

# Natexis Banques Populaires

## 2003 Results

**March 9, 2004**



*Banque et populaire à la fois.*

# The Banque Populaire Group

# Significant events of 2003

BANQUE POPULAIRE GROUP

## Very strong business performance

- **Significant growth**  
Consolidated net banking income up 23% vs 2002
- **Sharp increase in earnings**  
Earnings capacity up 57% vs 2002 to €1.02 billion

## Further strengthening of the Group's financial position

- **Tier One ratio: 8.9% (vs 8.2% at December 31, 2002)**

**Continued high level of investment in development and rationalization, Group-wide**

# Consolidated results

BANQUE POPULAIRE GROUP

**Strong rise in all major income statement items, both on an actual and comparable structure basis**

€ millions	2003	2002	Change	
				Comparable structure*
■ Total net banking income	7,066	5,748	+23%	+13%
■ Gross operating income	2,270	1,611	+41%	+34%
■ Operating income	1,705	1,098	+55%	+48%
■ Net income	853	532	+60%	+52%
■ <i>Earnings capacity**</i>	1,022	650	+57%	+50%

\* Comparable structure = 2002 data restated based on 2003 Group structure

\*\* Net income + transfer to the fund for general banking risks

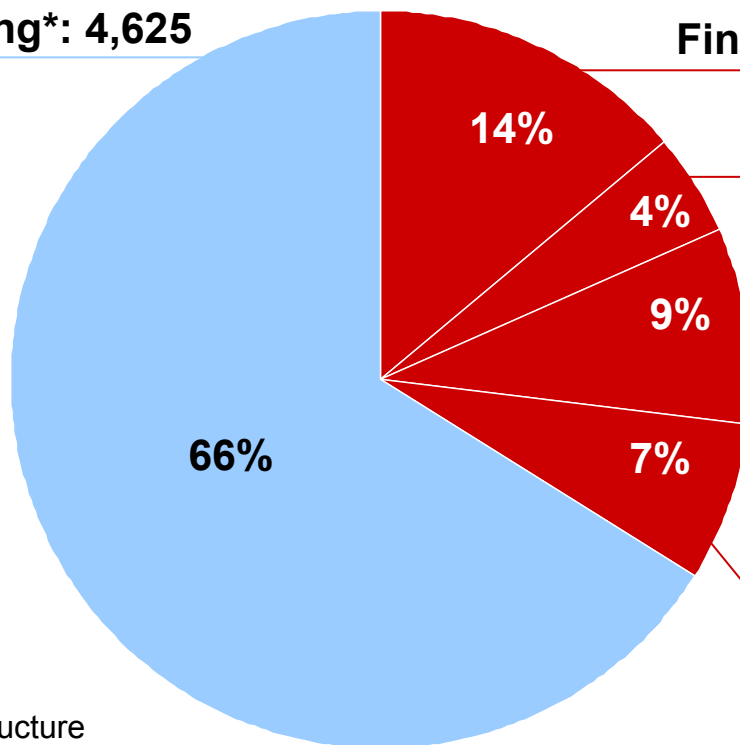
# Contribution by core business

BANQUE POPULAIRE GROUP

€ millions

**Local retail banking\*: 4,625**

■ +14%  
■ +8%



**Financing: 968** ■ +10%  
■ +9%

**Investment: 304** ■ +57%  
■ +8%

**Services: 603** ■ +6%  
■ +6%

**Credit insurance and credit management services: 488** ■ +154%\*\*  
■ +23%

■ 2003/2002 actual structure  
■ 2003/2002 comparable structure

\* o/w Crédit Coopératif (net banking income 12 months 03: €207 million),  
Crédit Maritime Mutuel (net banking income 6 months 03: €54 million)

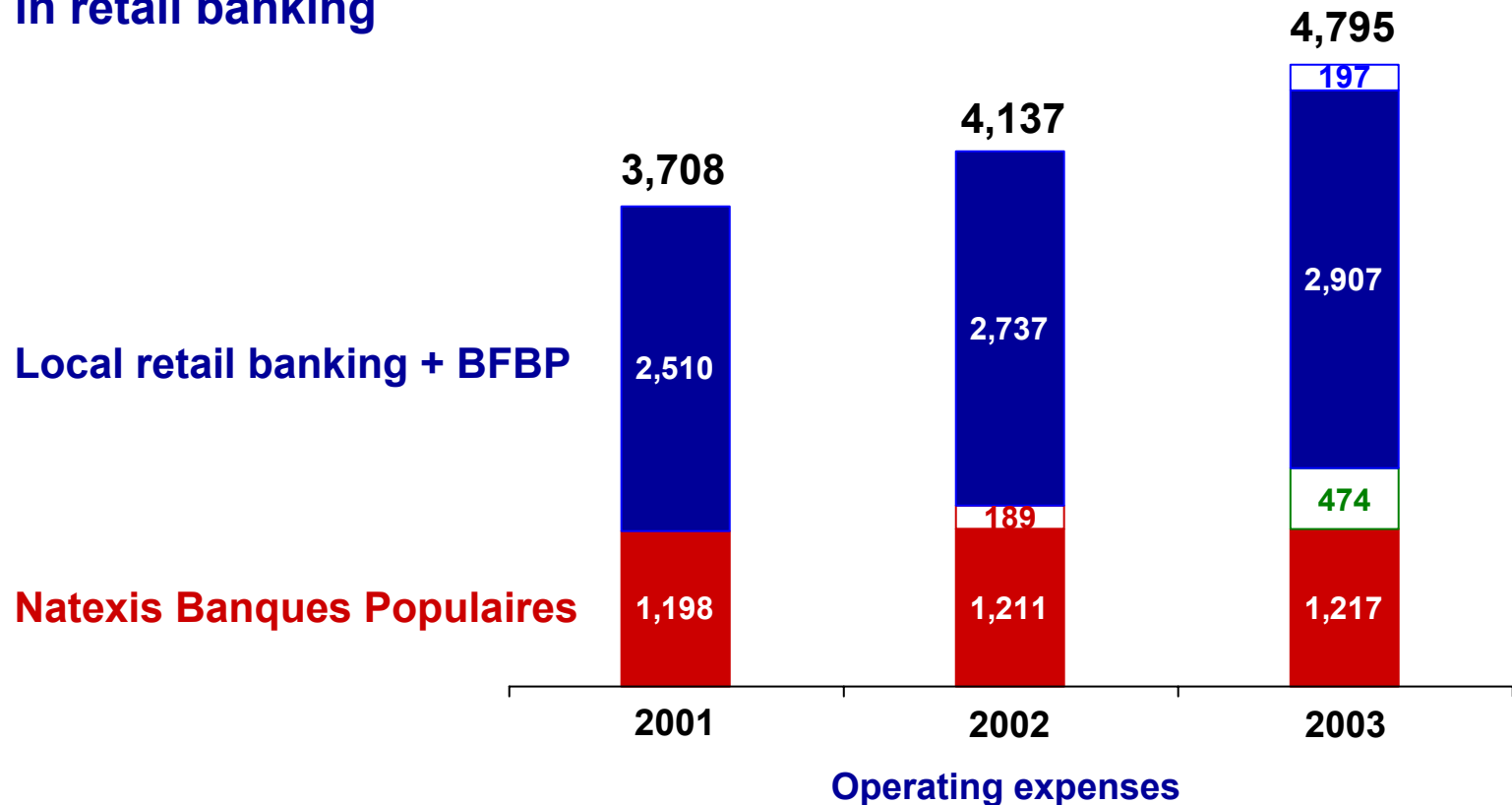
\*\* 2003 vs 2H02

2003 net banking income (including intercompany)

# Operating expenses

BANQUE POPULAIRE GROUP

**Tight control over costs against a backdrop of significant growth in retail banking**



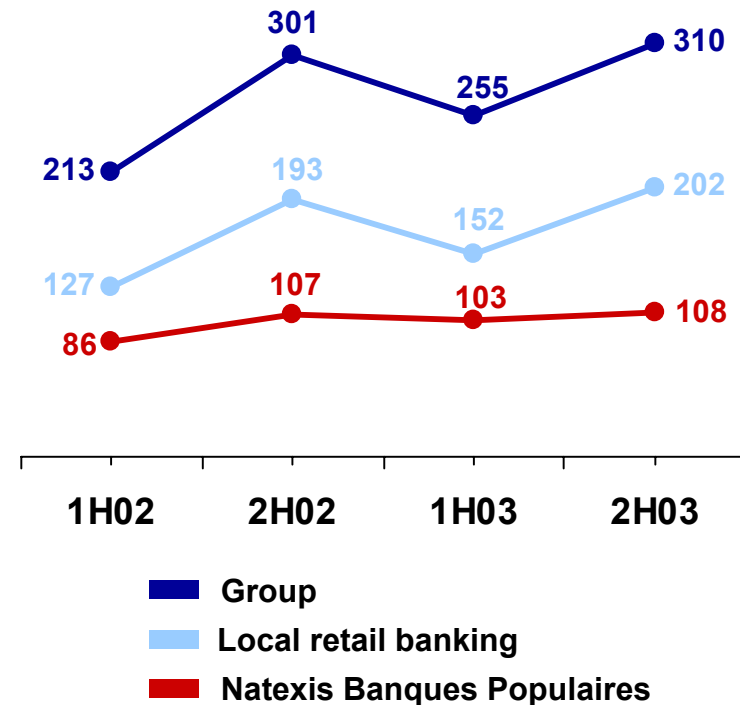
- Crédit Coopératif (2003) + Crédit Maritime Mutuel (2H03)
- Coface 2H02
- Coface 2003 + Bleichroeder Inc. and UK 2003

# Provisions for loan losses

BANQUE POPULAIRE GROUP

€ millions

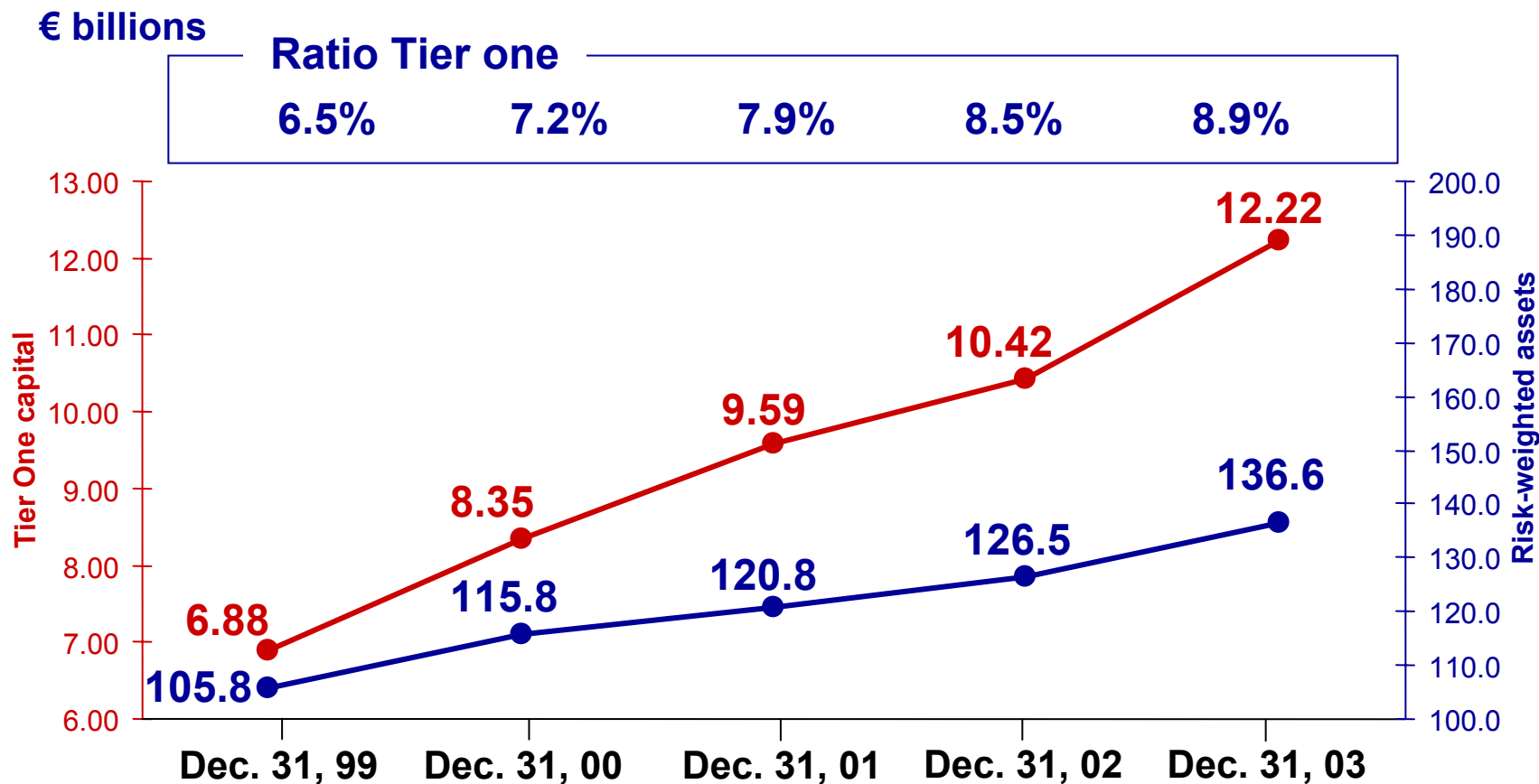
- Provisions for loan losses on a par with 2002 at 0.41% of risk-weighted assets
- 2003 provisions for loan losses: €565 million  
Change: +6% on a comparable structure basis
- Ongoing highly conservative provisioning policy and significant increase in general provisions for N.B.P.



# Financial position

BANQUE POPULAIRE GROUP

**A further significant improvement in the Tier One ratio with no downturn in growth momentum**





# Return on equity

BANQUE POPULAIRE GROUP

- Significantly higher return on equity
- Very strong return on equity for the local retail banking business
- Substantial recovery in return on equity for Natexis Banques Populaires

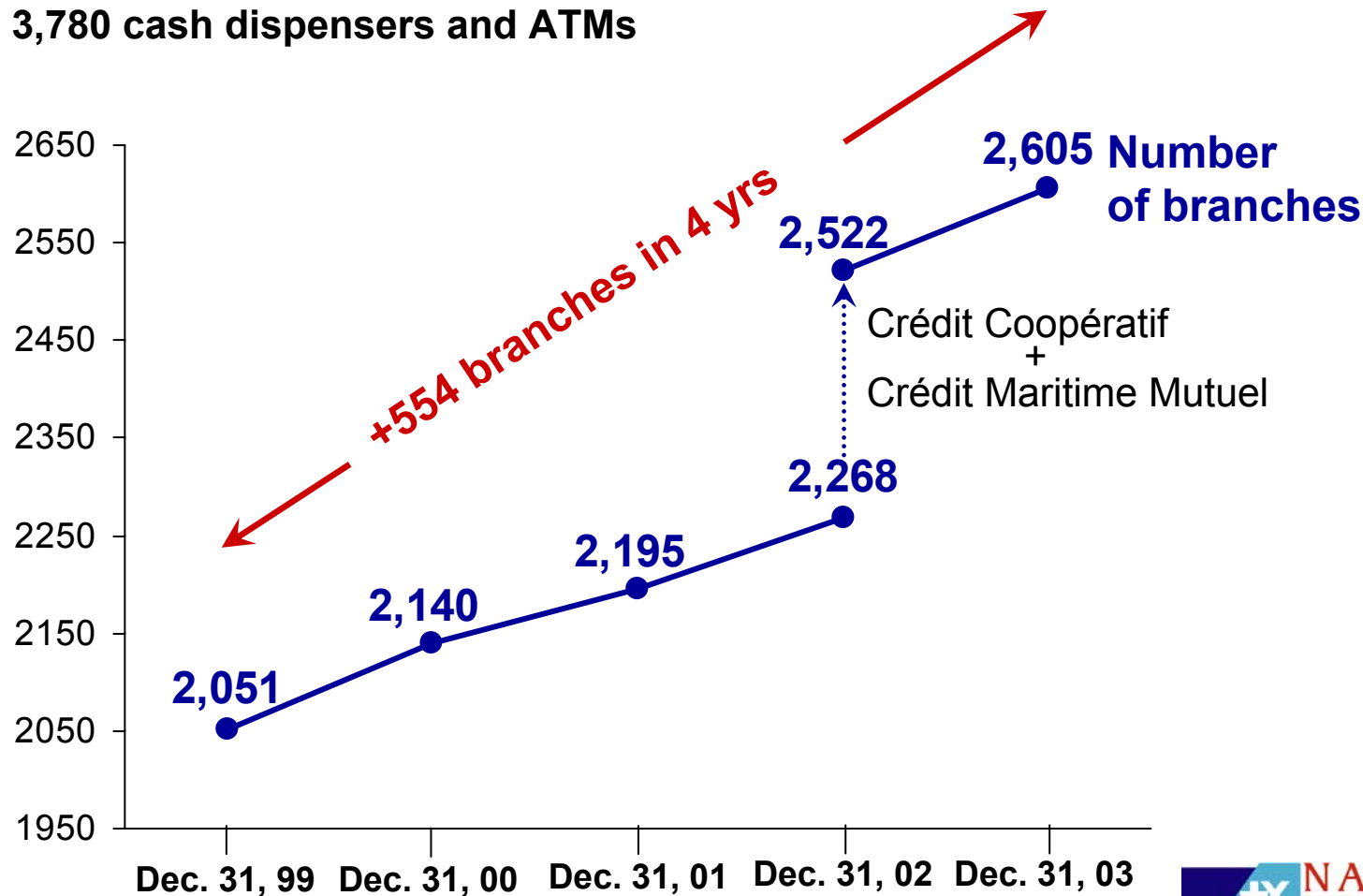
	ROE	Change
■ Group*	14.6%	+5.4 pts

\* Calculated based on earnings capacity

# Deeper network

## LOCAL RETAIL BANKING

- 106 branches opened in 2003 (83 net)
- 17,800 client relationship managers (60% of total employees)
- 3,780 cash dispensers and ATMs



# Natexis Banques Populaires

# Income statement

€ millions

	2003	2002 proforma	2002	Change comp. struct.	
Proforma = 2002 data restated based on 2003 structure					
<b>■ Net banking income</b>	<b>2,455</b>	<b>2,083</b>	<b>1,793</b>	<b>+37%</b>	<b>+18%*</b>
→ Operating expenses	(1,738)	(1,715)	(1,446)		
<b>■ Gross operating income</b>	<b>716</b>	<b>368</b>	<b>347</b>	<b>+106%</b>	<b>+95%**</b>
→ Provisions for loan losses	(211)	(196)	(193)		
<b>■ Operating income</b>	<b>505</b>	<b>172</b>	<b>154</b>	<b>+228%</b>	<b>+194%</b>
→ Income from companies at equity	10	4	3		
→ Net gains on disposals of fixed assets	14	53	53		
<b>■ Income before exceptional items and tax</b>	<b>528</b>	<b>230</b>	<b>210</b>	<b>+151%</b>	<b>+130%</b>
→ Exceptional items	13	(16)	(16)		
→ Corporate income tax	(154)	(22)	(13)		
→ Amortization of goodwill	(64)	(41)	(38)		
→ Transfer to/reversal from FGFR***	0	21	21		
→ Minority interests	(58)	(59)	(55)		
<b>■ Net income</b>	<b>265</b>	<b>112</b>	<b>108</b>	<b>+145%</b>	<b>+136%</b>

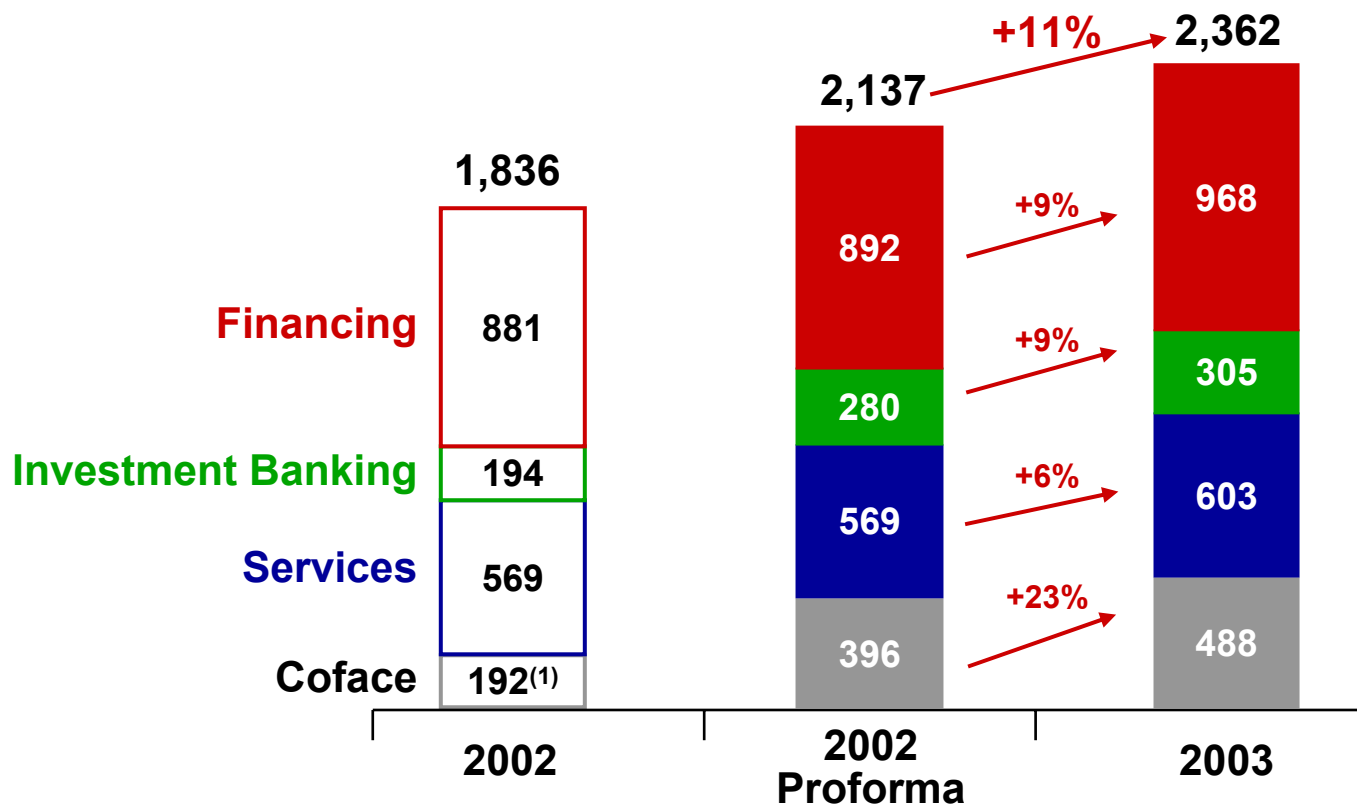
\* +22% on a constant exchange rate basis

\*\* +109% on a constant exchange rate basis

\*\*\* Fund for general banking risks

# Net banking income by core business

€ millions



(1) 2<sup>nd</sup> half 2002 contribution

## ■ Corporate and International Banking: 2003 net banking income up 11% to €776 million

### → Net banking income up 17% based on a constant dollar exchange rate

Sustained rise in revenues from corporate clients: improved average margins and higher commitment fees, with average outstanding loans and commitments remaining stable

Very strong position maintained in commodities financing

Substantial growth in Structured Finance (mainly LBOs)

### → Risk-weighted assets scaled back: down 13%

## ■ Specialized Financing: 2003 net banking income up 1% to €192 million

### → Factoring: Expansion in market share to 13.2%

### → Lease financing ⇒ Net banking income up 6%, reflecting higher outstanding financing and increased average margins

# Investment banking

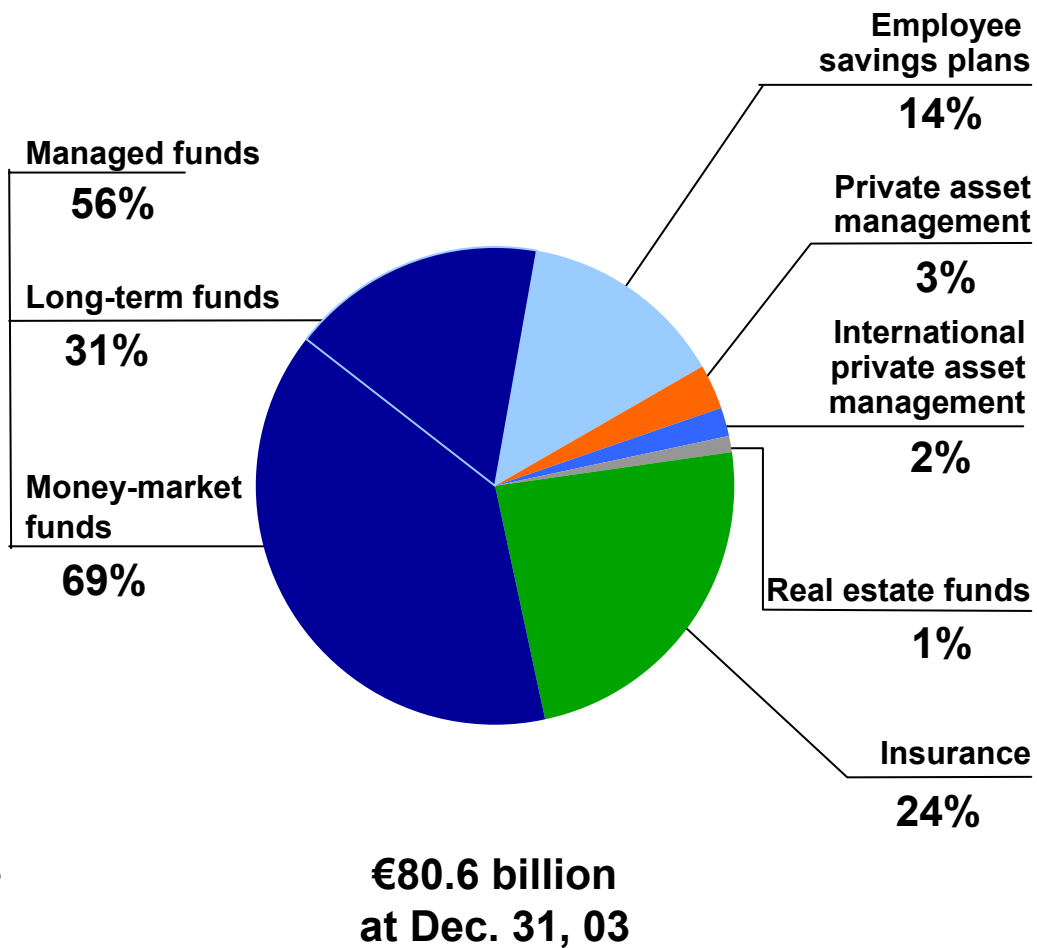
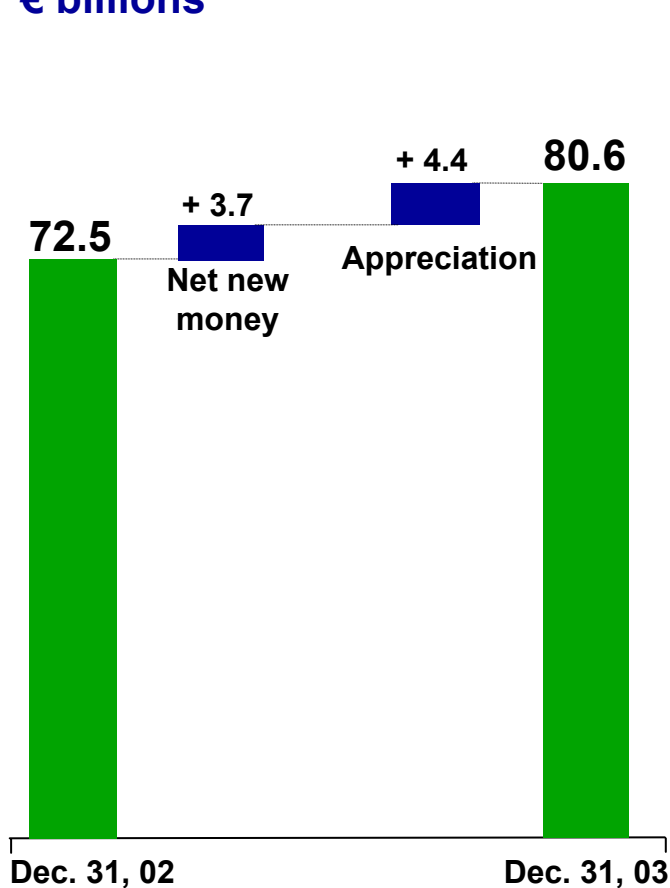
- **Capital Markets: 2003 net banking income = €223 million**
  - Initial impact of the reorganization plans implemented in the spring.  
Equities derivatives: focus on reducing risk
  - Good results both for origination and for sales and trading  
(treasury transactions and fixed income)
  - Equities: low brokerage volumes, positions strengthened  
in the primary market and in the tender offers market
  
- **Private Equity: 2003 net banking income up 43% to €82 million**
  - €54 million increase in unrealized capital gains to €203 million
  - Good level of investments (up 10%), particularly in the second half  
of the year

- **Banking, Financial and Technology Services: 2003 net banking income = €246 million (down 5%)**
  - **Banking Services:**  
Sharp increase in net banking income  
Steady growth in volumes on the French interbank teleclearing system (SIT)
  - **Financial Services:**  
Contraction in net banking income, reflecting the discontinuation of certain insufficiently profitable businesses  
Further rise in assets in custody to **€364 billion: up 13%**  
Cap 2005 reorganization plan progressing well
  
- **Asset Management and Insurance: 2003 net banking income up 15% to €357 million**
  - **Increase in total assets under management:** €80.6 billion (up 11%)
  - **Fund management:** strong performance in money-market funds, mainly driven by a highly competitive product offer
  - **Insurance:** assets under management up **9%**
  - **Employee savings plans:** extension of our leading position in France, with market share rising to **21%**



# Assets under management

€ billions



- **Significantly improved financial performance and strong sales momentum**
- **Total revenues: €1,085 million, up 11%**  
**Net banking income: €488 million, up 23%**
- **Substantially improved loss ratio, partly due to stricter client selection criteria**
- **Improved risk profile thanks to asset reallocation and reorganization of reinsurance programs**

# Operating expenses

- Significant 11.5-point fall in the cost/income ratio
- Very modest rise in operating expenses reflecting higher employee numbers in 2003 (primarily due to new businesses taken on by Coface in the USA and the consolidation of Intertitres)

€ millions	2003	2002 proforma	2002
■ Operating expenses	1,738	1,715	1,446
→ Payroll costs	981	932	774
→ Other and depreciation	757	783	672
■ Cost/income ratio	70.8%	82.3%	80.6%
■ Cost/income ratio (excl. Coface)	67.5%	79.6%	

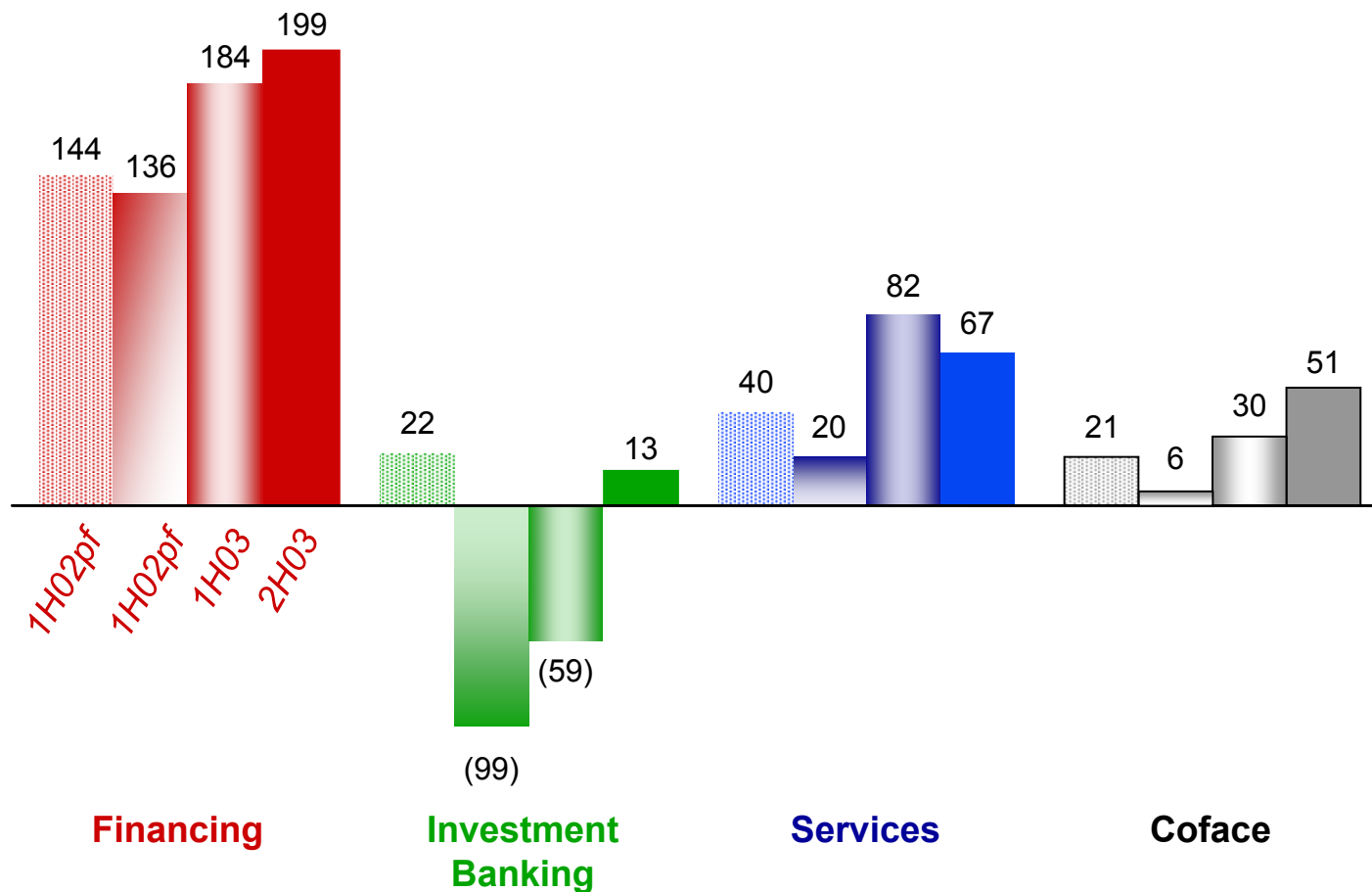
# Credit risks - Coverage of non-performing loans

- Provisions for loan losses in 2003: €211 million (0.40% of risk-weighted assets)
  - Reduction in charges to specific provisions
  - Significant €63 million charge to general provisions
- Coverage of non-performing loans:

€ billions	Dec. 31, 03	Dec. 31, 02
■ Outstanding customer loans	47.6	48.6
■ Non-performing loans	1.68	1.72
■ % non-performing loans	3.5%	3.5%
■ Provisions (specific and general)	1.47	1.46
■ Coverage rate	87.4%	84.8%

# Income before exceptionals by core business

€ millions



(excluding investment income attributable to shareholders, for Financing, Investment Banking and Services)

# EPS and profitability

	2003	2002	Change
■ Earnings per share <sup>(1)</sup>	€5.5	€2.4	+128%
■ NAV per share <sup>(2)</sup>	€86.5	€84.5	+2%
■ ROE	7.8%	3.1%	+4.7 pts

(1) Based on average number of shares (44,714 million in 2002 and 47,999 million in 2003)

(2) Based on number of shares at year-end (excluding treasury stock)

# Stronger capital base

€ millions

	Dec. 31, 03	Dec. 31, 02	Change
■ Tier One ratio	8.1 %	7.2 %	+0.9 point
■ Total regulatory capital <sup>(1)</sup>	6,045	5,817	
→ Tier One	4,274	4,093	
- o/w FGBR	242	242	
- o/w preferred stock	692	602	
→ Tier Two and Tier Three	1,751	1,724	
■ Risk-weighted assets	53,079	57,183	-8%

(1) As used to calculate international capital adequacy ratios

# Natexis Banques Populaires

## 2003 Results

**March 9, 2004**



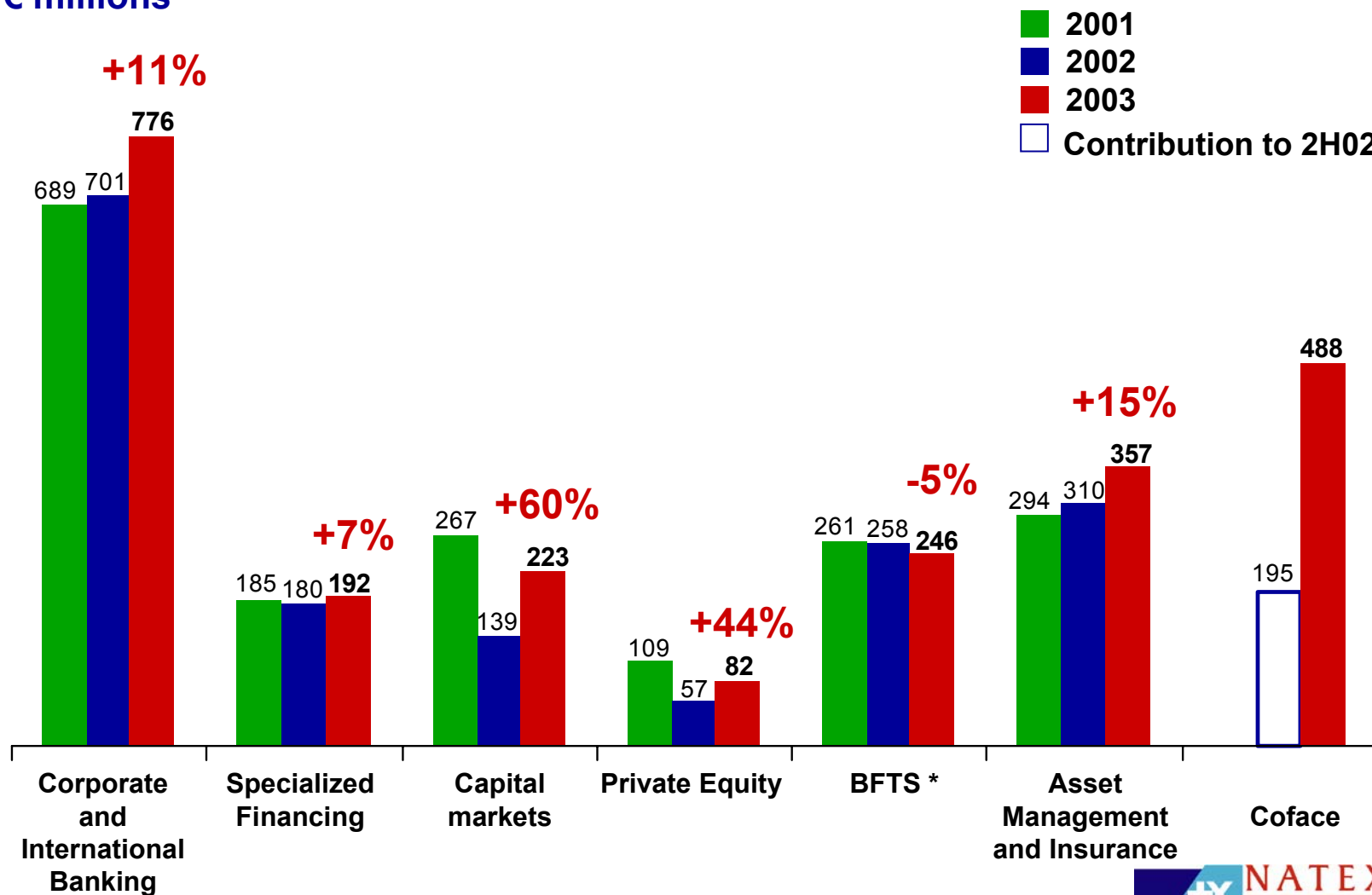
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# Appendices

# Net banking income by business line

€ millions



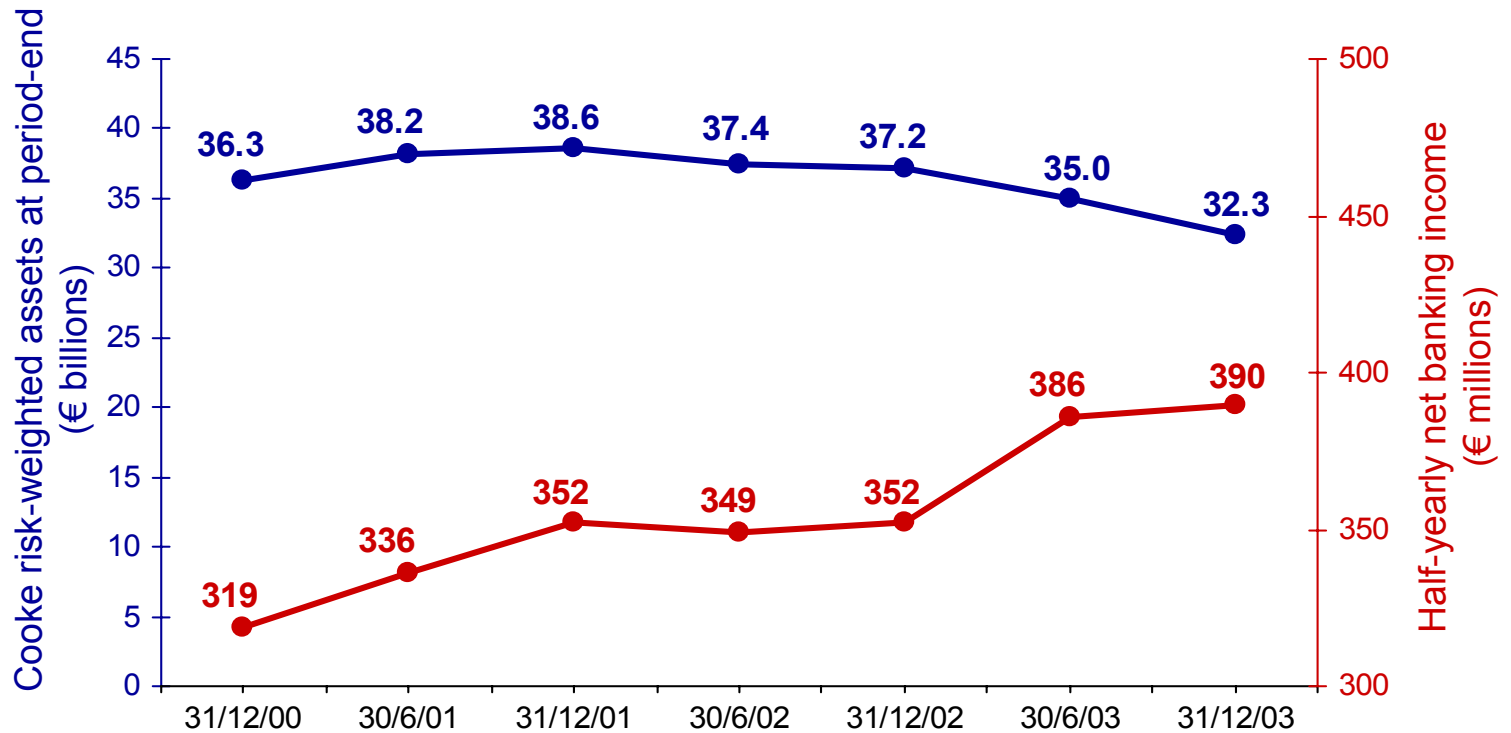
Changes on an actual structure basis

\* Banking, Financial and Technology Services

## **2003 net banking income up 11% to €776 million**

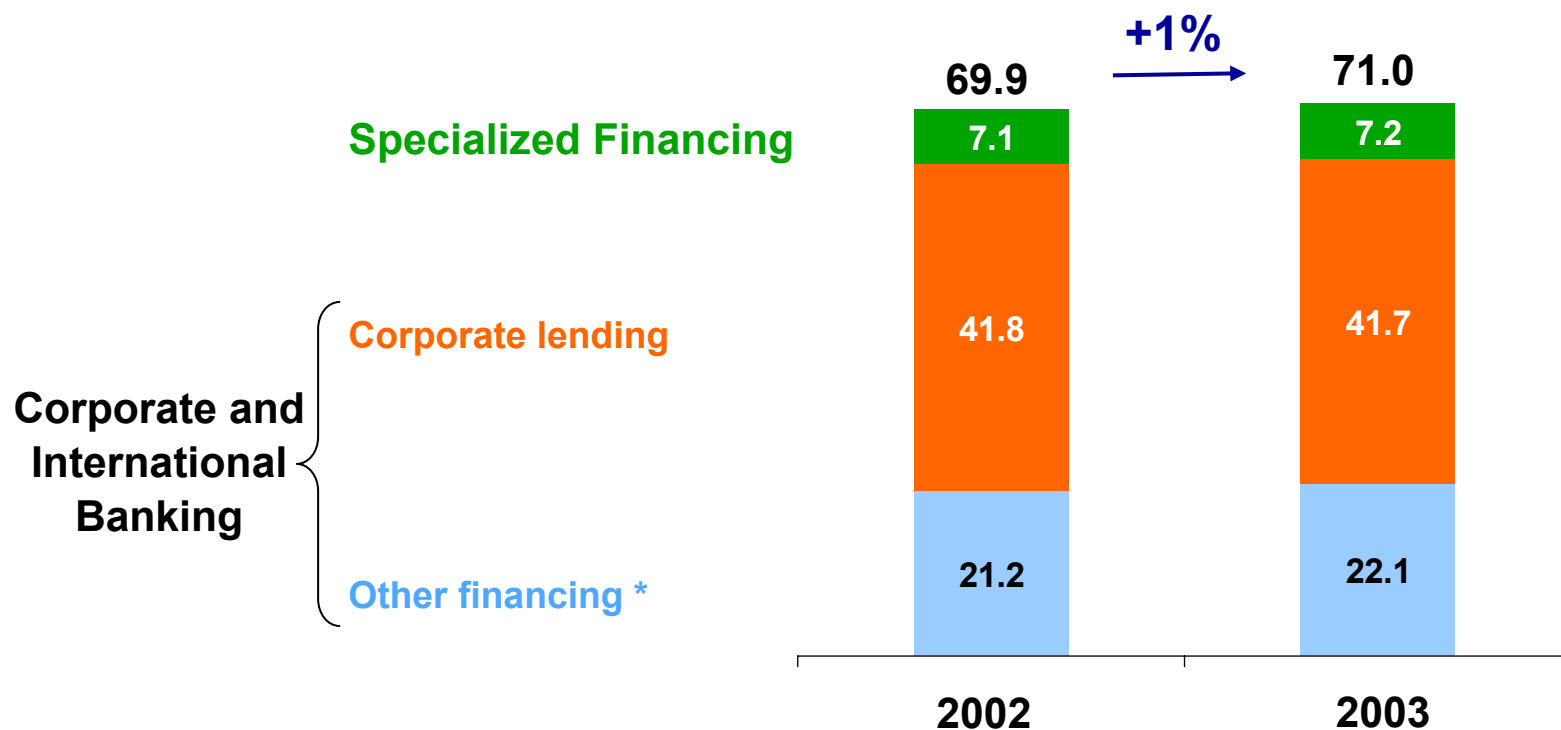
- **Net banking income up 17% at a constant dollar exchange rate**
  - **Sustained growth in corporate client revenues: improved average margins and higher commitment fees, based on stable average outstanding loans and commitments**
  - **Decrease in the contribution of cash management and other banking service revenues (due to lower float revenues and a decline in sight deposits)**
  - **Strong increase in Structured Finance, especially LBO transactions**
  - **Very good performance for Commodities Financing (among the top 6 worldwide)**
  
- **Cost/income ratio: 41.4% (down by 5 points)**

## Efficient management of risk-weighted assets over time



# Average outstanding loans and commitments

€ billions  
(on and off-balance sheet)



\* Asset and acquisition financing, trade finance, commodities financing

## 2003 net banking income up 1% to €192 million

### ■ Factoring

- Crédifrance Factor merged into Natexis Factorem in May 2003, with effect from January 1, 2003
- Increase in Natexis Factorem's market share, to 13.2%
- Sharply lower provision expense
- Average outstanding financing: €1.9 billion

### ■ Lease financing (real estate and equipment)

- Contribution to net banking income up 6% to €94 million
- Improved margins
- Stable provision expense
- Average outstanding financing: €5.3 billion

2003 net banking income = €223 million

## ■ Equities (Natexis Bleichroeder)

- Brokerage business still impacted by low trading volumes
- Stronger positions in the primary market and in the tender offers market (9.1% market share in number of transactions)

## ■ Proprietary Trading subsidiaries

- Good performance by Natexis Arbitrage
- ABM Corp business impacted by low long-term rates in the USA
- Slower business growth at Natexis Metals due to the international climate

## ■ Fixed Income, Foreign Exchange and Derivatives

- In-depth reorganization of the equity derivatives business: focus on reducing risks and efficiently managing positions
- Good performance by the Treasury business
- Higher primary bond market volumes (arranger of issues for La Poste, LVMH, PPR, Cofiroute, Arcelor, etc.)



2003 net banking income = €82 million

€ millions

	2003	2002
<b>■ Proprietary portfolio</b>		
→ Investments	171	127
→ Disposals (sale price)	183	168
→ Managed assets, net of provisions <sup>(1)</sup> (a)	946	803
→ Unrealized capital gains at Dec. 31	203	149
<b>■ Managed private equity funds</b>		
→ Investments	87	108
→ Disposals (sale price)	46	55
→ External managed assets <sup>(2)</sup> (b)	774	740
<b>■ Total managed assets (a) + (b)</b>	<b>1,720</b>	<b>1,543</b>

(1) Including unrealized capital gains

(2) Excluding Euromezzanine

**2003 net banking income down 5% to €246 million**

■ **Banking Services: 2003 net banking income up 12% to €75 million**

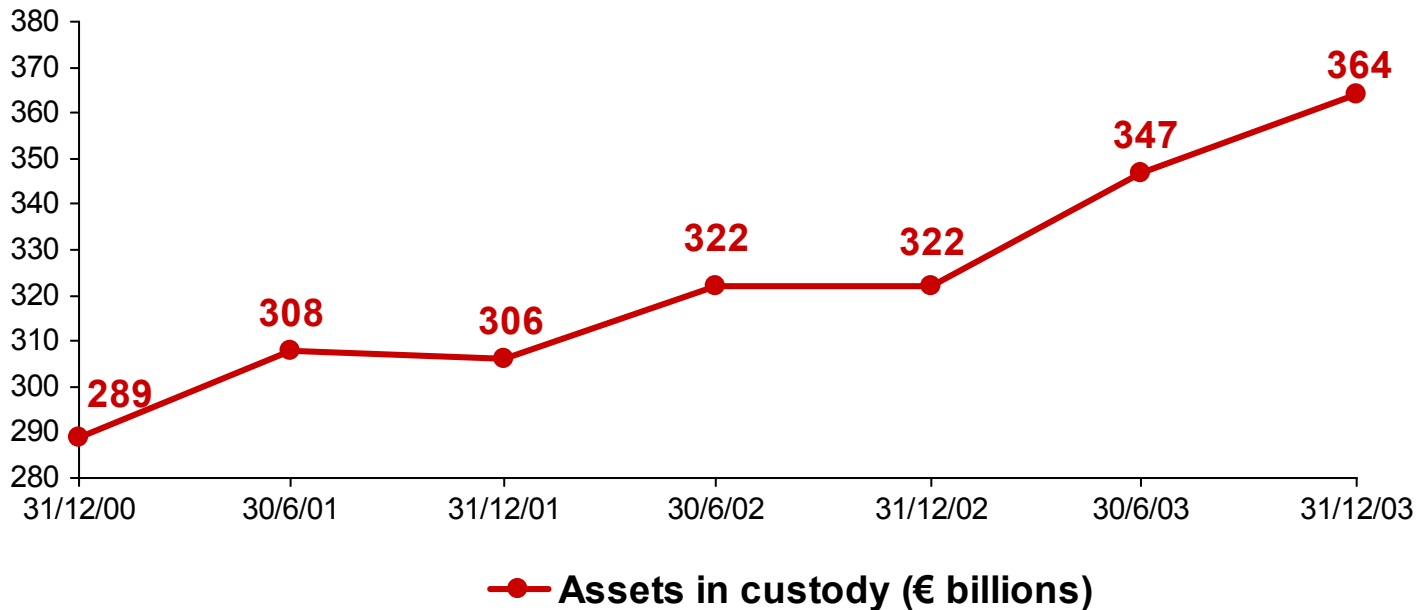
- Strong increase in net banking income
- Cards: steady growth in number of cards (up 6%) and number of transactions (up 7%)
- 8% expansion in number of SIT transactions processed

■ **Financial Services: 2003 net banking income = €153 million**

- The decrease in net banking income is due to the discontinuation of insufficiently profitable businesses (notably multiple clearing)
- Cap 2005 reorganization plan progressing well

## ■ Financial Services (cont'd)

- Further increase in assets in custody to €364 billion (up 13%)
- Number of custody accounts: 2.7 million (up 4%)



\* Changes calculated compared with 2002 proforma data

# **Asset Management and Insurance (1/2)** *Core business: Services*

**2003 net banking income up 15% to €357 million**

- **Assets under management up 11% to €80.6 billion**
- **Employee savings: Natexis Interepargne has consolidated its leadership in France with 21% of the market**
  - **Number of managed accounts: 2.3 million (up 12%)**
  - **Number of corporate clients: 19,800 (up 30%)**
- **Insurance**
  - **9% growth in assets under management to €19.4 billion**
  - **Total number of policies: 3.9 million**
  - **Commercial success of the new products in insurance business**

## ■ Fund management

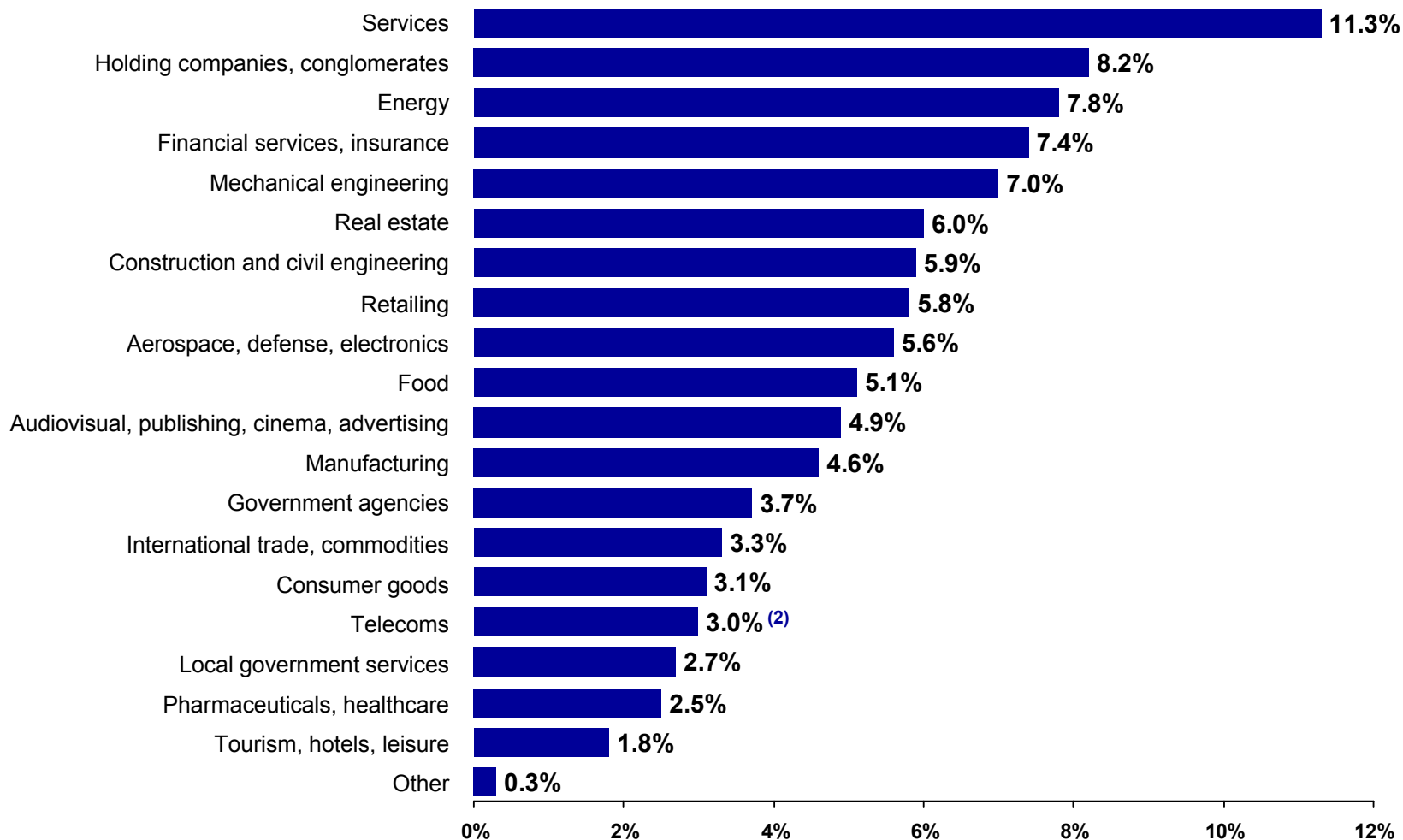
- Continued strong flow of new money into money market funds
- Launch of Axeltis, European platform dedicated to B to B distribution of proprietary and competitor funds
- Assets under management – short-term funds: up 12%
- Assets under management – long-term funds: up 8%

# Risk-weighted assets

€ billions	Dec. 31, 03	Dec. 31, 02
<b>■ Credit risks</b>	<b>48.4</b>	<b>52.7</b>
→ Corporate and International Banking	32.2	37.2
→ Specialized Financing	5.1	4.5
→ Other	11.1	11.0
<b>■ Market risks</b>	<b>4.7</b>	<b>4.5</b>
<b>■ Total risk-weighted assets</b>	<b>53.1</b>	<b>57.2</b>

# Credit risk by client industry

## Corporate and International Banking loan book<sup>(1)</sup>

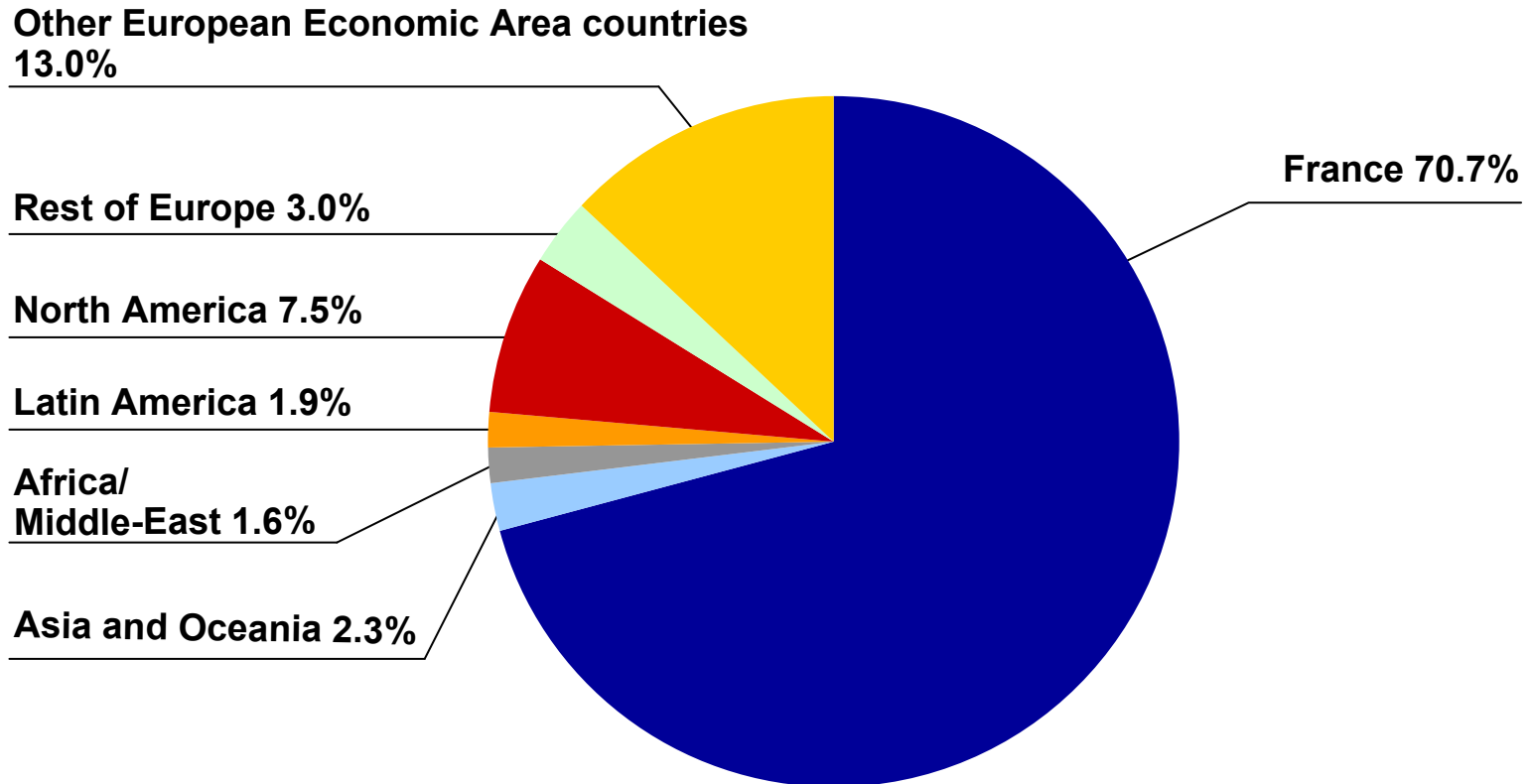


(1) €52.8 billion (on and off-balance sheet)

(2) Telecoms industry = 0.9%, Telecoms services = 2.1%

# Credit risk by geographic area

## Corporate loans (1)

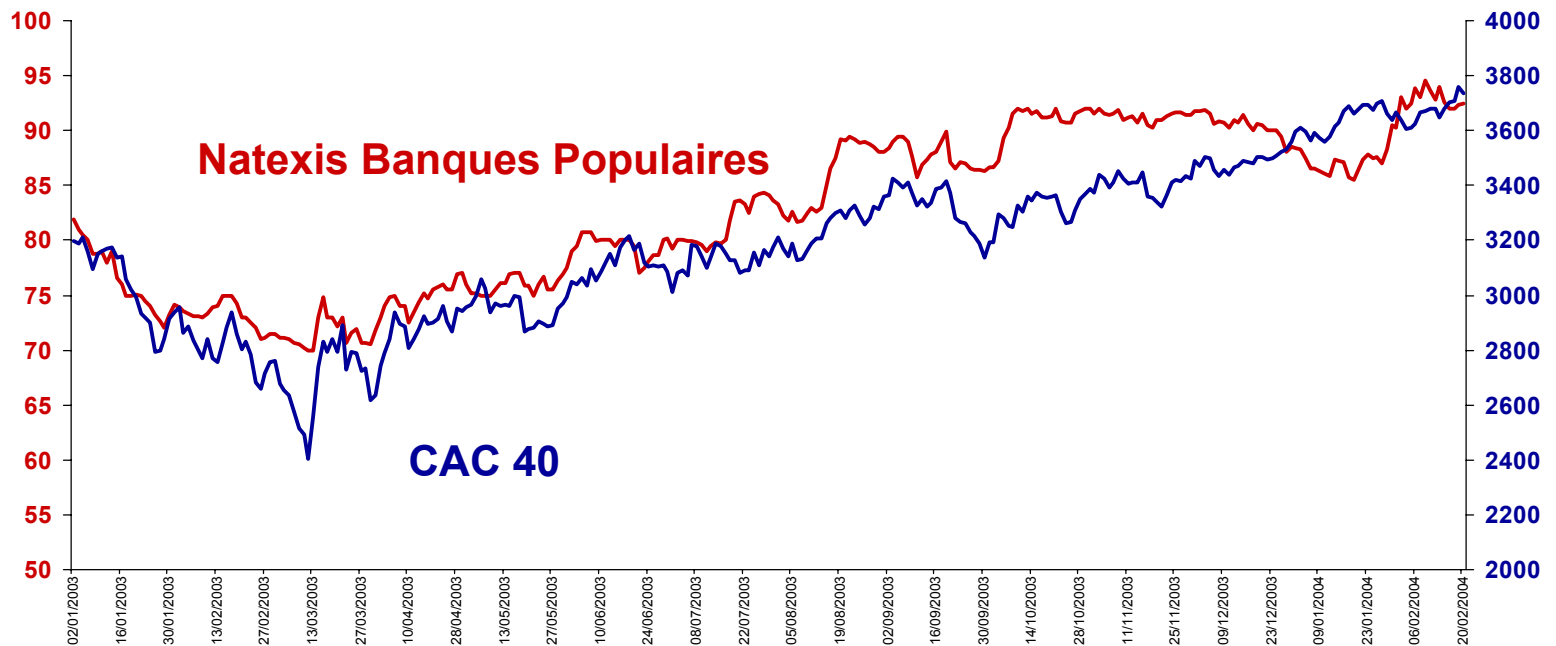


(1) €60 billion (on- and off-balance sheet), including specialized financing



# Ownership structure and share performance

■ Banque Fédérale des Banques Populaires	<b>75.34%</b>
■ Public and other shareholders	<b>24.66%</b>
o/w employees	<b>4.12%</b>
A & S.B Holdings (USA)	<b>2.92%</b>
DZ BANK	<b>1.89%</b>



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