise, the gain is not recognized at inception but deferred over the period of the transaction.

(4) Other impacts

- Preferred shares:

Under French GAAP, preferred shares issued by Natexis Banques Populaires are recognized as equity and classified as minority interests.

Under IFRS, preferred shares are classified, after analysis of the contracts, as liabilities or equity, depending on whether the issuer is contractually obliged to pay cash to holders of these shares.

On the basis of its analysis of its preferred shares, Natexis Banques Populaires has reclassified these shares as liabilities, the main effect of which is a reduction in minority interests of the same amount as the issues. Dividends paid on these preferred shares are treated as interest expense under IFRS.

- Treasury shares:

IFRS does not permit treasury shares to be recognized in the balance sheet regardless of their purpose and classification under French GAAP. All treasury shares owned by Natexis Banques Populaires have therefore been eliminated through equity, as have any income statement items connected with the treasury shares.

Note II.2 - Transition of the balance sheet at December 31, 2004, and January 1, 2005

in € millions	12/31/2004 French GAAP after reclassifications Note II.2.1	2004 IFRS impacts Note II.2.2	EU IFRS impacts Note II.2.3	01/01/2005 EU IFRS
ASSETS				
Cash due from central banks	187	-	5	192
Financial assets measured at fair value through profit or loss	23,756	-	738	24,494
Hedging derivatives	176	(1)	120	295
Available-for-sale financial assets	20,330	(361)	814	20,784
Due from banks	41,174	-	(54)	41,120
Customer loans	41,649	(330)	(625)	40,695
Revaluation differences on portfolios hedged against interest rate risk	-	-	-	231
Held-to-maturity financial assets	5,748	-	-	5,748
Deferred tax assets	172	47	12	231
Current tax assets	-	-	-	0
Other assets	3,918	23	147	4,088
Non-current assets held for sale	-	-	-	0
Investments in associates	108	2	20	130
Investment property	254	654	1	910
Property, plant & equipment	418	90	-	508
Intangible assets	427	(317)	(1)	109
Goodwill	362	366	1	729
Total assets	**138,679**	**175**	**1,180**	**140,034**
LIABILITIES				
Due to central banks	22	-	-	22
Financial liabilities at fair value through profit or loss	6,872	(3)	(145)	6,724
Hedging derivatives	231	0	266	497
Due to banks	39,271	(1)	51	39,320
Customer deposits	23,217	5	(285)	22,937
Debt securities in issue	30,814	-	(22)	30,792
Revaluation differences on portfolios hedged against interest rate risk	-	-	-	0
Deferred tax liabilities	160	111	75	346
Current tax liabilities	94	-	-	94
Other liabilities	6,615	(41)	839	7,413
Liabilities associated with non-current assets held for sale	-	-	-	0
Technical reserves of insurance companies	22,785	(96)	667	23,356
Provisions	969	(169)	(454)	346
Subordinated debt	2,681	-	818	3,498
Minority interests	778	-	(678)	100
Equity attributable to equity holders of the parent	4,170	370	49	4,589
Share capital and reserves	3,116	-	-	3,116
Retained earnings	717	261	(27)	951
Unrealized or deferred capital gains or losses	(70)	29	76	35
Net income	407	81	-	488
Total liabilities and equity	**138,679**	**175**	**1,180**	**140,034**

Note II.2.1 - Main reclassifications made at December 31, 2004 (2004 IFRS) and January 1, 2005 (EU IFRS) - Assets

in € millions		Cash due from central banks	Financial assets at fair value through profit or loss	Hedging derivatives	Available for-sale financial assets	Due from banks	Customer loans	Held-to maturity financial assets	Deferred tax assets
French GAAP									
Interbank and money market assets	47,068	(187)	(4,370)	-	(2,088)	(41,174)	(29)	-	-
Customer transactions	34,568	-	(772)	-	-	-	(33,000)	-	-
Lease financing	5,721	-	-	-	-	-	(5,710)	-	-
Bonds, equities and other fixed and variable income securities	20,433	-	(9,826)		(5,345)	-	(2,606)	-	-
Insurance company investment portfolios	23,389	-	(4,705)	-	(10,542)	-	(304)	(5,748)	-
Investments in affiliates and associates and other securities held for investment	449	-	-	-	(2,355)	-	-	-	-
Property, plant & equipment and intangible assets	1,014	-	-	-	-	-	-	-	-
Goodwill	362	-	-	-	-	-	-	-	-
Accrued income, prepaid expenses and other assets	6,315	-	(4,084)	(176)	-	-	-	-	(172)
Total assets	**139,319**	**(187)**	**(23,756)**	**(176)**	**(20,330)**	**(41,174)**	**(41,649)**	**(5,748)**	**(172)**
		187							
			23,756						
				176					
					20,330				
						41,174			
							41,649		
								5,748	
									172

Other assets	Investments in associates	Investment property	Property, plant & equipment	Intangible assets	Goodwill	Other reclassi-fications		
-	-	-	-	-	-	780		
-	-	-	-	-	-	(796)		
-	-	(10)	(1)	-	-	-		
-	-	-	-	-	-	(2,655)		
-	-	(74)	-	-	-	(2,016)		
-	(108)	-	-	-	-	2,014		
-	-	(170)	(417)	(427)	-	-		
-	-	-	-	-	(362)	-		
(3,918)	-	-	-	-	-	2,034		
(3,918)	**(108)**	**(254)**	**(418)**	**(427)**	**(362)**	**(639)**	**IFRS**	
							Cash due from central banks	187
							Financial assets measured at fair value through profit or loss	23,756
							Hedging derivatives	176
							Available-for-sale financial assets	20,330
							Due from banks	41,174
							Customer loans	41,649
							Revaluation differences on portfolios hedged against interest rate risk	0
							Held-to-maturity financial assets	5,748
							Deferred tax assets	172
							Current tax assets	0
3,918							Other assets	3,918
							Non-current assets held for sale	0
	108						Investments in associates	108
		254					Investment property	254
			418				Property, plant & equipment	418
				427			Intangible assets	427
					362		Goodwill	362
							Total assets	**138,679**

Note II.2.1 - Main reclassifications made at December 31, 2004 (2004 IFRS) and January 1, 2005 (EU IFRS) - Liabilities and shareholders' equity

in € millions		Due to central banks	Financial liabilities at fair value through profit or loss	Hedging derivatives	Due to banks	Customer deposits	Debt securities in issue	Deferred income tax liabilities	Current income tax liabilities	Other liabilities
French GAAP										
Interbank and money market liabilities	41,425	(22)	(2,162)	-	(39,271)	-	-	-	-	-
Customer deposits	23,300	-	(66)	-	-	(23,217)	-	-	-	-
Debt securities	31,084	-	(252)	-	-	-	(30,814)	-	-	-
Insurance contract technical reserves	22,785	-	-	-	-	-	-	-	-	-
Deferred income, accrued charges and other liabilities	11,961	-	(4,392)	(231)	-	-	-	(160)	-	(6,549)
Goodwill	66	-	-	-	-	-	-	-	-	(66)
Provisions for contingencies and losses	827	-	-	-	-	-	-	-	(94)	-
Subordinated debt	2,681	-	-	-	-	-	-	-	-	-
Fund for general banking risks	242	-	-	-	-	-	-	-	-	-
Minority interests	778	-	-	-	-	-	-	-	-	-
Shareholders' equity (excluding FGBR)	4,170	-	-	-	-	-	-	-	-	-
Common stock	772	-	-	-	-	-	-	-	-	-
Additional paid-in capital	1,802	-	-	-	-	-	-	-	-	-
Retained earnings	1,189	-	-	-	-	-	-	-	-	-
Net income for the period	407	-	-	-	-	-	-	-	-	-
Total liabilities and equity	**139,319**	**(22)**	**(6,872)**	**(231)**	**(39,271)**	**(23,217)**	**(30,814)**	**(160)**	**(94)**	**(6,615)**
		22								
			6,872							
				231						
					39,271					
						23,217				
							30,814			
								160		
									94	
										6,615
										0

Technical reserves of insurance companies	Provisions	Subordinated debt	Minority interests	Share capital and reserves	Retained earnings	Unrealized or deferred gains or losses	Net income	Other reclassifications		
-	-	-	-	-	-	-	-	31		
-	-	-	-	-	-	-	-	(17)		
-	-	-	-	-	-	-	-	(17)		
(22,785)	-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-	(630)		
-	-	-	-	-	-	-	-	-		
-	(726)	-	-	-	-	-	-	(7)		
-	-	(2,681)	-	-	-	-	-	-		
-	(242)	-	-	-	-	-	-	-		
-	-	-	(778)	-	-	-	-	-		
-	-	-	-	-	-	-	-	-		
-	-	-	-	(772)	-	-	-	-		
-	-	-	-	(1,802)	-	-	-	-		
-	-	-	-	(542)	(717)	70	-	-		
-	-	-	-	-	-	-	(407)	-		
(22,785)	**(969)**	**(2,681)**	**(778)**	**(3,116)**	**(717)**	**70**	**(407)**	**(640)**	**IFRS**	
									Due to central banks	22
									Financial liabilities at fair value through profit or loss	6,872
									Hedging derivatives	231
									Due to banks	39,271
									Customer deposits	23,217
									Debt securities in issue	30,814
									Revaluation differences on portfolios hedged against interest rate risk	
									Deferred tax liabilities	160
									Current tax liabilities	94
									Other liabilities	6,615
									Liabilities associated with non-current assets held for sale	0
22,785									Technical reserves of insurance companies	22,785
	969								Provisions	969
		2,681							Subordinated debt	2,681
			778						Minority interests	778
									Equity attributable to equity holders of the parent	4,170
				3,116					Share capital and related reserves	3,116
					717				Retained earnings	717
						(70)			Unrealized or deferred gains or losses	(70)
							407		Net income	407
									Total liabilities and equity	**138,679**

Comments:

The balance sheet reclassifications relate to the adoption of the new presentation format set out in CNC recommendation 2004-R-03 of October 27, 2004, and the main reclassifications made to December 31, 2004 (under 2004 IFRS) and to January 1, 2005 (under EU IFRS-), including the following reclassifications:

(1) Breakdown of securities portfolio

- Under 2004 IFRS: financial instruments at fair value by profit or loss comprise solely financial instruments held for trading;

- Available-for-sale financial assets comprise securities in the investment portfolio, investments in affiliates and non-consolidated companies, as well as other long-term investments.

The application of IAS 32 and IAS 39 at January 1, 2005, resulted in the reclassification of items making up the securities portfolio, in order to take into account the new classification rules based on the economic characteristics of financial instruments as well as the institution's documented investment strategy.

(2) Breakdown of insurance company investments

Under French GAAP, premiums received by insurance companies are invested in insurance investments grouped into three categories: marketable securities (mainly bonds at fixed or revisable rates), equities, property investments and loans and deposits.

Under IFRS, insurance investments (€ 23.4 billion) are reclassified by type:

- Investments in marketable securities have been reclassified taking into account the new classification rules under IAS 32 and IAS 39:

  ° Assets at fair value through profit or loss (€4.7 billion)

  ° Available-for-sale financial assets (€12.5 billion), of which €2 billion relates to long-term insurance investments

  ° Held-to-maturity financial assets (€5.7 billion)

- Property investments are included under "Investment property" (€0.1 billion);

- Finally, €0.3 billion has been reclassified as "Loans and advances to customers".

* Within the Natexis Banques Populaires group, the "Held-to-maturity financial assets" category has been used for fixed-income securities representing insurance company investments.

(3) Derivative financial instruments

Under French GAAP, the fair value of financial instruments was recorded on the balance sheet under "Accrued income, prepaid expenses and other assets" or "Deferred income, accrued charges and other liabilities" and related solely to trading derivative financial instruments.

Under IFRS, all derivative financial instruments are recorded on the balance sheet at recognized at fair value on inception, whether they are trading derivatives or hedging derivatives:

- Trading derivatives: these derivatives are included in financial assets or liabilities at fair value through profit or loss;

- Hedging derivatives: these derivatives are recorded as a specific balance sheet item, separately from trading derivatives.

>>>

Note II.2.2 - Main restatements made at December 31, 2004 (2004 IFRS)

in € millions	Employee benefits	Elimination of FGBR	Restatement of lease financing	Goodwill and value of Coface network
Assets				
Cash due from central banks	-	-	-	-
Financial assets measured at fair value through profit or loss	-	-	-	-
Hedging derivatives	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Due from banks	-	-	-	-
Customer loans	-	-	(344)	-
Revaluation differences on portfolios hedged against interest rate risk	-	-	-	-
Held-to-maturity financial assets	-	-	-	-
Deferred income tax assets	26	-	1	-
Current income tax assets	-	-	-	-
Other assets	-	-	-	-
Non-current assets held for sale	-	-	-	-
Investments in associates	-	-	-	-
Investment property	-	-	339	-
Property, plant & equipment	-	-	-	-
Intangible assets	-	-	-	(344)
Goodwill	-	-	-	368
Total assets	**26**	**0**	**(3)**	**24**
Liabilities				
Due to central banks	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-
Hedging derivatives	-	-	-	-
Due to banks	-	-	-	-
Customer deposits	-	-	-	-
Debt securities in issue	-	-	-	-
Revaluation differences on portfolios hedged against interest rate risk	-	-	-	-
Deferred tax liabilities	-	-	-	-
Current tax liabilities	-	-	-	-
Other liabilities	-	-	-	(66)
Liabilities associated with non-current assets held for sale	-	-	-	-
Technical reserves of insurance companies	-	-	-	-
Provisions	77	(242)	-	-
Subordinated debt	-	-	-	-
Minority interests	-	-	-	-
Equity attributable to equity holders of the parent	(51)	242	(3)	89
Share capital and reserves	-	-	-	-
Retained earnings	(52)	242	(3)	42
Unrealized or deferred gains or losses	-	-	-	-
Net income	1	-	-	47
Total liabilities and equity	**26**	**0**	**(3)**	**24**

Non-current assets	Equalization reserve	Deferred tax on capitalization reserve	Reclassification of translation reserve	Changes in scope of consolidation	Other	Total 2004 IFRS impacts
-	-	-	-	-	-	0
-	-	-	-	-	-	0
-	-	-	-	-	(1)	(1)
-	-	-	-	(358)	(2)	(361)
-	-	-	-	-	-	0
-	-	-	-	13	1	(330)
-	-	-	-	-	-	0
-	-	-	-	-	-	0
12	-	-	-	4	4	47
-	-	-	-	-	-	0
-	-	-	-	24	-	23
-	-	-	-	-	-	0
-	-	-	-	-	2	2
(76)	-	-	-	394	(4)	654
41	-	-	-	40	9	90
30	-	-	-	-	(2)	(317)
-	-	-	-	-	(2)	366
7	**0**	**0**	**0**	**118**	**4**	**175**
-	-	-	-	-	-	0
-	-	-	-	-	(3)	(3)
-	-	-	-	-	-	0
-	-	-	-	-	(1)	(1)
-	-	-	-	5	-	5
-	-	-	-	-	-	0
-	-	-	-	-	-	0
10	68	24	-	3	6	111
-	-	-	-	-	-	0
-	-	-	-	10	16	(41)
-	-	-	-	-	-	0
-	(190)	-	-	91	3	(96)
(1)	-	-	-	-	(2)	(169)
-	-	-	-		-	0
-	-	-	-	-	-	0
(2)	121	(24)	-	9	(14)	370
-	-	-	-	-	-	0
(4)	88	(24)	(29)	7	(8)	261
-	-	-	29	-	-	29
2	33	1	-	3	(6)	81
7	**0**	**0**	**0**	**118**	**4**	**175**

Note II.2.3 - Main restatements made at January 1, 2005 (EU IFRS)

in € millions		Impact of fair value		
	Amortized cost	Private equity	Insurance company investments	Other instruments
Assets				
Cash due from central banks	-	-	5	-
Financial assets measured at fair value through profit or loss	1	128	149	635
Hedging derivatives	-	-	-	119
Available-for-sale financial assets	4	23	562	193
Due from banks	(3)	-	-	8
Customer loans	(39)	-	-	34
Revaluation differences on portfolios hedged against interest rate risk	-	-	-	-
Held-to-maturity financial assets	-	-	1	-
Deferred tax assets	13	-	(19)	-
Current tax assets	-	-	-	-
Other assets	(39)	-	123	57
Non-current assets held for sale	-	-	-	-
Investments in associates	-	18	1	-
Investment property	-	-	-	1
Property, plant & equipment	-	-	-	-
Intangible assets	-	-	-	-
Goodwill	-	-	-	-
Total assets	**(62)**	**169**	**821**	**1,046**
Liabilities				
Due to central banks	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	1	(148)
Hedging derivatives	-	-	-	266
Due to banks	-	-	-	51
Customer deposits	-	-	-	5
Debt securities in issue	(21)	-	-	(1)
Revaluation differences on portfolios hedged against interest rate risk	-	-	-	-
Deferred tax liabilities	-	31	-	3
Current tax liabilities	-	-	-	-
Other liabilities	-	(1)	95	732
Liabilities associated with non-current assets held for sale	-	-	-	-
Technical reserves of insurance companies	-	-	667	-
Provisions	-	-	-	(5)
Subordinated debt	(12)	-	-	114
Minority interests	-	13	20	-
Equity attributable to equity holders of the parent	(29)	126	38	29
Share capital and reserves	-	-	-	-
Retained earnings	(29)	116	(1)	2
Unrealized or deferred gains or losses	-	10	39	27
Net income	-	-	-	-
Total liabilities and equity	**(62)**	**169**	**821**	**1,046**

Impact on provisions		Other impacts				
Time effect	Collective provisions	Preferred shares	Treatment of treasury shares	Derecognition of factoring receivables & payables	Other	Total EU IFRS impacts
-	-	-	-	-	-	5
-	-	-	(156)	-	(20)	738
-	-	-	-	-	1	120
(2)	-	-	-	-	35	814
(1)	(58)	-	-	-	-	(54)
(21)	(318)	-	-	(291)	10	(625)
-	-	-	-	-	-	0
-	-	-	-	-	-	0
7	16	-	-	-	(4)	12
-	-	-	-	-	-	-
-	-	-	-	-	7	147
-	-	-	-	-	-	0
-	-	-	-	-	-	20
-	-	-	-	-	-	1
-	-	-	-	-	-	0
-	-	-	-	-	(1)	(1)
-	-	-	-	-	1	1
(17)	**(360)**	**0**	**(156)**	**(291)**	**29**	**1,180**
-	-	-	-	-	-	0
-	-	-	-	-	1	(145)
-	-	-	-	-	-	266
-	-	-	-	-	-	51
-	-	-	-	(291)	1	(285)
-	-	-	-	-	-	(22)
-	-	-	-	-	-	0
-	39	-	-	-	1	75
-	-	-	-	-	-	0
-	-	-	-	-	13	839
-	-	-	-	-	-	0
-	-	-	-	-	-	667
-	(456)	-	-	-	7	(454)
-	-	711	-	-	4	818
-	-	(711)	-	-	-	(678)
(17)	57	-	(156)	-	1	49
-	-	-	-	-	-	0
(17)	57	-	(156)	-	1	(27)
-	-	-	-	-	(1)	76
-	-	-	-	-	-	0
(17)	**(360)**	**0**	**(156)**	**(291)**	**29**	**1,180**

Note II.3 : Transition of the 2004 income statement (2004 IFRS)

in € millions	French GAAP	Reallocation of financial instruments	Reclassifications	Restatements	2004 IFRS
Net interest income	689	6	708	-	1,402
Income from variable income securities	38	(38)	-	-	///////
Net fee and commission income	582	-	-	-	582
Gains or losses on financial instruments at fair value through profit or loss	///////	305	(148)	-	156
Gains or losses on available-for-sale financial assets	///////	94	29	-	123
Net gains/(losses) on trading account securities	183	(183)	-	-	///////
Net gains on securities held for sale	185	(185)	-	-	///////
Other banking revenue and expenses	94	-	(94)	-	///////
Gross margin on insurance operations	744	-	(744)	-	///////
Other net banking income	194	-	200	49	443
Net banking income	**2,708**	**-**	**(50)**	**49**	**2,707**
Operating expenses	(1,779)	-	(10)	2	(1,788)
Depreciation, amortization and provisions for impairment of property, plant & equipment and intangible assets	(78)	-	-	1	(77)
Gross operating income	**851**	**-**	**(60)**	**51**	**843**
Impairment charges and other credit provisions	(104)	-	3	-	(101)
Net operating income	**747**	**-**	**(57)**	**51**	**741**
Exceptional items	(10)	-	10	-	///////
Share of income of associates	10	-	-	-	10
Gains or losses on other assets	7	-	(9)	-	(1)
Change in value of goodwill	(54)	-	-	47	(7)
Earnings before tax	**700**	**-**	**(56)**	**99**	**744**
Income taxes	(220)	-	-	(18)	(239)
Consolidated net income	**480**	**-**	**(56)**	**80**	**505**
Minority interests	(73)	-	56	-	(17)
Net income attributable to equity holders of the parent	**407**	**0**	**0**	**80**	**488**

Note II.3.1 : Analysis of reclassifications made at December 31, 2004 (2004 IFRS)

in € millions	Exceptional items	Net gains/ (losses) on disposal of long-term investments	Gross margin on insurance operations	Interest on preferred shares-	Other banking revenue and expenses	Other	Total reclassi-fications
Net interest income	-	-	763	(56)	-	-	708
Income from variable income securities	-	-	-	-	-	-	0
Net fee and commission income	-	-	-	-	-	-	0
Gains or losses on financial instruments at fair value through profit or loss	-	-	(148)	-	-	-	(148)
Gains or losses on available-for-sale financial assets	-	6	23	-	29	-	0
Net gains/(losses) on trading account securities	-	-	-	-	-	-	0
Net gains on securities held for sale	-	-	-	-	-	-	0
Other banking revenue and expenses	-	-	-	-	(94)	-	(94)
Gross margin on insurance operations	-	-	(744)	-	-	-	(744)
Other net banking income	-	-	106	-	94	-	200
Net banking income	**-**	**6**	**-**	**(56)**	**-**	**-**	**(50)**
Operating expenses	(10)	-	-	-	-	-	(10)
Depreciation, amortization and provisions for impairment of property, plant & equipment and intangible assets	-	-	-	-	-	-	0
Gross operating income	**(10)**	**6**	**-**	**(56)**	**-**	**-**	**(60)**
Impairment charges and other credit provisions	-	3	-	-	-	-	3
Net operating income	**(10)**	**9**	**-**	**(56)**	**-**	**-**	**(57)**
Exceptional items	10	-	-	-	-	-	10
Share of income of associates	-	-	-	-	-	-	0
Gains or losses on other assets	-	(9)	-	-	-	-	(9)
Change in value of goodwill	-	-	-	-	-	-	
Earnings before tax	**-**	**-**	**-**	**(56)**	**-**	**-**	**(56)**
Income taxes	-	-	-	-	-	-	0
Consolidated net income	**-**	**-**	**-**	**(56)**	**-**	**-**	**(56)**
Minority interests	-	-	-	56	-	-	56
Net income attributable to equity holders of the parent	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Note II.3.2 : Analysis of restatements made at December 31, 2004 (2004 IFRS)

in € millions	Equalization reserves	Goodwill	Component accounting for property, plant & equipment	Information systems development costs	Employee benefits	Other	Total resta-tements
Net interest income	-	-	-	-	-	-	0
Income from variable income securities	-	-	-	-	-	-	0
Net fee and commission income	-	-	-	-	-	-	0
Gains or losses on financial instruments at fair value through profit or loss	-	-	-	-	-	-	0
Gains or losses on available-for-sale financial assets	-	-	-	-	-	-	0
Net gains/(losses) on trading account securities	-	-	-	-	-	-	0
Net gains on securities held for sale	-	-	-	-	-	-	0
Other banking revenue and expenses	-	-	-	-	-	-	0
Gross margin on insurance operations	-	-	-	-	-	-	0
Other net banking income	52	-	(3)	-	-	-	49
Net banking income	**52**	**-**	**(3)**	**-**	**-**	**-**	**49**
Operating expenses	-	-	-	4	1	(3)	2
Depreciation, amortization and provisions for impairment of property, plant & equipment and intangible assets	-	-	2	1	-	(2)	0
Gross operating income	**52**	**-**	**(1)**	**5**	**1**	**(5)**	**51**
Impairment charges and other credit provisions	-	-	-	-	-	-	0
Net operating income	**52**	**-**	**(1)**	**5**	**1**	**(5)**	**51**
Exceptional items	-	-	-	-	-	-	0
Share of income of associates	-	-	-	-	-	-	0
Gains or losses on other assets	-	-	-	-	-	-	0
Change in value of goodwill	-	47	-	-	-	-	47
Earnings before tax	**52**	**47**	**(1)**	**5**	**1**	**(5)**	**98**
Income taxes	(19)	-	-	(2)	-	2	(19)
Consolidated net income	**33**	**47**	**(1)**	**3**	**1**	**(3)**	**79**
Minority interests	-	-	-	-	-	-	0
Net income attributable to equity holders of the parent	**33**	**47**	**(1)**	**3**	**1**	**(3)**	**79**

Note III > Consolidation methods and principles

3.1 Scope of consolidation

The consolidated financial statements of Natexis Banques Populaires include the separate financial statements of Natexis Banques Populaires and its main subsidiaries. Only those subsidiaries providing a material contribution are consolidated. The materiality of a subsidiary is not determined with respect to numerical thresholds but based on a qualitative appraisal of the relevance of its contribution to the consolidated financial statements.

The scope of consolidation includes all significant entities over which the consolidating entity exercises control or influences its management. As under French GAAP, three types of control are identified under IFRS: companies that are exclusively controlled, companies that are jointly controlled and companies over which the entity exercises significant influence. Analysis of the control of the consolidating entity is not restricted to identifying voting rights in subsidiaries but includes economic and legal analysis of relations between the consolidating entity and its subsidiaries.

Potential voting rights

Under IFRS, Natexis Banques Populaires is required to consider the existence and effect of potential voting rights currently exercisable or convertible when assessing whether it exercises control or significant influence. Potential voting rights include, for example, share call options and debt instruments that are convertible into ordinary shares. However, potential voting rights are not taken into account for the purpose of calculating the percentage holding.

A review of potential voting rights held by Natexis Banques Populaires did not lead to any changes in the scope of consolidation in 2004 and 2005.

Special purpose entities

Special purpose entities (SPEs) created to manage a specific operation or group of similar operations are fully consolidated if they are controlled in substance by Natexis Banques Populaires, even where there is no equity relationship. The main criteria for assessing the existence of control as defined by SIC 12 are as follows:

- Activities: The activities of the SPE, in substance, are being conducted on behalf of Natexis Banques Populaires, which directly or indirectly created the SPE according to its specific business needs.

- Decision-making: Natexis Banques Populaires, in substance, has the decision-making powers to control or to obtain control of the SPE or its assets, including certain decision-making powers coming into existence after the formation of the SPE. Such decision-making powers may have been delegated by establishing an "autopilot" mechanism.

- Benefits: Natexis Banques Populaires, in substance, has rights to obtain a majority of the benefits of the SPE's activities distributed in the form of future net cash flows, earnings, net assets or other economic benefits, or rights to majority residual interests.

- Risks: Natexis Banques Populaires retains residual or ownership risks in order to obtain the economic benefits of the SPE's activities.

Special purpose entities cover four categories of transaction:

a) Securitization

Own-account transactions

Natexis Banques Populaires has carried out five synthetic asset securitizations for its own account since 2000, two of which still existed at December 31, 2005. As part of Natexis Banques Populaires' active portfolio management policy and in agreement with the supervisory authorities, it was decided that the following transactions would be wound up prematurely:

- Paris I and II in 2004;
- Igloo I in the second half of 2005.

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 €1.7 billion at December 31, 2005 (€2.9 billion at December 31, 2004), with total weighted risks of €1.3 billion (€2.3 billion at December 31, 2004).

(In € million equivalent at December 31, 2005)

SPE	Currency	Inception	Maturity	Gross amount securitized	Weighted risks securitized	Weighted risks retained	First loss
IGLOO II	EUR	2003	2008	1,552	1,264	508	110
NATIX	USD (first loss in EUR)	2000	2008	145	145	29	3
Total				**1,697**	**1,293**	**537**	**113**

(In € million equivalent at December 31, 2004)

SPE	Currency	Inception	Maturity	Gross amount securitized	Weighted risks securitized	Weighted risks retained	First loss
IGLOO I	EUR	2000	2005	997	778	368	33
IGLOO II	EUR	2003	2008	1,678	1,377	444	110
NATIX	USD (first loss in EUR)	2000	2008	190	190	34	3
Total				**2,865**	**2,345**	**846**	**146**

Natix and Igloo II are not consolidated principally because Natexis Banques Populaires does not retain the majority of risks inherent in ownership.

Igloo I is not consolidated because it is not a special purpose entity.

Transactions on behalf of clients

In 2002, Natexis Banques Populaires created a multiseller conduit called Elixir Funding to refinance its client securitization transactions on the commercial paper market.

Natexis Banques Populaires acts as arranger, depository, underwriter, cash provider, letter of credit guarantor and paying agent for Elixir Funding.

Elixir Funding is not consolidated as it does not meet the control conditions required by SIC 12.

in € millions	12/31/05	12/31/04
Amount authorized	1,070.7	614.6
Amount drawn	918	538.2
NBP liquidity line	530	248.4
NBP letter of credit	10	5

b) Tax structures

Asset financing is provided to certain clients via look-through entities set up by Natexis Banques Populaires either alone or in partnership with other banks. In these structures, Natexis Banques Populaires acts both as lender and seller of tax positions. It has the power to make decisions concerning the activities of these look-through entities, in substance in a fiduciary capacity on behalf of its clients. The look-through entities are not consolidated as they are not controlled by Natexis Banques Populaires within the meaning of SIC 12.

c) Real estate structures

Non-trading real estate companies (SCIs) are set up to hold finance leases grated by leasing subsidiaries or the SCIs themselves to finance clients' real estate acquisitions. Natexis Banques Populaires acts in a fiduciary capacity at the request of its clients and does not exercise control over the real estate structures within the meaning of SIC 12.

d) Financial 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 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 four control conditions set out in SIC 12 is fulfilled, the SPE is not consolidated.

in € millions	12/31/05	12/31/04
Total notes issued	308	308
Notes retained by NBP	12,5	19,5
Total invested in the portfolio	284.7	230
Fees paid to the portfolio manager	0,5% p.a.	0,5% p.a.

3.2 Consolidation methods

The following consolidation methods are applied:

Full consolidation

Companies controlled by Natexis Banques Populaires are fully consolidated. Under IAS 27, control is presumed to exist when the parent has:

- ownership, directly or indirectly through subsidiaries, of more than half of the voting power of an entity;
- power to govern the financial and operating policies of the entity under a statute or an agreement;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body;
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

For entities that are 40-50% owned, IAS 27 requires control to be demonstrated for the entity to be fully consolidated.

Majority interests held by private equity subsidiaries have not been consolidated as they do not meet materiality requirements.

Proportionate consolidation

Companies which are jointly controlled by Natexis Banques Populaires are proportionally consolidated. Joint control is the contractually agreed sharing of control over an economic activity between a limited number of shareholders or investors, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

IAS 31 also permits jointly controlled companies (joint ventures) to be accounted for using the equity method. Natexis Banques Populaires has elected not to apply this option.

Equity method

Companies over which Natexis Banques Populaires exercises significant influence are accounted for using the equity method.

Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies. Significant influence is presumed to exist when the reporting entity directly or indirectly owns at least 20% of the voting rights.

IAS 28 and 31 recognize the specific nature of the private equity business. Private equity instruments between 20% and 50% do not have to be accounted for using the equity method if they are designated at inception as at fair value through profit or loss. Natexis Banques Populaires has opted for the latter method as it believes this provides investors with more relevant information.

3.3 Presentation of the financial statements and year end

Consolidated financial statements

The consolidated financial statements are presented in the format set out in CNC recommendation 2004-R.03 of October 27, 2004, on IFRS financial statement presentation.

Year end

The consolidated financial statements are based on the separate financial statements of Group companies as of December 31, 2005.

3.4 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 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. This mandate was extended beyond December 31, 2005, by the 2005 amended Finance Act (law 2005-1720 of December 30, 2005). These transactions are recognized 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 recognized in the financial statements. However, management fees received are recognized in the income statement under the heading "Net fee and commission income".

The amount of fees received and financing outstanding in connection with institutional activities is not material. Accordingly, the financing outstanding has not been restated at amortized cost. Activities other than financing, where Natexis Banques Populaires acts as intermediary on behalf of the State, have been accounted for using French GAAP in the IFRS financial statements.

3.5 Foreign currency translation

The balance sheets of foreign subsidiaries and branches whose functional currency is not the euro are translated into euros at year-end exchange rates, except for share capital, reserves and capital allocations, which are translated at historical rates. Exchange gains and losses are recognized directly in equity.

The income statements of foreign subsidiaries and branches whose functional currency is not the euro are translated at average rates for the year. The difference between net income translated at the average rate and the year-end rate is also recognized directly in equity.

Natexis Banques Populaires has elected to use the option available under IFRS 1 on first-time adoption to transfer all exchange gains and losses existing at January 1, 2004, to retained earnings. If a foreign entity is subsequently sold, the gain or loss on sale will only include those exchange gains or losses arising after January 1, 2004.

3.6 Business combinations and goodwill

IFRS 3 on business combinations requires all identifiable assets, liabilities and contingent liabilities acquired to be measured at their fair value on the acquisition date. Adjustments may subsequently be made to these initial fair values for a period of twelve months form the acquisition date.

Business combinations that took place after January 1, 2004, have been restated in accordance with IFRS 3. Those prior to January 1, 2004, have not been restated retrospectively, as permitted by IFRS 1.

The excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognized as goodwill, which is allocated on the acquisition date to one or more cash-generating units (CGUs) expected to benefit from the acquisition.

Goodwill is not amortized but tested for impairment at least once a year and whenever there is objective evidence that the goodwill might be impaired. Impairment testing consists of comparing the carrying amount of the CGU or group of CGUs (including goodwill) with its recoverable amount.

When the recoverable amount is lower than the carrying amount, an irreversible impairment loss is recognized in the income statement and charged first against the goodwill allocated to the CGU or group of CGUs and then against other identifiable assets belonging to the CGU or group of CGUs.

Negative goodwill is recognized immediately in the income statement under "Changes in value of goodwill".

At December 31, 2005, the total carrying value of goodwill came to €733 million, of which 92.4% or €677 million is allocated to two CGUs:

- €441 million or 60.2% of the total value is allocated to the "Receivables Management" CGU;

- €236 million of 32.2% of the total value is allocated to the "Services" CGU.

These two CGUs correspond to two of the four core businesses used for segment reporting purposes, as presented in note 7.

The impairment tests conducted consisted of comparing the carrying value of each CGU with its fair value on the basis of the following principles.

The fair value is determined using the discounted free cash flow method. Estimated future cash flows are based on the projections of the medium-term business plans (2006-2008) of the business lines, the principles of which were approved by Natexis Banques Populaires' Board of Directors on January 17, 2006.

For after 2008, perpetual cash flows for the third year are estimated on the basis of a long-term average annual growth of 2%.

The discount rate applied is based on recent trading data. It represents the projected average rate of return on listed stocks in the sector concerned, based on their current share price, projected earnings for the coming years and extrapolation of these rates on the basis of a perpetual growth rate of 2%. This is obtained by adding together the risk-free rate (10–year OAT), the risk premium and the historical sector beta, both of which are calculated using a representative sample of listed companies in the sector.

Key assumptions made in calculating the recoverable amount of the "Receivables management" CGU

The three business lines of the Receivables Management core business (credit insurance, business information and factoring) are expected to achieve robust annual sales growth.

- In credit insurance and business information, growth is mainly due to the continuing roll-out of products and services in new countries; in credit insurance, the return to a less favorable loss ratio than in 2004 and 2005 will be partly offset by further improvement in the cost ratio;

- In factoring, growth stems from both the diversification of business development channels in France and more intense international expansion.

Cash flows are projected over a three-year period, which corresponds to the period covered by the medium-term plan (2006-2008). The discount rate applied is 9.42%.

Key assumptions made in calculating the recoverable amount of the "Services" CGU

A steady rate of growth is expected in the four business lines of the Services core business, comparable to that of the last two years.

- In the relatively mature markets of banking services and financial services, in which Natexis Banques Populaires is a key player, growth in net banking income and improvement in the cost/income ratio should result mainly from synergies arising from strategic partnerships formed in 2005 with BNP Paribas in electronic banking and with Bank of New York in custodial services.

- In the highly competitive fund management market, growth should be fuelled by the development of the long component of Natexis Banques Populaires' offering and the growing momentum of fund administration services, which were made into a subsidiary in 2005.

- In the other highly competitive market of insurance (life, personal risk and non-life insurance), growth in France should result from the optimization of the potential of the distribution network of the Banque Populaire regional banks, while growth outside France should result from the creation of further partnerships, made possible by Natexis Banques Populaires' strong reputation in bancassurance.

- In employee benefits planning, with the support of Natexis Interépargne's leading position in employee savings, growth should be fuelled by the continuation of measures undertaken over the last two years to expand the target market (offering for very small enterprises and small businesses with the support of the Group's networks) and the product range (broad range of employee savings, group insurance and service voucher products).

Cash flows are projected over a three-year period, which corresponds to the period covered by the medium-term plan (2006-2008) for all business lines and activities, except for life insurance and personal risk insurance, for which cash flows are projected over a ten-year period.

A discount rate of 9.42% is applied for banking and financial services, fund management and employee benefits planning, compared with 10.21% for non-life insurance and 10.45% for life insurance and personal risk insurance.

At December 31, 2005, no goodwill impairment had been recognized on the basis of the impairment tests carried out for each CGU.

3.7 Non-current assets held for sale

The assets and liabilities of subsidiaries which Natexis Banques Populaires intends to sell within a period of twelve months and for which it has initiated an active plan to locate a buyer are identified separately in the balance sheets as non-current assets held for sale and liabilities associated with non-current assets held for sale.

3.8 Standardization of individual data and elimination of intragroup transactions

Prior to consolidation, the financial statements of companies included in the scope of consolidation are restated to bring them into line with the group accounting policies described below. Intragroup balances and gains and losses arising on intragroup transactions are eliminated.

3.9 Consolidation of insurance companies

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 items are included under the corresponding line items of the financial statements presented in the banking format.

Insurance companies investments are classified in the balance sheet under the various categories of financial asset defined in IAS 39.

Contracts managed by the insurance subsidiaries of Coface and Natexis Assurances sub-groups meet the definition of insurance contracts or investment contracts with a discretionary participation feature provided in IFRS 4. Accordingly, they give rise to the recognition of an insurance liability measured in accordance with French GAAP, in anticipation of the publication of an IFRS standard concerning technical liabilities of insurance companies.

Mathematical reserves for savings contracts correspond to the buy-back value of the contracts.

Technical reserves for personal risk insurance contracts are calculated using mortality tables and statutory discount rates, as well as BCAC tables for incapacity and disability risks.

Loss reserves for personal risk insurance contracts correspond to the estimated cost of loss claims and are not discounted.

In addition to these principles, a liability adequacy test is carried out in accordance with IFRS 4.

Investment contracts with a discretionary participation feature (life insurance) give rise to the recognition of a deferred participation liability to offset the difference in value between assets and liabilities, in accordance with IFRS 4 (shadow accounting). The deferred participation liability is equal to the share of gains or losses on investments due to policyholders in respect of their insurance contracts. The amount is calculated on the basis of the average rate of distribution to policyholders (average contractual distribution rate for each product weighted by the value of investments on the calculation date). The change in the deferred participation liability is recognized directly in equity for changes in value of available-for-sale assets and in profit or loss for changes in assets at fair value through profit or loss.

The equalization reserve recognized by Coface (credit insurance business) and ABP IARD is a technical reserve permitted under French GAAP to protect insurance companies against the risk of catastrophe. IFRS does not permit the recognition of reserves covering risk of a general nature. Accordingly, the equalization reserve has been reclassified in equity as of January 1, 2004. Charges to the equalization reserve made under French GAAP have therefore been eliminated in the IFRS financial statements.

As Natexis Assurances sells mainly savings products, the main risks arising from insurance contracts are financial in nature:

- Risk of not being able to meet the minimum contractual distribution rate in the event of a fall in interest rates:
To face this risk, ABP Vie now only sells contracts with no guaranteed minimum distribution rate, which account for 65% of contracts.

- Risk of a buyout of contracts if interest rates rise:
To face this risk, ABP Vie has used cap contracts to hedge around 25% of its interest rate risk on assets and liabilities and purchased variable-income notes with a minimum rate. The risk of a buyout is limited given the loss of tax advantages that may result from a transaction of this kind.

The liability adequacy test conducted in accordance with IFRS 4 shows that insurance liabilities valued under French GAAP were higher at fair value, taking into account the buy-back option embedded in the contracts. The test carried out was based on a stochastic technique of measuring discounted future cash flows.

- Market risk: provisioning risk in the event of a stock market crash:

To face this risk, ABP Vie has diversified its investments that come under article R.332-20 by investing not only in equity mutual funds but also bond, money market and property mutual funds. It has also purchased an equity put option maturing on December 30, 2005.

In addition, ABP Vie has reinsured 100% of the minimum guarantee granted on unit-linked contracts.

The sensitivity of the Group's net cash position to changes in interest rates is attenuated by the classification of around €7,000 million of interest rate securities in the "Held-to-maturity financial assets" category.

The nature of insured risks combined with reinsurance does not result in any particular exposure in terms of the concentration of insurance risks.

The liability adequacy test carried out at the end of 2004 at the request of the CCA shows that, in order to cope with a 2 point increase in interest rates, a 30% fall in the CAC 40, a 20% fall in property values and a 3x increase in the average buyout rate, ABP Vie would have to realize capital losses of €8 million. This is an insignificant amount in relation to its equity.

In personal risk insurance, the risks insured are short-cycle risks, as reserves liquidated over a period of more than one year do not represent a significant amount.

The personal risk insurance business is subject to an annual reinsurance plan, which aims to diversify reinsurers and to deal primarily only with parties with a rating of AA or above.

Given the nature of its activities, Coface is exposed to two main types of risk.

a) Technical risk

Credit risk (technical risk) is the risk of losses generated by the insurance policy portfolio. A distinction is made between frequency risk and target risk:

- Frequency risk represents the risk of a sudden and significant increase in amounts owed from a number of debtors. This risk is measured for each business unit by monitoring the loss ratio, by business sector (domestic credit), by country (export credit) or by product line (guarantees, single risks etc.). The loss ratios of the different underwriting centers are also monitored at group level, as are the amount and number of outstanding debts per month;

- Target risk represents the risk of unusually high losses from a single debtor or group of debtors, or accumulated losses in the same country.

In addition to monthly monitoring of each underwriting center, a procedure is in place at group level based on:

- A centralized system for reporting potential loss claims above a certain amount (currently €0.5 million for all underwriting centers, increased to €1 million for the two main centers - Coface France and AKC), with the intervention of a subsidiary specializing in recovery (RBI);

- The "major risks committee", which sets the maximum amount of risk for Coface accepted out of the group's 250 greatest risks (risks of over €60 million) and sets maximum levels for each emerging market;

- A rating system for corporate risks and country risks;

- A system for the statistical assessment of "severity" (potential maximum loss in the event of a loss claim) by debtor, group of debtors or emerging market.

Diversification of the credit risk portfolio:

Coface maintains a diversified credit risk portfolio in order to minimize the risks of default by a debtor, the slowdown in a particular business sector or an unfavorable event in a particular country, which may have a disproportionate impact on Coface's overall loss ratio. In addition, the majority of risks to which Coface is exposed are short-term risks, which enables it to reduce the risk covered on a particular debtor or group of debtors relatively quickly after noticing deterioration in their solvency.

The group's total theoretical outstandings amount to €238 billion, comprising €218 billion for credit, €12 billion for guarantees and €8 billion for investment and equipment risks.

Exposure to non-payment risk:

Coface insures the non-payment risks of nearly 1.5 million companies worldwide. At December 31, 2005, the average risk per debtor was €146,968. Individually, the majority of debtors pose an insignificant risk in relation to Coface's total portfolio, as no single debtor represents more than 1% of Coface's total outstandings.

The following table shows the breakdown of credit insurance debtors as at December 31, 2005, based on the total level of risk borne by Coface (in thousands of euros):

Outstanding loans by loan size as at December 31, 2005 (agreed policies)

Loan size (in thousands of euros)	Outstandings (in € millions)	Total number of limits (in thousands)	Total number of purchasers
Refused	0	357,830	282,157
1 – 10	2,498	339,172	323,218
11 – 20	4,567	314,993	271,430
21 – 50	10,675	456,975	304,812
51 – 100	13,333	356,071	175,024
101 – 300	29,563	535,245	168,981
301 – 500	17,634	221,613	45,368
501 – 800	17,780	180,464	28,170
801 - 1,500	25,537	199,880	23,609
1,501 +	120,518	382,600	24,565
Total	**242,105**	**3,345**	**1,647,334**
Average outstandings per debtor	€146,968		

b) Financial risk

Financial risk is the risk of losses as a result of unfavorable changes in interest rates, exchange rates or the market value of securities or property investments.

3.10 Notes to the financial statements

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

Note IV > Scope of consolidation

4.1 First-time adoption of IFRS

First-time adoption of 2004 IFRS led Natexis Banques Populaires to consolidate five non-trading real estate companies (SCIs) in 2004.

These companies, whose purpose is to hold investment property representing insurance company investments, are Fructifoncier, ABP Iéna, ABP Pompe and Neuilly Château for Assurances Banque Populaire Vie, the life insurance subsidiary of Natexis Assurances, and Cofimmo for the Coface sub-group.

First-time adoption of EU IFRS in 2005 led Natexis Banques Populaires to consolidate a number of dedicated mutual funds representing insurance company investments. These funds are ASM Alternatif Garanti, ABP Actions, ABP Monétaire Plus, ABP Taux, ABP Croissance Rendement and ABP Midcap for Natexis Assurances, and Coface Europe, Cofaction 2, Cofobligations, AKCO Fund and MSL I Fund for Coface.

4.2 Changes in the scope of consolidation in 2005

The main changes in the scope of consolidation in 2005 were as follows:

Inclusions in the scope of consolidation (in addition to the aforementioned mutual funds)

- First-time consolidation of FSN 3, a private equity subsidiary of NPEIS operating in Asia;

- First-time consolidation of Natexis LLD, a long-term vehicle leasing company and 100% subsidiary of Natexis Lease;

- First-time consolidation of NPEIM, a private equity management company;

- First-time consolidation of Natexis Services Ltd, a management company for offices in London;

- First-time consolidation of Coface Factoring Italia Spa, an Italian subsidiary created by Coface to house the factoring business;

- First-time consolidation of Coface LEID, a Lithuanian credit insurance company acquired by Coface;

- First-time consolidation of Cofacerating.ch, a Swiss business information and debt management company created by Coface;

- First-time consolidation of Credit Underwriting Agency Limited (CUAL), a company providing insurance-related services in South Africa;

- First-time consolidation of Coface South African Insurance Company, an insurance company created in 2005;

- First-time consolidation of Coface Chili, 84%-owned by Coface SA;

- First-time consolidation of the Natexis Lease branches in Madrid and Milan, specializing in equipment and property leasing.

Removals from the scope of consolidation

- Minority buyout (24%) of Samic prior to the sale of 75% of the share capital of the IT services subsidiary. The disposal price of €6.4 million generated a consolidated capital gain of €4 million. Following this asset sale, Samic is no longer consolidated;

- Sale of Bancassurance Popolari, previously proportionally consolidated (51%), for which the disposal price of €7.8 million generated a consolidated capital gain of €3.2 million;

- Sale of the Neuilly Château non-trading real estate company, with shares sold for €74 million representing the value of the property recognized as an insurance company investment; this disposal generated a consolidated capital gain of €5.3 million;

- Sale of OFIVM, a subsidiary consolidated under the equity method, the entire stake in which (34%) was sold to Ofivalmo. The disposal price of €10.6 million did not generate any capital gain or loss;

- Sale of Cofimmo, the non-trading real estate company holding the registered office of Coface SCRL: the sale of the building and the real estate company for €20 million generated a consolidated capital gain of €7 million.

Internal restructuring operations

- Creation of Natexis Investor Servicing by transferring the fund administration activities of Natexis Banques Populaires, Natexis Epargne Entreprises and Natexis Asset Management;

- Transfer of Natexis Banques Populaires' aircraft finance activities to Natexis Transport Finance (formerly SBFI);

- Transfer of Natexis Banques Populaires' national and international payment activities to Natexis Paiements;

- Merger of private equity subsidiaries NIA and FNS in Singapore;

- Creation of Coface Service by combining Coface SCRL and Coface ORT, forming the French market leader in business information and debt management;

- Merger of Cofacerating.com and Unistrat Assurance into Coface SA by dissolution without liquidation.

These operations related to companies or subsidiaries that were already consolidated and therefore did not impact income and shareholders' equity for 2005.

- BP Développement rights issue, subscribed by Natexis Private Equity, which increased its stake in BP Développement from 37% to 42%. After the rights issue, BP Développement was fully consolidated due to Natexis Private Equity's exclusive control in relation to the remainder of the shareholding structure, made up of Banque Populaire regional banks, which individually hold less than 8% of share capital. The impact of the change in the method of consolidation for BP Développement and Sopromec, a 100% subsidiary of BP Développement, is reflected in the increase in shareholders' equity attributable to minorities (€213 million).

4.3 Companies included in the scope of consolidation

	Business	2005 % control	2005 % interest **	2004 % control	2004 % interest **	2003 % control	2003 % interest **
Fully consolidated companies							
ADG COFACE ALLGEMEINE DEBITOREN GESELLSCHAFT (2)	Information and debt management services	100	100	75	75	75	74
AK COFACE FINANZ GMBH (formerly ALLGEMEINE KREDIT FINANZ SERVICE AKFS)	Factoring	100	100	100	100	100	98
AK COFACE HOLDING (formerly COFACE VERMÖGENSVERWALTUNG GMBH)	Holding company	100	100	100	100	100	98
AKCO FUND (1)	Mutual fund for insurance company investments	100	100	-	-	-	-
ALLGEMEINE KREDIT COFACE (AK COFACE)	Credit insurance and services	100	100	100	100	100	98
ALLGEMEINE KREDIT COFACE INFORMATIONS GMBH (AKI)	Information and debt management services	100	100	100	100	100	98
ASM ALTERNATIF GARANTI 1 (1)	Mutual fund for insurance company investments	99	99	-	-	-	-
ASSURANCES BANQUE POPULAIRE ACTIONS (1)	Mutual fund for insurance company investments	99	99	-	-	-	-
ASSURANCES BANQUE POPULAIRE CROISSANCE RENDEMENT (1) et (13)	Mutual fund for insurance company investments	98	98	-	-	-	-
ASSURANCES BANQUE POPULAIRE MIDCAP (1)	Mutual fund for insurance company investments	100	100	-	-	-	-
ASSURANCES BANQUE POPULAIRE MONETAIRE PLUS (1)	Mutual fund for insurance company investments	100	100	-	-	-	-
ASSURANCES BANQUE POPULAIRE PREVOYANCE	Personal risk insurance	100	100	100	100	100	100
ASSURANCES BANQUE POPULAIRE TAUX (1)	Mutual fund for insurance company investments	99	99	-	-	-	-
ASSURANCES BANQUE POPULAIRE VIE	Life insurance	100	100	100	100	100	100
AUXILIAIRE ANTIN	Real estate company	100	100	100	100	100	98

	Business	2005 % control	2005 % interest **	2004 % control	2004 % interest **	2003 % control	2003 % interest **
AXA ASSURCREDIT * (formerly Assurcredit)	Credit insurance and services	40	40	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 * (22)	Life insurance	(22)	(22)	51	51	51	51
BANQUE PRIVEE ST DOMINIQUE	Private asset management	100	100	100	100	100	100
BP DEVELOPPEMENT ** (20)	Venture capital	42	36	(20)	(20)	(20)	(20)
BPSD GESTION	Private asset management	100	100	100	100	100	100
CENTRE D'ETUDES FINANCIERES (CEF)	Business information and solvency	100	100	100	100	-	-
CIMCO SYSTEMS LTD	Information and debt management services	100	100	100	100	100	98
CO-ASSUR	Insurance broker	100	100	100	100	100	100
COFACE (5)	Credit insurance and services	100	100	100	100	98	98
COFACE CHILE SA (8)	Credit insurance and services	84	84	-	-	-	-
COFACE COLLECTION NORTH AMERICA	Information and debt management services	100	100	100	100	-	-
COFACE CREDIT MANAGEMENT NORTH AMERICA (formerly Coface Credit Management Services)	Information and debt management services	100	100	100	100	100	98
COFACE DEBT PURCHASE	Information and debt management services	100	100	100	100	100	98
COFACE EUROPE (1)	Mutual fund for insurance company investments	100	100	-	-	-	-
COFACE EXPERT	Training	100	100	100	100	100	98
COFACE FACTORING ITALIA (13)	Factoring	100	100	-	-	-	-
COFACE HOLDING AMERICA LATINA	Business information	100	100	100	100	-	-
COFACE INTERCREDIT HOLDING AG	Holding company	75	75	75	75	75	73
COFACE INTERCREDIT CZECHIA (2)	Information and debt management services	100	75	100	75	97	71
COFACE INTERCREDIT BULGARIA	Information and debt management services	100	75	100	75	100	73
COFACE INTERCREDIT HRATSKA (CROATIA)	Information and debt management services	100	75	100	75	100	73
COFACE INTERCREDIT HUNGARY	Information and debt management services	100	75	100	75	100	73
COFACE INTERCREDIT POLAND	Information and debt management services	97	73	97	73	97	71
COFACE INTERCREDIT ROMANIA	Information and debt management services	100	75	100	75	60	44
COFACE INTERCREDIT SLOVAKIA (2)	Information and debt management services	100	75	100	75	100	73
COFACE INTERCREDIT SLOVENIA (2)	Information and debt management services	100	75	100	75	60	44
COFACE ITALIA	Holding company	100	100	100	100	100	98
COFACE MOPE	Information and debt management services	100	100	100	100	100	98
COFACE NORTH AMERICA HOLDING COMPAGNY	Holding company	100	100	100	100	100	98
COFACE NORTH AMERICA	Credit insurance and services	100	100	100	100	100	98
COFACE NORTH AMERICA INSURANCE COMPAGNY	Credit insurance and services	100	100	100	100	100	98
COFACE O.R.T. (14)	Business information and solvency	(14)	(14)	100	100	-	-
COFACE SCRL (formerly Coface Scrl Participations) (14)	Information and debt management services	(14)	(14)	100	100	100	98
COFACE SERVICE (15)	Information and debt management services	100	100	-	-	-	-
COFACE SERVICE (formerly La Viscontea Servizi)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICES COLOMBIA (formerly VERITAS COLOMBIA)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICES ECUADOR (formerly VERITAS ANDINA)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICES NETHERLAND	Information and debt management services	100	100	100	100	-	-
COFACE SERVICES NORTH AMERICA GROUP (formerly VERITAS SOUTH AMERICAN CORPORATION)	Holding company	100	100	100	100	100	98

	Business	2005 % control	2005 % interest **	2004 % control	2004 % interest **	2003 % control	2003 % interest **
COFACE SERVICES PERU (formerly VERITAS PERU)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICES VENEZUELA (formerly VERITAS VENEZUELA)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICIOS CHILE (formerly VERITAS CHILE)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICIOS COSTA RICA (formerly VERITAS DE CENTRO AMERICA)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICIOS ARGENTINA (formerly VERITAS ARGENTINA)	Information and debt management services	100	100	100	100	-	-
COFACE SERVICIOS DO BRAZIL	Information and debt management services	100	100	100	100	-	-
COFACE SERVICIOS ESPANA S.L. (formerly COFACERATING.SP)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICIOS MEXICO SA DE CV (formerly Informes Veritas)	Information and debt management services	100	100	100	100	100	98
COFACE SERVICIOS PANAMA	Information and debt management services	100	100	100	100	-	-
COFACE SOUTH AFRICAN INSURANCE COMPANY (25)	Credit insurance	100	100	-	-	-	-
COFACE UK HOLDINGS (formerly London Bridge Finance Group)	Holding company	100	100	100	100	100	98
COFACE UK SERVICES LTD (formerly Cofacerating.uk)	Information and debt management services	100	100	100	100	100	98
COFACERATING HOLDING	Information and debt management services	100	100	100	100	100	98
COFACERATING.CH (26)	Information and debt management services	100	100	-	-	-	-
COFACERATING.COM (16)	Information and debt management services	(16)	(16)	100	100	100	98
COFACERATING.DE	Information and debt management services	100	100	100	100	100	98
COFACERATING.FR (17)	Information and debt management services	(17)	(17)	100	100	100	98
COFACERATING.IT (17)	Information and debt management services	(17)	(17)	100	100	100	98
COFACTION 2 (1)	Mutual fund for insurance company investments	100	100	-	-	-	-
COFINPAR	Credit insurance and services	100	100	100	100	100	98
COFOBLIGATIONS (1)	Mutual fund for insurance company investments	100	100	-	-	-	-
COGERI	Information and debt management services	100	100	100	100	100	98
COMPAGNIE FONCIERE NATEXIS	Real estate investment	100	100	100	100	100	100
CREDICO LTD (formerly Cimco Ltd)	Information and debt management services	100	100	100	100	100	98
CREDIT MARITIME VIE	Life insurance	100	100	100	100	-	-
CREDITORS GROUP HOLDING LTD	Information and debt management services	100	100	100	100	100	98
CREDITORS GROUP LTD	Information and debt management services	100	100	100	100	100	98
CREDITORS INFORMATION CO LTD	Information and debt management services	100	100	100	100	-	-
CUAL (24)	Services - Business introduction	100	100	-	-	-	-
CRISTAL NEGOCIATIONS (18)	Realtor	(18)	(18)	100	100	100	100
DOMIMUR	Rental of business premises	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 (3)	IT services	(3)	(3)	(3)	(3)	100	100
ENERGECO	Equipment lease financing	100	100	100	100	100	100
FCPR NATEXIS INDUSTRIE **	Buy-in/buy-out financing	90	82	90	86	100	100
FIMIPAR	Debt purchase	100	100	100	100	100	98

	Business	2005 % control	2005 % interest **	2004 % control	2004 % interest **	2003 % control	2003 % interest **
FINANCIERE CLADEL	Investment company	100	100	100	100	100	100
FINANCIERE NATEXIS SINGAPOUR **	International investment fund	100	86	100	100	100	100
FINATEM **	International investment fund	90	84	90	90	90	90
FNS2 **	Private equity	100	86	100	100	-	-
FNS3 ** (13)	Private equity	100	86	-	-	-	-
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
IMMOBILIERE NATEXIS	Real estate investment	100	100	100	100	-	-
INITIATIVE ET FINANCE INVESTISSEMENT **	Buy-in/buy-out financing	92	76	92	73	92	77
INTERFINANCE NATEXIS N.V.	International loan issues	100	100	100	100	100	100
INVESTIMA 6	Real estate holding company	100	100	100	100	-	-
INVEST KAPPA (formerly LineBourse)(4)	Online broker	100	100	100	100	51	51
KOMPASS BILGI	Marketing and other services	70	70	70	70	70	69
KOMPASS CZECH REPUBLIC	Marketing and other services	93	93	93	93	93	91
KOMPASS HOLDING (Sous Groupe)	Holding company	100	100	100	100	100	98
KOMPASS INTERNATIONAL NEUENSCHWANDER	Holding company	100	100	100	100	100	98
KOMPASS JAPAN	Marketing and other services	100	100	100	100	100	98
KOMPASS POLAND	Marketing and other services	100	100	100	100	100	98
KOMPASS SOUTH EAST ASIA	Marketing and other services	100	100	100	100	100	98
KOMPASS UNITED STATES	Marketing and other services	100	100	100	100	100	98
LIBRAIRIE ELECTRONIQUE	Business information and solvency	100	100	100	100	-	-
LONDON BRIDGE FINANCE LIMITED	Factoring	100	100	100	100	-	-
MERCOSUL **	International investment fund	100	84	100	100	100	100
MSL1 FUND (1)	Mutual fund for insurance company investments	100	100	-	-	-	-
N.V. COFACE EURO DB	Business information and solvency	100	100	100	100	-	-
NATEXIS ABM CORP. (formerly ASSET BACKED MANAGEMENT CORPORATION)	Securitization arbitrage	100	100	100	100	100	100
NATEXIS ACTIONS AVENIR (30)	Growth capital	(30)	(30)	(30)	(30)	75	74
NATEXIS ACTIONS CAPITAL STRUCTURANT	Growth capital	56	56	58	58	74	72
NATEXIS ACTIONS NOUVEAUX MARCHES (30)	Growth capital	(30)	(30)	(30)	(30)	80	77
NATEXIS ALGERIE	Bank	100	100	100	100	100	100
NATEXIS ALTAIR	IT services	100	100	100	100	100	100
NATEXIS AMBS **	Preferred share issues	100	100	100	100	51	34
NATEXIS ARBITRAGE	Share and derivative arbitrage	100	100	100	100	100	100
NATEXIS ASSET MANAGEMENT (10)	Management of collective savings schemes	100	100	100	100	100	100
NATEXIS ASSET SQUARE	Mutual fund distribution	100	100	100	100	100	100
NATEXIS ASSET MANAGEMENT IMMOBILIER (formerly Natexis Immo Placement)	Real estate management	100	100	100	100	100	100
NATEXIS ASSURANCES	Insurance 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 **	Preferred share issues	100	100	100	100	100	100
NATEXIS BANQUES POPULAIRES PREFERRED CAPITAL II **	Preferred share issues	100	100	100	100	100	100
NATEXIS BANQUES POPULAIRES PREFERRED CAPITAL III **	Preferred share issues	100	100	100	100	100	100
NATEXIS BLEICHROEDER INC	Investment company	100	100	100	100	100	100
NATEXIS BLEICHROEDER SA	Investment company	100	100	100	100	100	100
NATEXIS BLEICHROEDER UK	Investment company	100	100	100	100	100	100
NATEXIS CAPE **	International investment fund	98	84	99	100	99	85
NATEXIS COFICINE	Finance company (audiovisual)	93	93	93	93	93	93
NATEXIS COMMODITY MARKETS Ltd (formerly NATEXIS METALS)	Precious metals broker	100	100	100	100	100	100
NATEXIS EPARGNE ENTREPRISE (11)	Employee savings management company	(11)	(11)	100	100	100	100

	Business	2005 % control	2005 % interest **	2004 % control	2004 % interest **	2003 % control	2003 % interest **
NATEXIS FACTOREM	Factoring	100	100	100	100	100	100
NATEXIS FINANCE	M&A advisory services	100	100	100	100	100	100
NATEXIS FUNDING	Secondary debt market operator	100	100	100	100	100	100
NATEXIS IMMO DEVELOPPEMENT	Real estate development and renovation	100	100	100	100	100	100
NATEXIS IMMO EXPLOITATION	Real estate company	100	100	100	100	100	100
NATEXIS INDUSTRIE **	Buy-in/buy-out financing	100	89	100	88	100	100
NATEXIS INTEREPARGNE	Employee savings account management	100	100	100	100	100	100
NATEXIS INTERTITRES	Service voucher management	100	100	100	100	100	100
NATEXIS INVERSIONES **	International investment fund	100	84	100	100	100	100
NATEXIS INVESTISSEMENT **	Growth capital	100	90	100	100	99	90
NATEXIS INVESTMENT ASIA (19)	International investment fund (19)	(19)	(19)	100	100	100	100
NATEXIS INVESTMENT CORP.	Investment management	100	100	100	100	100	100
NATEXIS INVESTOR SERVICING (9)	Fund administration	100	100	-	-	-	-
NATEXIS LEASE	Equipment lease financing	100	100	100	100	100	100
NATEXIS LEASE MADRID (13)	Equipment and real estate lease financing	100	100	-	-	-	-
NATEXIS LEASE MILAN (13)	Equipment and real estate lease financing	100	100	-	-	-	-
NATEXIS LIFE	Life insurance	100	99	100	96	100	96
NATEXIS LLD (8)	Long-term vehicle leasing	100	100	-	-	-	-
NATEXIS LUXEMBOURG	Bank	100	100	100	100	100	100
NATEXIS MOSCOW	Foreign bank	100	100	100	100	100	100
NATEXIS PAIEMENTS	Banking services	100	100	100	100	100	100
NATEXIS PRAMEX ASIA LTD	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX DEUTSCHLAND	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX France	International commerce promotion and operations	100	98	100	98	100	99
NATEXIS PRAMEX IBERICA SA	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX INTERNATIONAL	International commerce promotion and operations	99	99	99	99	99	99
NATEXIS PRAMEX INTERNATIONAL INC. (13)	International commerce promotion and operations	100	99	-	-	-	-
NATEXIS PRAMEX NORTH AMERICA CORP.	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX POLSKA	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRAMEX RUS Ltd (13)	International commerce promotion and operations	100	99	-	-	-	-
NATEXIS PRAMEX UK LTD	International commerce promotion and operations	100	99	100	99	100	99
NATEXIS PRIVATE BANKING LUXEMBOURG SA	International private banking	96	96	88	88	88	88
NATEXIS PRIVATE EQUITY	Private equity	100	100	100	100	100	100
NATEXIS PRIVATE EQUITY INTERNATIONAL	Private equity	100	100	100	100	100	100
NATEXIS PRIVATE EQUITY INTERNATIONAL MANAGEMENT (8)	Private equity	100	100	-	-	-	-
NATEXIS PRIVATE EQUITY INTERNATIONAL SINGAPOUR	Private equity	100	100	100	100	-	-
NATEXIS PRIVATE EQUITY OPPORTUNITIES **	Private equity	100	89	100	100	-	-
NATEXIS SERVICES LTD (8)	UK companies management	100	100	-	-	-	-
NATEXIS TRANSPORT FINANCE (formerly SOCIETE DE BANQUE FRANCAISE ET INTERNATIONALE)	Bank	100	100	100	100	100	100
NATEXIS US FINANCE CORPORATION	Negotiable debt instrument issues	100	100	100	100	-	-
NATEXIS VENTURE SELECTION	Investment fund	100	100	100	100	100	100
NAXICAP PARTNERS (formerly SPEF DEVELOPPEMENT)	Venture capital	100	100	100	100	100	100
NEM 2**	Private equity	100	100	100	100	88	88
NXBP1	Holding company	100	100	100	100	100	100
OKV KREDITINFORMATIONS GMBH (OKI)	Information and debt management services	100	94	100	94	100	92

	Business	2005 % control	2005 % interest **	2004 % control	2004 % interest **	2003 % control	2003 % interest **
OR INFORMATIQUE	Business information and solvency	100	100	100	100	-	-
ORCHID TELEMATICS LIMITED	Business information and solvency	100	100	100	100	-	-
OSTERREICHISCHE KREDITVERSICHERUNGS COFACE (OKV COFACE) (27)	Credit insurance and services	94	94	94	94	94	92
PARIS OFFICE FUND*	Real estate agent	50	50	50	50	-	-
PRAMEX ITALIA SRL	International commerce promotion and operations	100	95	100	98	100	51
S.A.G.P	Investment company	100	100	100	100	100	100
S.C.I. ABP IENA (1)	Insurance real estate investment	100	100	100	100	100	100
S.C.I. ABP POMPE (1)	Insurance real estate investment	100	100	100	100	100	100
S.C.I. ALTAIR 1	Real estate company	100	100	100	100	100	100
S.C.I. ALTAIR 2	Real estate company	100	100	100	100	100	100
S.C.I. COFIMMO (1) et (28)	Real estate company	(28)	(28)	100	100	100	98
S.C.I. FRUTIFONCIER (1)	Insurance real estate investment	100	100	100	100	100	100
S.C.I. NEUILLY CHÂTEAU (1) et (23)	Insurance real estate investment	(23)	(23)	100	100	100	100
S.C.I. VALMY COUPOLE	Real estate company	100	100	100	100	100	100
SAMIC (12)	IT services	(12)	(12)	76	76	76	76
SEGEX	Investment company	100	100	100	100	100	100
SEPIA	Investment management	100	100	100	100	100	100
SLIB	IT services	100	100	100	100	100	100
SOCIETE FINANCIERE DE LA BFCE	Investment management	100	100	100	100	100	100
SODETO	Investment management	100	100	100	100	100	100
SOGAFI	Guarantee company	100	100	100	100	100	100
SOPRANE SERVICES	Private asset management	100	100	100	100	100	100
SOPROMEC (6)	Private equity	100	42	(6)	(6)	78	78
SPAFICA	Real estate investment	100	100	100	100	100	100
SPEF LBO	Venture capital	100	100	100	100	100	100
SPEF VENTURE	Innovation mutual fund management	100	100	100	100	100	100
UNISTRAT ASSURANCES (7)	Credit insurance and services	(7)	(7)	100	100	50	49
UNISTRAT COFACE	Insurance business introducer	100	100	100	100	-	-
VAL A	Investment portfolio holding	100	100	98	98	98	98
VERITAS SA (ARGENTINA)	Information and debt management services	100	100	100	100	100	98
VERITAS PUERTO RICO CORP.	Information and debt management services	100	100	100	100	100	98
VISCONTEA COFACE	Credit insurance and services	100	100	100	100	100	98
VISCONTEA IMMOBILIARE	Real estate company	100	100	100	100	100	98
VITALIA VIE	Life insurance	100	100	100	100	100	100
VR FACTOREM *	Factoring	51	51	51	51	-	-
WORLEDGE A INVESTMENTS Ltd	Country risk put-option structure	100	100	100	100	100	100
Companies accounted for using the equity method							
ADIR	P&C insurance	34	34	34	34	34	34
ASSURANCES BANQUE POPULAIRE IARD	P&C insurance	50	50	50	50	50	50
BP DEVELOPPEMENT (20)	Venture capital	(20)	(20)	37	37	28	28
CODINF SERVICES (29)	Information and debt management services	(29)	(29)	(29)	(29)	30	29
COFACREDIT	Credit insurance and services	36	36	36	36	36	35
EIOS	Business information and solvency	30	30	30	30	-	-
GRAYDON HOLDING	Information and debt management services	28	28	28	28	28	27
IFCIC	Cinema and TV guarantee company	20	20	20	20	20	20
OFIVM (21)	Custody and brokerage	(21)	(21)	34	34	34	34
SOCECA	Insurance broker	25	25	25	25	25	25
SOPROMEC (6)	Private equity	(6)	(6)	37	37	(6)	(6)

* Proportionally consolidated

** In earnings: For companies with share classes conferring different rights to earnings, the percentages indicated represent the Group's share in earnings; For companies no longer within the scope of consolidation, the percentage indicated is tat 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) Consolidated for the first time under IFRS

(2) Buyout of minority interests increasing the Group's stake to 100%

(3) Transfer of assets to Slib on April 1, 2004, with retrospective effect from January 1, 2004

(4) Buyout of minority interests (BPR) increasing the Group's stake to 100% at December 13, 2004

(5) Buyout by Natexis Banques Populaires of minority interests following May 2004 squeeze-out

(6) Following the transfer of Sopromec shares by Natexis Private Equity to BP Développement on November 22, 2004, Sopromec is accounted for using the equity method Following the increase in NPE's stake in BP Développement (which owns 100% of Sopromec), Sopromec has again been fully consolidated since October 1, 2005

(7) Buyout of minority interests increasing the Group's stake to 100% at June 2, 2004, followed by merger with Coface SA on October 1, 2005

(8) First-time consolidation

(9) Transfer of NAM's and NEE's asset servicing business to Natexis Investor Servicing

(10) Merger of NAM's and NEE's financial management business

(11) Merger with NAM with retrospective effect as of January 1, 2005

(12) Buyout of minority interests increasing the Group's stake to 100%, followed by disposal on October 13, 2005, with effect from September 30, 2005

(13) New company

(14) Merger with Coface Service on December 31, 2005

(15) Created on June 29, 2005, to receive assets transferred by Coface ORT and SCRL

(16) Merger with Coface SA on October 1, 2005

(17) Liquidation

(18) Transfer of assets to Spafica with retrospective effect as of January 1, 2005

(19) Merger with Financière Natexis Singapore with retrospective effect as of January 1, 2005

(20) Change of consolidation method from equity method to full consolidation following the increase in NPE's stake in BP Développement in October 2005

(21) Sold on December 25, 2005, with effect from September 30, 2005

(22) Sold on September 26, 2005, with effect from June 30, 2005

(23) Sold on September 9, 2005, with effect from June 30, 2005

(24) First-time consolidation following acquisition of 78% of shares

(25) Created on October 1, 2005

(26) Acquisition of 100% of shares by Coface SA on June 30, 2005

(27) Merger on October 1, 2005, with LEID acquired on April 1, 2005

(28) Liquidation following sale of Coface SCRL registered office on September 30, 2005

(29) Sold on June 1, 2004

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

Note V > Accounting principles and valuation methods

5.1 Recognition and measurement of securities and loans

Treatment from January 1, 2004, to December 31, 2004

a) Loans and advances to customers

Loans are measured at their face value. Undrawn amounts on loans already committed and agreed are recognized as off-balance sheet items under the heading "financing commitments".

Performing and non-performing loans are identified separately.

b) Securities

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 deposits, 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 "impairment charges and other credit provisions".

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).

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 "impairment charges and other credit provisions" 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".

Treatment as of January 1, 2005

At initial recognition, financial assets and liabilities are measured at fair value plus, in the case of assets that are not recognized at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

As required by IAS 39, securities and loans are classified in the following four categories:

a) Financial assets at fair value through profit or loss

These are securities held for trading purposes or designated as at fair value through profit or loss at initial recognition in accordance with the fair value option amendment to IAS 39 (published by the IASB in June 2005 and adopted by the European Union on November 15, 2005).

At initial recognition, these assets are measured at fair value, which is determined on the basis of bid price. Fair value is reviewed on each subsequent reporting date and any changes recognized through profit or loss on a separate line item entitled "gains or losses on financial instruments at fair value through profit or loss".

Securities held for trading purposes are those acquired principally for the purpose of selling them in the near term and those forming part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Securities included in this category fall into one of the following three situations:

- Hybrid instruments that contain one or more significant and separable embedded derivative features;

- Instruments belonging to a group of financial assets valued and managed at fair value;

- Instruments that present an inconsistency in accounting treatment with a related financial liability.

As stated in note III, Natexis Banques Populaires has elected for the option provided by IAS 28 not to account for private equity investments between 20% and 50% using the equity method if they designated as "Financial assets at fair value through profit or loss". In addition, in keeping the fair value option amendment, private equity investments below 20% are also recognized as "Financial assets at fair value through profit or loss", as management and measurement at fair value is a documented and well established practice at private equity companies.

b) Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that Natexis Banques Populaires has the positive intention and ability to hold to maturity, other than those that are designated at initial recognition as at fair value through profit or loss, those designated as available for sale and those that meet the definition of loans and receivables.

At initial recognition, held-to-maturity financial assets are measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost using the effective interest method. They are tested for impairment on each reporting date and where necessary an impairment loss recognized through profit or loss, at the level of impairment charges and other credit provisions.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those designated as at fair value through profit or loss or available for sale. This excludes those for which the bearer cannot recovery the majority of his initial investment for reasons other than impairment of the loan, which should be classified as available for sale. The majority of loans and advances granted by Natexis Banques Populaires are classified in this category, which also includes the fair value of the hedged components of assets classified as loans and receivables (fair value hedges).

At initial recognition, loans and receivables are measured at fair value plus transaction costs and minus the discount and transaction revenues. In the case of loans, transaction costs include fees and any internal and external expenses directly attributable to the grant of the loan.

After initial recognition, they are measured at amortized cost using the effective interest method and tested for impairment on each reporting date. Where necessary, an impairment loss is recognized in the income statement under the heading "impairment charges and other credit provisions".

When loans are granted at conditions that are less favorable than market conditions, a discount corresponding to the difference between the face value of the loan and future cash flows discounted at the market rate of interest is deducted from the face value of the loan. The market rate of interest is the rate implemented by the majority of financial institutions at a given time for instruments and counterparties with similar characteristics. These discounts represented an insignificant amount as at January 1, 2005, and December 31, 2005.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. They notably include investments in non-consolidated companies. At initial recognition, available-for-sale financial assets are measured at fair value plus transaction costs. After initial recognition and at each period-end, fair value is determined by reference to the bid price for quoted instruments.

The fair value of investments in non-consolidated companies is determined by reference to the latest quoted price in the case of quoted instruments and by price earnings or discounted cash flow models in the case of non-quoted instruments.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset that is not part of a hedging relationship is recognized directly in "unrealized or deferred gains or losses". Accrued or earned income is recognized directly in profit or loss using the effective interest method under "interest income". Available-for-sale financial assets are tested for impairment at each balance sheet date. When there is objective evidence that the asset is impaired and a decline in the fair value of an available-for-sale financial asset has already been recognized directly in equity, the cumulative loss that had been recognized directly in equity is removed from equity and recognized in profit and loss under provisions in the case of fixed-income instruments and by deduction from net banking income in the case of variable-income instruments.

If, in a subsequent period, the fair value of an available-for-sale financial asset increases and if this increase can be objectively linked to an event occurring after the impairment loss is recognized in the income statement, reversals of impairment losses are recognized in equity for equity instruments and in the income statement for debt instruments.

For equity instruments, any reduction in the fair value as a result of impairment is recognized in the income statement under "net gains/(losses) on available-for-sale financial assets".

5.2 Leases

Natexis Banques Populaires as lessor

Leases are classified as finance leases when substantially all the risks and rewards incidental to legal ownership are transferred by the lessor, otherwise they are classified as operating leases.

IAS 17 gives five examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;

- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonable certain, at the inception of the lease, that the option will be exercised;

- the lease term is for the major part of the economic life of the asset;

- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

- the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

IAS 17 also describes three indicators that individually or in combination could also lead to a lease being classified as a finance lease:

- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee;

- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than the market rent.

Upon adoption of IFRS, Natexis Banques Populaires analyzed the substance of its lease contracts in accordance with the provisions of IAS 17, which are more specific than French GAAP. This led to certain finance leases being reclassified as operating leases.

At inception of the lease, assets held under a finance lease are recognized in the balance sheet and presented as a receivable at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease plus any unguaranteed residual value accruing to the lessor.

Finance income is recognized based on a pattern reflecting a constant period rate of return on the net investment in the finance lease, using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

IAS 17 requires unguaranteed residual values to be reviewed on a regular basis. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised. Any reduction in respect of amounts accrued is recognized immediately in profit or loss and any reduction in respect of future amounts is recognized by revising the interest rate implicit in the lease.

Finance income corresponding to interest is recognized in the income statement under "interest income".

Provisions for finance leases are determined using the same method as that described for loans and receivables as of January 1, 2005.

Assets subject to operating leases are presented in the balance sheet under property, plant and equipment or intangible assets in the case of equipment leases, and under investment property in the case of property leases. Lease income from operating leases is recognized in the income statement on a straight-line basis over the lease term under "other banking revenue and expenses".

Natexis Banques Populaires as lessee

At inception of the lease term, finance leases are recognized as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The leased assets are depreciated in the same way as owned assets of the same nature.

5.3 Credit risk on assets classified as loans and advances

Treatment from January 1, 2004, to December 31, 2004

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 "impairment charges and other credit provisions".

Provisions are determined on a case-by-case basis and adjusted at quarterly intervals, based on an analysis of the related risk and available collateral.

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 in substantially 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.

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 of how the businesses will evolve, either negatively or positively. Since 2003, additional provisions have been taken to cover potential risks arising as a result of major issues in the European marketplaces.

Treatment as of January 1, 2005

a) Assets individually assessed for impairment

At each balance sheet date, assets classified as loans and receivables are reviewed to evaluate whether there is any objective evidence of impairment as the result of one or more events occurring after the initial recognition of the asset with an impact on estimated future cash flows.

If an asset is found to be impaired, the recoverable amount of the asset is estimated and discounted at the original effective interest rate, taking account of any available guarantees. The difference between the carrying amount of the asset and the estimated recoverable amount is recognized in profit and loss under provisions.

Any subsequent reversals are recognized in the same line item.

b) Assets collectively assessed for impairment

Where there is no objective evidence of impairment for an individually assessed financial asset, the asset is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment. Impairment losses are recognized on a group basis pending identification of impairment losses on individual assets in the group.

Financial assets are grouped according to three key characteristics: credit rating for retail and small business, and industry risk and country for other counterparties such as corporate or sovereign borrowers.

As regards retail and small business risks, loans in default in accordance with Basel II are depreciated.

For the industry and country risks, objective evidence of impairment is based on in-depth analysis and monitoring of business sectors and countries. It typically arises from a combination of micro or macroeconomic factors specific to the industry or country.

When a group of financial assets is found to be impaired, the impairment loss is calculated on the basis of expected losses, in accordance with the provisions of the Basel II accord.

As risk is measured in accordance with the provisions of Basel II based on the probability of default over a one-year horizon, the calculation of expected losses is adapted to take into account the probability of default over the maturity of the loans concerned.

The probability of default used to calculate impairment losses on loans to individuals and small businesses is based on a one-year horizon in order to maintain a level of standardization with the principles applied by the Banque Populaire Group for this risk category.

If necessary, Natexis Banques Populaires uses expert opinion to adapt the results of this model to its real perceived risk.

5.4 Derivative financial instruments and hedge accounting

Treatment from January 1, 2004, to December 31, 2004

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 French GAAP consolidated financial statements at December 31, 2004.

The accounting treatment depends on the instruments 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 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 or 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 published in 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.

Treatment as of January 1, 2005

Under IAS 39, at initial recognition, derivative financial instruments are measured at their fair value, whether they are held for trading or hedging purposes.

a) Derivative financial instruments held for trading purposes

After initial recognition, any changes in the fair value of derivative financial instruments held for trading are recognized through profit or loss.

b) Derivative financial instruments held for hedging purposes

Derivative financial instruments designated as hedges are those which meet the conditions required by IAS 39 at inception and throughout the term of the hedging relationship, particularly with respect to documentation of an effective relationship between the hedging instrument and the hedged item, both prospectively and retrospectively. Hedging relationships are presumed to be effective when the ratio of actual changes in the value of the hedging instrument and the hedged item is between 80% and 125%.

Cash flow hedges

Natexis Banques Populaires uses cash flow hedges for the management of macro-hedging transactions in particular.

This type of IFRS documentation corresponds to the use of cash flow hedges.

Hedging of variable rate borrowings and issues

Natexis Banques Populaires uses vanilla interest rate borrower swaps at fixed rates to fix future variable-rate borrowing costs and private or public issues.

Hedging of variable-rate loans

Natexis Banques Populaires uses vanilla interest rate lender swaps at fixed rates to fix future variable-rate borrowing costs.

The use of this type of hedging is justified by the implementation of variable-rate future repayment schedules are represented by all transactions with a set maturity.

Prospective test

The prospective test entails the establishment of (by index type and currency):

- a schedule of cumulative variable-rate borrowings and fixed-rate borrower swaps by maturity;
- a schedule of cumulative variable-rate loans and fixed-rate lender swaps by maturity.

Maturities are grouped into quarterly periods.

Tests are carried out on a quarterly basis. In addition, each time a new swap is implemented, checks are made to ensure that there are sufficient resources.

Hedging is established if for each maturity group, the nominal amount of items to be hedged is larger than the notional amount of hedging derivatives.

By default, derivative instruments may not justified in a hedging relationship of this kind.

Retrospective test

The retrospective test is used to ensure whether or not the hedging implemented at different accounting dates is effective.

At each accounting date, changes in the fair value excluding accrued interest of hedging instruments are compared with those of hypothetical derivative instruments (synthetic instruments representing assets and liabilities and the management intention). The ratio of their respective changes should be between 80% and 125%.

Outside these limits, the hedging ratio would no longer be justified under IFRS.

Impact on equity and consolidated income

Changes in the fair value of derivative instruments are recorded in equity for the effective portion of hedging. Only the ineffective portion of hedging affects the income statement at the accounting date under "net gains or losses on financial instruments at fair value through profit or loss".

Hedged items are not subject to any specific entries (other than those that would arise if they were not hedged).

If a hedging relationship is interrupted, particularly when the effectiveness ratio is outside 80% to 125%, the accounting treatment comprises reclassifying the derivative instrument as financial instruments at fair value through profit or loss and spreading out the effectiveness amount through profit or loss, accumulated over previous hedging periods in reversible equity under "unrealized or deferred gains or losses".

Fair value hedges

Hedging of fixed-rate borrowings and issues

Natexis Banques Populaires uses vanilla interest rate lender swaps at fixed rates to protect itself against unfavorable changes in interest rates.

Hedging of loans and securities held for sale

Natexis Banques Populaires uses vanilla interest rate borrower swaps at fixed rates to protect itself against unfavorable changes in interest rates.

Prospective test

The prospective test is used to check that the financial characteristics of the hedged item and the hedging instrument are the same. The test consists of checking that the characteristics of hedging derivatives and hedged instruments are more or less identical (value date, maturity date, notional amount, fixed rate, payment frequency).

Retrospective test

The retrospective test is used to ensure whether or not the hedging implemented at different accounting dates is effective.

At each accounting date, changes in the fair value excluding accrued interest of hedging instruments are compared with those of hypothetical assets and liabilities (synthetic instruments representing assets and liabilities to be hedged at the risk-free rate). The ratio of their respective changes should be between 80% and 125%.

Outside these limits, the hedging ratio would no longer be justified under IFRS.

Impact on consolidated income

Changes in the fair value of derivative instruments are recorded in the income statement (effective and ineffective portion).

At the same time, changes in the fair value of hedged risk items (in the form of "hypothetical" assets and liabilities) are also recorded in the income statement.

The net impact on the income statement is therefore limited for the ineffective portion of hedging.

Changes in the fair value excluding accrued interest of hedging instruments are recorded in the income statement under "gains or losses on financial instruments at fair value through profit or loss". Accrued interest relating to these instruments is recorded under "interest income".

If a hedging relationship is interrupted, the hedging instrument is reclassified as financial instruments at fair value through profit or loss and the unrealized profit on the hedged item at the date the hedging relationship ceases is fixed and depreciated up to the maturity date of the item.

Hedging of a net investment in foreign operations

Natexis Banques Populaires does not hold any hedges of net investments in foreign operations. These hedges are accounted for in the same way as cash flow hedges.

In accordance with IFRS 1 (§ 29), existing hedging relationships at December 31, 2004, are recognized at the transition date of January 1, 2005, excluding any relationships not allowed under IAS 39 such as interest rate hedging of held-to-maturity securities.

c) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument are linked to an interest rate, security prices, exchange rate or other index.

If the combined instrument (host contract and derivative) is not measured at fair value through profit or loss, the embedded derivative is separated from the host contract if it meets the definition of a derivative and its financial characteristics and associated risks are not closely related to those of the host contract.

Derivatives from host contracts are included in assets and liabilities at fair value through profit or loss.

d) Credit derivatives

The credit derivatives used by Natexis Banques Populaires are not considered as financial guarantees but as derivative instruments, and therefore fall within the scope of IAS 39.

Apart from securitization transactions, credit derivatives represent an insignificant proportion of Natexis Banques Populaires' portfolio. They comprise primarily credit default swaps, with purchases making up around 60% and sales making up around 40%.

e) Internal contracts

A number of internal contracts exist between Natexis Banques Populaires and its subsidiaries. In order to allow for the qualification of hedging at consolidated level, Natexis Banques Populaires ensures daily that transactions are turned around correctly, in terms of the notional amount, sensitivity, index-by-index, currency-by-currency and for each maturity group.

5.5 Treatment of assets and liabilities in foreign currencies

Treatment from January 1, 2004, to December 31, 2004

Assets, liabilities and off-balance sheet commitments denominated in foreign currencies are translated into euros at year-end exchange rates. Realized and unrealized exchange gains and losses are taken to the income statement. Exchange differences arising on translation of borrowings for which the currency risk is guaranteed by the State or which relate to institutional activities are recorded in an accruals account.

Treatment as of January 1, 2005

Monetary assets and liabilities (notably bonds and other fixed-income instruments) denominated in foreign currencies are translated into euros at the spot rates prevailing on the reporting date. Exchange gains or losses are recognized in profit or loss, and directly in equity in the case of derivatives designated as cash flow hedges.

Non-monetary items denominated in foreign currencies which are measured at fair value are translated at the exchange rates prevailing on the fair value estimation date. When a gain or loss on a non-monetary item (e.g. available for sale financial assets) is recognized directly in equity, any exchange component of that gain or loss is recognized directly in equity. Conversely, when a gain or loss on a non-monetary item (e.g. financial assets at fair value through profit or loss) is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

5.6 Fair value of financial instruments

Treatment from January 1, 2004, to December 31, 2004

a) Securities portfolio

Trading account securities are recognized and measured at the latest market price. Latest market price means the last quoted price for listed securities and likely realizable value for unlisted securities. Likely realizable value is estimated on the basis of objective criteria such as recent transaction values, mathematical yield etc.

b) Derivative financial instruments

Derivative financial instruments held for trading are measured at their market value on the reporting date. If there is no active market in the instruments, market value is generally determined using internal models. A discount to market values may be applied depending on the instruments concerned and the associated risks.

Valuations obtained using these models are adjusted to take into account uncertainties relating to changes in parameters and the impact of a change of model.

Treatment as of January 1, 2005

The fair value of a financial asset or liability at fair value through profit or loss is the amount that can be obtained in an arm's length transaction between knowledgeable, willing parties.

At initial recognition, fair value is the price paid or received. On subsequent reporting dates, fair value is estimated on the following basis:

- If the instrument is quoted on an active market, it is measured at its quoted price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis;
- If the market for a financial instrument is not active, fair value is established using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Values may be adjusted, depending on the instrument concerned and the associated risks, to take account of factors such as the bid-ask spread and modeling risk in the case of hybrid instruments.

a) Instruments quoted on an active market

These are listed securities and derivatives on organized markets, such as futures and options, which are in liquidity zones that can be demonstrated as such (active market). All transactions in which Natexis Banques Populaires is involved on listed markets are included in this category.

b) Over-the-counter instruments valued using recognized models and observable parameters

Standard instruments

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and standard options are traded in an active market, i.e. a liquid market with regular trading.

Valuations are determined using generally accepted models (discounted future cash flows, Black and Scholes model, interpolation techniques) and on the basis of directly observable parameters.

For these instruments, the extent to which models are used and the observability of parameters have been documented.

Hybrid instruments

Certain hybrid and/or long-maturity financial instruments are valued using a recognized internal model and on the basis of market parameters derived from observable data such as yield curves, implicit volatility layers of options and loss assumptions obtained from consensus data or from active over-the-counter markets.

For all of these instruments, the parameter has been demonstrated to be observable in nature. In terms of methodology, the observability of parameters is based on four key criteria:

- the parameter is derived from external sources (via a recognized contributor if possible);
- the parameter is updated periodically;
- the parameter is representative of recent transactions;
- the characteristics of the parameter are identical to those of the transaction. If necessary, a proxy may be used, subject to demonstration and documentation of its relevance.

The fair value of instruments obtained using valuation models is adjusted in order to take account of counterparty risks, model risks and parameter risks.

The margin generated on trading of these instruments is immediately recognized as income.

c) Over-the-counter instruments valued using unrecognized models or unobservable parameters

Under IAS 39, profits should be recognized after initial recognition only if it is generated by a change in a factor taken into account by market observers in price setting, i.e. only if the model and the parameters used to obtain the valuation are observable.

If the valuation model is not recognized or the parameters used are not observable, the trading profit on the day of trading cannot be recognized immediately in the income statement.

At December 31, 2005, unobservable instruments comprised only certain hybrid optional derivatives. The margin generated on the trading of these instruments is deferred and spread out as income over the duration of the transaction or until the date the parameter becomes observable.

5.7 Property, plant and equipment and intangible assets

Measurement at recognition

Property, plant and equipment and intangible assets existing at December 31, 2003, have been maintained in the IFRS balance sheet at their historic cost under French GAAP, except for investment property held by insurance companies, which is valued at fair value through profit or loss. Assets acquired after that date are measured at cost including transaction costs (transfer duties, fees, commissions and registration expenses). Borrowing costs are not capitalized.

Internally-generated computer software is measured at the total cost of development, including related hardware costs, service costs and personnel costs directly attributable to the production and preparation of the software. Expenses incurred during the development phase are only recognized as intangible assets if they meet the conditions required by IAS 38 in terms of technical feasibility, intention to complete the asset for internal use or sale, probability of future economic benefits, availability of resources and ability to measure the development expenditure reliably. Expenses incurred during the research phase are recognized as expenses when they are incurred.

The value attributed to the Coface network under French GAAP does not meet the conditions for recognition as an intangible asset under IAS 38. In line with IFRS 1 on first-time adoption, it has been reclassified as goodwill.

Measurement after recognition

After recognition, assets are carried at cost less any accumulated depreciation, amortization and impairment losses. Investment property held by insurance companies is measured at fair value through profit or loss in accordance with IAS 40 and IFRS 4.

The fair value is obtained using a multicriteria approach based on capitalization of rents at the market rate and a comparison with the trading market.

In accordance with article R332-210-1 of the French Insurance Code, a five-yearly appraisal is conducted by an independent expert approved by the ACAM (Autorité de Contrôle des Assurances et des Mutuelles). Between two appraisals, the market value of assets is certified by experts on a half-yearly basis.

Depreciation and amortization

After recognition, assets are depreciated or amortized over their estimated useful lives either on a straight-line basis or on a diminishing balance basis where this better reflects the pattern of consumption of future economic benefits. The residual value of the asset is deducted from its depreciable or amortizable amount where it can be measured reliably. Natexis Banques Populaires does not believe it can reliably measure the residual value of items other than land and indestructible elevations. They are therefore assigned a nil residual value.

In line with IAS 16, a specific deprecation schedule is drawn up for each significant component of an item of property, plant and equipment which has a different useful life or rate of consumption of future economic benefits than the items as a whole. For buildings used in the business and investment property, the following significant components and depreciation periods have been identified:

Part	Depreciation period
Land	N/A
Indestructible elevations	N/A
Walls, roof, waterproofing	20 to 40 years
Foundations/framework	30 to 60 years
External rendering	10 to 20 years
Equipment and installations	10 to 20 years
Internal fixtures and fittings	8 to 15 years

Other items of property, plant and equipment are depreciated over their estimated useful lives, which range from five to ten years.

Purchased software is amortized over its estimated useful life, which in most cases is less than five years. Internally-generated software is amortized over a period which may not exceed fifteen years.

Other intangible assets primarily comprise:

- Purchased goodwill with an indefinite useful life, which is not amortized by tested for impairment at least annually;

- Value of the Coface portfolio, which is amortized over the term of the contracts (eight to ten years for France).

The charge to depreciation or amortization is recognized in the income statement under the heading "depreciation, amortization and provisions for impairment of property, plant and equipment and intangible assets".

Impairment

Assets are tested for impairment whenever there is objective evidence that the asset may be impaired and at least once a year in the case of intangible assets with an indefinite useful life. Evidence of impairment is assessed on each reporting date. Impairment testing consists of estimating the recoverable amount of an asset, or if that is not possible, the cash-generating unit to which it belongs. Recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from continuing use of the asset or cash-generating unit. If the recoverable amount of an asset or CGU is lower than its carrying amount, an impairment loss is recognized in the income statement under the heading "depreciation, amortization and provisions for impairment of property, plant and equipment and intangible assets".

The impairment tests carried out to December 31, 2005, did not result in the recognition of any impairment of intangible assets.

Impairment losses are recognized in the income statement under "depreciation and amortization" and "provisions for impairment of property, plant & equipment or intangible risks". They may be reversed if conditions change (e.g. disappearance of indications of impairment).

Gains or losses on disposal

Gains or losses on the sale of assets used in the business are recognized in the income statement under the hedging "gains or losses on other assets". Gains or losses on the sale of investment property are recognized under the heading "other net banking income".

5.8 Non-current assets held for sale and associated liabilities

Non-current assets that Natexis Banques Populaires intends to sell within a period not exceeding twelve months and for which an active plan to locate a buyer has been initiated are identified separately in the balance sheet. They are no longer amortized but an impairment loss is recognized if the carrying amount is hither than the fair value less costs to sell.

Associated liabilities are also identified separately in the balance sheet.

At December 31, 2005, Natexis Banques Populaires did not have any non-current assets held for sale.

5.9 Financial liabilities at fair value through profit or loss

These include financial liabilities held for trading (including derivative financial instruments) and those designated as at fair value at initial recognition in line with the option available under IAS 39 and described in more detail in the June 2005 amendment.

Financial liabilities at fair value through profit or loss are identified separately in the balance sheet and measured at fair value on the reporting date. Changes in fair value are recognized in the income statement under the heading "gains or losses on financial instruments at fair value through profit or loss".

At December 31, 2005, one issue comprising separable embedded derivatives was classified at fair value through profit or loss. The change in fair value over the period was insignificant.

5.10 Debt

Debt instruments issued by Natexis Banques Populaires which are not classified as financial liabilities at fair value through profit or loss are measured using the amortized cost method and recognized in the balance sheet under the headings "deposits from banks", "customer deposits" or "debt securities".

Debt securities are broken down into interbank market instruments, money market instruments and bonds. They do not include subordinated debt, which is identified separately and dealt with below.

At recognition, debt securities are measured at their issue price including transaction costs. After recognition, they are measured at their amortized cost which includes expenses deferred over the term of the instruments issued.

5.11 Derecognition

IAS 39 requires the derecognition of all or part of a financial asset if the contractual rights to the cash flows from the financial asset expire or if the contractual rights to the cash flows from the financial asset and substantially all the risks and rewards of ownership are transferred.

If substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, Natexis Banques Populaires then determines whether it has retained control of the financial asset. If control is not retained, the financial asset is derecognized. If control is retained, the financial asset continues to be recognized to the extent of the group's continuing involvement. Continuing involvement is evidenced by the existence of contractual conditions such as:

- an option or obligation to repurchase the assets transferred;

- receipt of financial compensation related to the performance of the asset transferred.

A financial liability is removed when it is extinguished, discharged or cancelled or expires.

Repurchase agreements

a) Assignor

Securities sold are not derecognized. Natexis Banques Populaires recognizes a liability representing the commitment to return funds received ("securities sold under repurchase agreements"). This financial liability is recorded at amortized cost, not at fair value.

b) Assignee

Securities bought are not recognized but a receivable on the assignee representing the funds provided is recognized. The amount disbursed in respect of the asset is recognized under "securities bought under repurchase agreements". This receivable is recorded under "loans and receivables".

At subsequent year-end dates, securities will continue to be valued by the assignor in accordance with the rules in their original category. For the assignee, the receivable is recorded at face value under loans and receivables.

Securities lending

Securities lending/borrowing operations are not comparable to a transfer of financial assets in the sense of IFRS. Consequently, these operations cannot give rise to derecognition of the securities loaned. Loaned securities are not identified under IFRS. They are still recognized in their original IFRS category and valued accordingly. Borrowed securities are not recognized by the borrower.

5.12 Provisions and contingent liabilities

A provision is a liability of uncertain timing or amount. A liability is a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits that can be reliably measured.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. This amount is discounted where the effect is material. Provisions are reviewed at each balance sheet date and adjusted if necessary.

Provisions are not recognized for future operating losses or major repairs. No contingent assets or liabilities have been recognized.

Provision charges and reversals are recognized in the income statement on the line items corresponding to the nature of future expenditure.

5.13 Provisions for employee benefits

The main provisions for employee benefits concern:

- supplementary banking pension;
- end-of-career allowances;
- early retirement benefits 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.

Natexis Banques Populaires uses independent actuaries to measure its main liabilities.

The provision recognized in the balance sheet is equal to:

- the amount of the actuarial liability in respect of post-retirement and similar benefits for employees and retirees;
- less the market value of plan assets;
- less or plus any actuarial gains or losses arising from:
  - experience adjustments in respect of demographic variables;
  - changes in actuarial assumptions such as the discount rate, employee turnover and future salary increases;
  - differences between the actual return and expected return on plan assets.

Actuarial gains and losses are recognized in profit or loss using the "corridor" method. Under this method, the portion that exceeds 10% of the greater of the group's obligation or the fair value of plan assets is deferred over the remaining working lives of the employees participating in the plan.

The main assumptions used at December 31, 2005, are:

- actuarial assumptions are reviewed annually;
- for end-of-career allowances and long service awards, employee turnover is calculated by age bracket and grade based on a three-year average. The rate is 0% for employees over 55. Future salary increases are estimated by grade based on a constant population and a three-year average.

The change in liability recognized in profit or loss therefore corresponds to:

- incremental benefit entitlements (expenses);
- benefits paid during the period;
- interest cost on the opening liability (expenses);
- expected return on plan assets;
- amortization of actuarial gains and losses outside the corridor.

The corridor method is not used for other long-term employee benefits such as long service awards.

Natexis Banques Populaires has used the option available under IFRS 1 to recognize all as yet unrecognized actuarial gains or losses in equity on the transition date, i.e. in the opening balance sheet at January 1, 2004.

5.14 Distinction between liabilities and equity

Treatment from January 1, 2004, to December 31, 2004

a) Preferred shares

Preferred shares issued by Natexis Banques Populaires are classified in equity (minority interests).

b) Fixed-term or perpetual subordinated notes

Natexis Banques Populaires 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 period 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.

Treatment as of January 1, 2005

In line with IAS 32, financial instruments issued are classified as liabilities or equity depending upon whether or not they incorporate a contractual obligation to deliver cash to the holder.

Following an analysis of the substance of the contractual agreements governing subordinated notes and preferred shares, these instruments have been classified as liabilities, whereas under French GAAP, subordinated notes were classified as equity. The combination of three criteria determines the classification of the majority of preferred shares as liabilities:

- the existence of an issuer call option allowing Natexis Banques Populaires to repay investors as of a certain date;

- the existence of a step-up clause, under which Natexis Banques Populaires pays an additional amount on top of the strike price of the call option;

- in view of Natexis Banques Populaires' current and future refinancing conditions (i.e. as anticipated by the market), the call option will definitely be exercised.

This classification may be reviewed in 2006 depending on details provided by the IFRIC on this issue.

5.15 Share-based payments

Natexis Banques Populaires offers its employees stock option plans and share purchase plans. IFRS requires the cost of these plans to be recognized through profit or loss as payroll expenses.

Stock option plans

Natexis Banques Populaires grants stock options to certain of its employees. As required by IFRS 2, stock options granted after November 7, 2002, which have not vested at the balance sheet date, are valued at their fair value on the grant date using the Black & Scholes model. The fair value is expensed in payroll costs on a straight-line basis over the vesting period with a corresponding increase in equity. Fair value is reviewed on each balance sheet date and adjusted if subsequent information indicates a change to the initial estimation of vested rights. The expense is then adjusted for the current and future years.

Natexis Banques Populaires has four stock option plans covered by IFRS 2. The options are exercisable over a period of three years after an unavailability period of four years.

Share purchase plans

Natexis Banques Populaires offers its employees the opportunity to purchase shares at a discount, accompanied by a lock-up period during which the shares may not be transferred. The fair value of these plans is measured as the difference, on the purchase date, between the fair value of the shares purchased taking account of the lock-up period, and the price paid. The value is recognized through profit or loss as a payroll expense with a corresponding increase in equity.

5.16 Treasury shares

Treatment from January 1, 2004, to December 31, 2004

Treasury shares may be purchased to regulate the share price by trading against the market, to take advantage of market opportunities, to pay for acquisitions or to allot to employees of the group under stock option plans or employee stock ownership plans.

Treatment as of January 1, 2005

All treasury shares held by Natexis Banques Populaires are deducted from equity regardless of their purpose and their classification in the separate financial statements. Any gains or losses recognized in the separate financial statements in respect of the sale, valuation or impairment of treasury shares held as trading securities or available-for-sale securities is eliminated in the consolidated financial statements through equity.

5.17 Fees and commissions received

The method of accounting for fees and commissions received in respect of services or financial instruments depends on the ultimate purpose of the services rendered and the method of accounting for the financial instruments to which the service relates.

Fees and commissions for one-off services, such as business introduction fees, are recognized in income immediately the service is provided.

Fees and commissions for ongoing services, such as guarantee fees or management fees, are deferred over the period during which the service is provided.

As of January 1, 2005, fees and commissions that form an integral part of the effective yield of an instrument, such as commitment fees or loan set-up fees, are recognized as an adjustment to the effective interest rate over the term of the loan. They are therefore treated as interest income.

5.18 Income taxes

The tax charge for the period comprises:

- tax payable by French companies at the standard rate of 34.93% and by foreign companies and branches at the local rate;

- deferred taxes arising on temporary differences existing in the separate financial statements between the book value and the tax value of assets and liabilities on the balance sheet or on specific consolidation adjustments, calculated using the liability method.

Deferred income tax assets and liabilities are set off at the level of each tax entity. The tax entity may either be a single entity or a group of entities that have elected for group tax relief. Natexis Banques Populaires does not recognize net deferred tax assets unless it is reasonably certain that they will be used to offset a future tax charge. Accordingly, the effect of tax losses is not recognized if the tax entity has incurred losses in the previous two years, as it is presumed that the future tax benefit will not be recovered. On this basis, €245 million of deferred tax assets were not recognized at December 31, 2005.

The capitalization reserve recognized in the separate financial statements of insurance companies is intended to defer capital gains arising on the sale of certain bonds to offset subsequent capital losses. The portion presumed unlikely ever to be used is reclassified in equity. Under French GAAP, this does not give rise to the recognition of deferred income tax. Under IAS 12, it is treated as a temporary difference that gives rise to a deferred tax liability.

All temporary differences have been recognized regardless of the recovery or payment date.

The net deferred income tax balance is recognized in the balance sheet as deferred income tax liabilities.

5.19 Financing and guarantee commitments

Guarantee commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due. The exercise of these rights is subject to the occurrence of an uncertain future event. The amendment to IAS 39 and IFRS 4 concerning financial guarantee contracts, published by the IASB in August 2005 and adopted by the European Union in January 2006, will only apply as of 2006. In the meantime, they are treated in accordance with French GAAP. Details of the nominal value of commitments given are now provided in the notes to the balance sheet rather than in a statement of off-balance sheet items.

Financing commitments

All financing commitments granted by Natexis Banques Populaires give rise to the grant of loans on market conditions which are classified as loans and receivables. These commitments constitute contingent liabilities and are recorded in accordance with IAS 37. At initial recognition, they are not recognized in the balance sheet. A provision for contingencies and losses, recorded under liabilities, is recognized after recognition in the event of the probability of default by the counterparty over the commitment period.

5.20 Fair value in the notes to the financial statements

IAS 32 requires the notes to the financial statements to state the fair value of all financial instruments recognized at amortized cost, including loans. The following valuation methods are used to determine the fair value as presented in the notes to the financial statements:

Loans recognized as "loans and receivables" and finance lease outstandings

The majority of Natexis Banques Populaires loans are variable-rate loans and their fair value is determined on the basis of discounted future cash flows. The discount rate applied for a given loan is the rate that Natexis Banques Populaires would grant at the balance sheet date to a counterparty for a loan with similar characteristics. As these are primarily variable-rate loans, the contractual rate is adjusted according to the development of effective lending rates and the development of counterparty risk.

If there is a quoted price that meets the criteria of IAS 39, the quoted price is used.

The fair value of loans with an initial term of less than one year is considered to correspond to their carrying amount.

Debts and savings

The fair value of borrowings and debt securities at variable rates is considered to correspond to their net carrying amount on the balance sheet.

Borrowings and debt securities at fixed rates are discounted on the basis of the value of market fixed rates (excluding spread) at the balance sheet date for a debt with the same residual maturity.

Securities recorded as loans and receivables

The quoted prices used may be obtained from an official market, contributories or quotations from brokers or pricing services representing the market consensus.

Investment property recognized at cost

The fair value of investment property (excluding investment property held by insurance companies) is determined on the basis of capitalization of rents, a method that is widely used by real estate professionals.

The capitalization rate applied to the property depends on a number of factors such as location, quality and type of building, use, ownership structure, quality of lessees and characteristics of leases, interest rates and competition in the real estate market.

At December 31, 2005, the capitalization rates applied varied from 6% for the best properties (Haussmann-style buildings in Paris, lessees with good credit profiles) to 11% for lower quality properties (non-city centre location, mixed use, vacancy rate not at zero).

5.21 Other information

Earnings per share

Diluted earnings per share correspond to net income for the period (Group share), divided by the weighted average number of shares adjusted for the maximum impact of the conversion of dilutive instruments into ordinary shares. Stock options issued are taken into account in calculating diluted earnings per share. The conversion of these instruments does not impact net income used to calculate diluted earnings per share.

	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Earnings per share		
Net income (€ millions)	695	488
Average number of ordinary shares in circulation over the period	48,338,000	48,052,000
Average number of treasury shares in circulation over the period	1,627,484	1,498,654
Average number of shares for earnings per share calculation	46,710,516	46,553,346
Earnings per share (€)	**14.9**	**10.5**
Diluted earnings per share		
Net income (€ millions)	695	488
Average number of ordinary shares in circulation over the period	48,338,000	48,052,000
Average number of treasury shares in circulation over the period	1,627,484	1,498,654
Number of potential dilutive shares resulting from stock option plans	403,001	119,745
Average number of shares for diluted earnings per share calculation	47,113,517	46,673,091
Diluted earnings per share (€)	**14.8**	**10.4**

Note VI > Risk exposure and management

6.1 General system and principles

Natexis Banques Populaires' risk management system 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 and Internal Control departments, which report to the General Secretariat, and the Information Systems Security department, which reports to Information Systems and Logistics. Third tier control is provided by the Internal Audit department. Under current regulations, the General Secretary, a member of the Executive Management Committee, is responsible for permanent controls.

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 the 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 2005, its work covered commodities, major risks, optimization and loan placement.

The risk committees established by each of the core businesses include business line heads and representatives of the Risk Management and Internal Audit departments. They include:

- Credit Committee of Corporate and Institutional Banking and Markets and the subsidiaries that report to it;
- Country Risk Committee;
- Risk Committees of the Capital Markets core business and the subsidiaries that report to it;
- Risk Committee of the Banking, Financial and Technology Services business;
- Risk Committee of the Asset Management business;
- Risk Committees and Investment Committees of the Private Equity and Wealth Management core business;
- 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.

6.2 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. Natexis Banques Populaires has retained a highly centralized delegation system. The Risk Management department issues an opinion on all counterparty risks when new facilities are granted or existing facilities renewed.

6.3 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 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. The roll-out continued in 2005 to upgrade risk assessment methods, statistical and historical data monitoring and back-testing models to meet regulatory requirements. As planned, the new interbank ratings model and a system for calculating the regulatory ratio were implemented. 2006 will see the continuation of the roll-out and the implementation of a new sovereign risk ratings model.

6.4 Credit risk

Breakdown of impairment charges and other credit provisions by region at December 31, 2005

IFRS

in € millions	Specific risks	Country risks	Industry risks	Total
France	(38)	-	(30)	(68)
Other Western Europe	(2)	-	(36)	(38)
Eastern Europe	-	-	(1)	(1)
North America	(14)	-	17	3
Central and Latin America	18	17	(2)	33
Africa and Middle East	(8)	6	(4)	(6)
Asia-Pacific	-	(2)	(2)	(4)
Total	**(44)**	**21**	**(58)**	**(81)**

Impairment charges and other credit provisions decreased further in 2005, primarily due to ongoing favorable economic conditions.

Breakdown of risks and provisions at December 31, 2005

in € millions Region	Specific risks	Country risks	Industry risks	Total risks	Provisions for specific risks	Provisions for country risks	Provisions for industry risks	Total Provisions
France	874	-	5,074	5,948	527	-	69	596
Other Western Europe	176	-	3,578	3,754	135	-	91	226
Eastern Europe	25	44	1,081	1,150	17	1	5	23
North America	152	-	1,795	1,947	81	-	94	175
Central and Latin America	90	973	180	1,243	46	37	3	86
Africa and Middle East	25	1 510	192	1,727	13	91	11	115
Asia-Pacific	54	653	518	1,225	18	12	5	35
Risks and hedges	**1,396**	**3,180**	**12,417**	**16,993**	**837**	**140**	**278**	**1,256**

6.5 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 major responsibilities of each control entity are as follows:

First tier controls are carried out by the middle office, which plays an operational role through the applications it manages and uses daily.

Its key duties are:

- producing and analyzing results and risks on a daily basis;
- producing and analyzing provisions on a monthly basis;
- ensuring the reliability of market parameters used to calculate results and risks;
- proposing methods to calculate reserves while ensuring that they are exhaustive and correspond to the nature of risks;
- developing the system of delegated limits and method of calculating risk, in conjunction with Risk Management;
- monitoring and reporting any limit violations.

Risk Management is responsible for the financial component of second tier controls, in particular 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 where necessary;
- monitoring market risks at the various consolidation levels and particularly at Group level;
- ensuring internal and external reporting on market risks;
- validating internally-developed models and software models used to value products;
- 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;
- leading Market Risk activities at Natexis Banques Populaires subsidiaries and branches.

Internal Audit is responsible for the operational component of controls:

- 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;
- more generally, ensuring that procedures governing the management and monitoring or market risks are respected.

This structure is completed by:

- a new products committee, enabling capital markets activities to launch new products safely, after identifying and analyzing the different risk factors that may impact the value of the product. The new products committee meets every six weeks and is completed by working parties that meet every week. The committee examines the different risks inherent to a new product, in particular market, counterparty, legal, accounting, tax and non-conformity risks.
- a market risks committee, which meets monthly and comprises the heads of the various control levels together with front office managers. It is chaired by the head of capital markets activities. The committee validates new limits, proposes changes to limits and reviews any identified limit violations;
- a risk monitoring and supervision committee, which meets quarterly, comprising front office and middle office managers, the Risk Management department and the Internal Audit department to present new methods for measuring risks and divide up developments for their implementation.

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 VaR calculations.

a) Standard metrics

The key standard metrics used are:

- sensitivity to a +/- 1% change in interest rates (overall and by maturity);
- yield curve exposure expressed as the potential loss;
- 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 change in swap spreads;
- sensitivity to change in issuer spreads;
- sensitivity to change in correlations;
- monthly and annual loss alerts.

b) 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-date potential loss horizon;
- a 99% confidence level.

The scope of VaR calculations is as follows:

- trading and investment portfolios of the Corporate and Institutional Banking and Markets core business, excluding the "structured equities" portfolio;
- trading portfolios of Natexis Bleichroeder S.A.;
- trading portfolios of Natexis Arbitrage;
- trading portfolios of Natexis Metals;
- the investment portfolio of the Finance department.

For the Corporate and Institutional Banking and Markets core business, VaR calculations are conducted daily by the middle office and monthly by the Risk Management department.

Natexis Metals' VaR calculations are conducted daily using local Riskmanager software and monthly by the Risk Management department.

Data is inputted into Riskmanager primarily using automatic interfaces developed between the front office/middle office systems and the software. These interfaces supply the characteristics of an operation, enabling the software to understand the various operations.

Market data are provided by Riskmetrics on the basis of information from Reuters and are subject to a data management process by Riskmetrics.

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 30, 2005, the impact of the worst-case scenario would be an $18.31 million (€15.52 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 2005. Improvements concerned organization, procedures and risk measurement.

Organization and procedures

- In July 2005, the Risk Management department distributed the pricer and model validation chart, which sets out the duties of the Risk Management department in validating models and pricers, as well as the documents that must be provided by other divisions (Research and MO);
- Distribution of the Executive Management directive, formalizing the structure of the different teams involved in managing market risks. This directive sets out the works carried out in 2004 to determine each department's duties in terms of controlling market risks;
- Creation of the risk monitoring and supervision committee. This committee meets on a quarterly basis to examine new risk measures and the developments required for their implementation. It comprises the head of Corporate and Institutional Banking and markets, the Director of the Risk Management division, as well as middle-office teams, market risk teams and a representative of the Internal Control department.

Measurement of risks and limits

- Deployment of the methodology for interest-rate risk measurement: curve risk indicator;
- Specific indicators relating to product developments giving rise to new types of risk (correlations). All of these new products have been subject to the "new products" procedure and model validation;
- Further improvements to limits for interest-rate products and hybrid derivatives;
- Significant increase in assets authorized for money market securities, with deployment of the spread risk measurement metric (Xsi) for this portfolio;
- Launch of high-yield activities;
- Increased sensitivity to yields on short-term treasury instruments;
- Increase in limits for long/short equity, capital structure arbitrage and convertible bonds from Natexis Arbitrage;
- Tightening of loss alert levels.

Limits

Maximum sensitivity of interest rate maturity schedules to a +/-1% shift in the yield curve is €100 million.

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 €10 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;
- €1.35 million for a 1% change in equity volatility;
- €0.683 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 and investment of own funds. An ALM officer reporting to the Finance department is responsible for the coordination of asset and liability management.

Interest rate, currency and liquidity risks have been centralized at Natexis Banques Populaires since 2000. These risks are monitored and managed by Corporate and Institutional Banking and Markets.

Structure interest rate risk

Interest rate limits for capital markets activities

Maximum sensitivity of interest rate maturity schedules to a +/-1% shift in the yield curve is €100 million for capital markets activities (including treasury desks). This limit also applies to a point-by-point distortion of the yield curve. Within the overall interest rate limits described above, the sub-limits for short-term and long-term treasury have been set at €40 million and €30 million respectively.

ALM interest rate limits for refinancing books – Adaptation to Banque Populaire Group system

The ALM Committee validated the principles 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. 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 are:

in € millions	Limits for 100bp	Limits for 200bp
LT treasury	30	60
ST treasury	40	80
Natexis Lease	8	16
Natexis Factorem	4	8
Total	82	164

Liquidity risk

Corporate and Institutional Banking and Markets refinances all the liquidity needs of the various Natexis Banques Populaires business 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, 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 Market Risks Committee and the ALM Committee;
- Structural currency risk, which is monitored by the ALM Committee.

Management of market risks and hedging

The objectives of the Group's strategy for the management of financial risks – namely interest rate and liquidity risks – are based on the centralization of these risks within the treasury department.

The interest rate risk of Natexis Banques Populaires and its main subsidiaries is subject to maximum exposure limits, which are defined and validated annually by the ALM Committee.

Within the framework of its structural interest rate risk management, Natexis Banques Populaires uses primarily vanilla interest rate swaps as hedging instruments.

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

Note VII > Segment reporting

Segment reporting is based on two levels:

- by business segment (primary segment reporting);
- by region (secondary segment reporting).

The organization and internal reporting structure within the Board of Directors and Executive Management constitute the basis of identification of sectors.

Natexis Banques Populaires has four business segments that correspond to its four identified core businesses:

7.1 Corporate and Institutional Banking and Markets

Corporate and Institutional Banking and Markets includes financing and capital markets activities for a clientele of large companies, banks and institutions. It has a highly integrated sales force that is responsible for marketing Natexis Banques Populaires products and developing sales of all products to its clients, and particularly products provided by the core business, which include:

- Financing products: working capital finance (overdrafts, spot credits, discounting, credit lines, guarantees and bonds, documentary credits), financing for equipment, assets, acquisitions, projects and international trade;
- Capital market products: interest rate, equity, credit and currency derivatives, brokerage and arbitrage;
- Cash management and payment services: payment systems, EDI, authorizations, checks, letters of credit, transfers, cash management.

7.2 Private Equity and Wealth Management

This core business comprises the following:

- The private equity business provides expansion capital, buy-ins and buy-outs, venture capital (young companies) and international private equity for a clientele of small and medium-sized, mostly unlisted companies;
- Wealth management provides advice, planning and asset management services for a clientele of high net worth individuals, mostly clients of the Banque Populaire retail banking network but also of Natexis Banques Populaires.

7.3 Services

This business line comprises the following:

- Financial services provide back-office services including custody (accounting holding, back-office outsourcing, depository control), fund administration and accounting, issuer services, order receipt and transmission, office service. Most of this business comes from Natexis Banques Populaires clients;
- Banking services provide payment systems services including electronic payments, issuance and collection of low volume electronic transfers, check processing;
- Asset management provides savings, investment and insurance products through three business lines: insurance (individual life, group life, non-life, personal risk), financial management (mutual funds, multi-manager funds, multi-distribution), employee benefits planning (development and marketing of products, administration of employee share ownership plans, employee account holding, fund administration and accounting).

7.4 Receivables management

This business includes Coface and Factorem, which have a shared management structure. It includes trade receivables management and offers client tailored products to manage, protect and finance their receivables:

- Main activities: credit insurance, business information and credit rating (solvency and marketing), trade receivables management (from issuance to recovery), factoring (Factorem) and securitization;
- Other activities: bonds, management of public procedures on behalf of the French State, trade receivables management training.

Receivables management has an extensive distribution network comprising:

- the Coface network covering 57 countries, supported by the CreditAlliance network (91 countries);
- the Banque Populaire retail banking network, which is a major source of factoring business for Factorem and offers substantial development potential for other activities.

Other activities not covered by these four core businesses are grouped under "Other businesses", which primarily comprises the functional departments (information systems, human resources, finance and internal audit).

Natexis Banques Populaires has four main regions:

- France;
- Other EU countries;
- North America (Canada, US);
- Other OECD countries.

This reflects the main regions in which it operates, of which France is by far the largest market.

Segment reporting is based on financial aggregates taken from the balance sheet and income statement and reconciled with the consolidated financial statements.

Results for each segment comprise directly attributable operating income and expenses, including transactions with other segments of Natexis Banques Populaires.

Note VIII > NOTES TO THE BALANCE SHEET

VIII.1 Financial assets and liabilities at fair value through profit or loss

These assets and liabilities are measured at fair value at the balance sheet date, with changes in value, including interest, in the balance sheet under "gains or losses on financial instruments at fair value through profit or loss".

No impairment is recognized on these assets, as the counterparty risk is factored into the market value.

VIII.1.1 - Financial assets at fair value through profit or loss

At December 31, 2005, assets at fair value through profit or loss comprised primarily:

- fixed income securities
- derivatives

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Securities held for trading		15,695	16,508
Securities		15,695	16,508
Fixed income		15,123	16,116
Variable income	*VIII.1.1.1*	571	392
Pledged assets		0	0
Derivative financial instruments held for trading	*VIII.1.3*	5,282	3,974
Trading transactions		5,282	3,974
Other		0	0
Securities designated as at fair value		4,216	3,282
Securities		4,148	2,503
Fixed income		2,327	1,435
Variable income	*VIII.1.1.1*	1,821	1,068
Pledged assets		68	779
Loans and advances at fair value through profit or loss		820	730
Total		**26,013**	**24,494**

Variable income securities valued on a listed market (listed securities) or using another valuation method (unlisted securities valued on the basis of price-earnings ratio or discounted cash flows) break down as follows:

VIII.1.1.1 - Variable income securities at fair value through profit or loss

in € millions	12/31/2005 EU IFRS		
	Listed market	Other valuation methods	Total
Securities held for trading	531	40	571
Securities designated as at fair value through profit or loss	852	969	1,821
o/w securities held for trading within the Private Equity portfolio	*99*	*969*	*1,068*
Total	**1,383**	**1,009**	**2,392**

VIII.1.2 - Financial liabilities at fair value through profit or loss

At December 31, 2005, financial liabilities at fair value through profit or loss comprised primarily derivatives not used as hedging instruments and liabilities relating to short-selling of financial assets (securities).

For financial liabilities measured at fair value, changes in credit risk are not included in the fair value.

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Securities at fair value held for trading		795	2,813
Securities		699	589
Fixed income		648	421
Variable income		51	169
Pledged securities		96	2,224
Securities designated as at fair value through profit or loss		0	0
Securities		-	-
Fixed income		-	-
Variable income		-	-
Pledged securities		-	-
Derivative financial instruments held for trading	*VIII.1.3*	4,423	3,906
Other liabilities (1)		70	4
Total		**5,288**	**6,724**

(1) This concerns primarily an issue with separable embedded derivatives.

VIII.1.3 - Derivative financial instruments held for trading

Derivative financial instruments not held for hedging purposes are held for trading, irrespective of the period for which they are held.

in € millions	12/31/2005 EU IFRS			01/01/2005 EU IFRS	
	Notional amount	Assets	Liabilities	Assets	Liabilities
Futures and forwards	**747,703**	**1,998**	**1,785**	**1,342**	**1,395**
Organized markets	92,576	3	10	5	0
Interest rate	57,972	3	10	5	-
Currency	-	-	-	-	-
Other	34,604	-	-	-	-
Over-the-counter	655,127	1,995	1,775	1,337	1,395
Interest rate swaps	475,145	1,522	1,520	1,180	1,228
Forward currency	179,537	5	-	103	94
Currency swaps	341	402	236	45	56
Other	104	66	19	9	17
Options	**315,404**	**3,275**	**2,629**	**2,629**	**2,509**
Organized markets	17,296	17	4	0	666
Interest rate options	3,157	1	-	-	-
Currency options	29	-	-	-	-
Other	14,110	16	4	-	666
Over-the-counter	298,108	3,258	2,625	2,629	1,843
Interest rate options	89,554	632	602	347	402
Currency options	192,568	1,164	710	869	688
Other	15,986	1,462	1,313	1,413	753
Other credit derivatives	**-**	**9**	**8**	**3**	**2**
Total	**1,063,107**	**5,282**	**4,423**	**3,974**	**3,906**

VIII.2 - Hedging derivatives

Derivative financial instruments designated as hedges are those which meet the conditions required by IAS 39 at inception of and throughout the term of the hedging relationship and throughout its duration, particularly with respect to documentation of an effective relationship between the hedging instrument and the hedged item, both prospectively and retrospectively. Hedging relationships are presumed to be effective when the ratio of actual changes in the value of the hedging instrument and the hedged item is between 80% and 125%.

VIII.2.1 - Cash flow hedges

Natexis Banques Populaires uses cash flow hedges for the management of macro-hedging transactions. The method of documentation under IFRS corresponds to hedges of future cash flows.

in € millions	12/31/2005 EU IFRS			01/01/2005 EU IFRS	
	Notional amount	Assets	Liabilities	Assets	Liabilities
Futures and forwards	**69,846**	**13**	**98**	**112**	**224**
Organized markets	0	0	0	0	0
Interest rate	-	-	-	-	-
Currency	-	-	-	-	-
Other	-	-	-	-	-
Over-the-counter	69,846	13	98	112	224
Interest rate swaps	69,846	13	98	111	224
Forward currency	-	-	-	-	-
Currency swaps	-	-	-	1	-
Other	-	-	-	-	-
Options	**0**	**0**	**0**	**0**	**0**
Organized markets	0	0	0	0	0
Interest rate options	-	-	-	-	-
Currency options	-	-	-	-	-
Other	-	-	-	-	-
Over-the-counter	0	0	0	0	0
Interest rate options	-	-	-	-	-
Currency options	-	-	-	-	-
Other	-	-	-	-	-
Other credit derivatives	**-**	**0**	**0**	**0**	**0**
Total	**69,846**	**13**	**98**	**112**	**225**

VIII.2.2 - Fair value hedges

Fair value hedges are used for the management of micro-hedging transactions. The method of documentation under IFRS corresponds to fair value hedges of fixed rate assets and liabilities.

in € millions		12/31/2005 EU IFRS			01/01/2005 EU IFRS
	Notional amount	Assets	Liabilities	Assets	Liabilities
Futures and forwards	**10,163**	**27**	**114**	**173**	**269**
Organized markets	0	1	0	0	0
Interest rate	-	-	-	-	-
Currency	-	-	-	-	-
Other	-	1	-	-	-
Over-the-counter	10,163	26	114	173	269
Interest rate swaps	6,119	21	100	162	212
Forward currency	4,045	-	-	-	-
Currency swaps	-	5	14	11	58
Other	-	-	-	-	-
Options	**4**	**3**	**0**	**10**	**3**
Organized markets	0	0	0	0	0
Interest rate options	-	-	-	-	-
Currency options	-	-	-	-	-
Other	-	-	-	-	-
Over-the-counter	4	3	0	10	3
Interest rate options	1	-	-	-	-
Currency options	-	-	-	-	-
Other	2	3	-	10	3
Other credit derivatives	**-**	**0**	**0**	**0**	**0**
Total	**10,167**	**30**	**114**	**183**	**272**

VIII.3 - Available-for-sale financial assets

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Outstanding loans	0	0
Loans and advances	-	-
Other	-	-
Accrued interest	-	-
Securities	22,240	20,784
Fixed income	18,532	16,993
Variable income (1)	3,596	3,651
Accrued interest	112	140
Total	**22,240**	**20,784**

Comments:

(1) Variable income securities traded on an active market amounted to €3,444 million as at December 31, 2005.

VIII.4 - Loans and advances

VIII.4.1 - Loans and advances to banks

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Performing loans			
Performing loans	VIII.4.1.1	56,112	41,142
Collective provisions		(47)	(58)
Net		**56,064**	**41,084**
Non-performing loans			
Non-performing loans		86	86
Provisions		(51)	(50)
Net (1)		**35**	**36**
Total net		**56,099**	**41,120**

At December 31, 2005, the fair value of loans and advances to banks, calculated in accordance with the methods set out in note V, amounted to €56,140 million.

(1) The hedging rate of non-performing loans at December 31, 2005, was 59% compared with 58% at January 1, 2005.

VIII.4.1.1 - Performing loans to banks

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Lease financing	-	-
Loans and advances	15,644	11,596
Current accounts in debit	2,744	1,411
Unlisted fixed income securities	14	-
Reverse repos	37,144	27,867
Other	100	1
Accrued interest	465	267
Total performing loans	**56,112**	**41,142**

VIII.4.2 - Loans and advances to customers

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Performing loans			
Performing loans	VIII.4.2.1.	49,099	40,527
Collective provisions		(372)	(306)
Impairment provisions		(38)	(32)
Net		**48,689**	**40,189**
Non-performing loans			
Non-performing loans		1,265	1,353
Provisions		(754)	(847)
Net (1)		**511**	**506**
Net total		**49,200**	**40,695**

At December 31, 2005, the fair value of loans and advances to customers, calculated in accordance with the methods set out in note V, amounted to €49,780 million.

(1) The hedging rate of non-performing loans at December 31 was 60% compared with 63% at January 1, 2005.

VIII.4.2.1 - Performing loans to customers

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Lease financing	VIII.4.2.2	5,549	5,253
Other loans and receivables	VIII.4.2.3	27,726	20,208
Current accounts in debit		3,995	2,972
Unlisted fixed income securities		2,897	2,926
Reverse repos		5,294	6,250
Factoring		3,469	2,683
Other		19	126
Accrued interest		151	109
Total		**49,099**	**40,527**

VIII.4.2.2 - Lease financing

in € millions	12/31/2005 EU IFRS			01/01/2005 EU IFRS		
	Real estate	Equipment	Total	Real estate	Equipment	Total
Outstandings	3,748	1,801	5,549	3,623	1,630	5,253
Net non-performing loans (1)	67	55	122	81	54	135
Non-performing loans	104	60	164	128	59	187
Provisions	(37)	(6)	(42)	(47)	(5)	(52)
Total	**3,816**	**1,855**	**5,671**	**3,704**	**1,684**	**5,388**

(1) The hedging rate of non-performing loans was 26% at December 31 compared with 28% at January 1, 2005.

VIII.4.2.3 - Other loans and advances to customers

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Commercial loans	748	624
Export credits	1,078	1,050
Cash loans and consumer credit	15,050	11,168
Equipment loans	3,367	2,179
Home purchase loans	107	100
Other	7,376	5,086
Total	**27,726**	**20,208**

VIII.5 - Held-to-maturity financial assets

Natexis Banques Populaires only uses this category for fixed-income securities representing insurance company investments.

in € millions	12/31/05 EU IFRS	01/01/05 EU IFRS
Government securities		
Cost	-	-
Provisions	-	-
Accrued interest	-	-
Net	**0**	**0**
Bonds		
Cost	7,049	5,722
Provisions	-	-
Net	**7,049**	**5,722**
Other		
Cost	4	27
Provisions	-	-
Net	**4**	**27**
Total	**7,053**	**5,748**

At December 31, 2005, the fair value of held-to-maturity financial assets, calculated in accordance with the methods set out in note V, amounted to €7,930 million.

VIII.6 - Deferred tax assets and liabilities

in € millions	12/31/05 EU IFRS	01/01/05 EU IFRS
Main sources of deferred income taxes (1)		
Flow-through entities	(204)	(221)
Leasing reserve	(249)	(219)
Elimination of equalization reserve	(246)	(187)
Financial instruments at fair value through equity (AFS+CFH)	(218)	(105)
Capitalization reserves of insurance companies	(71)	(70)
Fair value of Private Equity business	(253)	(177)
Amortized cost of loans	62	42
Provisions for employee benefits	231	223
Other non-deductible provisions (2)	490	376
Unrealized gains on mutual funds	11	13
Ordinary and evergreen tax loss carryforwards	99	164
Other temporary differences	1	(10)
Total sources of deferred income taxes, gross	**(346)**	**(170)**
Unrecognized sources of deferred tax assets	(245)	(316)
Total sources of deferred income taxes, net	**(592)**	**(486)**
Recognized deferred tax assets		
Deferred taxes at standard rate	(165)	(110)
Deferred tax liabilities	(6)	(4)
Deferred taxes at reduced rate	(2)	(5)
Total recognized deferred taxes	(173)	(119)
Including: -deferred tax assets	*248*	*231*
-deferred tax liabilities	*(414)*	*(346)*
-deferred taxes of associates	*(7)*	*(4)*

(1) Positive amounts correspond to sources of deferred tax assets and negative amounts to sources of deferred tax liabilities.

(2) Including collective provisions and provisions for impact of discounting specific provisions.

VIII.7 - Other assets and liabilities

Accrued income and prepaid expenses and deferred income and accrued charges correspond to technical accounts, details of which are given below.

ASSETS

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Other assets	VIII.7.1.1	2,191	1,542
Accrued income and prepaid expenses	VIII.7.2.1	1,586	1,706
Accrued income and prepaid expenses - insurance companies	VIII.7.3.1	988	841
Total		**4,765**	**4,089**

LIABILITIES

in € millions	Notes	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Other liabilities	VIII.7.1.2	4,998	4,509
Deferred income and accrued charges	VIII.7.2.2	2,507	2,726
Deferred income and accrued charges - insurance companies	VIII.7.3.2	985	177
Total		**8,490**	**7,412**

VIII.7.1 - Sundry other assets and liabilities

VIII.7.1.1 - Other assets

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Securities settlement accounts	-	5
Real estate development	32	74
Other assets	541	137
Other receivables	1,611	1,322
Accrued interest	7	4
Total	**2,191**	**1,542**

VIII.7.1.2 - Other liabilities

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Amounts due on securities	1,955	1,775
Sundry payables	2,841	2,510
Securities settlement accounts	21	28
Other	176	185
Accrued interest	5	11
Total	**4,998**	**4,509**

VIII.7.2 - Accrued income and prepaid expenses and deferred income and accrued charges

VIII.7.2.1 - Accrued income and prepaid expenses

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Collection accounts	52	53
Adjustment accounts	60	-
Prepaid expenses	35	45
Accrued income	232	303
Deferred charges	-	1
Other	1,207	1,304
Total	**1,586**	**1,706**

VIII.7.2.2 - Deferred income and accrued charges

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Collection accounts	104	114
Adjustment accounts	3	395
Deferred income	146	145
Accrued expenses	522	565
Day one profit and loss	1	-
Other	1,731	1,507
Total	**2,507**	**2,726**

VIII.7.3 - Accrued income and prepaid expenses and deferred income and accrued charges - insurance companies

VIII.7.3.1 - Accrued income and prepaid expenses - insurance companies

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Reinsurers' share of technical reserves	258	250
Insurance receivables	452	389
Reinsurance receivables	49	49
Accrued premium income	134	129
Deferred acquisition costs	17	19
Other	79	6
Total	**988**	**841**

VIII.7.3.2 - Deferred income and accrued charges - insurance companies

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Insurance liabilities	140	97
Reinsurance liabilities	69	62
Cash deposits received from reinsurers	17	14
Other	759	4
Total	**985**	**177**

VIII.8 - Property, plant & equipment, intangible assets, investment property

VIII.8.1 - Development of non-current assets over the period

in € millions	12/31/2005 EU IFRS Cost	12/31/2005 EU IFRS Depr, amort & impairment	12/31/2005 EU IFRS Net	01/01/2005 EU IFRS Cost	01/01/2005 EU IFRS Depr, amort & impairment	01/01/2005 EU IFRS Net
Property, plant & equipment	689	(375)	314	906	(398)	508
Leased assets	0	0	0	0	0	0
Buildings	-	-	-	-	-	-
Other	-	-	-	-	-	-
Owned assets	689	(375)	314	906	(398)	508
Shares in non-trading real estate companies	-	-	-	-	-	-
Land	61	-	61	99	-	99
Buildings	340	(187)	153	429	(218)	212
Other	288	(188)	100	378	(180)	198
Intangible assets	333	(191)	142	326	(217)	109
Leasehold rights	54	(17)	37	46	(15)	31
Software	205	(153)	52	197	(160)	37
Other	74	(20)	54	83	(42)	41
Non-current assets held for sale	0	0	0	0	0	0
Property, plant & equipment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**1,022**	**(566)**	**457**	**1,232**	**(615)**	**618**

in € millions	Cost 01/01/2005	Increase	Decrease and other disposals	Change in scope	Exchange differences	Other	Cost 12/31/2005
Property, plant & equipment	906	49	(263)	0	2	(5)	689
Leased assets	0	0	0	0	0	0	0
Buildings	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Owned assets	906	49	(263)	0	2	(5)	689
Shares in non-trading real estate companies	-	-	-	-	-	-	-
Land	99	-	(36)	-	-	(2)	61
Buildings	429	10	(98)	-	-	(1)	340
Other	378	39	(129)	-	2	(2)	288
Intangible assets	326	71	(53)	(11)	3	(3)	333
Leasehold rights	46	1	(5)	6	1	6	54
Software	197	38	(15)	(17)	2	(1)	205
Other	83	32	(33)	-	-	(8)	74
Total	**1,232**	**120**	**(316)**	**(11)**	**6**	**(8)**	**1,022**

VIII.8.2 - Investment property

in € millions	12/31/2005 EU IFRS Cost	12/31/2005 EU IFRS Depr, amort & impairment	12/31/2005 EU IFRS Net	01/01/2005 EU IFRS Cost	01/01/2005 EU IFRS Depr, amort & impairment	01/01/2005 EU IFRS Net
Investment property						
Fair value (1)	464	////////	464	392	////////	392
Cost	833	(295)	538	781	(263)	518
Total	**1,296**	**(295)**	**1,001**	**1,172**	**(263)**	**910**

(1) Insurance company investments. Changes in fair value give rise to the symmetrical recognition of a deferred participation reserve equal, on average to 92% of the base concerned.

The fair value of investment property is obtained by discounting the rental yield of these assets at the market rate:

Fair value of investment property

in € millions	12/31/2005 EU IFRS Net	12/31/2005 EU IFRS Fair value
Operating leases	463	627
Finance leases	7	6
Other	68	90
Total	**538**	**723**

VIII.9 - Goodwill

in € millions	01/01/2005 EU IFRS Opening balance	12/31/2005 EU IFRS Acquisitions	Change in impairment losses	Exchange differences	Closing balance
Net value per unit					
Coface Group (1)	436	3	-	-	439
Natexis Assurances	96	-	-	-	96
Natexis Asset Management	94	-	-	-	94
Natexis Intérépargne	31	-	-	-	31
Natexis Private Equity and subsidiaries	19	2	-	-	21
Coficiné	9	-	-	-	9
Natexis Intertitres	6	-	-	-	6
Other	37	2	(3)	-	36
Total	**729**	**8**	**(3)**	**0**	**733**

(1) The value assigned on recognition to the Coface network under French GAAP (€341 million) does not meet the criteria for recognition as an intangible asset under IAS 38. In line with IFRS 1 on first-time adoption of IFRS, this item has been reclassified as goodwill.

VIII.10 - Deposits from banks and customer deposits

Deposits from banks and customer deposits are presented by nature, taking into account whether they are demand or time deposits. The are measured in accordance with IAS 39 as other financial liabilities using the amortized cost method.

The fair value of deposits from banks and customer deposits is calculated on the basis of future cash flows. The discount rate applied is the market rate at the balance sheet date. If a quoted price is available that meets the criteria of IAS 39, the quoted price is used.

The fair value of liabilities with an initial duration of less than one year and variable-rate liabilities corresponds to the carrying amount.

VIII.10.1 - Deposits from banks

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Current accounts in debit and accrued interest	7,282	4,880
Accounts and deposits	12,731	9,155
Demand	2,311	2,407
Time	10,421	6,748
Pledged securities	466	1,088
Demand	25	17
Time	441	1,071
Repurchase agreements	33,312	23,595
Demand	-	-
Time	33,312	23,595
Other liabilities	621	380
Accrued interest payable	440	222
Total	**54,853**	**39,320**

At December 31, 2005, the fair value of deposits from banks was €54,853 million.

VIII.10.2 - Customer deposits

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Current accounts	7,935	6,224
Demand	5,229	4,140
Time	2,706	2,085
Accounts and deposits	699	652
Demand	218	116
Time	481	536
Pledged securities	63	0
Demand	63	-
Time	-	-
Repurchase agreements	14,368	15,309
Demand	3,500	5,731
Time	10,868	9,579
Special savings accounts	78	70
Factoring liabilities	385	339
Accrued interest payable	117	74
Other	345	269
Total	**23,990**	**22,937**

At December 31, 2005, the fair value of customer deposits was €23,990 million.

VIII.11 - Debt securities in issue

Debt securities (interest-bearing notes, interbank market instruments etc.) are broken down by nature, apart from subordinated debt, which is recorded separately in a specific line item.

Debt securities are measured at fair value on inception, i.e. at their issue price minus transaction costs, and then measured at amortized cost using the effective interest rate method, which includes issue expenses deferred over the term of the instruments issued.

The fair value of variable-rate debt securities is equal to their net carrying amount in the balance sheet.

Borrowings and debt securiries at fixed rates are discounted on the basis of the value of market fixed rates (excluding spread) at the balance sheet date for a liability with the same residual maturity.

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Interbank market instruments	0	0
Money market instruments	32,761	26,309
MTNs	9,601	7,750
CDs	23,160	18,559
Bonds	3,981	3,518
Other debt securities	789	777
Accrued interest payable	229	188
Total	**37,760**	**30,792**

At December 31, 2005, the fair value of debt securities was €37,760 million.

VIII.12 - Technical reserves of insurance companies

In order to protect policyholders, insurance companies book technical reserves under liabilities, determined on the basis of statistical calculations towards policyholders.

Prepayments of insurance premiums relate to the proportion (calculated on a pro rata temporis basis) of premiums written over the period relating to a period prior to the inventory date.

Life insurance reserves correspond to total premiums received, plus income for investments distributed to policyholders and minus termination benefits. In addition to these reserves a provision is booked for future management of life insurance policies.

In life insurance, loss reserves correspond to amounts due after occurrence of a loss claim. In credit insurance, they correspond to the estimated cost of all loss claims declared and not settled at the accounting date. In addition to the amount of loss claims to be paid, a provision is booked for unknown loss claims calculated on a statistical basis.

Deferred profit sharing reserves represent the proportion of income on investments due to policyholders that has not yet been distributed. These reserves must be distributed within a period of eight years.

Other technical reserves comprise reserves for financial uncertainties and reserves for deferred acquisition costs.

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Mathematical reserves	23,851	21,535
Life insurance	19,614	17,737
Non-life insurance	181	174
Unit-linked business	4,056	3,625
Loss reserves	978	901
Deferred participation reserve	1,395	892
Other technical reserves	12	27
Total	**26,236**	**23,356**

VIII.13 - Provisions and impairment charges

VIII.13.1 - Summary of provisions

in € millions	01/01/2005 EU IFRS	Increase	Utilization	Surplus released	Exchange differences	Change in scope	Other	12/31/2005 EU IFRS
Provisions deducted from assets	1,374	337	(191)	(254)	42	(3)	14	1,319
Provisions for performing loans	364	100	-	(63)	18	-	-	419
Provisions for non-performing loans	896	153	(145)	(120)	24	-	(3)	805
Provisions for impairment	114	84	(46)	(71)	-	(3)	17	96
Provisions recognized as liabilities	440	153	(70)	(20)	2	3	(6)	502
Provisions	346	111	(53)	(20)	1	3	(6)	382
Provisions for counterparty risk	53	25	(2)	(17)	1	-	6	66
Provisions for impairment risk	19	10	-	(3)	-	-	(8)	18
Provisions for employee benefits	232	28	(17)	-	-	3	(5)	242
Provisions for operating risks	42	48	(34)	-	-	-	-	57
Provisions for regulated savings accounts	-	-	-	-	-	-	-	-
Provisions for current income taxes	94	42	(17)	-	1	-	(0)	120
Total	**1,815**	**490**	**(261)**	**(274)**	**44**	**(0)**	**8**	**1,821**

Impact on income statement	Charge	Reversal	Net impact
Net banking income	**(106)**	**136**	**30**
Operating expenses	(45)	32	(13)
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(0)	1	0
Gross operating income	**(151)**	**169**	**18**
Impairment charges and other credit provisions	(294)	350	56
Gains or losses	(3)	-	(3)
Earnings before tax	**(448)**	**518**	**70**
Income taxes	(42)	17	(25)
Net income	**(490)**	**535**	**45**

VIII.13.2 - Provisions

in € millions	Notes	01/01/2005 EU IFRS	Increase	Utilization	Surplus released	Exchange differences	Change in scope	Other	12/31/2005 EU IFRS
Counterparty risk		**53**	**25**	**(2)**	**(17)**	**1**	**(0)**	**6**	**66**
Financing and guarantee commitments		8	4	-	(1)	-	-	3	14
Customer disputes		28	13	(2)	(1)	-	-	2	40
Other provisions		17	8	-	(15)	1	-	1	12
Impairment risk		**19**	**10**	**-**	**(3)**	**0**	**(0)**	**(8)**	**18**
Long-term investments		10	8	-	(2)	-	-	(8)	8
Real estate development		1	-	-	-	-	-	-	1
Other provisions		9	2	-	(2)	-	-	-	9
Employee benefits	*X.3*	**232**	**28**	**(17)**	**0**	**0**	**3**	**(4)**	**242**
Active employees		133	17	(4)	-	-	2	(1)	147
Retired employees		99	11	(13)	-	-	1	(3)	95
Other provisions		-	-	-	-	-	-	-	-
Operating risks		**42**	**48**	**(34)**	**0**	**0**	**(0)**	**0**	**57**
Restructuring		-	-	-	-	-	-	-	-
Other provisions		42	48	(34)	-	-	-	-	57
Homebuyers' savings schemes		-	-	-	-	-	-	-	-
Homebuyers' savings plan		-	-	-	-	-	-	-	-
Total		**346**	**111**	**(53)**	**(20)**	**1**	**3**	**(6)**	**382**

VIII.14 - Subordinated debt

"Subordinated debts differ from receivables or bonds issued, as redemption only occurs after the relief of preferred or ordinary creditors but after the repayment of loans and participating interests and super-subordinated notes. They are valued using the amortized cost method.

Depending on the analysis of contracts, preferred shares may be classified as debt or equity. All preferred shares issued by Natexis Banques Populaires are recognized as debt. Under French GAAP, these shares were included in the consolidated financial statements as minority interests."

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Subordinated debt with fixed maturities	3,255	2,523
Subordinated bonds	2,534	1,758
Other	721	765
Perpetual subordinated debt	939	883
O/w preferred shares	*737*	*669*
Mutual guarantee deposits	2	2
Accrued interest	97	91
Total	**4,293**	**3,498**

At December 31, 2005, the fair value of subordinated debt came to €4,345 million.

Development of subordinated debt over the period

in € millions	01/01/2005 EU IFRS	Issue (1)	Redemption	Exchange differences	Change in scope	Other	12/31/2005 EU IFRS
Subordinated debt with fixed maturities	2,523	1,049	(308)	77	0	(86)	3,255
Subordinated bonds	1,758	1,049	(263)	77	-	(86)	2,534
Other	765	-	(44)	-	-	-	721
Perpetual subordinated debt	883	0	(21)	79	0	(3)	939
O/w preferred shares	*669*	-	-	*72*	-	*(4)*	*737*
Total	**3,405**	**1,049**	**(328)**	**156**	**0**	**(89)**	**4,194**

(1) Issues in 2005 concern a €750 million tranche of redeemable subordinated notes and a €300 million tranche of super-subordinated notes, included in Tier One equity.

Note IX > NOTES TO THE INCOME STATEMENT

IX.1 - Net interest income

In accordance with recommendation 2004-R.03 of October, 27 2004, "Interest and similar income" and "Interest and similar expenses" comprise interest on fixed-income securities recognized as available-for-sale financial assets, and interest on loans and advances to banks and loans and advances to customers, and deposits from banks and customer deposits.

These items also include interest on held-to-maturity financial assets (which concerns only insurance companies).

Financial assets and liabilities valued at amortized cost give rise to the recognition of interest calculated using the effective interest rate method.

in € millions	12/31/2005 EU IFRS			12/31/2004 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Central banks and post offices	2	(7)	(5)	2	0	2
Securities	1,731	(1,424)	306	1,596	(1,027)	569
Loans and advances	3,365	(2,174)	1,191	2,729	(1,822)	907
To banks	1,526	(1,685)	(159)	1,278	(1,369)	(90)
To customers	1,541	(464)	1,077	1,144	(423)	721
Lease financing	298	(25)	273	306	(30)	276
Subordinated debt	0	(168)	(168)	0	(187)	(187)
Other	4	0	4	7	0	7
Hedging instruments	678	(532)	146	560	(457)	103
Expiry of hedging relationship (CFH)	-	-	-	-	-	-
Accrued interest	678	(532)	146	560	(457)	103
Impaired loans, including restructured loans	12	-	12	2	-	2
Total	**5,791**	**(4,305)**	**1,486**	**4,896**	**(3,493)**	**1,403**

IX.2 - Net fees and commission

The method of accounting for fees and commissions received in respect of services or financial instruments depends on the ultimate purpose of the services rendered and the method of accounting for the financial instruments to which the service relates. Fees and commissions for one-off services are recognized in income immediately the service is provided. Fees and commissions for ongoing services such as guarantee commissions or management fees are spread over the period during which the service is provided.

Fees and commissions that form an integral part of the effective yield of an instrument such as commitment fees or loan set-up fees are recognized as an adjustment to the effective interest rate over the term of the loan. Accordingly, under EU IFRS, these fees are recognized as interest income rather than fees and commission.

in € millions	12/31/2005 EU IFRS			12/31/2004 2004 IFRS		
	Income	Expense	Net	Income	Expense	Net
Interbank transactions	45	(22)	23	2	(31)	(29)
Customer transactions	271	(327)	(56)	315	(271)	44
Securities transactions	260	(30)	231	187	(32)	155
Payment services	172	(43)	129	151	(41)	110
Financial services	428	(210)	218	402	(157)	246
Financing, guarantee, securities, derivatives commitments	66	(43)	23	86	(40)	46
Other	13	(1)	12	12	(1)	11
Total	**1,255**	**(675)**	**580**	**1,156**	**(574)**	**582**

IX.3 - Gains or losses on financial assets and liabilities at fair value through profit of loss

This item includes gains and losses on financial assets and liabilities at fair value through profit or loss, whether held for trading or designated as at fair value through profit or loss, including interest.

Hedging instruments includes changes in fair value of fair value hedges, including interest, plus the symmetrical revaluation of items hedged. It also includes the ineffective portion of cash flow hedges.

in € millions	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Net gains on financial assets and liabilities excluding hedging instruments	513	161
Net gains on financial assets and liabilities held for trading	(73)	129
o/w hedging instruments	*(371)*	*(274)*
Net gains on other financial assets and liabilities delegated as at fair value	311	156
Other	275	(124)
Hedging instruments	42	(6)
Total	**555**	**155**

IX.4 - Gains or losses on available-for-sale financial assets

Net gains or losses on available-for-sale financial assets principally comprise gains or losses on sale and impairment losses on variable income securities.

Variable income securities classified as available-for-sale are tested for impairment and an impairment provision recognized if their carrying amount is lower than their recoverable amount.

Impairment losses on fixed income securities are recognized as impairment charges and other impairment provisions.

This item also includes dividends on variable income securities.

in € millions	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Dividends	74	60
Gains or losses on sale	294	11
Gains	335	95
Losses	(41)	(84)
Impairment losses on variable income securities	(22)	52
Total	**345**	**123**

IX.5 - Income and expenses from other activities

Income and expenses from other activities comprises mainly income and expenses relating to lease financing and investment property.

This item also includes income and expenses relating to insurance activities, in particular life insurance premium income, paid benefits and claims and changes in insurance liabilities.

in € millions	*Notes*	12/31/2005 EU IFRS			12/31/2004 2004 IFRS		
		Income	Expense	Net	Income	Expense	Net
Finance leases	*IX.5.1*	144	(156)	(12)	121	(128)	(7)
Operating leases		32	(18)	14	28	(18)	10
Investment property		57	-	57	48	-	47
Other non-operating assets		6	(3)	3	-	(3)	(3)
Sub-total real estate activities		**238**	**(176)**	**62**	**197**	**(149)**	**48**
Change in insurance liabilities		-	(1,490)	(1,491)	-	(686)	(687)
Other insurance income and expense	*IX.5.2*	4,269	(3,010)	1,259	3,354	(2,555)	798
Sub-total insurance		**4,268**	**(4,500)**	**(231)**	**3,353**	**(3,242)**	**111**
Other income and expenses	***IX.5.3***	**420**	**(126)**	**294**	**396**	**(112)**	**284**
Total		**4,927**	**(4,802)**	**125**	**3,946**	**(3,503)**	**443**

IX.5.1 - Finance leases

in € millions	12/31/2005 EU IFRS Income	12/31/2005 EU IFRS Expense	12/31/2005 EU IFRS Net	12/31/2004 2004 IFRS Income	12/31/2004 2004 IFRS Expense	12/31/2004 2004 IFRS Net
Gains or losses on sale	9	(34)	(25)	0	(10)	(10)
Impairment provisions	16	(15)	1	14	(12)	2
Other income and expenses	120	(107)	13	107	(106)	1
Total	**144**	**(156)**	**(12)**	**121**	**(128)**	**(7)**

IX.5.2 - Other insurance income and expense

in € millions	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Life insurance premium income	3,172	2,336
Personal risk insurance premium income	111	97
Credit insurance premium income	751	700
Paid benefits and claims	(2,848)	(2,406)
Other net income	74	70
Total	**1,259**	**798**

IX.5.3 - Other income and expense

in € millions	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Real estate activities	20	15
IT development and other services	55	44
Credit management services (1)	125	120
Other activities	94	106
Total	**294**	**284**

(1) Corresponding to sales of credit information services, marketing information services and receivables collection services provided by Coface subsidiaries.

IX.6 - Operating expenses

Operating expenses comprise mainly payroll costs, including wages and salaries net of rebilled expenses (see X.1), social security charges and employee benefits (see X.3) such as pensions (defined benefit plans) and share-based payments (see X.4), in accordance with IFRS 2.

This item also includes all administrative expenses and external services.

in € millions		Notes	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Payroll costs				
	Wages and salaries (1)	*X.1*	(734)	(668)
	(1) of which share-based payments	*X.4*	*(3)*	*(2)*
	Post-retirement and other benefits	*X.3*	(99)	(84)
	Social security charges		(224)	(205)
	Incentive and profit-sharing plans		(71)	(55)
	Payroll-based taxes		(53)	(47)
	Other		1	(2)
Total payroll costs			**(1,179)**	**(1,061)**
Other operating expenses				
	Taxes other than on income		(60)	(51)
	Other general operating expenses		(727)	(655)
	Restructuring costs		-	-
	Other		(17)	(21)
Total other operating expenses			**(804)**	**(727)**
Total			**(1,983)**	**(1,788)**

IX.7 - Impairment charges and other credit provisions

This item comprises mainly impairment charges and other credit provisions relating to credit transactions: charges net of reversals of individual and collective provisions, receivables written off during the year and recoveries of bad debts written off.

At December 31, 2005, in accordance with IAS 32 and IAS 39, "Impairment of individual receivables" included securities classified as loans and advances.

As IAS 32 and IAS 39 were not applied at December 31, 2004, charges and reversals against non-performing securities were recognized under "Other".

in € millions	12/31/2005 EU IFRS					12/31/2004
	Charge	Net releases	Write-offs not covered by provisions	Recoveries of bad debts written off	Net	Net
Provisions	(25)	19	0	0	(6)	13
Financing commitments	(4)	1	-	-	(3)	7
Other	(20)	17	-	-	(3)	7
Financial assets at amortized cost	(268)	167	(8)	16	(93)	(83)
Loans and advances	(268)	167	(8)	16	(93)	(83)
Write-offs of individual receivables	*(169)*	*104*	*(8)*	*16*	*(56)*	*(89)*
Collective provisions for performing loans	*(100)*	*63*	-	-	*(37)*	*6*
Available-for-sale financial assets	0	19	-	-	19	-
Other	(1)	0	-	-	(1)	(31)
Impairment charges and other credit provisions	**(294)**	**204**	**(8)**	**16**	**(81)**	**(101)**

o/w	Releases of surplus provisions	204
	Releases used	145
	sub-total releases:	350
	Write-offs covered by provisions	(145)
	Total net releases:	204

IX.8 - Share of income of associates

in € millions	12/31/2005 EU IFRS		12/31/2004 2004 IFRS	
	Share of net assets	Share of net income	Share of net assets	Share of net income
Financial sector companies	0	4	80	3
Other companies	50	9	49	8
Total (1)	**50**	**13**	**129**	**11**

(1) The decline in the value of associates is due to the change in the method of consolidation for BP Développement and Sopromec, which were fully consolidated as at December 31, 2005. The share of the net assets of these two subsidiaries amounted to €80 million at December 31, 2004.

IX.9 - Gains or losses on other assets

This item comprises capital gains and losses on the disposal of property, plant and equipment and intangible assets, as well as capital gains and losses on the disposal of investments in consolidated companies.

in € millions	12/31/2005 EU IFRS			12/31/2004 2004 IFRS		
	Investments in consolidated companies	Property, plant & equipment and intangible assets	Total	Investments in consolidated companies	Property, plant & equipment and intangible assets	Total
Net capital gains on disposals	20	109	129	3	6	9
Net capital losses on disposals	(15)	(16)	(31)	(1)	(9)	(10)
Total	**5**	**93**	**98**	**2**	**(3)**	**(1)**

Capital gains on disposals of property, plant and equipment and intangible assets include €95 million corresponding to the sale of Liberté 2.

IX.10 - Change in value of goodwill

This item includes amortization of positive goodwill. Amortization is recognized where there is evidence of impairment.

in € millions	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Goodwill (net amortization)	0	(11)
Natexis Private Banking Luxembourg	-	*(6)*
Samic	-	*(5)*
Negative goodwill	2	4
Total	**2**	**(7)**

IX.11 - Reconciliation of the tax charge in the financial statements and the theoretical tax charge

in € millions	12/31/05 EU IFRS	12/31/04 2004 IFRS
+ Net income attributable to equity holders of the parent	695	488
+ Net income attributable to minority interests	30	17
+ Income tax charge	342	239
+ Goodwill amortization	(2)	7
- Share of income of associates	(14)	(10)
= Consolidated net income before tax, goodwill amortization and share of income of associates	1,052	740
+/- Permanent timing differences (1)	(66)	(142)
= Consolidated taxable income	986	598
x Standard rate	33%	33%
= Theoretical tax charge	(329)	(199)
+ Contributions and minimum annual tax charges	(11)	(8)
+ Income taxed at reduced rates	(16)	(9)
+ Losses for the period, restricted for prudence	(1)	(8)
+ Impact of group tax relief	14	13
+ Differences in foreign tax rates	(3)	(1)
+ Tax reassessments	(32)	(29)
+ Tax credits	7	7
+ Exit tax on long-term capital gains reserves	-	(11)
+ Impact of annualizing the tax charge	-	-
+ Other items (2)	29	6
= Tax charge for the period	**(342)**	**(239)**
o/w: current	*(322)*	*(245)*
deferred	*(20)*	*6*

(1) The main deductions in respect of permanent timing differences concern the tax-exempt net income of venture capital subsidiaries. Under IFRS, results of subsidiaries that have issued preferred shares have been eliminated after reclassifying interest due to minority shareholders as interest expense. As under French GAAP, this no longer qualifies as a permanent timing difference.

(2) The positive change is due to the reduction of tax on revenues from private equity subsidiaries (the law of July 26, 2006, extends the new long-term capital gains tax regime to French venture capital companies) representing €17 million, as well as income on the taxation of financing leases for €7 million.

Note X > PAYROLL COSTS, NUMBER OF EMPLOYEES, COMPENSATION AND EMPLOYEE BENEFITS

X.1 - Payroll costs

Payroll costs amounted to €1,179 million in 2005.

Payroll costs not only include wages and salaries net of rebilled expenses but also employee benefits such as pensions (defined benefit plans) and share-based payments in accordance with IFRS 2.

The annual charge for defined benefit plans includes:

- incremental benefit entitlement for all employees;
- interest cost (impact of discounting);
- gross return on plan assets;
- amortization of actuarial gains or losses (corridor method) and past service costs.

X.2 - Number of employees

	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Number of employees (1)	14,098	13,465

(1) Average number of full-time equivalents

X.3 - Employee benefits

The main provisions for employee-related liabilities concern:

- CAR supplementary banking pension
- Natexis Banques Populaires supplementary banking pension
- end-of-career awards and allowances
- long-service awards.

The Banque Populaire Group's CAR ('Caisse Autonome des Retraites') pension fund, for which Natexis employees from the former Caisse Centrale des Banques Populaires were also eligible, was closed on December 31, 1993, in accordance with the professional agreement of September 13, 1993, applicable to the Banque Populaire banks by the Group agreement of January 7, 1994.

Pension liabilities to active and retired employees comprise supplementary pensions specific to the Banque Populaire Group and a residual supplementary banking pension calculated on the basis of the difference between banking rights to December 31, 1993, and social security pensions.

As regards pension funds specific to Natexis Banques Populaires, the former BFCE fund is at breakeven, while the former Crédit National fund shows a small deficit betwewen reserves and commitments.

For end-of-career allowances, consolidated entities cover all or part of their commitments through insurance policies with ABP Vie, the life insurance subsidiary of Natexis Banques Populaires, which is fully consolidated.

Provisions are booked for all subsdiaries' commitments not covered by insurance policies.

A ministerial decree of July 18, 2005, resulted in the modification of the French pension system. Departures on the initiative of the employer before the age of 65 are no longer subject to social security contributions. The impact of this decree is treated as a past service cost, spread out over the remaining vesting period, as determined by the entity.

Temporary cessation of activity agreement:

On February 18, 2002, the Banque Populaire Group signed an early retirement (CATS) agreement, in accordance with the AFB agreement of January 15, 2001. On August 30, 2002, the Banque Populaire Group and the French Ministry for Social Affairs, Labor and Solidarity signed a CATS early retirement agreement, under which benefits paid within the framework of the agreement are exempt from social security contributions.

The Group's liabilities in respect of long-service awards are calculated on a prospective basis, similar to that used for end-of-career allowances.

The main actuarial assumptions made as at December 31, 2005, are as follows:

	Supplementary pensions	End-of-career allowances	Long-service awards
Discount rate	3.76%	3.60%	3.42%
Return on plan assets	6.00%	3.80%	///

The drift rate for healthcare expenses is 4.5%, of which 2% relates to inflation and 2.5% to the "generation" effect.

For end-of-career allowances and long service awards, employee turnover is calculated by age bracket and grade based on a three-year average. The rate is 0% for employees over 55. Future salary increases are estimated by grade (ranging from 4.2% to 4.7%) based on a constant population and a three-year average.

in € millions	Supplementary pensions	End-of-career allowances	Long-service awards	Other	Total
IAS liabilities at January 1, 2005					
Impairment	48	108	25	49	230
Items not recognized under IAS 19	7	9	-	3	19
Remaining changes in pension schemes	-	-	-	-	-
Total liabilities at January 1, 2005	**56**	**117**	**25**	**52**	**249**
Benefits paid over the period	(1)	(4)	(2)	(4)	(10)
Benefits vested over the period	-	7	-	2	9
Interest charge	7	4	1	3	15
Expected gross return on plan assets	(6)	1	-	-	(5)
Change in management fees	-	-	-	-	0
Payment to fund	-	-	-	-	0
Charges on payments	-	-	-	-	0
Change in scheme recognized over the period	1	(1)	-	-	0
Actuarial gains and losses	-	(1)	3	-	3
Other	(4)	3	2	-	0
Change taken to income	(2)	10	4	0	12
Actuarial gain or loss on liabilities	15	22	///////	3	41
Actuarial gain or loss on return on plan assets	(7)	(1)	///////	-	(8)
Other actuarial gains or losses	1	(1)	///////	1	1
Change in actuarial gains or losses not recognized	9	20	0	4	33
Change in scheme over the period	-	(12)	///////	-	(12)
Other	-	-	///////	-	0
Other changes not recognized	-	(12)	0	-	(12)
Other	-	-	///////	-	0
Other changes	-	-	0	-	0
Liabilities at December 31, 2005					
Impairment	46	117	29	49	242
Items not recognized under IAS 19	16	30	-	7	53
Remaining changes in pension schemes	-	(12)	-	-	(12)
Total liabilities at December 31, 2005	**62**	**135**	**29**	**57**	**283**

X.4 - Share-based payment plans

IFRS 2 relates to four plans allocated after November 7, 2002, rights to which had not yet vested as at January 1, 2005.

Each plan is allocated for a period of four years.

Year	Allocation date	Number of options granted	Exercisable as of	Expiry date	Exercise price	Options in circulation at end-2005	Fair value
2002	11/20/02	331,110	09/10/06	09/09/09	72.47	308,490	20.70
2003	11/19/03	406,890	09/10/07	09/09/10	83.25	398,270	22.30
2004	11/17/04	427,750	11/17/08	11/16/11	89.10	423,900	13.31
2005	11/15/05	500,000	11/15/09	11/14/12	119.24	500,000	24.60

in thousands of euros Year	2005 Charge
2002	844
2003	1,321
2004	780
2005	141
Total	**3,086**

This charge concerns share-based payment plans allocated within the scope of Natexis Banques Populaires

Note XI > SEGMENT REPORTING

XI.1 - Segment reporting by business segment

XI.1.1 - Income

in € millions		Corporate & Institutional Banking & Markets [1]	Private Equity & Wealth Management [2]	12/31/2005 EU IFRS Services [3]	Receivables Mana-gement [4]	Other businesses [5]	Total
Net banking income		1,259	264	725	781	62	3,091
	Year-on-year change	*9%*	*41%*	*19%*	*14%*	*(7%)*	*14%*
Operating expenses		(726)	(91)	(440)	(547)	(253)	(2,057)
	Year-on-year change	*11%*	*2%*	*7%*	*6%*	*28%*	*10%*
Gross operating income		533	173	285	234	(191)	1,034
	Year-on-year change	*6%*	*76%*	*42%*	*39%*	*(47%)*	*23%*
Income before income tax		472	159	282	223	(69)	1,067
	Year-on-year change	*17%*	*89%*	*51%*	*36%*	*28%*	*43%*

XI.1.2 - Balance sheet items

in € millions	Corporate & Institutional Banking & Markets [1]	Private Equity & Wealth Management [2]	Services [3]	Receivables Management [4]	Other businesses [5]	Intragroup & intersector	Other amounts	Total
Financial assets measured at fair value through profit or loss	16,813	1,185	7,915	123	116	(139)	-	26,013
Available-for-sale financial assets	7,396	460	13,326	842	4,471	(4,255)	-	22,240
Due from banks	53,421	626	829	15	3,566	(2,358)	-	56,099
Customer loans	42,421	237	588	3,638	4,997	(2,680)	-	49,201
Held-to-maturity financial assets	-	-	6,973	121	-	(41)	-	7,053
Goodwill	13	24	236	443	17	-	-	733
Other assets	3,005	117	1,820	1,126	1,062	(350)	-	6,780
Total assets	**123,069**	**2,649**	**31,687**	**6,308**	**14,229**	**(9,823)**	**0**	**168,119**

in € millions	Corporate & Institutional Banking & Markets [1]	Private Equity & Wealth Management [2]	Services [3]	Receivables Management [4]	Other businesses [5]	Intragroup & intersector	Other amounts	Total
Financial liabilities at fair value through profit or loss	5,285	5	6	-	50	(58)	-	5,288
Due to banks	48,568	629	455	1,899	8,047	(4,745)	-	54,853
Customer deposits	18,369	543	46	786	5,420	(1,174)	-	23,990
Debt securities in issue	36,248	6	-	741	849	(84)	-	37,760
Technical reserves of insurance companies	-	-	25,334	903	-	-	-	26,237
Subordinated debt	3,813	10	388	25	882	(825)	-	4,293
Other liabilities	4,210	1,456	5,286	1,954	1,824	(2,937)	3 905	15,698
Total liabilities	**116,493**	**2,649**	**31,515**	**6,308**	**17,072**	**(9,823)**	**3,905**	**168,119**

The interim figures presented above are based on the four core businesses of Natexis Banques Populaires as defined in 2004:

- Corporate and Institutional Banking and Markets [1] comprises Corporate France (including lease financing), International, Global Debt & Derivatives Markets, Natural Resources & Related Industries, Equity Group and Mergers & Acquisitions. These activities are principally conducted by Natexis Banques Populaires, Natexis Lease and Natexis Bleichroeder.

- Private Equity and Wealth Management [2] comprises the private equity business of Natexis Private Equity and the wealth management business conducted by Banque Privée Saint Dominique and Natexis Private Banking Luxembourg.

- Services [3] includes Banking, Financial and Technology Services together with Asset Management (excluding Wealth Management). The Banking, Financial and Technology Services business line develops and markets a wide range of banking and financial services for banks and other institutions, including outsourcing services. Asset Management is principally conducted by Natexis Asset Management (fund management), Natexis Assurances (insurance) and Natexis Interépargne (employee benefits planning).

- Receivables Management [4] comprises the credit insurance and credit management services activities conducted by Coface together with Natexis Factorem's factoring business.

- Other businesses [5] correspond to activities conducted by Natexis Banques Populaires which are not businesses in the true sense of the term, including its activities as a holding company of direct subsidiaries. Net banking income from this segment includes income from treasury transactions, real estate revenues and revenues from institutional activities conducted on behalf of the State. General operating expenses correspond to headquarters expenses not allocated to the core businesses. "Other businesses" also includes certain consolidation adjustments that cannot be allocated to the core businesses.

XI.2 - Segment reporting by region

XI.2.1 - Income

in € millions	France	Other EU	North America	Other OECD	Other countries	Intragroup & inter-regional	Total
Net banking income	2,287	469	233	14	126	(38)	3,091
Operating expenses	(1,596)	(268)	(104)	(13)	(36)	36	(1,982)
Amortization, depreciation and impairment	(56)	(11)	(5)	-	(2)	-	(74)
Gross operating income	635	191	124	-	87	(3)	1,034
Impairment charges and other credit provisions	(54)	(10)	(16)	-	-	-	(81)
Operating income	581	180	107	-	87	(3)	953
Share of income of associates	10	2	-	-	1	-	14
Gains or losses	98	-	-	-	-	-	98
Change in value of goodwill	2	-	-	-	-	-	2
Earnings before tax	692	182	107	-	88	(3)	1,067
Income taxes	(232)	(62)	(36)	(1)	(9)	-	(341)
Consolidated net income	460	120	71	(1)	78	(3)	725
Minority interests	(20)	(1)	-	-	(9)	-	(30)
Net income attributable to equity holders of the parent	**439**	**119**	**71**	**(1)**	**70**	**(3)**	

XI.2.2 - Balance sheet items

in € millions	France	Other EU	North America	Other OECD	Other countries	Intragroup & inter-regional	Total
Financial assets measured at fair value through profit or loss	21,641	712	3,286	-	419	(46)	26,013
Available-for-sale financial assets	21,084	792	349	9	36	(30)	22,240
Due from banks	59,491	1,351	13,547	-	5,112	(23,402)	56,099
Customer loans	32,395	6,643	9,710	-	1,210	(758)	49,201
Held-to-maturity financial assets	6,951	103	-	-	-	-	7,053
Goodwill	636	87	10	-	1	-	733
Other assets	5,337	1,030	280	14	161	(42)	6,780
Total assets	**147,535**	**10,718**	**27,182**	**23**	**6,939**	**(24,278)**	**168,119**

in € millions	France	Other EU	North America	Other OECD	Other countries	Intragroup & inter-regional	Total
Financial liabilities at fair value through profit or loss	5,307	23	32	-	7	(81)	5,288
Due to banks	60,976	7,722	4,385	-	5,610	(23,840)	54,853
Customer deposits	13,749	854	9,053	-	338	(4)	23,990
Debt securities in issue	25,526	6	12,191	-	48	(11)	37,760
Technical reserves of insurance companies	25,014	1,134	28	19	42	-	26,236
Subordinated debt	3,754	10	838	-	-	(310)	4,293
Other liabilities	13,208	969	655	4	894	(33)	15,698
Total liabilities	**147,535**	**10,718**	**27,182**	**23**	**6,939**	**(24,278)**	**168,119**

NOTE XII > COMMITMENTS

XII.1 - Guarantee commitments

Non-financial guarantee commitments given (or received) correspond to contracts entailing an obligation (or right) to give (or receive) non-financial assets in the event of default by the debtor.

A financial guarantee commitment is a contract that requires the issuer to compensate the business guaranteed in the event of losses incurred as a result of a debtor failing to pay contractual instalments. The exercise of these rights is subject to the realization of an uncertain future event.

IAS recognizes three types of financial guarantee:

- guarantees granted (received) upon the transfer of financial assets/liabilities;

- financial guarantees treated as derivative financial instruments; these are credit derivatives (see table on derivative financial instruments for details);

- financial guarantees that meet the definition of an insurance contract and are accounted for as insurance contracts.

Amounts shown represent the nominal value of the commitment given.

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Guarantees given		
To banks	2,011	1,459
Confirmed documentary credits	1,322	906
Other guarantees	689	553
To customers	16,767	15,283
of which institutional activities	*1*	*2*
Real estate guarantees	672	709
Tax and other bonds	1,001	1,118
Other bonds and endorsements	5,399	5,393
Other guarantees	9,695	8,063
Total guarantees given	**18,778**	**16,742**
Guarantees received from banks	**5,666**	**7,023**

XII.2 - Financing commitments

In accordance with IAS 39 (§2), financing commitments outside the scope of IAS 39 are recognized in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets".

The following financing commitments fall within the scope of IAS 39:

- financial liabilities at fair value through profit or loss. If an entity has a practice or reselling or securitization of credits just after they are issued, these loans are subject to IAS 39 from the commitment phase
- those which are subject to settlement (i.e. disposal);
- those which result in a loan below market conditions.

If the financial conditions of a commitment are below market conditions, a discount is recognized in expenses, with a corresponding increase in accrued income and deferred expenses. This discount is then integrated into the loan and in the calculation of the effective interest rate.

Other financing commitments covered by IAS 37:

A financing commitment given is a contingent liability, defined by IAS 37 as:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise;

or

- a present obligation arising from past events but which is not recognized because:
    - ° it is not probable that an outflow of economic benefits will be required to settle the obligation,

or

- ° a reliable estimate of the amount of the obligation cannot be made.

in € millions	12/31/2005 EU IFRS	01/01/2005 EU IFRS
Financing commitments given		
To banks	3,115	2,448
To customers		
Documentary credits	1,947	942
Other confirmed lines of credit	25,455	18,426
Other commitments	728	1,521
Total financing commitments given	**31,245**	**23,337**
Financing commitments received		
From banks	7,278	5,872
From customers	0	0
Total financing commitments received	**7,278**	**5,872**

Note XIII > OTHER INFORMATION

XIII.1 - Maturity of assets and liabilities

IAS 32 requires information about exposure to interest rate risk. The following table shows assets and liabilities by remaining contractual maturity.

Assets and liabilities without a maturity date, such as receivables and associated liabilities, ordinary accounts or immediately due receivables are shown in the column entitled "on demand".

Assets (in € millions)	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indefinite	Total
Cash due from banks	217	-	-	-	-	-	217
Financial assets measured at fair value through profit or loss	1,646	9,369	3,566	3,439	1,871	6,121	26,013
Hedging derivatives	-	1	5	26	11	-	43
Available-for-sale financial assets	720	4,817	2,256	6,063	4,112	4,272	22,240
Due from banks (L&R)	22,582	4,356	10,032	16,758	2,366	5	56,099
Customer loans (L&R)	19,996	13,865	5,888	4,190	5,066	195	49,200
Held-to-maturity financial assets (HTM)	-	5	6	2,691	4,351	-	7,053
Total assets	**45,160**	**32,413**	**21,754**	**33,167**	**17,776**	**10,594**	**160,865**

Liabilities (in € millions)	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indefinite	Total
Due to central banks	4	378	30	-	-	-	412
Financial liabilities at fair value through profit or loss	70	734	1,088	2,479	891	26	5,288
Hedging derivatives	-	4	21	95	92	-	212
Due to banks	25,795	4,135	22,442	1,753	721	7	54,853
Customer deposits	14,519	4,516	4,659	278	4	13	23,990
Debt securities in issue	294	32,283	4,176	804	202	-	37,760
Subordinated debt	51	1,679	196	982	1,137	247	4,293
Total liabilities	**40,734**	**43,730**	**32,613**	**6,391**	**3,047**	**293**	**126,808**

XIII.2 - Breakdown of assets and liabilities by currency

	Total	Euros	US Dollars	Sterling	Yen	Suiss Francs	other
Total assets	168,119	128,950	30,137	4,415	432	629	3,556
Total liabilities	168,119	128,716	30,078	4,432	251	540	4,102

XIII. 3 - Information about finance leases and operating leases

XIII.3.1 - Leases as lessor

Leases as lessor	Residual duration: Less than 1 year	1 year to 5 years	More than 5 years	Other	Total
Finance leases					
Gross investment	788	3,311	2,972	-	7,071
Aggregate present value of minimum lease payments	176	2,096	2,379	-	4,651
Unearned finance income	////////	////////	////////	492	492
Contingent rents recognized	////////	////////	////////	-	-
Provisions for irrecoverability of minimum lease payments	////////	////////	////////	-	-
Operating leases					
Minimum payments due under non-terminable contracts	6	115	223	-	345
Contingent rents recognized	////////	////////	////////	-	-

Leases as lessor	Property	Equipment	Intangible assets	Total
Finance leases				
Unguaranteed residual value accruing to lessor	131	76	-	206

XIII.3.2 - Leases as lessee

Leases as lessee	Residual duration: Less than 1 year	1 year to 5 years	More than 5 years	Other	Total
Finance leases					
Minimum future lease payments	12	23	-	-	34
Aggregate present value of minimum lease payments	-	-	-	-	-
Contingent rents recognized as expenses for the period	////////	////////	////////	-	-
Minimum future sub-letting payments expected under sub-letting	////////	////////	////////	-	-
Operating leases					
Minimum future lease payments	-	1	-	-	1
Minimum future sub-letting payments expected under sub-letting contracts	////////	////////	////////	-	-
Minimum lease payments recognized as expenses	////////	////////	////////	-	-
Contingent rents recognized as expenses	////////	////////	////////	-	-
Sub-letting revenues	////////	////////	////////	-	-

Leases as lessee	Property	Equipment	Intangible assets
Financing leases			
Net carrying amount	71	5	76

XIII. 4 - Related parties

Relations between consolidated companies

Details of Natexis Banques Populaires' main transactions with related parties (Banque Populaire Group including Banque Fédérale and its subsidiaries and the Banque Populaire banks and their subsidiaries, proportionally consolidated interests for the share not eliminated in consolidation and all associates) are given below:

in € millions	12/31/2005 EU IFRS			12/31/2004 2004 IFRS		
	Banque Populaire Group	Proportionally consolidated companies	Associates	Banque Populaire Group	Proportionally consolidated companies	Associates
ASSETS						
Financial assets measured at fair value through profit or loss	859	-	-	127	-	-
Available-for-sale financial assets	2,951	2	-	1,644	5	-
Due from banks	8,075	10	-	6,303	10	-
Customer loans	313	-	-	166	-	-
Held-to-maturity financial assets	154	-	-	-	-	-
LIABILITIES						
Financial liabilities at fair value through profit or loss	391	-	-	31	-	-
Due to banks	5,401	18	-	3,726	60	-
Customer deposits	535	-	-	152	-	-
Debt securities in issue	520	-	-	521	-	-
Subordinated debt	978	-	-	991	-	-
INCOME						
Interest and similar income	294	-	-	186	-	-
Interest and similar expenses	(153)	-	(1)	(115)	-	(1)
Net fees and commission	(189)	-	-	(162)	-	-
Net gains or losses on financial instruments at fair value through profit and loss	(96)	-	-	(75)	-	-
Net gains or losses on available-for-sale financial assets	1	-	-	-	-	-
Income and expenses from other activities	70	-	-	52	-	-
Operating expenses	(6)	-	-	(5)	-	-

Management compensation

in euros	12/31/05	12/31/04	12/31/03
Natexis Banques Populaires Directors (1)	181,475	179,340	182,390
Executive Management (2)	3,776,559	3,457,097	2,870,304

(1) In 2005, as in previous years, directors' fees paid to Board members included a fixed portion (€1,525 per year and per director) and a variable portion (€1,220 per Board meeting and per Director).

Members of the Financial Statements Review Committee, the Audit Committee and the Compensation Committee received in addition €915 per meeting and per director.

This compensation is paid in full at the end of the year.

(2) Total gross compensation paid to members of Natexis Banques Populaires Executive Management Committee during their term of office during the period, including the Chairman and the Chief Executive Officer.

Number of Executive Management Committee members: 11 in 2005, 11 in 2004, 9 in 2003.

Executive officer compensation

Total gross compensation paid to executive officers was as follows:

in euros	12/31/05	12/31/04	12/31/03
Chairman	338,000	338,000	338,000
Chief Executive Officer	487,292	484,730	509,286

The number of share subscription options allotted in respect of offices held in the issuing company and associated undertakings was as follows:

number of options allotted	12/31/05	12/31/04	12/31/03
Chairman	14,000	12,500	12,000
Chief Executive Officer	14,000	13,000	12,000

In 2005, the Chairman and Chief Executive Officer exercised options allotted to them in 2001 at a price of €94.30.

number of options exercised	12/31/05	12/31/04	12/31/03
Chairman	20,000	-	-
Chief Executive Officer	4,500	-	-

Retirement allowances

The Chairman and the Chief Executive Officer of Natexis Banques Populaires belong to the supplementary group pension scheme open to all executive officers of the Banque Populaire Group, in accordance with the provisions of the status accorded to this category.

The aggregate amount of pensions paid to directors may not exceed 60% of revenues for the period, up to a maximum of €350,000. For directors appointed after January 1, 2005, this has been lowered to 50%.

This scheme was implemented before May 1, 2005, i.e. before the introduction of law 2005-842 of July 26, 2005.

This scheme is open to the Chairman in respect of his functions at Banque Fédérale des Banques Populaires and at Natexis Banques Populaires.

Early retirement allowances

In the event of the early retirement of an executive officer (apart from in the case of gross misconduct), the Banque Populaire Group shall pay an allowance equal to one year's compensation, plus one-twelfth of annual compensation per year of service at the Group, and possibly one-twelfth of the same compensation per year as an executive officer. The maximum amount payable may not exceed 42/12ths of annual compensation.

On retirement or early retirement, a payment is made equal to one-fortieth of annual compensation per year of service at the Banque Populaire Group, up to a maximum of 40/40ths of annual compensation.

XIII. 5 - Results of insurance companies

XIII.5.1 - Results of insurance companies

in € millions	12/31/05 Insurance format	12/31/05 Banking format Net banking income	General operating expenses	Gross operating income	Tax	Sub-consolidation adjustments	Net income
Separate or sub-consolidated financial statements							
Premium income	3,945	3,945	-	3,945	-	-	3,945
Investment income	1,497	1,499	(2)	1,497	-	-	1,497
Mark-to-market gains on assets	437	437	-	437	-	-	437
Other underwriting income	6	6	-	6	-	-	6
Loss expenses	(1,929)	(1,924)	(4)	(1,929)	-	-	(1,929)
Technical reserves	(1,932)	(1,932)	-	(1,932)	-	-	(1,932)
Policyholder dividends	(782)	(782)	-	(782)	-	-	(782)
Acquisition and administration costs	(677)	(299)	(378)	(677)	-	-	(677)
Investment expenses	(263)	(256)	(7)	(263)	-	-	(263)
Mark-to-market losses on assets held to cover linked liabilities	(8)	(8)	-	(8)	-	-	(8)
Other underwriting expenses	62	74	(12)	62	-	-	62
Investment income transferred out of the technical account	-	-	-	-	-	-	-
Underwriting result	**357**	**759**	**(402)**	**357**	**0**	**0**	**357**
Investment income transferred from the technical account	(31)	(31)	-	(31)	-	-	(31)
Other non-underwriting income	342	341	1	342	-	-	342
Other non-underwriting expenses	(212)	(64)	(148)	(212)	-	-	(212)
Provisions	(7)	-	-	-	-	(7)	(7)
Share of results of associates	4	-	-	-	-	4	4
Exceptional items	37	-	37	37	-	-	37
Employee profit-sharing	(1)	-	(1)	(1)	-	-	(1)
Income taxes	(81)	-	-	-	(81)	-	(81)
Goodwill amortization	(8)	-	-	-	-	(8)	(8)
Minority interests	(1)	-	-	-	-	(1)	(1)
Net income	**400**	**1,005**	**(513)**	**492**	**(81)**	**(11)**	**400**

This table reconciles the amounts recognized in the separate accounts of insurance companies (consolidated accounts of sub-groups in the case of the Coface Group) and the amounts recognized in the consolidated financial statements presented in the banking format.

The main reclassifications concern general operating expenses, which are analyzed by destination in the insurance format and by nature in the banking format. At the level of net banking income, insurance income and expenses that are similar to banking income and expenses (interest, gains and losses on financial assets at fair value through profit or loss, gains and losses on available-for-sale financial assets and fees and commissions) are reclassified under related line items in the banking format, in the interests of consistency. Movements in technical reserves and loss expenses are deducted from net banking income and not recognized as impairment losses.

XIII.5.2 - Insurance companies' contribution to the consolidated income statement

in € millions	12/31/2005 EU IFRS	12/31/2004 2004 IFRS
Interest and similar income	820	779
Interest and similar expenses	(22)	(38)
Fees and commission (income)	98	88
Fees and commission (expenses)	(310)	(242)
Net gains or losses on financial instruments at fair value through profit and loss	91	(148)
Net gains or losses on available-for-sale financial assets	242	23
Income from other activities	4,475	3,536
Expenses from other activities	(4,521)	(3,261)
Net banking income	**875**	**738**
Operating expenses	(533)	(495)
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(21)	(18)
Gross operating income	**321**	**225**
Impairment charges and other credit provisions	(7)	(5)
Operating income	**314**	**221**
Share of income of associates	8	8
Gains or losses	(1)	-
Change in value of goodwill	-	1
Earnings before tax	**322**	**230**
Income tax	(107)	(86)
Net income	**215**	**144**
Minority interests	(1)	(2)
Net income attributable to equity holders of the parent	**213**	**142**

XIII.6 - Breakdown of notional amount of derivatives - reconciliation with fair value

Financial instruments	Company financial statements	Restatements for consolidation	Consolidated financial statements	Cash flow hedges		Fair value hedges		Non-hedging instruments	
	Notional amount	Notional amount		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Interest rate instruments									
Transactions on organized markets									
Futures and forwards	**57,971**	**0**	**57,971**	**0**	**0**	**0**	**0**	**57,971**	**(6)**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	5	-	5	-	-	-	-	5	-
Other purchased	19,858	-	19,858	-	-	-	-	19,858	(9)
Other sold	38,108	-	38,108	-	-	-	-	38,108	3
Option transactions	**3,156**	**0**	**3,156**	**0**	**0**	**0**	**0**	**3,156**	**2**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	-	-	-	-	-	-	-	-	-
Other purchased	552	-	552	-	-	-	-	552	1
Other sold	2,604	-	2,604	-	-	-	-	2,604	1
Over-the-counter transactions									
Futures and forwards	**538,782**	**0**	**538,782**	**68,203**	**(84)**	**5,213**	**(79)**	**465,368**	**(43)**
Micro-portfolio purchased	4,307	-	4,307	-	-	4,307	(17)	-	-
Micro-portfolio sold	-	-	-	-	-	-	-	-	-
Micro-portfolio - Swaps	15,695	-	15,695	-	-	906	(62)	14,790	-
Macro-portfolio purchased	-	-	-	-	-	-	-	-	-
Macro-portfolio sold	-	-	-	-	-	-	-	-	-
Macro-portfolio - Swaps	66,942	-	66,942	68,203	(84)	-	-	(1,260)	(1)
Other - PTF POI XXX- purchased	-	-	-	-	-	-	-	-	-
Other - PTF POI - sold	-	-	-	-	-	-	-	-	-
Other - PTF POI - Swaps	-	-	-	-	-	-	-	-	-
Other - PTF JVO XXX- purchased	24,446	-	24,446	-	-	-	-	24,446	24
Other - PTF JVO - sold	38,140	-	38,140	-	-	-	-	38,140	(47)
Other - PTF JVO - Swaps	389,252	-	389,252	-	-	-	-	389,252	(19)
Option transactions	**79,428**	**0**	**79,428**	**0**	**0**	**1**	**0**	**79,426**	**29**
Micro-portfolio purchased	3,722	-	3,722	-	-	1	-	3,720	1
Micro-portfolio sold	-	-	-	-	-	-	-	-	-
Macro-portfolio purchased	-	-	-	-	-	-	-	-	-
Macro-portfolio sold	3	-	3	-	-	-	-	3	-
Other - PTF POI XXX- purchased	-	-	-	-	-	-	-	-	-
Other - PTF POI - sold	-	-	-	-	-	-	-	-	-
Other - PTF JVO XXX- purchased	37,491	-	37,491	-	-	-	-	37,491	789
Other - PTF JVO - sold	38,212	-	38,212	-	-	-	-	38,212	(761)
Sub-total	**679,337**	**0**	**679,337**	**68,203**	**(84)**	**5,214**	**(79)**	**605,921**	**(18)**
Exchange rate instruments									
Transactions on organized markets									
Futures and forwards	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	-	-	-	-	-	-	-	-	-
Other purchased	-	-	-	-	-	-	-	-	-
Other sold	-	-	-	-	-	-	-	-	-
Option transactions	**28**	**0**	**28**	**0**	**0**	**0**	**0**	**28**	**0**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	-	-	-	-	-	-	-	-	-
Other purchased	14	-	14	-	-	-	-	14	-
Other sold	14	-	14	-	-	-	-	14	-

Over-the-counter transactions									
Futures and forwards	**341**	**0**	**341**	**0**	**0**	**0**	**0**	**341**	**0**
Hedged purchased	22	-	22	-	-	-	-	22	-
Hedged sold	-	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-	-
Other purchased	83	-	83	-	-	-	-	83	-
Other sold	-	-	-	-	-	-	-	-	-
Other - swaps	236	-	236	-	-	-	-	236	-
Option transactions	**192,568**	**0**	**192,568**	**0**	**0**	**0**	**0**	**192,568**	**454**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	-	-	-	-	-	-	-	-	-
Other purchased	102,219	-	102,219	-	-	-	-	102,219	1,123
Other sold	90,349	-	90,349	-	-	-	-	90,349	(669)
Sub-total	**192,909**	**0**	**192,909**	**0**	**0**	**0**	**0**	**192,909**	**454**
Other instruments									
Transactions on organized markets									
Futures and forwards	**34,605**	**0**	**34,605**	**0**	**0**	**0**	**1**	**34,605**	**0**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	-	-	-	-	-	-	1	-	-
Other purchased	17,104	-	17,104	-	-	-	-	17,104	-
Other sold	17,501	-	17,501	-	-	-	-	17,501	-
Option transactions	**14,111**	**0**	**14,111**	**0**	**0**	**0**	**0**	**14,111**	**11**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	-	-	-	-	-	-	-	-	-
Other purchased	7,202	-	7,202	-	-	-	-	7,202	12
Other sold	6,909	-	6,909	-	-	-	-	6,909	(1)
Over-the-counter transactions									
Futures and forwards	**105**	**0**	**105**	**0**	**0**	**0**	**0**	**105**	**33**
Hedged purchased	-	-	-	-	-	-	-	-	-
Hedged sold	-	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-	-
Other purchased	67	-	67	-	-	-	-	67	49
Other sold	17	-	17	-	-	-	-	17	-
Other - swaps	21	-	21	-	-	-	-	21	(17)
Option transactions	**15,786**	**0**	**15,786**	**0**	**0**	**2**	**3**	**15,784**	**150**
Hedged purchased	3	-	3	-	-	2	3	1	-
Hedged sold	1	-	1	-	-	-	-	1	(1)
Other purchased	8,983	-	8,983	-	-	-	-	8,983	929
Other sold	6,799	-	6,799	-	-	-	-	6,799	(778)
Sub-total	**64,607**	**0**	**64,607**	**0**	**0**	**2**	**4**	**64,605**	**194**
Forward currency transactions									
Foreign exchange swaps	**157,004**	**0**	**157,004**	**0**	**0**	**0**	**0**	**157,004**	**167**
hedging	13,621	-	13,621	-	-	-	-	13,621	97
non-hedging	143,383	-	143,383	-	-	-	-	143,383	70
Other forward swaps	**1,707**	**0**	**1,707**	**0**	**0**	**0**	**0**	**1,707**	**0**
hedging	90	-	90	-	-	-	-	90	-
non-hedging	1,617	-	1,617	-	-	-	-	1,617	-
Financial swaps	**16,808**	**0**	**16,808**	**0**	**0**	**4,045**	**(9)**	**12,475**	**0**
micro	4,132	-	4,132	-	-	4,045	(9)	87	2
macro	288	-	288	-	-	-	-	-	-
open postion	-	-	-	-	-	-	-	-	-
trading	12,388	-	12,388	-	-	-	-	12,388	(2)
Sub-total	**175,519**	**0**	**175,519**	**0**	**0**	**4,045**	**(9)**	**171,186**	**167**

Auditors' report on the consolidated financial statements

Year ended December 31, 2005

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.

Dear Shareholders,

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, 2005.

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. These financial statements have been prepared for the first time in accordance with IFRS as adopted by the European Union. They include comparative information restated in accordance with the same standards in respect of the 2004 financial year, except for IAS 32, IAS 39 and IFRS 4, which have been applied as of January 1, 2005, under the option provided by IFRS 1.

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 methods 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, 2005, and the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Art. L823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we draw your attention to the following matters:

Estimates made within the context of banking activities

Natexis Banques Populaires uses significant estimates within the context of its banking activities:

- The group records provisions to cover the risks inherent in its business (notes V and VIII.13 of the notes to the financial statements). We examined the control procedures applicable for monitoring credit risks, provisioning methodologies, assessing the risks of non-recovery and determining the related specific and collective provisions;

- The group uses internal models and methodologies to measure financial instruments that are not traded on active markets, as well as to book certain provisions and assess the relevance of their designation as hedging instruments (in particular financial assets and liabilities at fair value through profit or loss, available-for-sale assets and financial instruments recognized at amortized cost, the fair value of which is presented in note V of the notes to the financial statements). We have examined the control procedures relating to the verification of the models and determination of the parameters used.

Other estimates

The group records provisions to cover employee benefits (notes V and X.3 of the notes to the financial statements). We examined the methodology used to value these commitments, as well as the assumptions and parameters used.

The group reviewed its material intangible assets and goodwill recorded in the consolidated balance sheet (notes III and V of the notes to the financial statements). We obtained an understanding of its conclusions and verified that they had been taken into consideration in preparing the consolidated balance sheet.

We have assessed the reasonable nature of these estimates.

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 22, 2006

The Statutory Auditors

BARBIER FRINAULT & AUTRES ERNST & YOUNG	DELOITTE & ASSOCIES	SALUSTRO REYDEL Member of KPMG International
Richard OLIVIER Olivier DURAND	José Luis GARCIA Damien LEURENT	Michel SAVIOZ

PARENT COMPANY FINANCIAL STATEMENTS AND NOTES TO 12/31/2005

Parent company balance sheets

At December 31

Assets

in € millions	Notes	2005	2004	2003
Cash and balances with central banks and post offices	*1*	24	15	15
Government securities and equivalent	*1*	4,894	5,775	4,088
Loans and advances to banks	*1*	65,174	47,782	48,331
of which institutional activities	*16*	250	333	421
Customer loans	*2*	32,326	26,056	25,964
of which institutional activities	*16*	697	1,133	1,099
Bonds and other fixed-income securities	*3*	13,934	11,228	9,505
Equities and other variable income securities	*3*	1,339	977	785
Investments in associates and other securities held for investment	*4*	162	165	174
Investments in subsidiaries	*4*	4,248	3,857	3,989
Finance leases	*2*	-	37	7
Operating leases	*2*	-	26	7
Intangible assets	*5*	44	36	39
Property, plant & equipment	*5*	80	81	94
Share capital subscribed not paid in		-	-	-
Treasury stock	*4*	230	160	130
Other assets	*6*	3,128	2,565	2,345
Accrued income and prepaid expenses	*6*	1,842	1,827	2,941
Total assets		**127,425**	**100,587**	**98,414**

Off-balance sheet items

in € millions	Notes	2005	2004	2003
Commitments received				
Financing commitments	*31*	3,814	4,613	2,185
Commitments received from financial institutions		3,795	3,744	1,643
Commitments received from customers		19	869	542
Guarantee commitments	*31*	6,442	7,783	3,783
Guarantees received from financial institutions		3,564	5,143	1,692
Guarantees received from customers		2,878	2,640	2,091
of which institutional activities	*16*	*263*	*345*	*450*
Commitments on securities	*31*	120	74	674
Other commitments received	*31*	2,000	1,109	1,287

Equity & liabilities

in € millions	Notes	2005	2004	2003
Due to central banks and post offices	*7*	412	22	1
Deposits from banks	*7*	54,106	39,847	35,930
of which institutional activities	*16*	322	408	515
Customer deposits	*8*	19,826	16,157	20,199
of which institutional activities	*16*	727	1,166	1,137
Debt securities in issue	*9*	34,463	29,007	26,955
Other liabilities	*10*	7,533	5,607	5,338
Deferred income and accrued charges	*10*	2,376	2,456	2,829
of which institutional activities	*16*	2	-	-
Provisions for contingencies and charges	*11*	934	796	831
Long-term subordinated debt	*12*	3,842	3,040	2,770
Fund for general banking risks	*13*	239	233	236
Equity		3,694	3,422	3,325
Share capital	*14*	784	772	769
Share premium	*14*	1,856	1,796	1,786
Reserves	*14*	578	542	470
Revaluation surplus	-	-	-	-
Regulated reserves & government grants	*13b*	106	111	108
of which institutional activities	*16*	*93*	*100*	*98*
Retained earnings	*14*	(89)	(13)	(9)
Net income for the year	*14*	459	214	201
Total equity & liabilities		**127,425**	**100,587**	**98,414**

Off-balance sheet items

in € millions	Notes	2005	2004	2003
Commitments given				
Financing commitments	*31*	30,141	22,525	21,144
Commitments given to financial institutions		3,165	2,451	2,330
Commitments given to customers		26,976	20,074	18,814
Guarantee commitments	*31*	19,900	17,979	16,628
Commitments given on behalf of financial institutions		2,839	2,020	1,344
Commitments given on behalf of customers		17,061	15,959	15,284
of which institutional activities	*16*	*1*	*2*	*5*
Commitments on securities	*31*	103	46	53
Other commitments given	*31*	272	204	14

Parent company income statments

Year ended December 31

in € millions	Notes	2005	2004	2003
Interest income	17	4,471	3,807	3,874
Interbank transactions		2,232	1,949	2,051
Customer transactions		1,463	1,154	1,114
Finance lease transactions		9	13	1
Operating lease transactions		9	5	1
Bonds and other fixed-income securities		443	476	492
Other interest income		315	210	215
Interest expense	18	(3,979)	(3,302)	(3,372)
Interbank transactions		(2,072)	(1,802)	(1,878)
Customer transactions		(539)	(497)	(478)
Finance lease transactions		(7)	(12)	(1)
Operating lease transactions		(8)	(4)	(1)
Bonds and other fixed-income securities		(1,075)	(704)	(715)
Other interest expense		(278)	(283)	(299)
Income from variable income securities	19	294	198	163
Fee and commission income	20	638	562	576
Fee and commission expense	20	(241)	(201)	(201)
Net gains/(losses) on trading account securities	21	161	92	35
Net gains/(losses) on trading account securities		74	257	43
Net foreign exchange gains/(losses)		269	41	3
Net gains/(losses) on financial instruments		(182)	(206)	(11)
Net gains/(losses) on securities held for sale	22	117	68	73
Other banking revenues	23	42	67	74
Other banking expenses	23	(60)	(32)	(43)
Net banking income		**1,443**	**1,259**	**1,179**
General operating expenses	24	(901)	(798)	(763)
Personnel costs		(544)	(483)	(439)
Other administrative costs		(357)	(315)	(324)
Depreciation, amortization and impairment of property, plant & equipment and intangible assets	24	(21)	(27)	(26)
Gross operating income		**521**	**434**	**390**
Impairment charges and other credit provisions	25	(76)	(82)	(231)
Operating income		**445**	**352**	**159**
Net gains/(losses) on disposals of non-current assets	26	32	(108)	(18)
Income before exceptional items and tax		**477**	**244**	**141**
Exceptional items	27	82	(1)	31
Corporate income tax	28	(100)	(28)	30
Net (charge to)/reversal of fund for general banking risks	13	-	(1)	(1)
Net income (loss)		**459**	**214**	**201**

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 carried at their face value. Undrawn amounts on loans already committed and agreed are included in off-balance sheet items under the heading "financing commitments given". Performing and non-performing loans are identified separately.

1.2 Loan impairment

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

1.2.1 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, impairment charges or provisions are recognized in profit or loss under the heading "impairment charges and other credit provisions". These impairment charges 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 impairment charges and other credit provisions.

The impairment charge is now calculated as the difference between the carrying amount and the estimated recoverable amount discounted at the original effective interest rate. The discounting requirement led to the recognition of an additional provision of €16 million deducted from opening equity at January 1, 2005.

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 an impairment charge against the principal amount 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.

1.2.2 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 of 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.

As of January 1, 2005, assets that are not specifically identified as impaired are divided into groups of assets with similar credit risk characteristics on an industry by industry basis. Each group of assets is assessed for objective evidence of impairment based on observable data indicating a probable decrease in the estimated recoverable cash flows for that group of assets. Collective provisions are taken to cover any estimated losses. Assets that are subsequently specifically identified as impaired are no longer included in the groups of assets assessed collectively.

The impairment provision is based on the expected loss at maturity.

1.2.3 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 recognized in profit or loss. 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

1.5.1 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 in profit or loss. 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. An impairment charge 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 taken to profit or loss over the remaining life of the securities;

■ Debt securities held for investment: these are fixed-income securities acquired with the intention of being held in principle 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 taken to profit or loss over the remaining life of the securities.

In accordance with French banking regulations, provisions are not systematically 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 non-current assets" and provisions for counterparty risk to "impairment charges and other credit provisions";

■ Treasury stock: treasury shares are purchased for two purposes: i) to regulate the market price under a liquidity agreement, and ii) to pay for acquisitions. The number of treasury shares held as of December 31, 2005 totaled 1,608,345 with a value of €226 million, recorded in "trading account securities".

1.5.2 Investments in subsidiaries and associates 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 value in use at the year end. Value in use 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 an impairment charge taken if their net book value is higher than their estimated 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 "impairment charges and other credit provisions" where they reflect counterparty risk, and "net gains/(losses) on disposals of non-current assets" where they reflect market risk or the result of disposal;

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

1.7 Property, plant & equipment and intangible assets

1.7.1 Measurement on Initial recognition

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.

New acquisitions are recognized at cost plus directly attributable transaction costs (transfer duties, fees, commissions and registration expenses). Borrowing costs are not capitalized.

Internally-generated computer software is measured at the total cost of development, including related hardware costs, service costs and personnel costs directly attributable to the production and preparation of the software. Expenses incurred during the development phase are only recognized as intangible assets if they meet conditions of technical feasibility, intention to complete the asset for internal use or sale, probability of future economic benefits, availability of resources and ability to measure the development expenditure reliably. Expenses incurred during the research phase are recognized in profit or loss when they are incurred.

1.7.2 Subsequent measurement

After recognition, assets are carried at cost less any accumulated depreciation, amortization and impairment losses.

1.7.3 Amortization and depreciation

Assets are depreciated or amortized over their estimated useful lives either on a straight-line basis or on a diminishing balance basis where this better reflects the pattern of consumption of future economic benefits. The residual value of the asset is deducted from its depreciable or amortizable amount where it can be measured reliably. Natexis Banques Populaires does not believe it can reliably measure the residual value of items other than land and indestructible elevations. They are therefore assigned a nil residual value.

In line with the new standards, a specific deprecation schedule is drawn up for each significant component of an item of property, plant and equipment which has a different useful life or rate of consumption of future economic benefits than the items as a whole. For buildings used in the business and investment property, the following significant components and depreciation periods have been identified:

– Land:	N/A
– Indestructible elevations:	N/A
– Walls, roof, waterproofing:	20 to 40 years
– Foundations, framework:	30 to 60 years
– External rendering:	10 to 20 years
– Equipment and installations:	10 to 20 years
– Internal fixtures and fittings:	8 to 15 years

Other items of property, plant and equipment are depreciated over their estimated useful lives, which range from five to ten years.

Purchased software is amortized over its estimated useful life, which in most cases is less than five years. Internally-generated software is amortized over a period which may not exceed fifteen years.

Other intangible assets primarily comprise purchased goodwill with an indefinite useful life, which is not amortized but tested for impairment at least annually.

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 recognized in profit or loss as interest expense.

1.9 Participating notes

Remuneration paid in respect of participating notes is treated as interest payable and recognized in profit or loss on an accruals basis.

1.10 Interest, premiums, fees and commission

Interest, together with premiums, fees and commissions treated as interest income are recognized in profit or loss 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 profit or loss 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).

1.13.1 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 recognized in profit or loss on an accruals basis.

■ The accounting treatment of speculative positions is identical with respect to interest flows. 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 recognized immediately in profit or loss. Valuations are adjusted for counterparty risk and the discounted present value of future contractual management costs.

1.13.2 Currency instruments

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

■ Forward currency hedging transactions are recognized in profit or loss 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.

1.13.3 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 in profit or loss on a symmetrical basis with the income and expenses on the hedged items.

In the case of non-hedging 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 recognized immediately in profit or loss. 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.

1.13.4 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 34.93%, and at the local corporate tax rate for foreign branches.

1.16 Employee-related liabilities and post-retirement benefits

The main provisions for employee-related liabilities concern:

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

Natexis Banques Populaires uses independent actuaries to measure its main liabilities as well as the supplementary banking pension.

The provision recognized in the balance sheet is equal to:

- the amount of the actuarial liability in respect of post-retirement and similar benefits for employees and retirees;
- less the market value of plan assets;
- less or plus any actuarial losses or gains arising from:
  - experience adjustments in respect of demographic variables;
  - changes in actuarial assumptions such as the discount rate, employee turnover and future salary increases;
  - differences between the actual return and expected return on plan assets.

Actuarial gains and losses are recognized in profit or loss using the "corridor" method. Under this method, the portion that exceeds 10% of the greater of the group's obligation or the fair value of plan assets is deferred over the remaining working lives of the employees participating in the plan.

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 working 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 released to profit or loss as interest income in the sum of €1.8 million in 2003, €1.6 million in 2004 and €1.5 million in 2005.

In accordance with standard CRC 2004-04, long service awards are no longer treated as employee benefits but as an 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.

Standard CRC 2002-10 on component accounting for property, plant and equipment has been applied as of January 1, 2005. Following a review of the company's assets, an additional depreciation charge of €5.2 million was recognized in respect of previous years by deduction from 2005 opening equity.

Pursuant to recommendation R 2003-01 issued by the CNC, full provisioning for employee-related liabilities in accordance with IAS 19 is compulsory in the parent company financial statements as of January 1, 2005 in line with Group accounting standards. Accordingly, an additional provision of €78 million was recognized by deduction from 2005 opening equity.

Standard CRC 2002-03 requires provisions for non-performing loans to be discounted as of January 1, 2005. This impact of this change of method was recognized through 2005 opening equity in the sum of €15.7 million.

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	2005	2004	2003
Cash and balances with central banks and post offices	24	15	15
Government securities and equivalent	4,894	5,775	4,088
Trading account securities	3,451	3,471	1,798
Securities held for sale	1,060	1,890	1,833
Accrued interest receivable	*30*	*59*	*66*
Impairment charges	*(5)*	*(5)*	*(8)*
Debt securities held for investment	383	414	457
Accrued interest receivable	*10*	*8*	*13*
Loans and advances to banks	65,174	47,782	48,331
Demand	3,956	2,486	2,793
Accrued interest receivable	*11*	*41*	*3*
Non-performing loans	*1*	*1*	*1*
Impairment charges	-	-	-
Time (*)	61,218	45,296	45,538
Accrued interest receivable	*484*	*244*	*315*
Non-performing loans	*81*	*85*	*85*
Impairment charges	*(51)*	*(48)*	*(59)*
Total	**70,092**	**53,572**	**52,434**
(*) Subordinated loans:	121	120	119
Performing	*118*	*118*	*117*
Non-performing	*1*	-	-
Accrued interest receivable	*2*	*2*	*2*
Securities received under repurchase agreements:	36,582	28,502	28,719
Accrued interest receivable	*332*	*179*	*196*

Note 2 Customer loans and lease financing

in € millions	2005	2004	2003
Current accounts in debit	**4,347**	**4,238**	**4,235**
Accrued interest receivable	13	13	13
Non-performing loans	200	78	124
Impairment charges	(79)	(47)	(78)
Commercial loans	**751**	**625**	**625**
Accrued interest receivable	11	-	-
Non-performing loans	20	19	16
Impairment charges	(2)	(5)	(9)
Other loans to customers	**27,228**	**21,193**	**21,104**
Short-term loans and consumer loans	15,949	12,149	10,296
Accrued interest receivable	*47*	*41*	*47*
Equipment loans	2,166	2,213	2,714
Accrued interest receivable	*8*	*8*	*12*
Export loans	660	1,025	1,135
Accrued interest receivable	*5*	*8*	*9*
Home loans	122	120	123
Accrued interest receivable	-	-	-
Securities purchased under resale agreements	544	-	1,012
Accrued interest receivable	*5*	-	*7*
Subordinated loans	571	446	441
Accrued interest receivable	*4*	*3*	*7*
Non-performing loans	-	-	-
Impairment charges	-	-	-
Other loans	7,216	5,240	5,383
Accrued interest receivable	*41*	*28*	*27*
Non-performing loans	*561*	*755*	*817*
Impairment charges	*(424)*	*(515)*	*(503)*
Customer loans	**32,326**	**26,056**	**25,964**
Equipment finance leases	-	37	7
Outstandings	-	37	7
Temporarily unleased assets and non-performing loans	-	-	-
Accrued interest receivable	-	-	-
Asset impairment	-	-	-
Loan impairment	-	-	-
Operating leases	-	26	7
Outstandings	-	26	7
Temporarily unleased assets and non-performing loans	-	-	-
Accrued interest receivable	-	-	-
Asset impairment	-	-	-
Loan impairment	-	-	-
Lease financing	**0**	**63**	**14**

Note 3 Bonds, Equities and other fixed and variable income securities

in € millions	2005	2004	2003
Bonds and other fixed-income securities	13,934	11,228	9,505
Trading account securities	5,651	4,119	2,373
Securities held for sale	4,272	2,902	1,299
Debt securities held for investment	3,991	4,176	5,777
Non-performing securities	20	31	56
Cost	*88*	*118*	*120*
Impairment charges	*(68)*	*(87)*	*(64)*
Bonds and other fixed-income securities	**13,934**	**11,228**	**9,505**
Equities and other variable income securities	1,339	977	785
Trading account securities	736	618	506
Securities held for sale	603	358	279
Non-performing securities	-	1	-
Cost	-	*8*	*5*
Impairment charges	-	*(7)*	*(5)*
Equities and other variable income securities	**1,339**	**977**	**785**

Note 3 bis Non-performing and irrecoverable assets and impairment charges

	2005		2004		2003 proforma*		2003	
in € millions	Non-performing	Irrecoverable	Non-performing	Irrecoverable	Non-performing	Irrecoverable	Non-performing	Irrecoverable
Financial institutions	32	1	36	1	26	1	3	24
Assets	57	27	59	26	74	12	3	83
Impairment charges	(25)	(26)	(23)	(25)	(48)	(11)	-	(59)
Customers	232	37	256	29	331	36	113	254
Assets	388	386	486	369	594	363	179	778
Impairment charges	(156)	(349)	(230)	(340)	(263)	(327)	(66)	(524)
Total	**264**	**38**	**292**	**30**	**357**	**37**	**116**	**278**

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 associates, other securities held for investment and treasury stock

in € millions	2005	2004	2003
Investments in associates	108	143	143
Carrying value	117	159	158
Shareholders' advances	-	-	-
Translation differences	1	2	1
Impairment charges	(10)	(18)	(16)
Securities loaned	-	-	-
Other securities held for investment	54	22	31
Carrying value	91	63	73
Shareholders' advances	-	-	-
Translation differences	-	-	-
Impairment charges	(37)	(41)	(42)
Securities loaned	-	-	-
Accrued interest receivable	0	0	0
Investments in affiliates and other securities held for investment	**162**	**165**	**174**
Investments in subsidiaries	4,248	3,857	3,989
Carrying value	4,370	3,970	4,029
Shareholders' advances	6	14	14
Translation differences	25	46	38
Impairment charges	(153)	(173)	(92)
Securities loaned	-	-	-
Accrued interest receivable	0	0	0
Investments in subsidiaries	**4,248**	**3,857**	**3,989**
Treasury stock	230	160	130
Trading account securities	226	156	126
Securities loaned	-	-	-
Long-term investments*	4	4	4
Treasury stock	**230**	**160**	**130**
* Including impairment charges	0	0	0

NOTE 4.1 Investment portfolio at December 31, 2005

in euros	Number of shares	Carrying value
I - INVESTMENTS IN SUBSIDIARIES		
A) Banks and credit institutions		
NATEXIS LEASE	16,670,494	399,595,042.46
NATEXIS BLEICHROEDER Inc.	100	160,001,569.60
NATEXIS TRANSPORT FINANCE	1,244,316	174,893,671.79
NATEXIS FACTOREM	1,494,854	127,459,107.02
NATEXIS BLEICHROEDER S.A.	673,542	50,548,024.75
NATEXIS ARBITRAGE	4,019,846	60,614,602.32
NATEXIS INTEREPARGNE	555,653	57,052,981.05
NATEXIS PRIVATE BANKING Luxembourg S.A.	11,017	32,101,337.37
NATEXIS LUXEMBOURG S.A.	399,999	40,636,720.29
NATEXIS MOSCOW	111,618	36,743,030.55
NATEXIS COFICINE	109,100	27,817,318.25
BANQUE PRIVEE SAINT DOMINIQUE	1,637,100	21,813,341.85
NATEXIS ALGERIE	2,096,266	24,990,191.49
NATEXIS PAIEMENTS	4,076,219	22,086,690.50
CFDI - Caisse Française de Développement Industriel	29,994	4,572,555.82
NATEXIS FUNDING	170,129	3,881,008.09
SOGAFI - Société de garantie financière	49,994	1,807,862.41
IFCIC	37,708	574,854.75
NATEXIS LEASE MADRID	32,134	514,144.00
INTERFINANCE NATEXIS NV	29,997	25,985.91
B) Financial institutions		
NATEXIS PRIVATE EQUITY	17,470,555	465,121,212.11
VAL “A”	1,672,000	282,278,635.00
NATEXIS AMBS (New York)	287,051	243,324,574.04
NATEXIS ASSET MANAGEMENT	1,718,978	176,992,625.36
SOCIETE FINANCIERE BFCE	6,052,992	92,950,977.55
SPAFICA	42,823	63,472,935.72
NATEXIS COMMODITY MARKETS	20,000,000	24,037,340.85
INVEST KAPPA	576,131	5,045,513.67
NATEXIS SLIB	748,693	12,696,599.52
FINANCIERE CLADEL	607,894	10,099,315.45
NBP Preferred Capital 1 (New York)	1,000	1,004.00
NBP Preferred Capital 3 (New York)	11,500	9,748,241.07
NBP Preferred Capital 2 (New York)	10,000	8,478,270.77
NATEXIS ASSET-BACKED MANAGEMENT CORPORATION	100	10,028,858.60
INVESTIMA 6 SAS	690,922	6,562,719.00
NATEXIS SERVICOS	37,861	2,088,400.77
NATEXIS FINANCE	162,003	1,599,698.82
NATEXIS INVESTMENT CORP	3,217	2,552,930.38
NATEXIS ASSET MANAGEMENT IMMOBILIER	89,609	1,241,227.11
SPAFIC	2,494	651,221.92
CONTANGO TRADING SA	9,994	223,415.30
SAINT DOMINIQUE RADIO	3,850	38,500.00
NATEXIS US FINANCE CORPORATION (New York)	65,000	55,098.75
SAGP	990	15,092.45
C) Other		
COFACE	14,214,684	694,107,112.61
NATEXIS ASSURANCES	7,084,558	593,334,877.47
AUXILIAIRE ANTIN	8,338,449	127,118,835.53
NATEXIS IMMO EXPLOITATION	7,674,462	124,002,112.22
NATEXIS ALTAIR	6,274,985	14,445,332.68
NATEXIS IMMO DEVELOPPEMENT	92,673	6,775,626.92
SAMIC	250	1,804,187.29
NATEXIS INVESTOR SERVICING	110,896	5,324,166.67
SCI HAUSSMANN 90	1,809	2,757,802.72
INVEST DELTA	14,994	1,228,582.06

in euros	Number of shares	Carrying value
LUGDUNUM GESTION	7,995	289,653.21
CO-ASSUR	2,495	282,683.77
SCI ANTIN HAUSSMANN	18	274,408.23
GECOMEX	4,995	16.00
INVEST ALPHA	14,994	228,582.06
TURBO SA	8,166	126,847.48
CRENINVEST 1	4,994	76,133.04
CLADEL MARITIME	4,590	5,284.09
SAS VALMY LIBERTE CONSEIL	2,476	67,104.78
NATEXIS FORMATION	3,494	55,904.00
NXBP 1	2,590	39,484.30
INVESTIMA 11	3,850	38,500.00
INVESTIMA 3	3,850	38,500.00
INVESTIMA 5	3,850	38,500.00
INVESTIMA 7 SAS	3,850	38,500.00
VAL "B"	2,494	38,416.68
SAS MONTMARTRE 1	2,500	34,166.83
CRENINVEST 7	2,494	38,020.78
INVEST GAMMA	2,494	32,807.63
INVEST OMEGA	2,494	25,744.43
SDGP 43	2,493	37,949.73
SDGP 38	2,493	37,893.60
SDGP 41	2,493	37,893.60
INVESTIMA 12	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 18	3,700	37,000.00
INVESTIMA 19	3,700	37,000.00
INVESTIMA 20	3,700	37,000.00
SEMA ENGHIEN LES BAINS	1,500	22,867.35
GIE RESTAUPRISE	14,740	22,470.99
INVESTIMA 8 SAS	3,850	19,250.00
INVESTIMA 9 SAS	3,850	19,250.00
GIE OMNIUM NATEXIS	1,250	19,056.13
D) Investments with a carrying value equal to or less than €15,000	-	**24,447.34**
E) Shareholders' advances		
SCI ALTAIR 1	-	6,274,967.28
SPAFIC	-	2,141,592.06
F) Securities loaned	-	**10,311.56**
G) Accrued interest receivable	-	**5,085.58**
II - INVESTMENTS IN ASSOCIATES AND OTHER SECURITIES HELD FOR INVESTMENT		
A) Banks and credit institutions		
I.K.B	2,200,000	29,430,369.72
BANCO FINANTIA	7,582,190	10,051,810.14
OSEO	133,372	3,242,831.92
W.G.Z. BANK	8,700	1,091,345.87
B.P. DI NOVARA	14,400	231,696.78
UNIGRAINS	5,467	186,978.50
PARNASSIENNE DE CREDIT	100	76,224.51
AL WASSIT - INTERMEDIATION ET CONSEIL FINANCIER	9,375	68,683.09
BANQUE GABONAISE DE DEVELOPPEMENT	16,200	67,077.57
B) Financial institutions		
PAI EUROPE 3 FCPR	1,369,693	6,438,662.08
MEDIAFINANCE	255,000	4,047,120.84
PROPARCO	267,300	4,017,739.19

in euros	Number of shares	Carrying value
PATRIMOINE EUROPE (SCPI)	2,941	2,767,864.37
BANQUE INTERNATIONALE ARABE DE TUNISIE (BIAT)	192,000	1,891,157.21
IMMOBILIERE PRIVEE	8,040	1,295,816.64
AXELTIS Ltd	627,000	1,025,777.75
AFH - AFRICAN FINANCIAL HOLDING	7,238	906,018.95
VILC - VIETNAM INTERNATIONAL LEASING CIE	1,000,000	793,563.57
MAGHREB PRIVATE EQUITY FUND LTD	995	694,222.54
SOFIPROTEOL	17,501	243,163.03
FIARO	29,166	97,508.98
PARIS TITRISATION	3,999	86,356.02
MAROC SERVICE INTERMEDIATION	10,000	66,814.00
BANQUE POPULAIRE IMAGES 7	37	37,000.00
SOFIMAC	221	33,521.89
C) Other		
SICOVAM HOLDING	3,694	30,417,099.22
PAI EUROPE 4 FCPR	2,500,000	24,989,750.00
EMBRAER	273,120	10,492,370.08
LUCIA	186,000	3,965,687.02
JACQUET SA	142,141	3,250,388.36
CARLYSE EUROPE PARTNERS II LP	3,203,114	3,203,114.00
GIE SPRING RAIN	17,599,140	2,682,971.60
INDUSTRI KAPITAL	3,009,998	2,428,193.25
SYSTRA	7,300	1,855,000.00
ROBINSON (Singapour)	7,757,557	1,256,739.85
MILLENIUM Nts Steel (Singapour)	44,938,197	1,001,590.23
Pt SIERAD (Singapour)	126,906,390	984,919.89
SRITHAI SUPERWARE (Singapour)	8,511,685	925,571.75
LOXLEY PUBLIC Co Ltd (Singapour)	16,150,000	679,913.54
AIT Int/PT Ait Batam	6,687,402	508,638.61
NATEXIS PRAMEX INTERNATIONAL	33,984	487,977.56
PORCHER INDUSTRIES	506	470,830.10
SOCIETE CONCESSIONNAIRE DU GRAND LOUVRE (SCESCL)	16,009	457,361.32
SOFRANTEM	15,002	388,822.74
GIE VULCAIN ENERGIE	24,446	372,676.87
GIE LES JEUNES BOIS	251,540	251,534.70
GIE STAR TROIS	149,902,077	228,524.24
SIAM STEEL Int Plc (Singapour)	4,956,427	201,504.62
CABLECOM (Londres)	234	194,897.47
Pt JAPFA COMFEED (Singapour)	7,930,882	167,557.00
ASSURANCES BANQUE POPULAIRE IARD (ex-Fructi-MAAF)	44	132,000.00
SEPIA	14,099	107,468.93
ECICs (Singapour)	132,436	92,930.41
PT ADES ALFINDO (Singapour)	625,157	89,489.70
PARNASSE IMMO	300	78,128.30
ECONOCOM GROUP	13,252	56,031.24
SEMAEST - Société d’économie mixte d’aménagement de l’est de Paris	2,500	50,000.00
UNICEREALES	2,750	41,923.48
ECRINVEST 8 (EX-NAM GERANCE)	2,496	38,370.63
VAL “E”	2,494	38,020.80
SDH DEVELOPPEMENT DE L'HORLOGERIE (Sté)	2,400	36,587.76
SNPE	500	36,206.64
SWIFT	353	34,326.77
O.G.I.F. - Omnium de gestion Financière de l'Ile de France	77,350	31,556.95
SOFREAVIA	3,750	17,150.51
TRANSVALOR	1,069	16,754.15
CLEMET	1,000	15,244.90
SADEPAR	100	15,244.90
CAISSE DE GARANTIE IMMOBILIERE “ C.G.I.F.F.B.”	2,000	15,244.90

in euros	Number of shares	Carrying value
D) Investments with a carrying value equal to or less than €15,000	-	66,054.54
E) Shareholders' advances		
SAS SFPMEI	-	710.00
F) Securities loaned	-	27,190.06
G) Accrued interest receivable	-	829.63
III - TREASURY STOCK		
NATEXIS BANQUES POPULAIRES	1,654,605	230,123,852.00
Total at December 31, 2005		**4,640,548,653.20**

NOTE 4.2 Disclosure of significant shareholdings in french companies

This information is provided pursuant to the provisions of article L247-1 of the French Commercial Code

Additions	% at 12/31/2005	Number of shares at 12/31/2005
1 - Purchases		
Valmy 1	100.00%	500
2 - Subscriptions and capital contributions		
Natexis Investor Servicing	92.89%	110,896
Investima 18	100.00%	3,700
Investima 19	100.00%	3,700
Investima 20	100.00%	3,700
PAI Europe 4	6.07%	2,500,000
Removals	**% at 12/31/2005**	**Number of shares at 12/31/2005**
3 - Disposals		
Natexis Mercosul Fund	-	-
Cie Finançière Européenne	-	-
Investima 13	-	-
NTF Equity	-	-
OFIVM	-	-
CAMULER	-	-
IDPC	-	-
SCI Maccarani Buffa	-	-
Bordeau Parc Auto	-	-
Domilyon	-	-
Quadral	-	-
Saint Aubin Chimie GIE	-	-
Soparind	-	-
Astrobotic	-	-
GIE First Snow	-	-

Note 4.3 Information concerning subsidiaries and associates

Pursuant to Article L233-15 of the French Commercial Code

Company or group of companies	Share capital	Reserves	Percentage interest at 12/31/2005
A - Investments with a carrying value in excess of 1% of the share capital of the reporting company	''000 s	''000 s	
Investments in subsidiaries and associates (holdings in excess of 10%)			
NATEXIS ALTAIR *4, rue Charles Gounod - 77185 LOGNES*	10,040 EUR	6,036 EUR	100.00%
NATEXIS ASSURANCES *27, boulevard Bourbon - 75004 PARIS*	54,055 EUR	317,959 EUR	100.00%
AUXILIAIRE ANTIN *18, rue de la Chaussée d'Antin - 75009 PARIS*	127,578 EUR	(3,426) EUR	100.00%
NATEXIS LEASE *115, rue Montmartre - 75002 PARIS*	267,242 EUR	132,611 EUR	100.00%
NATEXIS ASSET MANAGEMENT *68-76, quai de la Rapée - 75012 PARIS*	30,468 EUR	7,360 EUR	87.45%
NATEXIS PRIVATE BANKING LUXEMBOURG S.A. *47, boulevard Royal - L 2449 LUXEMBOURG*	28,750 EUR	2,455 EUR	95.80%
NATEXIS PAIEMENTS *115, rue Montmartre - 75002 PARIS*	22,419 EUR	2,848 EUR	100.00%
BANQUE PRIVEE SAINT DOMINIQUE *12-14, rond point des Champs Elysées - 75008 PARIS*	20,464 EUR	(1,250) EUR	100.00%
COFACE *12, cours Michelet - La Défense 10 - 92800 PUTEAUX*	54,957 EUR	449,230 EUR	100.00%
NATEXIS COFICINE *26, rue de Montévidéo - 75016 PARIS*	5,897 EUR	7,198 EUR	92.50%
NATEXIS FACTOREM *4, place de la Coupole - 94600 CHARENTON LE PONT*	12,000 EUR	121,579 EUR	99.66%
FINANCIERE CLADEL *115, rue Montmartre - 75002 PARIS*	9,727 EUR	1,142 EUR	100.00%
NATEXIS IMMO EXPLOITATION *45, rue Saint-Dominique - 75007 PARIS*	117,036 EUR	5,169 EUR	100.00%
LINEBOURSE *45, rue Saint-Dominique - 75007 PARIS*	5,761 EUR	(817) EUR	100.00%
NATEXIS AMBS *645 Fifth Avenue - NY 10022 - NEW YORK*	562,050 USD	(5,747) USD	100.00%
NATEXIS ALGERIE *62, chemin Mohamed Drareni - Hydra - ALGER*	2,500,641 DZD	30,869 DZD	87.18%
NATEXIS ARBITRAGE *115, rue Montmartre - 75002 PARIS*	60,298 EUR	(17,563) EUR	100.00%
NATEXIS LUXEMBOURG SA *28, avenue Marie-Thérèse - L2131 LUXEMBOURG*	40,000 EUR	17,290 EUR	100.00%
NATEXIS BLEICHROEDER INC *1345 avenue of the Americas - NY 10105 - NEW YORK*	151,503 USD	(20,848) USD	100.00%
NATEXIS BLEICHROEDER SA *100, rue Réaumur - 75002 PARIS*	73,636 EUR	(27,349) EUR	100.00%
NATEXIS INTEREPARGNE *16 - 18, rue Jules César - 75012 PARIS*	8,891 EUR	16,402 EUR	100.00%
NATEXIS COMMODITY MARKET (ex Natexis Metals) *47-53, Cannon Street - LONDON EC4M 5SH*	35,788 USD	(5,511) USD	100.00%
NATEXIS PRIVATE EQUITY *5-7, rue de Monttessuy - 75007 PARIS*	438,456 EUR	149,555 EUR	91.64%
NBP PREFERRED CAPITAL 3 *1251, avenue of the Americas - NEW YORK 10020*	211,500 USD	(564) USD	100.00%
NATEXIS ASSET-BACKED MANAGEMENT CORPORATION *600 Steamboat Road (1st floor) Greenwich, CT 06830 (U.S.A)*	10,000 USD	55,725 USD	100.00%
NBP PREFERRED CAPITAL II *176, rue Montmartre - 75002 PARIS*	160,000 USD	(178) USD	100.00%
NATEXIS TRANPORT FINANCE (SBFI) *45, rue Saint-Dominique - 75007 PARIS*	95,626 EUR	76,354 EUR	100.00%
NATEXIS SLIB *12, rue Auber - 75009 PARIS*	11,979 EUR	(8,559) EUR	100.00%
SOCIETE FINANCIERE BFCE *5-7 rue de Monttessuy - 75007 PARIS*	92,308 EUR	60,958 EUR	100.00%
SPAFICA *115, rue Montmartre - 75002 PARIS*	685 EUR	62,937 EUR	99.99%
VAL A *115, rue Montmartre - 75002 PARIS*	167,200 EUR	163,173 EUR	100.00%
NATEXIS MOSCOW *Business Center Parus, 1th Tverskaya - YANSKAYA STR.23/1 125047 MOSCOU - RUSSIE*	1,153,089 RUR	88,182 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, 2005

(1) The carrying value of these securities is higher than their cost due to foreign exchange gains

Book value of investment		Outstanding loans and advances	Guarantees given	Total revenues in previous year	Net income (loss) in previous year	Dividends received in 2005	Comment
Cost	Net						
€ 000s	€ 000s	€ 000s	€ 000s	''000 s	''000 s	€ 000s	
14,445	14,445	-	-	89,035 EUR	6,006 EUR	5,522	*
593,335	593,335	-	-	81,324 EUR	81,729 EUR	96,492	*
127,119	127,119	-	-	2,576 EUR	2,528 EUR	-	*
399,595	399,595	1,722,266	-	46,611 EUR	21,654 EUR	18,504	*
176,993	176,993	-	-	137,311 EUR	42,160 EUR	32,670	*
52,206	32,101	68,360	81,322	20,226 EUR	(2,533) EUR	-	*
22,087	22,087	32,158	-	101,195 EUR	14,021 EUR	-	*
26,821	21,813	2,598	-	18,222 EUR	543 EUR	-	*
694,107	694,107	519,554	20,000	489,318 EUR	47,186 EUR	47,051	*
30,317	27,817	150,000	-	12,364 EUR	4,523 EUR	2,946	*
127,459	127,459	260,000	126,764	103,201 EUR	32,094 EUR	28,686	*
10,099	10,099	-	-	440 EUR	329 EUR	802	*
124,002	124,002	-	-	53,488 EUR	(2,415) EUR	1,458	*
20,196	5,046	-	-	1,964 EUR	2,522 EUR	-	*
243,325	243,325	-	-	24,441 USD	24,355 USD	-	*
24,990	24,990	-	64,574	894,110 DZD	333,584 DZD	-	*
60,615	60,615	192,028	100,000	21,614 EUR	7,894 EUR	-	*
40,637	40,637	309,026	192,855	5,929 EUR	1,089 EUR	-	*
215,807	160,002	24,603	-	67,210 USD	(149) USD	-	*
75,679	50,548	-	257,500	51,670 EUR	700 EUR	-	*
57,053	57,053	-	-	64,975 EUR	4,152 EUR	5,112	*
21,338	24,037	594,783	8,901	27,577 GBP	3,422 GBP	-	* (1)
465,121	465,121	250,000	-	81,784 EUR	63,646 EUR	36,688	*
9,748	9,748	-	-	14,037 USD	14,027 USD	-	*
8,477	10,029	356,023	-	14,248 USD	-	-	* (1)
8,478	8,478	-	-	9,910 USD	9,910 USD	-	*
177,127	174,894	1,699,370	-	17,762 EUR	13,232 EUR	-	*
12,697	12,697	982	-	15,937 EUR	507 EUR	-	*
92,951	92,951	-	-	5,439 EUR	4,691 EUR	-	*
63,473	63,473	31,000	-	6,862 EUR	10,200 EUR	4,625	*
282,279	282,279	-	-	30,026 EUR	17,083 EUR	-	*
34,448	36,743	180,292	50,743	236,687 RUR	93,200 RUR	-	* (1)
250,067	210,055	6,395,801	509,026			12,141	
21,645	6,688	3,571,980	-			-	

Note 4.4 Treasury stock - assets

	Quantity purchased	Purchase price	Average purchase price	Quantity sold	Exit price	Average exit price	Closing stock	% of share capital
At January 1, 2005	1,594,438	135,157,292	84.77	-	-	-	1,594,438	3.30%
Share price regulation	253,634	30,639,675	120.80	193,467	20,313,935	105.00	-	-
Alizé	-	-	-	-	-	-	-	-
Sub-total	253,634	30,639,675	120.80	193,467	20,313,935	105.00	-	-
At December 31, 2005	**1,848,072**	**165,796,967**	**89.71**	**193,467**	**20,313,935**	**105.00**	**1,654,605**	**3.38%**

Note 5 Property, plant & equipment and intangible assets

in € millions	2005 Cost	2005 Depreciation, amortization & impairment	2005 Net	2004 Cost	2004 Depreciation, amortization & impairment	2004 Net	2003 Cost	2003 Depreciation, amortization & impairment	2003 Net
Non-operating assets	286	(165)	121	272	(161)	111	269	(145)	124
Property, plant & equipment	87	(43)	44	83	(47)	36	79	(40)	39
Intangible assets	199	(122)	77	189	(114)	75	190	(105)	85
Non-operating assets	9	(6)	3	9	(3)	6	12	(3)	9
Property, plant & equipment	-	-	-	-	-	-	-	-	-
Intangible assets	9	(6)	3	9	(3)	6	12	(3)	9
Property, plant & equipment	**87**	**(43)**	**44**	**83**	**(47)**	**36**	**79**	**(40)**	**39**
Intangible assets	**208**	**(128)**	**80**	**198**	**(117)**	**81**	**202**	**(108)**	**94**

in € millions	2004	Acquisitions	Disposals	Other	2005
Cost					
Intangible assets	83	7	(8)	5	87
Purchased goodwill	24	-	(3)	-	21
Software	38	7	(5)	-	40
Other	21	-	-	5	26
Property, plant & equipment used in business	189	18	(8)	-	199
Land and buildings	53	48	-	-	101
Other	136	(30)	(8)	-	98
Non-operating property and equipment	9	-	-	-	9
Land and buildings	6	-	-	-	6
Other	3	-	-	-	3
Total	**281**	**25**	**(16)**	**5**	**295**

in € millions	2004	Charges and reversals	Disposals	Other	2005
Depreciation, amortization and impairment					
Intangible assets	47	(3)	-	(1)	43
Purchased goodwill	-	(1)	-	(1)	(2)
Software	33	-	-	-	33
Other	14	(2)	-	-	12
Property, plant & equipment used in business	114	9	-	(1)	122
Land and buildings	18	5	27	(1)	49
Other	96	4	(27)	-	73
Non-operating property, plant & equipment	3	-	3	-	6
Land and buildings	3	-	2	-	5
Other	-	-	1	-	1
Total	**164**	**6**	**3**	**(2)**	**171**

Note 6 Accrued income, prepaid expenses and other assets

in € millions	2005	2004	2003
Purchased options	2,075	1,610	1,043
Settlement accounts	193	141	355
Other receivables	859	812	946
Inventory accounts	1	2	1
Other assets	**3,128**	**2,565**	**2,345**
Collection accounts	3	12	10
Adjustment accounts	505	208	363
Losses on financial instruments	-	1	2
Deferred charges or prepayments	80	94	101
Accrued income	594	578	778
Other	660	934	1,687
Prepayments and accrued income	**1,842**	**1,827**	**2,941**

Note 7 Interbank and money market liabilities

in € millions	2005	2004	2003
Due to central banks and post offices	412	22	1
Deposits from banks	54,106	39,847	35,930
Demand deposits	10,987	8,564	9,626
Accrued interest payable	*2*	*2*	*3*
Other amounts due	*25*	*27*	*340*
Time deposits (*)	43,119	31,283	26,304
Accrued interest payable	*426*	*207*	*131*
Interbank and money market liabilities	**54,518**	**39,869**	**35,931**
(*) Including securities delivered under repurchase agreements:	31,474	23,747	18,411
Accrued interest payable	*346*	*162*	*81*

Note 8 Customer deposits

in € millions	2005	2004	2003
Special savings accounts	63	55	53
Other liabilities	19,763	16,102	20,146
Demand deposits	6,065	5,550	6,138
Accrued interest payable	*4*	*2*	*2*
Other amounts due	*66*	*69*	*25*
Time deposits (*)	13,698	10,552	14,008
Accrued interest payable	*111*	*64*	*64*
Guarantee deposits	*112*	*131*	*129*
Customer deposits	**19,826**	**16,157**	**20,199**
(*) Including securities delivered under repurchase agreements:	7,324	7,252	11,172
Accrued interest payable	*80*	*49*	*49*

Note 9 Debt securities in issue

in € millions	2005	2004	2003
Interbank market and money market securities	30,238	25,855	21,990
Accrued interest payable	184	143	154
Bonds	4,224	3,151	4,964
Accrued interest payable	41	41	100
Retail certificates of deposit and savings bonds	1	1	1
Accrued interest payable	-	-	-
Debt securities in issue	**34,463**	**29,007**	**26,955**

Note 10 Deferred income, accrued charges and other liabilities

in € millions	2005	2004	2003
Sundry payables	1,763	1,563	1,308
Securities transactions	4,791	2,389	2,695
Trading account securities	4,122	-	-
Liabilities on trading account securities	-	2,361	2,694
Accrued interest payable	669	-	-
Sold options	782	1,430	1,027
Securities settlement accounts	197	225	308
Other liabilities	**7,533**	**5,607**	**5,338**
Unavailable accounts	70	90	81
Adjustment and suspense accounts	514	696	384
Gains on financial instruments	-	1	1
Deferred income	43	39	62
Accrued charges	630	718	880
Other	1,118	912	1,421
Accrued charges and deferred income	**2,375**	**2,456**	**2,829**

Note 11 Provisions for contingencies and charges

in € millions	Employee benefits	Off- balance sheet commitments	Country risks	Specific credit risks	Provisions for litigation	Industry risks	Tax-driven provisions	Financial instru-ment risks	Sundry risks	Total
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**
At January 1, 2005	66	9	235	32	15	190	224	16	9*	796
Charges	14	22	17	14	7	53	45	16	2	190
Reversals	(12)	(20)	(17)	(5)	(12)	(14)	(36)	(14)	(6)	(136)
Translation differences	-	-	16	-	1	4	1	-	-	22
Other changes	77	2	-	-	(5)	(13)	2	-	(1)	62
Movements in 2005	79	4	16	9	(9)	30	12	2	(5)	138
Balance at December 31, 2005	**145**	**13**	**251**	**41**	**6**	**220**	**236**	**18**	**4**	**934**

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

Note 12 Long-term subordinated debt

in € millions	2005	2004	2003
Dated subordinated debt	3,182	2,662	2,343
Subordinated notes	2,514	1,950	1,691
Subordinated loans	668	712	652
Perpetual subordinated debt	615	335	382
Participating loans	-	-	107
Subordinated notes	587	307	200
Subordinated loans	28	28	75
Accrued interest	45	43	45
Long-term subordinated debt	**3,842**	**3,040**	**2,770**

Note 13 Fund for general banking risk

in € millions	Euro FGBR	Currency FGBR	Currency provision	Total
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**
At January 1, 2005	190	23	20	233
Charges	-	-	-	0
Reversals	-	-	-	0
Translation differences	-	6	-	6
Other changes	-	-	-	0
Movements in 2005	0	6	0	6
Balance at December 31, 2005	**190**	**29**	**20**	**239**

Note 13b Regulated provisions

in € millions	Revaluation reserve for depreciable assets	Provisions for investment	Accelerated depreciation	Total
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	0	10	0	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**
At January 1, 2005	0	11	0	11
Charges	-	-	-	1
Reversals	-	-	-	0
Translation differences	-	-	-	0
Other changes	-	-	-	0
Movements in 2005	0	0	1	1
Balance at December 31, 2005	**0**	**11**	**1**	**12**

Note 14 Share capital, share premium, reserves and retained earnings

in € millions	Share capital	Share premium	Legal reserve	General reserve	Long-term capital gains reserve	Other reserves	Retained earnings	Total
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**
At January 1, 2005	772	1,796	64	275	192	11	(13)	3,097
Appropriation of 2004 income	-	-	10	31	-	-	173	214
Dividends paid in 2005	-	-	-	-	-	-	(154)	(154)
Capital increase	4	26	-	-	-	-	-	30
Exercise of stock options	8	34	-	-	-	-	-	42
Changes in accounting methods	-	-	-	-	-	-	(100)	(100)
Transfer of long-term capital gains reserve	-	-	-	-	(192)	187	5	0
Movements in 2005	12	60	10	31	(192)	187	(76)	32
Balance at December 31, 2005	**784**	**1,856**	**74**	**306**	**0**	**198**	**(89)**	**3,129**

Note 15 Intergroup transactions

ASSETS

in € millions	2005	2004	2003
Loans and advances to banks	15,940	9,608	9,206
Customer loans	2,718	3,374	1,207
Bonds and other fixed-income securities	390	190	192
Equities and other variable income securities	648	635	397

LIABILITIES

in € millions	2005	2004	2003
Deposits from banks	13,817	10,683	7,270
Customer deposits	1,459	1,911	412
Debt securities in issue	245	50	441
Long-term subordinated debt	350	296	315

OFF-BALANCE SHEET

in € millions	2005	2004	2003
Financing commitments given to:			
Financial institutions	2,023	890	687
Customers	-	2	20
Guarantees given on behalf of:			
Financial institutions	702	648	368
Customers	690	1,008	635

Note 16 Balance sheets - institutional activities

in € millions	2005	2004	2003
Interbank and money market assets	250	333	421
Customer loans	697	1,133	1,099
Other assets	-	-	-
Total assets	**947**	**1,466**	**1,520**

in € millions	2005	2004	2003
Interbank and money market liabilities	322	408	515
Customer deposits	727	1,166	1,137
Debt securities in issue	-	-	-
Other liabilities	95	100	98
Total liabilities	**1,144**	**1,674**	**1,750**

in € millions	2005	2004	2003
Commitments given			
Financing commitments given	-	-	-
Guarantees given	1	2	5
Total commitments given	**1**	**2**	**5**

in € millions	2005	2004	2003
Commitments received			
Financing commitments received	-	-	-
Guarantees received	263	345	450
Total commitments received	**263**	**345**	**450**

Note 17 Interest income

in € millions	2005	2004	2003
Interbank transactions	2,232	1,949	2,051
Customer transactions	1,463	1,154	1,114
Finance lease transactions	9	13	1
Operating lease transactions	9	5	1
Bonds and other fixed-income securities	443	476	492
Other interest income	315	210	215
Total	**4,471**	**3,807**	**3,874**

Note 18 Interest expense

in € millions	2005	2004	2003
Interbank transactions	(2,072)	(1,802)	(1,878)
Customer transactions	(539)	(497)	(478)
Finance lease transactions	(7)	(12)	(1)
Operating lease transactions	(8)	(4)	(1)
Bonds and other fixed-income securities	(1,075)	(704)	(715)
Other interest expense	(278)	(283)	(299)
Total	**(3,979)**	**(3,302)**	**(3,372)**

Note 19 Income from variable income securities

in € millions	2005	2004	2003
Investments in associates	-	-	-
Investments in subsidiaries	292	195	159
Securities held for sale	2	3	4
Securities held for investment	-	-	-
Total	**294**	**198**	**163**

Note 20 Net fee and commission income

in € millions	2005	2004	2003
Net fee and commission income			
Customer transactions	97	86	100
Securities transactions	(1)	-	2
Off-balance sheet items:			
Financial instruments	(10)	(12)	(10)
Financing commitments	20	35	33
Guarantee commitments	19	13	11
Other commitments given	3	5	(4)
Other	(1)	-	1
Foreign exchange transactions	(1)	(1)	-
Other financial services	65	45	44
Payment services	21	23	23
Ancillary income	145	130	130
Other	40	37	45
Total	**397**	**361**	**375**
Fee and commission income			
Customer transactions	103	90	103
Securities transactions	2	5	24
Off-balance sheet items:			
Financial instruments	11	9	8
Financing commitments	20	35	33
Guarantee commitments	38	25	13
Other commitments given	3	5	(4)
Other	-	-	2
Foreign exchange transactions	-	-	1
Other financial services	229	177	173
Payment services	45	49	48
Ancillary income	145	130	130
Other	42	37	45
Total	**638**	**562**	**576**
Fee and commission expense			
Customer transactions	(6)	(4)	(3)
Securities transactions	(3)	(5)	(22)
Off-balance sheet items:	-	-	-
Financial instruments	(21)	(21)	(18)
Guarantee commitments	(19)	(12)	(2)
Autres	(1)	-	(1)
Foreign exchange transactions	(1)	(1)	(1)
Other financial services	(164)	(132)	(129)
Payment services	(24)	(26)	(25)
Other	(2)	-	-
Total	**(241)**	**(201)**	**(201)**

Note 21 Net gains/(losses) on tradings accounts securities

in € millions	2005	2004	2003
Net gains/(losses) on trading account securities	74	257	43
Net gains/(losses) on foreign exchange transactions	269	41	3
Net gains/(losses) on financial instruments	(182)	(206)	(11)
Total	**161**	**92**	**35**

Note 22 Net gains/(losses) on securities held for sale

in € millions	2005	2004	2003
Gains on disposal	104	61	73
Losses on disposal	(13)	(47)	(8)
Impairment charges	(58)	(91)	(111)
Reversal of impairment charges	84	145	118
Total	**117**	**68**	**72**

Note 23 Other banking revenue and expense

in € millions	2005	2004	2003
Expenses on commitments	(32)	(14)	(17)
Expenses on income sharing arrangements	(10)	(10)	(21)
Ancillary income	2	2	3
Share of income in banking joint ventures	-	16	14
Transfers of banking expenses	34	41	42
Other	(12)	-	10
Total	**(18)**	**35**	**31**

Note 24 General operating expenses

in € millions	2005	2004	2003
Personnel costs			
Wages and salaries	(331)	(297)	(273)
Social security contributions (1)	(158)	(142)	(132)
Profit-sharing and incentive plans	(36)	(24)	(13)
Payroll taxes	(33)	(30)	(29)
Expenses rebilled	18	12	16
Provisions for contingencies & charges (pension commitments)	(4)	(2)	(8)
Sub-total	**(544)**	**(483)**	**(439)**
Other administrative costs			
Lease financing	(11)	(12)	(11)
Taxes other than on income	(11)	(15)	(29)
External services	(361)	(308)	(295)
Expenses rebilled	26	20	11
Sub-total	**(357)**	**(315)**	**(324)**
Depreciation, amortization and impairment of property, plant & equipment and intangible assets			
Charges	(21)	(27)	(26)
Total	**(901)**	**(798)**	**(763)**
(1) Including pension costs	(47)	(44)	(42)

Note 25 Impairment charges and other credit provisions

in € millions	2005	2004	2003
Deducted from assets			
Non-performing loans:	(37)	(84)	(145)
Impairment charges	(87)	(151)	(149)
Reversal of impairment charges	152	163	129
Losses covered by impairment charges	(110)	(104)	(129)
Losses not covered by impairment charges	(5)	(6)	(8)
Recovery of bad debts written off	13	14	12
Securities:	4	(32)	(33)
Impairment charges	(17)	(53)	(35)
Reversal of impairment charges	52	21	2
Losses covered by impairment charges	(31)	-	-
Losses not covered by impairment charges	-	-	-
Recovery of bad debts written off	-	-	-
Net charge deducted from assets	**(33)**	**(116)**	**(178)**
Recognized as liabilities			
Country risks:	(7)	5	2
Charges to provisions	(17)	(23)	(12)
Reversals from provisions	17	28	17
Losses covered by provisions	(8)	-	(3)
Losses not covered by provisions	-	-	-
Recovery of bad debts written off	1	-	-
Contingencies & charges:	(36)	29	(55)
Charges to provisions	(50)	(24)	(112)
Reversals from provisions	14	53	57
Losses covered by provisions	-	-	-
Losses not covered by provisions	-	-	-
Recovery of bad debts written off	-	-	-
Net provision charge recognized as liabilities	**(43)**	**34**	**(53)**
Total	**(76)**	**(82)**	**(231)**

Note 26 Net gains/(losses) on disposals of non-current assets

in € millions	2005	2004	2003
Long-term investments			
Gains			
Investments in associates and other securities held for investment	13	8	16
Debt securities held for investment	2	4	1
Losses			
Investments in associates and other securities held for investment	(18)	(33)	(9)
Debt securities held for investment	(1)	(7)	(14)
Impairment charges			
Investments in associates and other securities held for investment	(5)	(129)	(33)
Debt securities held for investment	-	-	-
Reversal of impairment charges			
Investments in associates and other securities held for investment	38	45	13
Debt securities held for investment	-	4	6
Charge to provisions for contingencies & losses			
Investments in associates and other securities held for investment	3	(2)	-
Sub-total	**32**	**(110)**	**(20)**
Property, plant & equipment and intangible assets	**0**	**1**	**2**
Total	**32**	**(109)**	**(18)**

Note 27 Exceptional items

in € millions	2005	2004	2003
Personnel costs			
Reversals from provision for departures under the employee assistance program	2	4	5
Transfer of personnel costs in connection with the employee assistance program	(2)	(4)	(5)
Other exceptional items			
Other exceptional charges	-	(1)	-
VAT reassessment	-	-	(30)
Other exceptional income (1)	82	-	31
Recovery of VAT from Banque Populaire regional banks	-	-	30
Total	**82**	**(1)**	**31**

2003:
(1) Subsidy paid by Banque Fédérale des Banques Populaires - €30 million
Rebate on tax reassessments - €1 million

2005:
(1) Compensation on termination of lease contract over the Liberté 2 building

Note 28 Corporate income tax

in € millions	2005	2004	2003
Tax at standard rate	(49)	(37)	(10)
Surtax and annual fixed tax charge	(2)	-	-
Tax at reduced rates	-	-	-
Tax reassessments	(31)	(34)	(34)
Impact of foreign branch income taxed at different rates	(3)	(3)	(1)
Tax credits	8	6	7
Impact of group tax relief	(24)	14	66
Other	1	26	2
Total	**(100)**	**(28)**	**30**

Note 29 Change in average number of employees

	2005	2004	2003
Technicians	1,897	2,078	2,211
Managers	2,851	2,676	2,490
Total employees	**4,748**	**4,754**	**4,701**

Note 30 Off-balance sheet financial instruments

in € millions	2005	2004	2003
Organized markets	**61,010**	**41,918**	**75,578**
Swaps			
Forward transactions	-	-	-
Options	-	-	-
Other			
Forward transactions	57,915	32,981	67,570
Options	3,095	8,937	8,008
Over-the-counter	**620,183**	**512,446**	**469,240**
Swap			
Forward transactions	478,625	63,644	146,357
Options	-	-	-
Other			
Forward transactions	60,795	387,643	274,720
Options	80,763	61,159	48,163
Interest rate instruments	**681,193**	**554,364**	**544,818**
Organized markets	**29**	**-**	**1**
Swap			
Forward transactions	-	-	-
Options	-	-	-
Other			
Forward transactions	-	-	-
Options	29	-	1
Over-the-counter	**192,836**	**117,612**	**75,272**
Swap			
Forward transactions	236	-	-
Options	-	-	-
Other			
Forward transactions	-	533	-
Options	192,600	117,079	75,272
Currency instruments	**192,865**	**117,612**	**75,273**
Organized markets	**5,727**	**6,005**	**6,493**
Swap			
Forward transactions	-	-	-
Options	-	-	-
Other			
Forward transactions	325	217	320
Options	5,402	5,788	6,173
Over-the-counter	**14,959**	**17,084**	**21,776**
Swap			
Forward transactions	21	13	17
Options	-	-	-
Other			
Forward transactions	25	-	-
Options	14,913	17,071	21,759
Other instruments	**20,686**	**23,089**	**28,269**

Note 31 Off-balance sheet commitments and foreign currency transactions

COMMITMENTS

in € millions	2005	2004	2003
Financing commitments given to:	30,141	22,525	21,144
Financial institutions	3,165	2,451	2,330
Customers	26,976	20,074	18,814
Guarantees given on behalf of:	19,900	17,979	16,628
Financial institutions	2,839	2,020	1,344
Customers	17,061	15,959	15,284
Commitments on securities	103	46	53
Other commitments	272	204	14
Total commitments given	**50,416**	**40,754**	**37,839**
Financing commitments given to:	3,814	4,613	2,185
Financial institutions	3,795	3,744	1,643
Customers	19	869	542
Guarantees given on behalf of:	6,442	7,783	3,783
Financial institutions	3,564	5,143	1,692
Customers	2,878	2,640	2,091
Commitments on securities	120	74	674
Other commitments	2,000	1,109	1,287
Total commitments received	**12,376**	**13,579**	**7,929**

FOREIGN CURRENCY TRANSACTIONS

in € millions	2005	2004	2003
Spot transactions			
Currencies purchased not received	6,759	8,258	5,524
Currencies sold not delivered	6,673	8,205	5,538
Foreign currency lending / borrowing			
Currencies loaned not delivered	-	116	40
Currencies borrowed not received	-	267	124
Forward transactions			
Euros receivable / currencies deliverable	59,864	35,045	42,217
Currencies receivable / euros deliverable	71,600	42,745	46,268
Currencies receivable / currencies deliverable	22,383	22,450	16,330
Currencies deliverable / currencies receivable	22,483	21,150	16,801
Premium / discount receivable	277	189	109
Premium / discount payable	260	259	131

Five year summary of financial data

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

	2001	2002	2003	2004	2005
Financial position at year end					
Share capital (in euros)	709,029,632.00	759,085,392.00	768,722,224.00	772,095,392.00	783,927,680.00
Number of shares issued	44,314,352	47,442,837	48,045,139	48,255,962	48,995,480
Number of bonds redeemable in shares	0	0	0	0	0
Number of convertible bonds	3,111,977	0	0	0	0
Results of operations (in euros)					
Operating revenue net of tax	16,645,820,852.62	13,524,841,592.82	10,423,289,253.40	11,705,235,507.71	12,725,811,668.81
Income before tax, depreciation, amortization and provisions	233,781,303.11	269,073,078.06	213,068,968.00	280,959,662.75	457,665,461.91
Corporate income tax	40,597,922.88	45,145,504.15	29,916,523.44	(28,338,400.20)	(99,996,625.19)
Income after tax, depreciation, amortization and provisions	74,450,533.63	206,037,266.02	200,728,250.83	213,582,296.25	459,177,494.14
Dividends paid	110,785,880.00	71,164,255.50	120,112,847.50	159,244,674.60	244,977,400.00
Per share data (in euros)					
Income after tax, but before depreciation, amortization and provisions	6.19	6.62	5.06	5.24	7.30
Income after tax, depreciation, amortization and provisions	1.68	4.34	4.18	4.43	9.37
Dividend	2.50	1.50	2.50	3.30	5.00
Employee data					
Number of employees	4,629	4,670	4,701	4,754	4,748
Total payroll costs (in euros)	280,384,438.86	269,249,235.67	273,353,038.75	295,556,511.38	331,173,385.69
Social security, pension costs and other employee benefits (in euros)	138,251,232.60	130,778,397.65	144,067,570.23	166,610,951.72	193,645,949.43

Auditors' report on the parent company financial statements

Year ended December 31, 2005

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 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 captions 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, 2005 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, 2005 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 changes in accounting methods.

2. Justification of our assessments

In accordance with the requirements of Art. L823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we draw your attention to the following matters:

Changes in accounting methods

Paragraph 17 of the section on accounting policies and valuation methods in the notes to the financial statements describes the changes in accounting methods adopted during the year, which resulted in an overall decrease of €98.9 million in opening equity at January 1, 2005. These changes resulted from the adoption of the following standards:

- Standard CRC 2002-10 on component accounting for property, plant & equipment;
- Recommendation CNC 2003.R01 on accounting for employee-related liabilities in accordance with the provisions of IAS 19;
- Standard CRC 2002-03 on the requirement to discount future cash flows when calculating impairment charges for non-performing loans.

As part of our assessment of the accounting policies used by the company, we verified the appropriateness of the basis for and presentation of these changes.

Evaluation of customer credit risk

As described in paragraph 2 of the section on accounting policies and valuation methods in the notes to the financial statements, Natexis Banques Populaires recognizes impairment charges and 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 impairment charges as well as general provisions for industry and country risks.

Evaluation of investments in subsidiaries

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. As part of our assessment of the significant estimates used to prepare the financial statements, we verified that the forecast data used was consistent with the medium-term plans drawn up the group.

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 22, 2006

The Statutory Auditors

BARBIER FRINAULT & AUTRES ERNST & YOUNG	DELOITTE & ASSOCIES	SALUSTRO REYDEL Member of KPMG International
Richard OLIVIER Olivier DURAND	José Luis GARCIA Damien LEURENT	Michel SAVIOZ

Auditors' report on related-party agreements

Year ended December 31, 2005

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

Agreement authorized during the year

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.

Agreement to transfer the payments business conducted by the Banking Services department of Natexis Banques Populaires to Natexis Paiements

This agreement was approved by the Board of Directors of Natexis Banques Populaires on September 7, 2005. The common directors are Banque Fédérale des Banques Populaires and Mr. Francis Thibaud.

The transfer value of the assets and liabilities comprising the business amounted to €200,000.

Agreements approved in prior years and still in effect during the year

Pursuant to the decree of March 23, 1967, we have been advised that the following agreement, approved in the previous year, remained in effect during 2005:

Collateralised Loan Obligation, to which Natexis Banques Populaires, Natexis Asset Management and Vallauris CLO plc are party.

Natexis Banques Populaires received €1,501,991 in fees from Vallauris CLO plc, of which €150,199 were passed on to Natexis Asset Management.

Paris and Neuilly-sur-Seine, March 22, 2006

The Statutory Auditors

BARBIER FRINAULT & AUTRES ERNST & YOUNG	DELOITTE & ASSOCIES	SALUSTRO REYDEL Member of KPMG International
Richard OLIVIER Olivier DURAND	José Luis GARCIA Damien LEURENT	Michel SAVIOZ

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 22, 2006, and to the Board's Risk Management Committee.

1 > Corporate governance

The first part of the report can be found in the section entitled "Corporate Governance" on pages 14 to 29.

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 control comprising audits, with teams responsible for the continuous control of the compliance and security of operations, as well as verifying the effectiveness of the bank's risk control and monitoring systems. It complies with French banking and finance regulations and with the internal control principles of the Banque Populaire Group, of which Natexis Banques Populaires is a member.

During its meeting of September 7, 2005, the Board of Directors of Banque Fédérale des Banques Populaires redefined these principles, in accordance with the order of March 31, 2005, amending regulation 97-02 relating to internal control in credit institutions and investment firms. These principles are now included in the Banque Populaire Group's corporate governance charter, as well as in five charters concerning the implementation of periodical controls (audit) and continuous controls (compliance, operational risks, financial risks and credit risks).

Like all other Group banks, Natexis Banques Populaires is regularly audited by 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. In 2005, with the approval of the Chairman and in line with the guidance issued by the Board of Directors, the Chief Executive Officer developed guidance to ensure the further reinforcement of Natexis Banques Populaires' internal control procedures, in order to continue to meet technical and regulatory requirements for the banking industry, as well as new standards implemented within the Banque Populaire Group.

2.1.1 Internal involvement in control

In line with the guidance set out in the Banque Populaire Group's five internal control charters, 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 segmentation of duties, appointing authorized signatories, delegating credit limits and managing and monitoring market risks. The Corporate and Institutional Banking and Markets core business has 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

The main departments involved in second-tier control are Risk Management (counterparty, market, country, operational risk etc.), Information Systems Security (IT clearances, information systems fraud etc.), Ethics and Compliance (compliance with AMF regulations etc.) and Fraud Prevention (money laundering).

The first two departments have to operate in accordance with the principles set out in the charters relating to "risk" (operational, financial and credit risk), while the latter two departments adhere to the charter relating to "compliance".

These departments are supported by the Internal Control department.

The Internal Control department is structured into five sub-departments covering all business lines and support functions of Natexis Banques Populaires (parent company, subsidiaries and branches). Internal Control reports to the

General Secretariat and is therefore independent of the business lines. It is decentralized, with team members based locally in all operating entities, reporting hierarchically (parent company) or functionally (subsidiaries and branches) to the Internal Control department. Functional ties are strong, as the head of Internal Audit approves the appointment and departure of team members, as well as setting their targets, plans, budgets, evaluations and promotions.

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. The department is also responsible for following up the implementation of recommendations resulting from internal and external audit assignments.

This mission has been drilled down to operating unit level in the form of a charter setting out the rights and duties of both parties. At the end of 2005, 39 charters had been signed covering almost all of the Group's entities (excluding Coface). At this date, there were a total of 110 full-time equivalent internal control staff reporting to the Internal Audit department, 48 of whom were based at subsidiaries and branches. The department has been built up steadily over the last two years and will continue to expand further in 2006.

In 2005, the Internal Control department continued with the roll-out of tools and working methods intended to improve the efficiency of the internal control officers. The NEC application, accessible via the intranet, allows for management of the entire cycle of an assignment, from planning to the following up of recommendations. It is currently used by nearly all entities in France and will be rolled out abroad in 2006. In addition, a sampling methodology was established in mid-2005, used by all internal control officers in France and abroad. This methodology ensures that all samples used in survey-based controls are representative, thereby allowing for more precise assessment of the reliability of results.

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 was 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.

The Internal Audit department reports directly to the Chairman and the Chief Executive Officer of Natexis Banques Populaires. It has functional ties to the Internal Audit department of Banque Fédérale des Banques Populaires, in accordance with the charter relating to "audit", approved in 2005 by the Board of Directors of Banque Fédérale des Banques Populaires.

The Internal Audit department is responsible for ensuring the effectiveness of first and second-tier controls 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. Its field of investigation encompasses all of Natexis Banques Populaires' operational activities, as well as its functional departments, including in particular entities in charge of second-tier controls.

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 Officer and 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, in accordance with the provisions of the "audit" charter.

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, as well as ongoing investigations by continuous control teams.

Internal Audit prepares an internal audit plan on a consolidated basis, which is presented to Executive Management, the Risk Management committee and the Board of Directors.

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 accordance with the "audit" charter.

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 and second-tier control teams.

It may be revised during the year at the request of Executive Management or if dictated by circumstances.

In addition to conventional audit assignments, the Internal Audit department also has the means to conduct ad hoc audits to meet needs arising in the course of the year which were not originally covered by the annual audit plan.

In 2005, in line with the guidance set out by Executive Management, the Internal Audit department further strengthened its team, focusing on hiring auditors with expertise in information systems and market techniques.

It also broadened the type of assignment undertaken, with the aim of adapting them to changes in the bank's environment, in terms of both risk and regulations. Several assignments were conducted with the purpose of ensuring Natexis Banques Populaires' compliance with professional and regulatory requirements, as well as supervisory authorities' recommendations.

As regards procedures, the efforts of previous years – such as the development of audit guides and IT tools to help in audits – were continued.

In accordance with the "audit" charter, the Internal Audit department participated in the first "Group audit" initiated by Banque Fédérale des Banques Populaires, concerning audit assignments conducted simultaneously throughout the entire Banque Populaire Group for shared issues, using standardized methodological tools.

Lastly, for more effective reporting, Internal Audit made detailed presentations of its conclusions to Executive Management in 2005, as was the case in 2004. Three presentations took place in 2005.

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, Group Compliance, Fraud Prevention and Information Systems Security meets monthly.

This committee – which is one of the practices set out in the control charters adopted by the Banque Populaire Group – deals 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 2005 to review the results of continuous and periodic internal controls 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.

2.1.2 The role of the Board of Directors

See section on the Board of Directors on page 22.

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. It is involved in the implementation of risk procedures within the Banque Populaire Group, as documented formally in the form of charters in September 2005.

2.2.1 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. For financing activities, separate committees have been created 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 of 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.

The provisioning policy includes provisions for country and industry risk, as well as specific provisions. To accompany the transition to IFRS, these provisions have been adapted into collective provisions, based on similar assets according to three factors: credit rating for loans to individuals and small businesses, and sector risk and geographical risk for other borrowers (corporate, sovereign loans etc.). Objective evidence of impairment is obtained from the analysis and extensive monitoring of business sectors and countries and usually consists of a combination of micro- or macroeconomic indicators relating to the industry or country.

Aggregation of exposure to a single counterparty or group

Exposures are automatically aggregated by the bank's "e-ris" 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. The internal rating system, which has a scale of 16 ratings for healthy borrowers and four default categories, is supported by specialist opinion. Natexis Banques Populaires has also implemented the regulatory method for assessing structured financing. A rating model for sovereign risks will be implemented in 2006.

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 2005.

2.2.2 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, with a view to obtaining approval from the French Banking Commission.

The key standard metrics used are sensitivities to specific risks inherent in the various business activities (interest rate, exchange rate, equities, commodities, volatilities, counterparty, correlations 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. The procedure for violations of limits is then applied.

2.2.3 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 2000. These risks are monitored and managed by the Global Debt & Derivatives Markets business line.

■ Structural interest rate risk

Maximum sensitivity of interest rate maturing schedules to a +/-1% shift in the yield curve remains unchanged at €100 million. This limit applies to capital markets activities, including cash flow portfolios.

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 200 bp change in interest rates, the committee set an overall limit of 2.5% of regulatory capital, or €164 million. The Chief Executive Officer may delegate all or part of this limit.

■ 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 trading activities. This risk is monitored by the market risks committee and the ALM committee;
- Structural currency risk, which is monitored by the ALM committee.

2.2.4 Operational risk

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

Operational risk management is based primarily on the principle of the responsibility of business line management for first-tier risks and an internal control system applicable to all activities.

This system was strengthened in 2005 with the launch of the "Departmental operational risk management" project, in accordance with the Banque Populaire Group's approach.

This project, placed under the responsibility of the Risk Management department, is based on a bottom-up systematic and homogenous approach in each core business, with the aim of:

- identifying operational risks on a self-assessment basis;
- among these risks, defining the risks to be managed within the business line, implementing a system for monitoring and reducing these risks using indicators and plans of action;
- identifying the type of operational risk incidents and losses relating to the business line; defining the inflow process for these incidents;
- at the end of the project phase, defining and implementing a permanent operational risk management system, based on dedicated human resources (operational risk officers), a dedicated organization and a system for reporting to the Risk Management department.

At the end of the pilot phase in the first half of 2005, the plan for the roll-out of the Departmental operational risk management project was validated by Executive Management. The project will be implemented in four stages: one – which is already complete – in the last four months of 2005, and another three in 2006.

After the project phase, each business line will implement its own permanent operational risk management system, coordinated with the Risk Management department, primarily via monthly reporting of losses and incidents, as well as a quarterly review of risks to be managed, their indicators and plans of action to reduce these risks.

■ Operational risks committee

In 2004, Natexis Banques Populaires redefined the duties and the composition of the operational risks committee in order to make it a body for the management of operational risks. As a result, the scope of the operational risks committee now includes the management of Natexis Banques Populaires' operational risks and the business recovery plan. The operational risks committee is co-chaired by the General Secretary and the Head of Information Systems and Logistics; Natexis Banques Populaires' four core businesses are represented by operating risk officers.

The operational risks committee met five times in 2005.

■ Losses from operational risks

In 2004, Natexis Banques Populaires also redefined the accounting, analysis and control procedure at parent company level for unusual income and expenses relating to operational risks. The implementation of this procedure at the end of 2004 enabled the Group in 2005 to step up the process for the recording of these incidents, conduct more extensive analysis and improve the reporting system.

2.2.5 Group compliance

As of January 1, 2006, under CRBF regulation 97-02 as amended relating to internal control in credit institutions, Natexis Banques Populaires is required to implement a permanent control system for compliance, security and validation of operations.

The risk of non-compliance is defined as the risk of legal, administrative or disciplinary action, financial loss or damage to the bank's reputation as a result of the failure to respect requirements relating to banking and financial activities, whether legislative or regulatory in nature, or relating to professional and compliance standards, or instructions from the executive body, in particular in application of the strategic decisions of the governing body.

In order to comply with new regulatory requirements, at the end of 2005, Natexis Banques Populaires created a Group Compliance department separate from Internal Control, both of which report to the Board Secretary, who is a member of the executive committee and responsible for continuous checks.

The new department covers the following areas:

- Monitoring and control of the legal compliance of operations with all regulations applicable to banking and financial activities;
- Compliance with professional standards (in particular those pertaining to financial activities, as set out in the General Regulations of the Autorité des Marchés Financiers);
- Prevention and monitoring of fraud (in particular measures to prevent money laundering, terrorism financing and fraud);
- Personal data protection and the monitoring of regulations imposed by the CNIL.

All business entities consolidated or controlled by Natexis Banques Populaires and all activities entailing a risk of non-compliance, including outsourced activities, are concerned by the control and monitoring of non-compliance risk.

Responsibilities

The actions of the Group Compliance department are centered around two core responsibilities:

- Prevention of non-compliance risk, which comprises:
  - Legal and operational supervision;
  - Defining standards and methods;
  - Advising operational staff;
  - Systematic pre-approval of new products and processes;
  - Training and raising the awareness of employees about compliance issues.
- Continuous supervision, through three types of checks:
  - Checks of the conformity of procedures;
  - Ad hoc checks of operations conducted as a result of warning tools;
  - Checks of the correct application of compliance procedures.

Compliance is organized as follows:

- in each operating department;
- close functional ties with the Legal Affairs department;
- functional ties with other support functions (Internal Control and Risk Management);
- a central department comprising specific functions (Compliance and Fraud Prevention) and cross-departmental functions.

Actions in 2005

In 2005, the Group Compliance department's missions were based primarily on specific functions, namely compliance, fraud prevention and protection of personal data, as well as cross-departmental functions to conduct and coordinate the actions of various compliance officers and ensure actions relating directly to compliance under CRBF regulation 97-02.

> Specific functions

Ethics and Compliance

The Ethics and 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.

In addition to being responsible for general coordination, monitoring employees in sensitive positions and monitoring financial operations (surveillance, suspension and insider dealing lists), the central Ethics and Compliance team oversees the activities of compliance officers based in the business lines.

Several ad hoc committees have been created to ensure this coordination and the operational managing of surveillance, suspension and insider dealing lists and related controls, the number of which increased substantially over the period. Control tools are gradually being developed in order to allow for a timely reaction to the diligence requirements of directives relating to Market abuse and Markets in financial instruments.

Coordination with other control functions is carried out on a monthly basis thanks to the committee for the coordination of control functions, and regularly with teams from the Internal Control department in the business lines.

In general, the integration of compliance officers into the different entities has been satisfactory in terms of access to information and involvement in the various committees on which their presence is required.

The main measures taken in 2005 include:

■ The creation of a list of compliance procedures for all business lines of Natexis Banques Populaires and its subsidiaries;

■ Actions to train and raise the awareness of several hundred employees;

■ Regulatory advice activities in all business lines;

■ Systematic involvement in the works of various professional organizations (AFEI, AFG, AFTI, AFIC, AFB etc.);

■ Checks of all aspects regarded as sensitive by regulators, such as:

- monitoring of primary bond and equity market transactions; checks of the pre-allocation of orders, portfolio turnover by asset management companies; checks of staff share dealings, management of insider dealing lists;

- checks of customer knowledge, account agreements, customer complaints, time-dating of orders, compliance with Chinese wall policies, correct handling of conflicts of interest etc.;

■ Finally, regular reporting to regulators.

Fraud prevention

The Fraud Prevention department continued in 2005 to improve internal procedures at Natexis Banques Populaires and its subsidiaries to counter money laundering and terrorism financing. Its resources were increased further for this purpose.

The various measures taken in 2004 were continued in 2005: nearly 1,800 employees underwent training in the issues involved in money laundering, including 524 at the parent company, bringing the total rate of training to 77%.

The filtering of payments that may be linked to terrorism financing using Fircosoft software, implemented in September 2004, was extended to the majority of SWIFT messages over the year. At the end of 2005, around two-thirds of messages sent and received were filtered using the new system, with remainder filtered using the old system. The software underwent further configuration in order to keep "false alarms" at a relatively low level, similar to that observed at other banks using the same software.

The fraud prevention committee created in June 2004, comprising representatives of the internal control function and various business lines of Natexis Banques Populaires and its subsidiaries, stepped up its activities, increasing the frequency of meetings to once a month. Its actions included deciding to end business relationships considered "sensitive" from a regulatory viewpoint and validating procedures to improve anti-money laundering procedures.

The new actions undertaken by the Fraud Prevention department in 2006 include notably the decision to acquire Norkom behavioral analysis software following the study initiated in 2004. The license agreement for the software was signed at the end of September 2005. When it enters production in the second half of 2006, this software will help to enhance procedures to monitor transactions, accounts and customers that may break anti-money laundering regulations. This makes Natexis Banques Populaires one of the first banks in France to use software of this kind.

Personal data protection

The aim of this function is to ensure that personal data is handled in accordance with the rules set out by the CNIL and to coordinate the activities of persons responsible for this type of monitoring within the network.

> Cross-departmental functions

Cross-departmental functions, in the process of being organized, are intended to coordinate the activities of all employees involved in compliance (legal, compliance officers, fraud prevention specialists, personal data protection specialists etc.) in order to ensure the correct application of all compliance duties, as set out in CRBF regulation 97-02, ensuring the monitoring and control of all non-compliance risks resulting from the failure to adhere to regulations applicable to banking activities.

2.2.6 Information systems security

The Information systems Security department is responsible for drawing up 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, 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 incidents;

■ Managing information technology risks and developing business backup and recovery plans.

The department takes an active role in the main committees responsible for operational risk, including:

■ Internal control overarching committee;

■ IT asset protection committee;

- Operational risks committee;
- Information systems security committee.

Apart from its ongoing responsibilities, the department's main actions in 2005 comprised:

- Reinforcement of the bank's security policy in conducting projects;
- Monitoring or legal and regulatory requirements relating to the "personal data protection officer";
- Training and increasing the awareness of employees.

These actions resulted in:

- Approval of the bank's general security policy and the determination of regulations relating to the various areas of ISO 17799;
- Application of the IT security charter (security of digital and technological IT resources) and its distribution to all employees;
- Development of tools to analyze threat exposure and the vulnerability of the IT system;
- Meetings of committees for the coordination of information systems security functions within Natexis Banques Populaires and its subsidiaries, in particular Coface and Natexis Altaïr;
- The follow-up of recommendations resulting from internal audits and analysis of compliance plans.

2.3 Internal control over financial reporting

2.3.1 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, in terms of both French accounting standards and IFRS;
- 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 with the Natexis Banques Populaires group (currently under development in the Coface sub-group), in order to guarantee the internal consistency of scopes of consolidation, definitions, standards, charts of accounts, processing sequences and analysis;
- Preparation of consolidated financial statements on a quarterly basis, allowing for a better level of control of half-yearly and annual financial statements, on the basis of projected operations for the year and increased reconciliation of intra-group operations;
- Checking of data reported by consolidated entities through the use of a consolidation package including more than 8,900 accuracy and consistency tests which must be completed for the data to be transmitted;
- Item-by-item analysis of all entries that impact 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.

The reliability of this process enabled the Group to meet the requirements relating to the first-time adoption of IFRS for the financial statements to June 30, 2005. For the financial statements for the 2005 financial year – which officially constitutes the year of transition to IFRS – the deadlines for the production of the consolidated financial statements are the same as in 2004, even though the new standards require more complex treatment and a greater quantity of relevant and detailed financial data.

The mandatory adoption of IFRS represents a major change for Natexis Banques Populaires and all parties directly concerned by the financial information provided.

Mindful of the importance of this transition, the Banque Populaire Group launched a project to implement these new standards in September 2002, which involved customizing and adjusting the parameters of its information systems, drafting new procedures and training everyone participating in the production of financial data. Accounting teams at Natexis Banques Populaires are involved in this project and have set out the specific requirements of the bank's business lines so as to define a global solution for the management of IFRS in the consolidation system.

As part of the transition, 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 the transition to IFRS. This solution, which comprises 4,500 checks, allows for a full audit trail between the consolidated financial statements under French accounting standards and those presented under IFRS.

2.3.2 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.

The projects embarked upon by the Finance department in 2004 concerning the restructuring of the accounting control system and the development of an enterprise systems development plan continued in 2005:

- the accounting control system was adapted to a tighter accounts preparation schedule under more demanding legislative and regulatory requirements. The reliability of the accounting control process through monthly reporting was ensured by the implementation of an adequate organization to support the role of employees responsible for first- and second-tier checks, as well as redefining the map of controls and adapting it to the needs of the business lines, and finally the implementation of a centralized reporting system offering an overall view of the results of controls. An IT solution to meet the reproduction, synthesis and management requirements of accounting controls became operational with the launch of accounting control reproduction system Nordicc for the preparation of the 2005 financial statements, the functionalities of which will be extended in 2006;
- the enterprise systems plan became operational with the preparation of the restructuring of the IT systems of central functions (accounting, management control management of counterparty risks etc.). The expression of the requirements of the new accounting system was defined at the same time as the target system structure.

This architecture defines the target to which business applications need to migrate in order to deliver the data flows required by the enterprise systems, as well as the databases (third-parties, structures, activities, products) that need to be updated to manage data shared between management applications and enterprise systems. The group plans to create an inventory management warehouse to collect all of the data required for the enterprise systems and regulatory declarations.

At group level, the change in the consolidation system as of the third quarter of 2006 should allow for Coface and its subsidiaries to be integrated into the direct decentralized consolidation system – in accordance with existing principles – while also offering a greater volume of consolidated data and extending the analysis and control functionalities.

2.3.3 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 individual 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 2005, 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.

The functioning of the Board of Directors was updated with the implementation of a process to evaluate its work.

Under the guidance of Executive Management, efforts undertaken over a number of years were maintained in order to reinforce the human and technical resources of the bank's risk control and monitoring teams, as well as to ensure that its structures comply with new regulatory requirements, in particular with the creation of the Compliance department.

These strategies will remain a key focus for Natexis Banques Populaires in 2006. 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, as well as on integrating it fully into the organizational structure defined at the level of the Banque Populaire Group by the Board of Directors of Banque Fédérale des Banques Populaires.

Philippe DUPONT

Chairman of the Board of Directors

Statutory auditors' report prepared in accordance with the final paragraph of article L225-235 of the French Commercial Code on the Chairman's report on internal control over financial reporting

Year ended December 31, 2005

Dear Shareholders,

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, 2005, 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 our 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 22, 2006

The Statutory Auditors

BARBIER FRINAULT & AUTRES ERNST & YOUNG	DELOITTE & ASSOCIES	SALUSTRO REYDEL Member of KPMG International
Richard OLIVIER Olivier DURAND	José Luis GARCIA Damien LEURENT	Michel SAVIOZ

Legal information

1 > General meetings of shareholders

Notice of meeting

Shareholders' meetings are called by the Board of Directors in accordance with the applicable legal provisions. 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, either in person or by proxy in accordance with the applicable legal and regulatory provisions, and regardless of the number of shares that they own.

Shareholders may vote by mail using a voting form completed and returned to the company in accordance with the applicable legal and regulatory provisions.

Exercise of voting rights

Pursuant to article 26 of the bylaws, shareholders are entitled to one vote for each share that they own or represent, subject to the following conditions.

Under the conditions provided by law, double voting rights are attached to all fully paid up registered shares which have been registered in the name of the same shareholder for at least two years, as well as to any registered shares issued to shareholders free of charge for old shares conferring such rights, upon an increase in the capital stock by the capitalization of reserves, premiums or retained earnings.

Double voting rights shall cease automatically in the event that shares are converted to bearer shares or are transferred. However, the period referred to in the foregoing paragraph shall not be interrupted by any transfer from one registered shareholder to another where this arises by reason of a transfer upon inheritance or intestacy, division of estate between divorcing spouses or gifts inter vivos to a spouse or other person entitled to inherit.

The merger of the company shall have no effect on double voting rights, which may be exercised within the absorbing company where permitted by its bylaws.

Identification of shareholders

Pursuant to article 5 of the bylaws and in accordance with the applicable legal and regulatory provisions, the company may request any authorized body or intermediary to provide any information about the holders of securities conferring immediate or future voting rights at shareholders' meetings, and in particular as to their identity, nationality and address, the number of securities that they hold and any restrictions attached thereto.

Any natural or legal person that, directly or indirectly, and whether alone or in concert with other natural or legal persons, comes to hold or transfer 1%, or any multiple of that percentage, of the voting rights, must notify the company of the number of voting rights held or transferred, by registered letter with proof of receipt requested, within a period of fifteen days of their acquisition or transfer.

In the event of failure to comply with the obligation to supply information set out in the foregoing paragraph, and on the application of a shareholder representing at least 1% of the voting rights, duly recorded in the minutes of the meeting, any shares in excess of the threshold, which ought to have been declared, shall be stripped of their voting rights until the expiry of a period of two years commencing on the date on which the notification is properly given.

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

The first resolution seeks approval of the Natexis Banques Populaires parent company financial statements for the year ended December 31, 2005, reporting net income for the year of €459,177,494.14.

The second resolution seeks approval of the related party agreements described in the Acting Auditors' special report.

In the third resolution, shareholders are asked to approve the proposed appropriation of earnings and the payment of a dividend. The Board is proposing to pay a dividend of €5 per share for each of the 48,995,480 shares comprising the capital stock. The dividend will be payable as of June 12, 2006.

The purpose of the fourth resolution is to enable dividends to be paid in the form of shares.

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

In the sixth resolution, the Board of Directors is seeking authority to trade in the company's own shares under the conditions set out in European Directive 2003/6/EC of January 28, 2003 and in European regulation 2273/2003 of December 22, 2003.

Composition of the Board of Directors

The seventh and eighth resolutions propose the re-election of two members of the Board.

The ninth to eleventh resolutions propose the replacement of three directors leaving the Board of the Banque Populaire Group.

Extraordinary business

Renewal of authority to grant stock options

The purpose of the twelfth resolution is to renew the authority granted for one year by the extraordinary general meeting held on May 19, 2005, to grant stock options to employees of Natexis Banques Populaires and its subsidiaries and other employees of the Banque Populaire Group.

Authority to increase the capital stock in favor of employees of the Banque Populaire Group

In order to offer employees the possibility of investing or reinvesting their savings, particularly those invested in funds maturing in 2006, new investment vehicles will be proposed.

The purpose of the thirteenth resolution is therefore to delegate to the Board of Directors the power to increase the capital stock on one or more occasions by the issue of shares reserved for employees of the whole of the Banque Populaire Group, who are members of a savings plan introduced by the Group.

The total amount of the capital increases that may take place pursuant to this authority may not exceed 1,500,000 shares.

Authority to reduce the capital stock

The purpose of the fourteenth resolution is to grant the Board to reduce the capital stock by the cancellation of shares.

3 > Resolutions to be put to the vote at the Annual General Meeting of May 18, 2006

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, 2005.

Having received and considered:

- the management report on the operations of Natexis Banques Populaires for the year ended December 31, 2005,

- the financial statements for that year, and

- the reports of the Acting Auditors,

the shareholders hereby approve the financial statements as presented, including the following transfers to and from the retained earnings account since December 31, 2004:

■ Retained earnings at December 31, 2004	€9,121.97
- Implementation of the component approach for property assets (change of method)	€(5,224,947.93)
- Adjustment of employee-related liabilities (change of method)	€(78,086,841.95)
- Adjustment of provisions for bad and doubtful receivables and securities (change of method)	€(15,765,486.00)
- 2004 coupons attached to treasury shares	€5,230,047.90
- Exit tax deducted from retained earnings	€4,798,181.49
■ Retained earnings at December 31, 2005	€(89,039,924.52)

Second resolution: Acting 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 Acting Auditors' special report.

The shareholders hereby approve the special report of the Acting Auditors on related party agreements governed by article L225-38 of the French Commercial Code.

Third resolution: appropriation of earnings – dividends

Summary: the purpose of this resolution is to set a dividend of €5 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	€459,177,494.14
- less the balance held on retained earnings in the sum of	€(89,039,924.52)
- to the legal reserve in the sum of	€3,985,870.37
leaving a sum available for distribution of	€366,151,699.25
■ second:	
- to pay a dividend of	€244,977,400.00
- to make a transfer to the general reserve in the sum of	€121,170,000.00
- to transfer the balance to retained earnings, in the sum of	€4,299.25
making a total sum distributed of	€366,151,699.25

The dividend for the year ended December 31, 2005 is therefore €5 per share for each of the 48,995,480 shares comprising the capital stock. The dividend will be payable as of June 12, 2006.

A tax allowance of 40% is available in respect of dividends paid in 2006 pursuant to article 158-3 of the French General Taxation Code, as amended by the French 2006 Finance Act, where the beneficiaries are natural persons resident for income tax purposes in France.

For information, as required by law, dividends paid in the previous three years were as follows:

	2002	2003	2004
Dividend per €16 par value share	1.50 €	2.50 €	3.30 €
Number of shares remunerated	47,442,837	48,045,139	48,255,962

Fourth resolution: option to pay dividends in the form of shares

Applying the provisions of articles L232-18 et seq. of the French Commercial Code and of article 34 paragraph 3 of the company's bylaws to the dividend for the financial year 2005, the shareholders resolve to give every shareholder the option to receive the dividend in respect of his or her shares paid in the form of shares.

The issue price of the new shares, which will carry entitlement to dividends as of January 1, 2006, will be 90% of the average opening prices quoted on the twenty stock market days preceding the date of this meeting, less the net amount of the dividend.

If the amount of the dividends to which a shareholder is entitled does not correspond to a whole number of shares, the shareholder may receive:

- either the nearest lower whole number of shares, plus the balance in cash,

- or the nearest higher a whole number of shares, in exchange for an additional payment in cash.

The option to have dividends paid in the form of shares will be available from May 22, 2006, the date the shares go ex dividend. Shareholders may make the request to the establishment holding their securities account. The option will remain open until June 2, 2006, inclusive. Shareholder not exercising their option within that period will receive their dividends in cash on June 12, 2006.

The shareholders grant all necessary powers to the Board of Directors to record the number of shares issued and the resulting increase in the capital stock, and to amend article 3 of the bylaws accordingly.

Fifth resolution: approval of the consolidated financial statements

Summary: the purpose of this resolution is to approve the consolidated financial statements for 2005.

Having received and considered:

- the management report on the operations of Natexis Banques Populaires and its consolidated subsidiaries for the year ended December 31, 2005,

- the consolidated financial statements for that year, and

- the report of the Acting 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

In accordance:

- with the provisions of articles L225-209 et seq. of the French Commercial Code,

- with the provisions of European Directive 2003/6 and of European regulation 2273/2003 of December 22, 2003,

- with articles 631-1 et seq., and articles 241–1 et seq., of the general regulations of the Autorité des Marchés Financiers,

- with market practices as accepted by the Autorité des Marchés Financiers in its decision of March 22, 2005,

and having regard to the description of the program published in the manner provided by the Autorité des Marchés Financiers,

the shareholders, having received and considered the report of the Board of Directors, hereby grant the Board of Directors authority to purchase shares in the company.

This authority, which is granted for a period of eighteen months, is intended to enable the company:

- to ensure liquidity or make a market in the shares through an independent investment service provider acting independently under the terms of a liquidity agreement complying with the Code of Ethics of the AFEI;

- to allot shares to employees under the conditions permitted by the regulations, and particularly in the context of a profit-sharing arrangement, stock option plan, company or group savings plan or free allocation of shares;

- to offer the shares in payment or exchange, particularly with respect to acquisitions;

- to use the shares to cover obligations relating to debt securities giving access to the capital;

- to cancel the shares by way of a reduction in the capital.

The shares may be bought, sold, exchanged or transferred by any means, on the stock market or over-the-counter, including, if necessary, by the use of firm or conditional 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 the regulations in force.

The shareholders resolve that the number of shares that may be purchased pursuant to this resolution may not exceed 5% of the company's capital stock, namely a total of 2,449,774 shares on the date of this meeting, and that the total investment cost may not exceed €612.44 million.

The shareholders resolve that the purchase price may not exceed €250 per share, subject to any adjustments required for capital transactions made by the company.

For the purpose of implementing this authority, the shareholders confer all necessary powers on the Board of Directors, including the power to delegate such powers:

- to place any stock market orders and enter into any agreements, particularly with respect to the keeping of registers of share purchases and sales;

- to make any declarations and complete any other formalities and, more generally, do whatever is necessary to implement this authority.

With effect from the date of this meeting, this authority cancels and replaces any similar authority previously granted, and in particular that granted by the sixth resolution of the annual general meeting held on May 19, 2005.

Seventh resolution: re-election of a Director

Summary: the purpose of this resolution is to re-elect as a Director Stève Gentili, whose term of office expires this year, for the period provided by the bylaws.

The shareholders hereby re-elect Stève Gentili as a 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, 2011.

Eighth resolution: re-election of a Director

Summary: the purpose of this resolution is to re-elect as a Director Yvan de La Porte du Theil, whose term of office expires this year, for the period provided by the bylaws.

The shareholders hereby re-elect Yvan de La Porte du Theil as a 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, 2011.

Ninth resolution: appointment of a Director

Summary: the purpose of this resolution is to appoint Jean Clochet as a Director to replace Daniel Duquesne, who is resigning from office.

The shareholders hereby appoint Jean Clochet as a Director to replace Daniel Duquesne, who is resigning from office, for the remainder of the latter's term of office, namely until the annual general meeting held to approve the financial statements for the year ending December 31, 2009.

Tenth resolution: appointment of a Director

Summary: the purpose of this resolution is to appoint Bernard Jeannin as a Director to replace Richard Nalpas, who is resigning from office.

The shareholders hereby appoint Bernard Jeannin as a Director to replace Richard Nalpas, who is resigning from office, for the remainder of the latter's term of office, namely until the annual general meeting held to approve the financial statements for the year ending December 31, 2009.

Eleventh resolution: appointment of a Director

Summary: the purpose of this resolution is to appoint Yves Gevin as a Director to replace Francis Thibaud, who is resigning from office.

The shareholders hereby appoint Yves Gevin as a Director to replace Francis Thibaud, who is resigning from office, for the remainder of the latter's term of office, namely until the annual general meeting held to approve the financial statements for the year ending December 31, 2008.

Extraordinary business

Twelfth resolution: authority to grant stock options

Summary: the purpose of this resolution is to renew the authority granted for one year by the extraordinary general meeting of May 19, 2005, to grant employees of Natexis Banques Populaires and its subsidiaries, and to other employees of the Banque Populaire Group, options to subscribe for new, or to purchase existing, shares in the company.

Having received and considered the report of the Board of Directors and the special report of the Acting Auditors, the shareholders hereby authorize the Board of Directors, on one or more occasions, to grant options to subscribe for new, or to purchase existing, shares to such beneficiaries as it may designate, and who may include:

- employees and executive directors of Natexis Banques Populaires and of 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, and of 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 conditions provided by the regulations in force, to subscribe for or purchase one share in the company.

The shareholders accordingly authorize the Board of Directors to increase the capital stock on one or more occasions up to a maximum 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 shall automatically involve a waiver by the shareholders of any preferential subscription rights in respect of the shares to be issued following the 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 the options are granted, nor less than 95% of that average 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 95% 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 shall lapse.

The shareholders confer all necessary powers on the Board of Directors to designate the beneficiaries of the options, to fix any additional terms and conditions for their allocation and exercise in accordance with the above principles, and to complete any formalities required to record the capital increase arising from the exercise of the options.

This authority is valid for a period of fourteen months with effect from the date of this meeting.

Thirteenth resolution: authority to the Board of Directors to increase the capital stock for the benefit of employees of the Banque Populaire Group

Summary: the purpose of this resolution is to authorize the Board of Directors to increase the capital stock of Natexis Banques Populaires on one or more occasions for the benefit of employees of the whole Banque Populaire Group, in the context of the employee savings regulations. It is proposed that the shareholders authorize an increase in the capital stock in a maximum amount of 1,500,000 shares.

Having received and considered the report of the Board of Directors and the special report of the Acting Auditors, the shareholders hereby authorize the Board of Directors to increase the capital stock on one or more occasions by the issue of shares reserved for employees of the Banque Populaire Group consisting of Natexis Banques Populaires, companies that are more than 50%-owned either directly or indirectly by Natexis Banques Populaires, the Banques Populaires banks, the Banque Fédérale des Banques Populaires and entities under the control of the Banque Fédérale des Banques Populaires and/or the Banque Populaire banks, and who are members of a company savings plan introduced by the Banque Populaire Group.

The maximum number of shares that may be issued pursuant to this authority shall be 1,500,000.

The issue price of the shares may not be more than the average 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 Board of Directors may set the terms and conditions of eligibility for the share issues, and in particular any length of service conditions, the period during which employees may exercise their rights, and any other terms and conditions of the capital increase, including particularly the manner of reduction of applications in the event of excess subscriptions.

The Board of Directors shall also have all necessary powers to complete the increase in the capital stock, to record its completion and to make any corresponding amendments to the bylaws.

This authority shall automatically involve a waiver by the shareholders and in favor of the employees of any preferential subscription rights in respect of this increase in the capital stock.

In accordance with the regulations in force, this authority is granted for a period of twenty-six months.

Fourteenth resolution: authority to reduce the capital stock in the context of a share buyback program

Summary: the purpose of this resolution is to authorize the Board of Directors, if it sees fit, to reduce the capital stock of the company by the cancellation of shares.

Having received and considered the report of the Board of Directors and the special report of the Acting Auditors, and voting under the quorum and majority conditions required for extraordinary business, the shareholders:

- hereby authorize the Board of Directors, in its sole discretion and on one or more occasions, to cancel shares held by the company or which may be held by the company following share buybacks carried out in the context of article L225-209 of the French Commercial Code, up to a maximum of 2,500,000 shares representing 5% of the capital stock, and to reduce the capital stock by a corresponding amount in accordance with the legal and regulatory provisions in force. The maximum par value of capital stock cancelled may not exceed €40 million;
- resolve that his authority shall be valid for a period of eighteen months with effect from the date of this meeting;
- confer all necessary powers on the Board of Directors to complete the transactions required to cancel the shares and reduce the capital stock, to amend the bylaws accordingly and to carry out any other formalities required.

Fifteenth resolution: powers for formalities

The shareholders hereby confer all necessary powers on the bearer of a copy or extract of the minutes of this meeting for the purpose of completing any filing or publication formalities required by law.

Additional information

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 on 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.

Provisions of the bylaws concerning executive directors (Title III, Articles 9 to 20 of the bylaws)

Board of Directors

Article 9 – Composition

The company is administered by a Board of Directors comprising a maximum of 18 members appointed by the general meeting of shareholders.

When it is determined, in accordance with current regulations, that the percentage of the capital stock owned by employee shareholders is in excess of the threshold provided by law, a director shall be appointed by the general meeting from among candidates put forward by the Supervisory Board of the company's mutual fund or

funds. A director appointed in this way shall not be taken into account in the calculation of the maximum number directors provided for by the first subparagraph of this article.
A director appointed in this way shall be entitled to vote on the Board of Directors and shall be subject to the same rights and obligations as the other directors.

Article 10 – Conditions governing directorships
Every director last known at least 10 shares in the company. The term of office of directors shall be six years, subject to the provisions of the following paragraphs. Directors may be re-elected.
No more than one third of the directors in office may be more than 70 years of age.
In the event of a vacancy for one or more directors between ordinary general meetings of shareholders due to death or resignation, the board may make provisional appointments subject to ratification by the next ordinary general meeting.
A director appointed in this way shall only remain in office for the remainder of the term of office of his or her predecessor.
A temporary vacancy in the directorship representing employee shareholders, particularly following the process of first appointment or replacement of the incumbent for whatever reason, shall not affect the validity of the Board's deliberations.

Article 11 – Powers of the Board of Directors
The Board of Directors shall determine the company's business strategy and ensure that it is implemented. Within the limitations of the corporate object and subject to powers expressly attributed by law or by these bylaws to general meetings shareholders, it shall consider any matters affecting the running of the company and shall pass resolutions governing its business. The Board of Directors may carry out such inspections and verifications as it considers appropriate.
It may decide to create committees responsible for considering and reporting to the Board on matters referred to them for examination by the Board and its Chairman.
The Board of Directors shall give an opinion on substantial investments in the capital of other companies or the creation of new subsidiaries.

Article 12 – Chairman of the Board of Directors
The Board of Directors shall appoint a Chairman, and if appropriate, a Vice Chairman, from among its members.
The term of office of the Chairman shall end, at the latest, at the end of the ordinary general meeting of shareholders called to approve the financial statements for the financial year in which the Chairman reaches the age of 65 years.
However, the Board of Directors may increase this age limit on one or more occasions by a total period not exceeding three years, at its the meeting following this general meeting.
The same provisions shall apply to the Vice Chairman, if one has been appointed.
The Chairman of the Board of Directors shall represent the Board of Directors. He shall organize and direct its work and report thereon to the general meeting of shareholders. He shall ensure that company bodies operate correctly, and in particular that the directors are in a position to carry out their functions.
The remuneration of the Chairman shall be determined by the Board of Directors.

Article 13 – Meetings of the Board of Directors
Meetings of the Board of Directors shall be called by its Chairman as often as the interests of the company require. In the event that the Chairman is unable to act, meetings of the Board may be caught by the Vice Chairman, if one has been appointed, or failing that, by the Chief Executive Officer, whether a director or not.
Meetings of the Board may also be called by the Chairman at the request of a least one third of the directors, or at the request of the Chief Executive Officer, to consider a particular agenda if the last meeting was held more than two months previously. The Chairman shall be bound by such requests.
At least half the members of the Board in office must be present for the Board to deliberate validly.
In the event that the Chairman and, if applicable, the Vice Chairman, is absent or unable to attend, the Board shall appoint one of its members present to chair the meeting.
The Chairman or Vice Chairman, if one has been appointed, shall chair meetings of the Board. In the event of a tied vote, he shall have a casting vote save in respect of the appointment of the Chairman of the Board of Directors. The Board shall appoint a secretary from among its members or otherwise. Minutes of meetings shall be prepared and copies or extracts of resolutions shall be issued and certified in accordance with current regulations.

Article 14 – Directors' fees
The general meeting of shareholders may allocate directors' fees to directors. The board shall distribute these among its members as it sees fit.

Executive management

Article 15 – Organization of executive management
In accordance with the law, the Board of Directors shall decide whether the executive management of the company shall be the responsibility of the Chairman of the Board of Directors himself, or of another natural person appointed to the office of Chief Executive Officer. The board shall determine the duration of the option chosen. This decision shall be brought to the attention of third parties by means of the advertising provided for by current regulations.

Article 16 – Chief Executive Officer
The Board of Directors may appoint a Chief Executive Officer from among its members or otherwise.

The Chief Executive Officer shall have the broadest powers to act in all circumstances on behalf of the company, and shall exercise such powers within the limitations of the corporate object and subject to those powers expressly attributed by law to general meetings of shareholders and to the Board of Directors. The Chief Executive Officer shall represent the company in its relations with third parties.
The chief executive officer may be dismissed at any time by the Board of Directors.
The Board of Directors shall determine the extent and duration of the powers of the chief executive officer.
However, limitations of such powers shall not be enforceable against third parties.
The chief executive officer may delegate part of his powers to any representative of his choice, with or without the ability to nominate a replacement.
The remuneration of the chief executive officer shall be determined by the Board of Directors.

Article 17 – Deputy Chief Executive Officers
On a proposal from the chief executive officer, the Board of Directors may appoint between and five deputy chief executive officers.
The Board of Directors shall determine the extent and duration of the powers conferred on deputy chief executive officers. With regard to third parties, they shall have the same powers as the chief executive officer.
The remuneration of the deputy chief executive officer(s) shall be determined by the Board of Directors.

Article 18 – Liability of executive directors
The directors and the chief executive officer shall be liable to the company or to third parties for breaches of the legal provisions governing société anonymes, for breaches of these bylaws and for mismanagement, in accordance with and subject to the penalties provided by the current legislation.

Control

Article 19 – Non-voting directors
The general meeting of shareholders can appoint one or more non-voting directors, whose term of office shall be three years. They may be re-elected, and may be dismissed by the general meeting of shareholders. They shall sit on the board of directors in a consultative capacity.
They may be appointed temporarily by the Board of Directors subject to ratification by the next general meeting of shareholders.
They may receive remuneration the amount of which shall be determined by the Board of Directors.

Article 20 – Auditors
Acting and substitute auditors shall be appointed by the ordinary general meeting of shareholders and the conditions provided by law. Their duties and powers shall be as provided by current legislation.

2 > General information about the capital stock

Form and registration of shares (Title II, Article 4 of the bylaws)

Shares in the company 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 €783,927,680 at December 31, 2005, divided into 48,995,480 shares with a par value of €16 each, fully paid-up.

Capital stock authorized but not yet issued

At their annual general meeting on May 31, 2001, the shareholders conferred a global authority on the Board of Directors in accordance with Article L225-129 para. 3 of the French Commercial Code, and for a period of 26 months, to make capital increases on one or more occasions, with or without preferential subscription rights, in a maximum non-cumulative amount of €150 million. This authority was renewed for the same amount and the same period at the extraordinary general meeting of shareholders held on June 22, 2003. This authorization was due to expire in July 2005.

The general meeting of shareholders held on May 19, 2005 replaced this authority with an authority delegated in accordance with the provisions of Articles L225-129-3, L228-92 and L228-93 of the French Commercial Code, as amended by the Ordonnance dated June 24, 2004 reforming the marketable securities regime. This authority granted by the general meeting of shareholders to the Board enabled the Board, for a period of 26 months with effect from the date of the meeting, to make capital increases on one or more occasions, with or without preferential subscription rights, in a maximum non-cumulative amount of €150 million, by the issuance of shares or any marketable securities conferring rights in the capital stock.

This general meeting of shareholders also decided, in accordance with the regulations:

- that in the event of excess demand, the issuances of shares decided on could be increased by up to a maximum of 15% of the initial issuance;
- that the Board could make issuances of up to 10% of the capital stock in the form of equity capital or marketable securities conferring rights in the capital stock, in order to pay for contributions in kind to the company.

Securities not conferring rights in the capital stock

None.

Other securities conferring rights in the capital stock

At their annual general meeting in 2001, the shareholders for the first time, and for a period of three years, authorized the granting to employees of Natexis Banques Populaires and its subsidiaries, and to other employees of the Banque Populaire Group, of options to subscribe for new or purchase existing shares.

This authorization related to a total of 2,500,000 shares.

The general meetings of shareholders held on May 27, 2004 and May 19, 2005 each renewed this authorization for one year and in an amount of 500,000 shares.

Having regard to the number of options actually allocated pursuant to these authorizations (2,159,300) and authorizations prior to 2001 (420,000), the number of options already exercised and the number of options cancelled, the number of options remaining to be exercised at December 31, 2005 was 1,886,987.

These 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;
- to 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 20 trading sessions preceding the date on which the Board of Directors fixed the terms and conditions of the annual options plan, subject to a discount in accordance with the legislation.

At its meeting on November 15, 2005, and after consultation with the Remuneration Committee, the Board of Directors decided to grant a maximum of 500,000 stock options in respect of the 2005 financial year.

A total of 496,500 options were ultimately granted, as follows:

- 236,500 to employees and executive directors of Natexis Banques Populaires and its direct or indirect subsidiaries (excluding Coface and its subsidiaries);
- 200,000 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 (these figures are included in the global summary set out above);
- 60,000 to employees and executive directors of Coface and its direct or indirect subsidiaries.

The exercise price was set at €119.24.

Stock options granted

	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan
Number of options granted	497,050	331,110	406,890	427,750	496,500
Number of beneficiaries	446	427	563	573	657
Exercise price (€)	94.30	72.47	83.25	89.10	119.24
First exercise date	September 20, 2005 *	September 11, 2006 *	September 11, 2007 *	November 17, 2008 *	November 15, 2009 *
Number of options exercised	296,420	15,600	4,400	3,050	0
Number of options cancelled	16,910	7,020	4,220	800	0
Number of options outstanding	183,720	308,490	398,270	423,900	496,500

(*) Under certain 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**

	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan
Number of options granted	116,500	66,000	68,000	84,000	92,000
Number of beneficiaries	12	10	11	11	11
Exercise price (€)	94.30	72.47	83.25	89.10	119.24
First exercise date	20 September 2005 *	11 September 2006 *	11 September 2007 *	17 November 2008 *	15 November 2009 *
Number of options exercised	85,700	11,000	0	0	0
Number of options cancelled	0	0	0	0	0
Number of options outstanding	10,800	55,000	37,800	84,000	92,000

(*) Under certain 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 and relate to the Chairman, Chief Executive Officer and members of the Management Committee of Natexis Banques Populaires.

Options granted to the top 10 employees (excluding executive directors)

	Total number of options granted	Exercise price (€)	Plan number
2005	71,000	119.24	N°13 – CA 09.15.05

Options exercised by the 10 employees who exercised the most options

Options exercised by the 10 employees who exercised the most options	Total number of shares subscribed	Average weighted price (€)
2005	116,500	83.71
Details per plan	**Number of shares subscribed**	**Unit price**
1998 Plan	1,500	57.65
1999 Plan	14,900	59.31
2000 Plan	55,000	83.14
2001 Plan	42,500	94.30
2002 Plan	1,400	72.47
2003 Plan	1,200	83.25

Changes in the capital stock in the last five years

	Opening number of shares	Number of shares issued during the year	Closing number of shares	Capital stock (€)
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
2005	48,255,962	739,518	48,995,480	783,927,680

The following table shows the amount of the issue premiums in respect of each increase in the capital stock.

Year	Description	Number of shares	Capital stock (€)	Issue premiums on increases in the capital stock (€)
2001	At January 1	**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
	At December 31	**44,314,352**	**709,029,632**	
2002	At January 1	**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
	At December 31	**47,442,837**	**759,085,392**	
2003	At January 1	**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
	At December 31	**48,045,139**	**768,722,224**	
2004	At January 1	**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
	At December 31	**48,255,962**	**772,095,392**	
2005	At January 1	**48,255,962**	**772,095,392**	
	Shares issued to employee stock ownership plans	3,043	48,688	225,259.18
	Exercise of stock options	480,436	7,686,976	33,653,461.26
	Shares issued in respect of the increase in the capital stock reserved for Banque Fédérale des Banques Populaires	256,039	4,096,624	25,903,465.63
	At December 31	**48,995,480**	**783,927,680**	

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, 2005

At December 31, 2005, the main shareholders of Natexis Banques Populaires were as follows:

	% capital	% voting rights
Banque Fédérale des Banques Populaires	74.97%	84.88%
o/w employees (Alizé Levier plan)	*2.09%*	*2.39%*
Employees (other plans)	1.34%	1.40%
Banques Populaires regional banks and Casden BP	1.78%	1.91%
ASB Holdings	1.57%	1.80%
DZ BANK	1.85%	1.06%
Maine Services (1)	1.33%	1.48%
Neptuno	0.88%	0.50%

(1) Wholly-owned subsidiary of Banque Fédérale des Banques Populaires.

As far as Natexis Banques Populaires is aware, no shareholder owns more than 5% of the capital stock or voting rights other than as mentioned above.

Shares held by directors and executive directors

Members of the Board of Directors, whether natural or legal persons, own 72.88% of the capital stock of Natexis Banques Populaires (and almost all of this percentage is owned by Banque Fédérale des Banques Populaires).

The number of shares owned by executive directors is not significant. Please see page 265 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 on May 19, 2005, Natexis Banques Populaires owned 1,654,605 treasury shares (stripped of voting rights) representing 3.38% of the capital stock, at December 31, 2005.

The following table shows the number and percentage of shares owned at February 28, 2006.

	Quantity purchased	Purchase price (€)	Average purchase price per share (€)	Quantity sold	Exit price (€)	Average exit price (€)	Final stock	% of capital stock
At January 1, 2006	1,654,605	145,483,033	87.93	-	-	-	1,654,605	3.38%
Buyback program	1,000	138,550	138.55	36,500	3,421,628	93.74	-	-
Alizé	-	-	-	-	-	0.00	-	-
Sub-total	*1,000*	*138,550*	*138.55*	*36,500*	*3,421,628*	*93.74*	-	-
At February 28, 2006	1,655,605	145,621,583	87.96	36,500	3,421,628	93.74	1,619,105	3.30%

Employee stock ownership

By extraordinary resolution at their general meeting on May 31, 2001, the shareholders authorized the Board of Directors to issue new shares to employees of the Banque Populaire Group, on one or more occasions, up to a maximum of 2,500,000 shares and for a period of five years, or until May 31, 2006.

In June 2001, a first Group employee stock ownership plan was established pursuant to this authorization, 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 corporate mutual funds, which owned 2.36% of the capital stock of Natexis Banques Populaires at December 31, 2005. All the funds, including the corporate mutual funds previously established, owned 1,624,830 shares, and Banque Populaire Group employees now own 3.43% of the capital stock.

Changes in share ownership in the last three years

At December 31	2003	2004	2005
Banque Populaire Group and subsidiaries	77.58%	77.87%	75.99%
Employees	4.12%	3.37%	3.43%
IKB Financière France	0.89%	0.89%	-
ASB Holdings	2.92%	2.89%	1.57%
DZ BANK	1.89%	1.88%	1.85%
Neptuno	-	-	0.88%

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 by the banking regulations.

The application of corporate governance rules and the rules to which directors are subject enable the risk of abuse to be avoided.

As far as Natexis Banques Populaires is aware, there is no agreement in existence the implementation of which could result in a change of control of the company at a later date.

There is no provision in the bylaws or otherwise which could have the effect of delaying, deferring or preventing a change of control of the company.

4 > Market in Natexis Banques Populaires shares

Market listings

Natexis Banques Populaires shares are traded on the Euronext Paris Eurolist and are eligible for deferred settlement (ISIN code: FR0000120685).

Natexis Banques Populaires shares form part of the SBF 120, SBF 250 and CAC MID 100 indices.

On January 3, 2005, the share was removed from the SBF 250 index due to an annualized turnover rate of less than 5% (number of shares traded over the total number of shares in issue). It was reinstated to the index on September 1, 2005 in accordance with a decision of the Scientific Committee of Euronext Paris, having regard to the increase in the turnover rate (7.57% in the period May 2004-June 2005).

During this period, shares in Natexis Banques Populaires remained in the SBF 120 index.

Market in the shares

Trends in average monthly prices and trading volumes since September 2004

Year	Month	Average price (€)	High (€)	Low (€)	Number of shares traded	Capital traded (€ 000s)
2004	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
	March	110.71	115.50	108.00	231,842	25,819
	April	112.90	116.30	110.00	296,142	33,489
	May	114.27	121.20	111.40	362,887	41,737
	June	117.70	117.70	120.80	333,846	39,518
	July	120.54	123.40	117.70	729,263	85,697
	August	117.57	122.00	112.50	214,924	25,350
	September	120.60	126.50	112.60	540,474	65,946
	October	124.81	127.00	121.80	441,410	55,267
	November	129.87	139.60	125.00	448,349	58,915
	December	138.60	140.80	137.00	342,008	47,611
2006	January	142.96	159.00	138.10	421,537	61,011
	February	158.37	180.00	141.20	455,114	74,193

5 > Dividends

Dividends not claimed within five years of the date of payment lapse and become the property of the French State, as provided by law.

Dividends paid in the past five years:

Year ending	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005
Number of shares comprising the capital stock	44,314,352	47,442,837	48,045,139	48,255,962	48,995,480
Net dividend per share	2.50€	1.50€	2.50€	3.30€	5.00€*

*To be proposed at the annual general meeting on May 18, 2006.

Until payment of the 1999 dividend, Natexis Banques Populaires offered shareholders the option of receiving their dividend payment in the form of shares. This option will be offered again in 2006, in respect of the 2005 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 the end of 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 on 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: in December 1999: the merger of Banques Populaires Ingénierie (B.P.I.) into Natexis Banques Populaires; in December 1999: the restructuring of the private equity arm; in June 2000: the 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; and the transfer of Natexis Gestion's fund management activities to Banque Populaire Asset Management.

In 2000, the decision of Natexis Banques Populaires to control 100% of the capital stock of its subsidiaries resulted in transactions which giving it 100% control over Assurances Banque Populaire and Factorem. Similar transactions took place in 2001, particularly in the private equity and asset management arms. This 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, 2005, its holding amounted to 1.85%.

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 the ASB shares. The shareholders also approved a capital increase of €22,417,312 to pay for the acquisition, through the issuance of 1,401,082 fully paid-up shares with a par value of €16 each.

At December 31, 2005, ASB owned 1.57% of the capital stock of Natexis Banques Populaires.

7 > Persons responsible for the annual report and information

Person responsible for the annual report

François Ladam

Chief Executive Officer of Natexis Banques Populaires

Statement by the person responsible for the annual report

"To the best of my knowledge, the information contained in this annual report is true and accurate, and contains no omissions liable to impair its significance.

I have obtained a letter from the statutory auditors certifying the completion of their work, in which they indicate that they have verified the information relating to the financial situation and the accounts given in this report and have read the whole of the annual report."

Paris, March 23, 2006

François Ladam

Person responsible for information

M. Pierre Jacob
Group Director of Financial Communication
Tel: 01 40 39 65 27
Fax: 01 40 39 63 40
e-mail: *relinvest@nxbp.fr*
Toll-free number: 0 800 600 525

8 > Documents available to the public

Documents relating to Natexis Banques Populaires (deeds of incorporation, bylaws, reports, letters and other documents, historical parent company and consolidated financial information for each of the financial years preceding the publication of this document) are partially included in this document and may be consulted at the company's head office, preferably by appointment.

This annual report is available on the website of the Autorité des Marchés Financiers (*www.amf-france.org*) and under the heading "shareholders and investors" on the company's institutional website at *www.nxbp.banquepopulaire.fr*.

Any person wishing to obtain additional information about Natexis Banques Populaires can request documents free of charge and without obligation:

- By letter, from: Natexis Banques Populaires
  Group Financial Communications
  Investor Relations Department
  Le Ponant de Paris
  5 rue Leblanc
  75511 Paris Cedex 15
- By telephone, from: 01 40 39 68 79

Cross-reference table

Heading	Registration document page number
1. Persons responsible	272
2. Statutory Auditors	28
3. Selected financial information	
3.1. Selected historical financial information regarding the issuer for each financial year	6
3.2. Selected historical financial information for interim periods	N.A.
4. Risk factors	81 to 91, 145 to 149, 155 to 159
5. Information about the issuer	
5.1 History and development of the issuer	271
5.2 Investments	30, 77, 216
6. Business overview	
6.1. Principal activities	38 to 51
6.2. Principal markets	160
6.3. Exceptional factors	N.A.
6.4. Extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	91
6.5. The basis for any statements made by the issuer regarding its competitive position	69 to 76
7. Organizational structure	
7.1. Brief description of the group	36, 271
7.2. List of significant subsidiaries	220 - 221
8. Property, plant and equipment	
8.1. Existing or planned material tangible fixed assets	150, 172
8.2. Environmental issues that may affect the issuer's utilization of the tangible fixed assets	66 to 68
9. Operating and financial review	
9.1. Financial condition	92 - 93
9.2. Operating results	69 to 77
10. Capital resources	
10.1. Information concerning the issuer's capital resources	106, 110 to 113
10.2. Sources and amounts of the issuer's cash flows	108
10.3. Information on the issuer's borrowing requirements and funding structure	93 - 94
10.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the issuer's operations.	N.A.
10.5. Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2. and 8.1	93 - 94
11. Research and development, patents and licences	N.A.
12. Trend information	94
13. Profit forecasts or estimates	N.A.
14. Administrative, management, and supervisory bodies and senior management	
14.1. Administrative bodies	15
14.2. Administrative, management, and supervisory bodies and senior management conflicts of interests	16
15. Remuneration and benefits	
15.1. Amount of remuneration and benefits	24
15.2. Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	28
16. Board practices	
16.1. Date of expiration of current term of office	17
16.2. Service contracts with members of the administrative bodies	16
16.3. Information about the issuer's audit committee and remuneration committee	23 - 24
16.4. Whether or not the issuer complies with the corporate governance regime(s) in its country of incorporation	29

17. Employees

17.1. Number of employees	54, 63
17.2. Directors' shareholdings and stock options	266
17.3 Arrangements for involving employees in the issuer's capital	269

18. Major shareholders

18.1. Shareholders owning more than 5% of the share capital or voting rights	268
18.2. Different voting rights	8, 257
18.3. Control over the issuer	269
18.4. Arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control	269

19. Related-party transactions 196, 220, 245

20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses

20.1. Historical financial information	102 to 242, 275
20.2. Pro forma financial information	N.A.
20.3. Financial statements	102 to 242
20.4. Auditing of historical annual financial information	202 - 203, 243 - 244
20.5. Age of latest financial information	102
20.6. Interim financial information	N.A.
20.7. Dividend policy	10, 270
20.8. Legal and arbitration proceedings	91
20.9. Significant change in the issuer's financial position	94

21. Additional information

21.1. Share capital	8 to 10, 264 to 269
21.2. Memorandum and articles of association	262 to 264

22. Material contracts 150, 172

23. Third party information and statement by experts and declarations of any interest N.A.

24. Documents on display 272

25. Information on holdings 136

Pursuant to article 28 of Commission regulation no. (EC) 809/2004 of April 29, 2004, the following information is incorporated by reference in this annual report:

- the consolidated financial statements for the year ended December 31, 2004, the statutory auditors' report thereon and the Group management report, on pages 108 to 155, 156 to 157 and 83 to 106 of the annual report filed with the AMF on March 25, 2005 under number D.05-0285;

- the consolidated financial statements for the year ended December 31, 2003, the statutory auditors' report thereon and the Group management report, on pages 100 to 155, 156 and 71 to 98 of the annual report filed with the AMF on April 2, 2004 under number D.04-0392.

All other chapters of annual reports D.05-0285 and D.04-0392 are either of no material interest to investors or covered elsewhere in this annual report.

AMF

This document is an English-language translation of the French *document de référence* filed with the Autorité des Marchés Financiers (AMF) on March 23, 2006, in compliance with article 212-13 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 *document de référence* was produced by the issuer, and the signatories to it are responsible for its contents.

CONTACTS

Natexis Banques Populaires

45, rue Saint-Dominique
75007 Paris
Tel: +33 1 58 32 30 00

Group Financial Communications

Pierre Jacob

Investor Relations Department

Cécilia Matissart

Frédérique Duvignacq

Alain Hermann

Pierre Jouffrey

Email: relinvest@nxbp.fr
www.nxbp.banquepopulaire.com
«SHAREHOLDERS AND INVESTORS» section

Publishing
Natexis Banques Populaires /
Corporate Communications

Design – Production
avant•garde – Tel: +33 1 45 74 61 61

Printing
IMP – June 2006

Photo credits
Altrendo - avant•garde

Printed using vegetable inks by IMP Graphic (Cosne-sur-Loire, France), an Imprim'vert printer. The Imprim'vert label is awarded to printers implementing industrial strategies on environmental protection (waste management, exclusion of toxic products, etc.). The paper selected for the cover of the Annual Report was made by an ISO 14001 certified plant complying with EMAS environmental management standards. The paper used in this document is 100% recycled, produced by an ISO 14001 certified plant meeting EMAS environmental management standards.

45, rue Saint-Dominique
75007 Paris - France
Tel: +33 1 58 32 30 00
www.nxbp.banquepopulaire.com

GROUPE BANQUE POPULAIRE

NATEXIS BANQUES POPULAIRES