2003
ANNUAL REPORT

BANQUE COURTOIS

Banque Kolb

Banque Laydernier

BANQUE NUGER

Banque Rhône-Alpes

Banque Tarneaud

Crédit du Nord

REVIEW 2003

CONSOLIDATED FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document is a partial translation of the original French text. The original document was filed with the Autorité des marchés financiers (French Securities Regulator) on April 1, 2004 in accordance with Regulation 98-01, and represents the French "document de référence" of the Crédit du Nord Group. As such, it may be used in support of a financial transaction when accompanied by a prospectus duly approved by the AMF.

In 2003, thanks to the strong performance

of all member banks - Courtois, Kolb, Laydernier, Nuger, Rhône-Alpes, Tarneaud and Crédit du Nord – the Crédit du Nord Group achieved remarkable commercial and financial results.

Our constant striving for customer satisfaction and the Group’s will to innovate led us to enlarge our range of mutual funds (Étoile Multi Gestion, Étoile USA 500, Étoile Alternative) during the course of the year and to create new Internet services, such as model portfolios, a simplified fee schedule for stock-trading,...

The Group also carried further the development of its banking network with the opening of nine new branches, bringing the total number of retail outlets to 622.

Under the combined effect of a 6.1% rise in net banking income and a limited 1.8% rise in operating expenses, the after-tax ROE reached a Group record high of 17.6% with a Tier One ratio of 6.6% at year-end.

In addition, the Standard & Poor’s rating agency emphasized the quality and the solidity of the Group’s financial results by raising the long term rating of Crédit du Nord in the course of 2003 from A+ to AA-.

Alain PY

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Corporate Governance
31 december 2003

BOARD OF DIRECTORS	DATE APPOINTED
• Chairman Alain PY	1 October 2002
• Directors	
Philippe Citerne	28 April 1997
Christian Dewavrin	28 April 1997
Bruno Flilchy	28 April 1997
Jacques Guerber	22 February 2000
Michel Hermand	30 April 1998
Daniel Julien	15 May 2003
Axel Miller	23 October 2003
Christian Poirier	28 April 1997
Pierre Richard	22 February 2000
Hervé Saint-Sauveur	14 May 2002
Patrick Suet	3 May 2001
Marie-Christine Remond (Employee Representative)	25 September 1997
Yvette Bodevin (Employee Representative)	23 November 2000
Patrick Rousseau (Employee Representative)	28 October 1999

The Board of Directors met three times during the course of 2003 in order to examine the budget, annual and semi-annual accounts and discuss strategic decisions concerning commercial, organizational and investment policies.

The Compensation Committee, consisting of two Directors - Mr Citerne and Mr Suet, met once in the course of the year to prepare a proposal to the Board of Directors concerning fixed and variable compensation, including benefits, for company Directors.

EXECUTIVE COMMITTEE

Alain PY

Bernard BEAUFILS

Jean-Pierre BON

Pierre BONCOURT

Alain PY,
Chairman and Chief Executive Officer

Bernard BEAUFILS,
Chief Executive Officer

Marc BATAVE,
Deputy Chief Executive Officer

Jean-Pierre BON,
Deputy Chief Executive Officer

Patrick RENOUVIN,
Deputy Chief Executive Officer

Pierre BONCOURT,
Head of Human Resources

Francis MOLINO,
Head of Banking Operations

Marc BATAVE

Patrick RENOUVIN

Francis MOLINO

Marie-Laure BOUCHERY,
Head of Communications
(attends Executive Committee meetings)

Key Figures

Consolidated figures

€ MILLION	2003	2002	2001	% CHANGE 2003/2002
BALANCE SHEET				
Customer deposits	**14 292.6**	13 846.3	13 283.1	+ 3.2
Customer loans	**17 291.8**	14 976.4	14 009.2	+ 15.5
Shareholders' equity	**1 111.8**	1 038.9	974.6	+ 7.0
Doubtful loans (gross)	**1 081.1**	1 000.8	986.7	+ 8.0
Provisions for doubtful loans	**694.8**	708.3	729.4	– 1.9
TOTAL	**26 869.9**	**23 660.6**	**23 667.0**	**+ 13.6**
ASSETS UNDER MANAGEMENT	**29 513.3**	**30 035.4**	**30 834.1**	**– 1.7**
INCOME STATEMENT				
Net banking income	**1 234.4**	1 162.9	1 132.5	+ 6.1
Gross operating income	**376.7**	320.4	316.3	+ 17.6
Earnings before taxes	**308.3**	260.6	256.6	+ 18.3
Net income	**190.4**	175.7	154.9	+ 8.4

RATIOS %	2003	2002	2001
Cost of risk / Outstanding loans	**0.43**	0.46	0.44
Shareholders' equity / Total assets	**4.14**	4.39	4.12
Cooke Ratio*	**8.78**	9.35	8.80
Tier One capital (1) / total risk-weighted credit exposure*	**6.61**	6.74	6.22

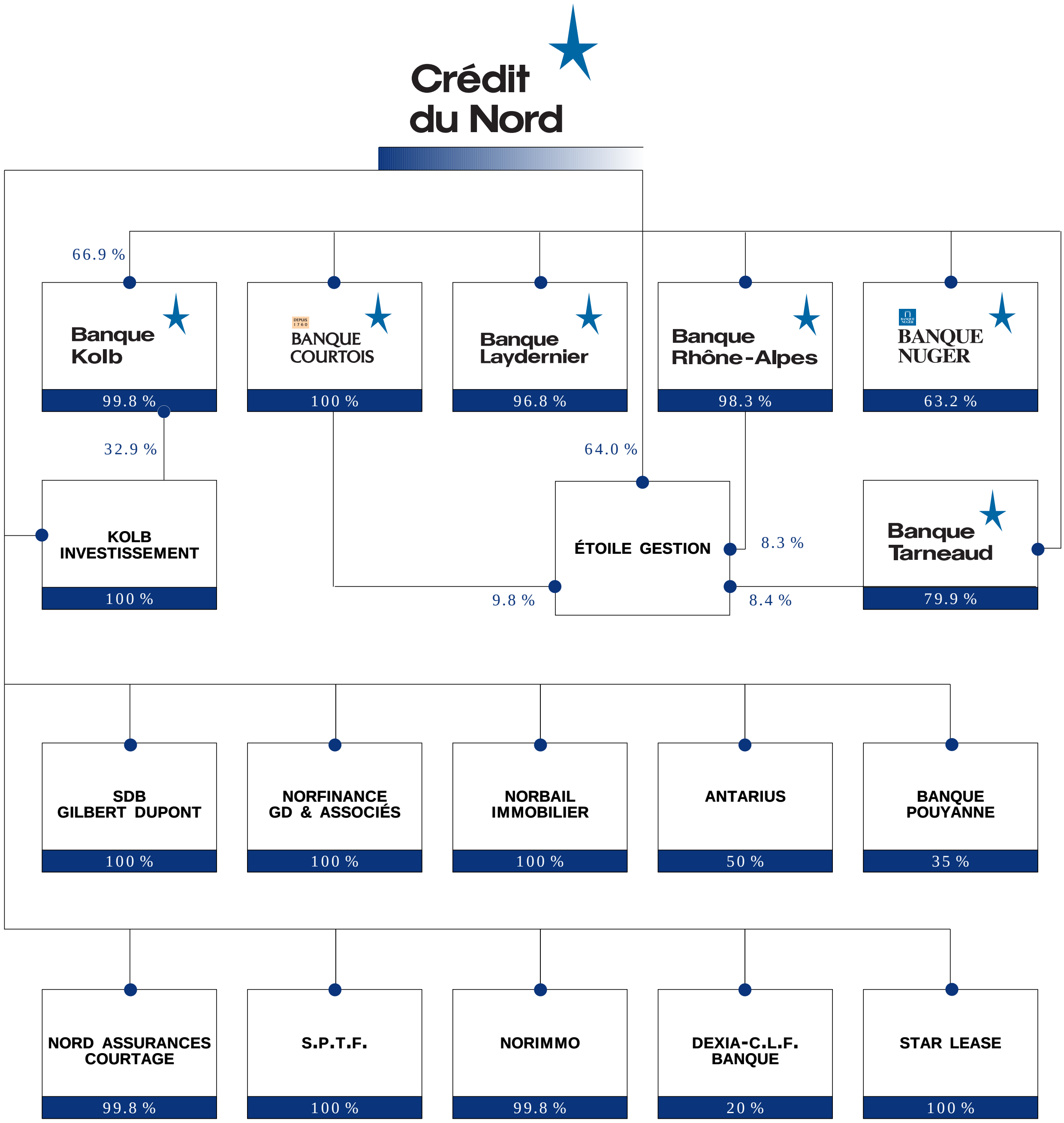
RATINGS				
Standard and Poor's	ST	**A –1 +**	A –1	A –1
	LT	**AA –**	A +	A +
Fitch	CT	**F1**	F1 +	F1 +
	LT	**A +**	AA –	AA –
	Intrinsic	**BC**	BC	C

CRÉDIT DU NORD (PARENT COMPANY) € MILLION	2003	2002	2001	CHANGE % 2003/2002
Net banking income (NBI)	**851.4**	824.7	790.0	**+ 3.2**
Gross operating income (GOI)	**274.2**	257.0	235.7	**+ 6.7**
Net income	**157.3**	173.1	136.8	**– 9.1**

** These ratios are provided only as an indication by which to assess the profitability of the Crédit du Nord Group since the Crédit du Nord Group is not directly bound by regulatory solvency ratio requirements due to the nature of the Group's ownership.*

(1) Tier One.

Group structure

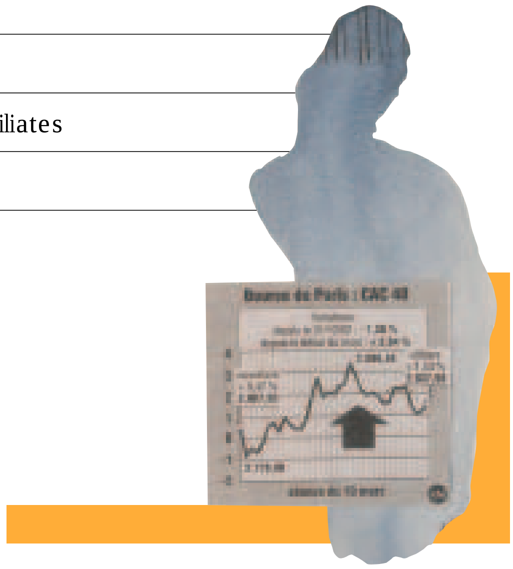


Shareholdings of less than 5% are not shown.
Only those banks and companies with total assets in excess of 100 million or net income in excess of 1 million over the past three years are shown here.
Other Group companies are listed under "Scope of consolidation", and financial data for these companies are shown in the preliminary notes to the financial statements under the heading "Subsidiaries and affiliates".

consolidated financial statements

General Meeting of Shareholders of May 13, 2004

Contents



Management report

Fiscal year 2003

Following a difficult start of the year, the business climate showed signs of improvement over the second half of the year.

While a recovery was expected at the start of 2003, the first half of the year actually represented the low point of French and European economic activity. The improved international outlook, which became apparent over the summer months, spilled over to French and European markets and helped stimulate exports.

The slight (1.6%) rise in consumer spending, similar to that of 2002, was not enough to compensate for a further drop in business investment and a negative contribution from foreign trade.

As a result, France was only able to generate modest annual growth of 0.2% in 2003, which masked stronger end-of-year growth which was closer to an annualised rate of 2%.

The European Central Bank (ECB) cut its key interest rate twice during the course of the first half (-25 bps in March and -50 bps in June to 2.00%) while leaving rates unchanged in the second half of 2003. Long term interest rates also fell during the first half of the year, hitting a low in June (3.70% for a 10-yr. OAT) before gaining some lost ground in the second half to finish at a level similar to that of the beginning of the year (4.30% for a 10-yr. OAT in December).

In parallel, the Stockmarkets started the year off poorly before rallying strongly as a series of favourable indicators combined to suggest that the hoped-for economic recovery had finally begun. Overall, while the CAC 40 climbed 16% between end 2002 and end 2003 (notching up its first positive annual performance since 1999), the average level of the index over the period dropped 17.7% from 3770 to 3101.

Remarkable commercial and financial results in 2003.

Consolidated NBI rose 6.1% year-on-year - the strongest performance since 2000 - while GOI climbed 17.6%. Consolidated net income grew at a rate of 8.4% to € 190.4 million which led to a ROE of 17.6% and a Tier One ratio of 6.6%.

Two components of NBI played a key role in 2003 in driving this growth - credit margins and banking commissions.

Margins on loans benefited from strong growth in volume and rising rate margins. Mortgage loans and loans for corporate capital expenditure, both stimulated by low interest rates, were the most dynamic segments and registered record loan levels.

Banking fees benefited from the strong commercial performance of the Group's retail network over the year. The strong growth in the Group's franchises on the professional and corporate segments was accompanied by an increase in the average number of products per account and, overall, all markets showed growth in the average number of products and services held per account. Associated with the strong growth in direct banking, this growth trend reflects successful efforts to build the strength of relationships with all Group customers.

While margins on deposits suffered throughout the year due to falling interest rates, financial fees stopped weighing on revenue growth during the second half of the year. The rebound of major stockmarket indexes helped this component to contribute to growth in net banking income for the first time since the first half of 2000. This turnaround is a major factor in the acceleration of NBI growth in the second half of 2003 (9.7% year-on-year versus 2.6% in the first half of the year).

The Crédit du Nord Group appears to be well-placed to continue to benefit from the rebound of stock markets due to the expansion of its well regarded range of mutual funds in 2003. An example is the three-year old Etoile Multi-Gestion (EMG) range of funds, which has received excellent performance ratings from Standard & Poor's with one fund receiving the maximum 5-star rating, three others receiving 4 stars and one receiving 3 stars. This range was further expanded in September 2003 with a 6th fund, EMG Europe, which qualifies for PEA Personal equity savings account and registered inflows of € 60 million in less than four months.

The year 2003 was marked by the successful completion of several major projects and the launch of new projects which are destined to profoundly change and improve Group work methods in the coming years.

The entirely transparent transfer of the processing of all card payments (holders and merchants) to Natexis-Banques Populaires was completed successfully. This was the first step in the development of an open architecture which allows the Crédit du Nord Group to work on a per-case basis with the most competitive service providers while maintaining complete control over customer relationship management. This was followed in 2003 by the launching of a project to outsource to Société Générale all administrative processing relative to securities which is due to be operational in 2006.

In the area of regulatory issues, the year 2003 was marked by the rising importance of the IAS and Basel II projects. With the effective dates of both projects rapidly approaching, they are mobilising significant resources as they will have a strong impact on the Group's core activities. Beyond the calendar-based constraints that must be respected, the Crédit du Nord Group would like to anticipate the planned changes these projects imply by adapting business lines and practices to the new regulatory environment in advance.

To this end, the first concrete application of Basel II was the deployment on May 2003 of a computer application which allows the rating (scoring) of SME borrowers on the basis of the company's financial statements and a special business questionnaire.

Finally, the result of much internal debate initiated in Autumn 2002 concerning the organisation of tasks within branches and between individual branches and support units has led to a group-wide project to transfer administrative tasks from branches to support units in order to free up time and resources that will be allocated to meeting with and advising customers. The introduction of a new customer adviser workstation, which will be rolled out in Q2 2004, will facilitate this change as it is ergonomically-conceived and adapted to real-life work situations.

Management report
Fiscal year 2003

Commercial activity

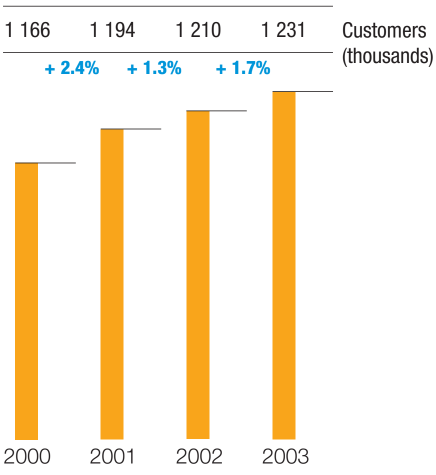
The analysis of Crédit du Nord Group commercial activity includes the entire scope of Group banks (all integrated in a common information system since November 2001), i.e. Crédit du Nord and its six bank subsidiaries - Courtois, Rhône-Alpes, Tarneaud, Laydernier, Nuger and Kolb. Historical data have been restated to reflect this scope of consolidation.

Indicators shown relate to euro denominated business The outstanding loans corresponds to annual averages while growth in franchises compares end-of-year figures.

Strong growth in franchises across all markets.

During the course of 2003 the number of individual customers of Crédit du Nord Group member banks grew significantly while current accounts grew 2.4%. This buoyant performance was boosted by excellent results obtained in the area of mortgage loans - a strategic vector of development for the Group's banks.

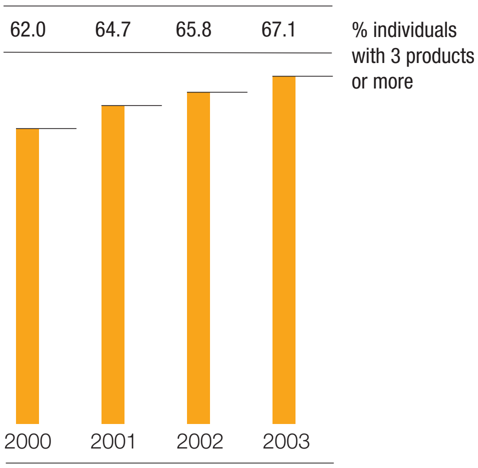
INDIVIDUAL CUSTOMER BASE



This strong retail activity was also reflected by accelerated growth in products- and services-per-account, which is illustrated by the percentage of individuals having 3 or more products-per-account which attained 67.1%, a rate which has grown steadily over recent years.

A case in point is the Norplus service package which was used by 58.5% of all individual customers, up 4.3% in 2003.

INDIVIDUAL CUSTOMER LOYALTY

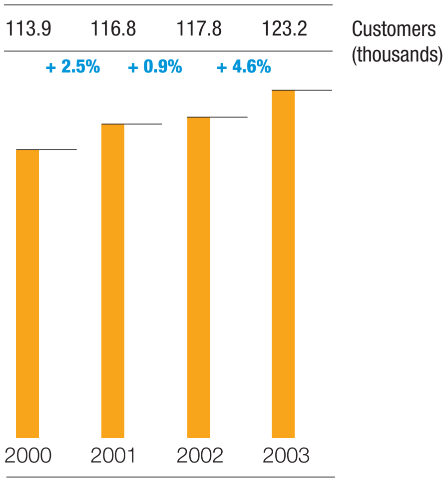


New contact and direct-banking sales channels also encountered growing success. As high quality services, which are regularly being added to, these services are billed accordingly. In counterpart, Internet-based trading commissions were lowered at the start of the year, in line with the commissions applied by the major on-line brokers.

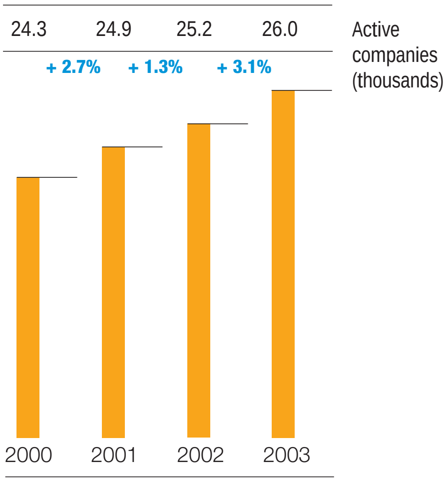
The number of direct banking contacts by individual customers rose 16.3% year-on-year with a monthly average of over 900 000 in 2003.

Growth rates appearing in these charts and all others in this document have been calculated on the basis of exact figures and not on the rounded figures appearing in the charts.

PROFESSIONAL CUSTOMER BASE



CORPORATE CUSTOMER BASE



In 2003, the Crédit du Nord Group reaped the full reward of its excellent position on the professional market . The implementation during the course of the year of a structured approach to franchisee relationship management – relying on a data-basis of trade-marks – is another asset in the continued development of a quality customer base.

The dynamic penetration of this market was accompanied by strong growth in products- and services-per-account. The number of Convention Alliance packages climbed 40.9% in one year, reaching a total of 33 000 policies hardly 30 months after its launch. Automated payment service contracts signed by merchants were also up over the year by 6.6%, while the number of accounts subscribing *Facilité de Trésorerie Commerciale* credit facility agreements jumped 49.1% over 2003.

In step with this exceptional commercial development, direct banking of professional customers showed vigorous growth (up 36.8%) with the notable success of the call centre which received over 8 000 calls per month.

The number of Crédit du Nord Group corporate customers also grew at a healthy rate of 3.1% in 2003. Once again this success is quite coherent with the acclaimed expertise of Crédit du Nord on this market. Within the framework of the Sofres biannual competitive survey, SMEs placed Crédit du Nord in second place (out of a panel of 11 banking groups) in terms of overall customer satisfaction.

Asset management and employee savings schemes were also buoyant in 2003. The very strong performance of several products in the mutual fund range, foremost of which is the SICAV Euro Jour (renamed Etoile Euro Trésorerie at the start of 2004), combined to grow assets under management, of which corporate assets held in short-term mutual funds swelled by 32.8% on the year. Sales of inter-company savings plans (PEI), which is aimed at professionals, continued to grow with 1 380 new contracts signed in 2003.

The number of direct banking (Internet and Minitel) contacts initiated by businesses jumped 41.1% as the Internet site functionality was reinforced to offer international transfers and a substantial array of new e-mail based service alerts.

Management report
Fiscal year 2003

Renewed growth in savings deposits.

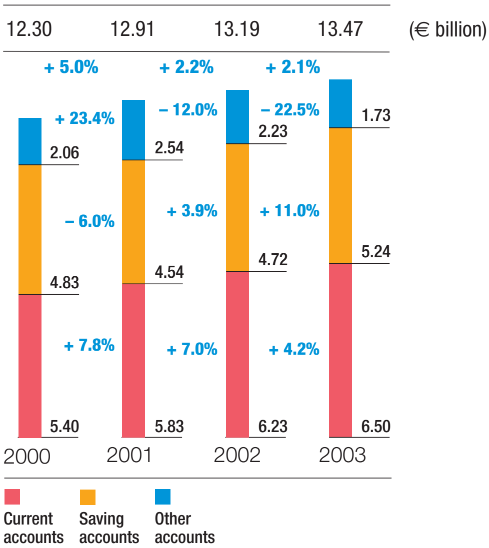
Growth in deposits in 2003 is similar to levels observed in 2002 (2.1% versus 2.2%). However a more manifest migration of deposits from market-determined interest deposit accounts (term accounts, CDs, etc.) in favour of special savings schemes was observed.

Current accounts grew handsomely again, up 4.2%, although this was somewhat distorted by unusually high levels at the beginning of 2002 due to the passage to the fiduciary euro which saw these accounts swell abnormally making year-on-year comparisons less significant. However, following the passage of this “reference effect” the growth rate of current accounts reverted back to the growth trends of recent years with deposits in December 2003 up 5.7% year-on-year.

The extremely low level of interest rates continues to weigh on demand for dynamic cash flow management on behalf of our customers.

Special saving schemes benefited throughout the year from attractive rates. Even following the lowering of regulated savings rates on August 1st, which also impacted adjustable-rate savings accounts, *CODEVI* and other regulated passbook accounts continued to offer savings rates that were slightly superior to competitive products such as fixed-term accounts, CDs and consumer short-term mutual funds.

CUSTOMER DEPOSITS



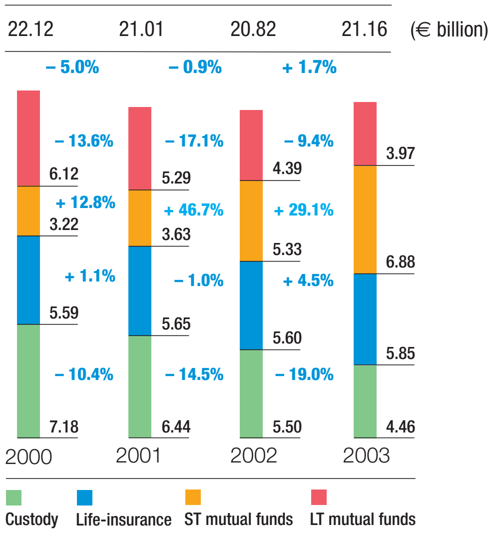
PEL accounts (home savings accounts) also grew soundly, up 7.3% for the period, which can partly be explained by a “catch-up” adjustment made by the Crédit du Nord Group for a product which suffered from low penetration levels among its customers.

Within a business context that was not very favourable – the CAC 40 stockmarket index having generated three consecutive years of negative performance – the rise of 1.7% in off-balance sheet savings is a source of satisfaction.

While securities held directly by our customers felt the full brunt of the markets poor performance (– 19.0% on custody accounts), the strong commercial performance of life-insurance products and short-term mutual funds merit distinction.

Life insurance premiums rose 44%, outperforming a market which, according to the French Federation of Insurance Companies, rose only 9%. Increasingly prudent following three years of negative returns on the stockmarket, Group customers acclaimed the attractive returns offered by the euro-based underlying assets of these policies. The product offer of Crédit du Nord met this demand, notably with two guaranteed funds dedicated to life insurance (*Antarius Cliquet Inflation and Antarius Inflation Plus*).

OFF-BALANCE SHEET SAVINGS



This year was again rich with innovation in the area of medium- and long-term mutual funds, with the launch of a specialised alternative management fund, an FCPI (industrial investment fund), a range of 12 sector-based funds representing 85% of the European DJ Stoxx 600, as well as Etoile Multi-Gestion Europe. These additions to one of the most complete product ranges on the market represent a clear sign that Crédit du Nord Group is trying to help its customers benefit from the signs of the stockmarket recovery that began at year-end 2003.

On a similar note, the continued flow of customer funds into *PEA* accounts (tax-exempt stockmarket accounts), up 6.7% for the year, indicates that after three particularly morose investing years our customers are once again confident in the future.

Overall, following near stagnation in 2002 (+0.3%), total customer savings deposits (deposits and off-balance sheet savings) demonstrated renewed growth in 2003 of 1.8%.

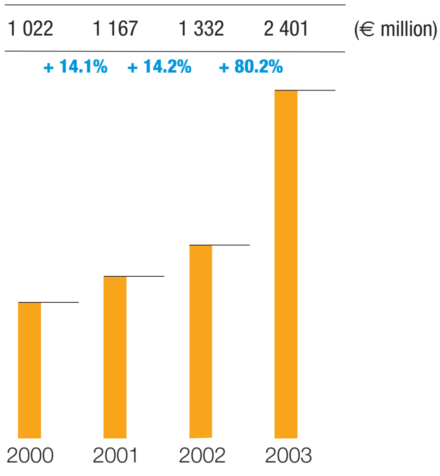
Record consumer lending levels.

Real estate and property markets thrived in 2003. The context of historically-low interest rates, insufficient supply of rental properties as well as the lack of competitive alternative estate-management investments combine to explain the high level of activity on residential property markets over the year.

The Crédit du Nord Group was able to fully take advantage of this favourable context and generated record levels of mortgage loans, which were up 80.2% on 2002 levels.

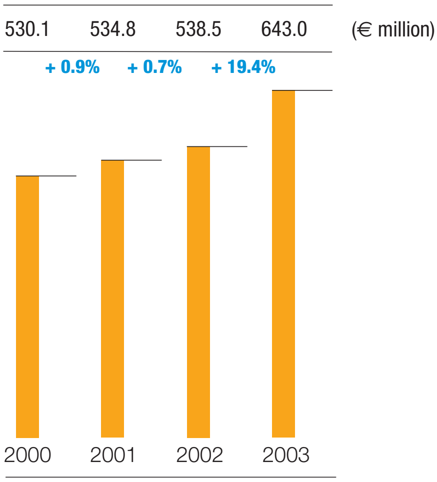
One of the more positive consequences of this performance resides in the acquisition of a significant number of new customers as a result of mortgage loans. Moreover, studies show that this is a high quality customer base. Thus, to ensure their medium-term loyalty, the sales network actively targeted these customers with traditional and day-to-day banking products and services.

MORTGAGE LOANS PRODUCTION



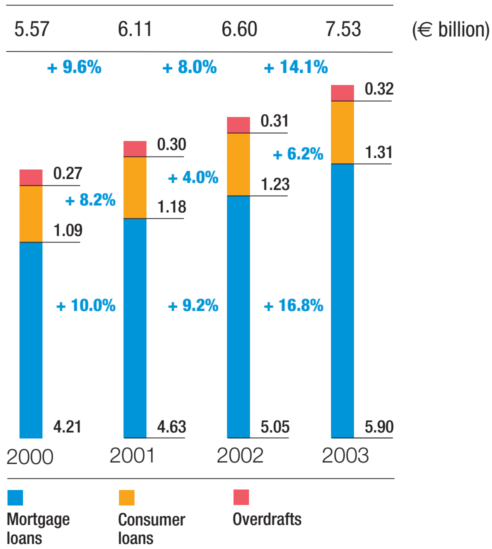
Management report
Fiscal year 2003

CONSUMER LOANS PRODUCTION



Personal lending volumes were also high in 2003 despite a depressed level of consumer spending. Here again, the low level of interest rates helped spur demand for credit. Revolving credit, on the other hand, was level in 2003, following several years of strong growth.

OUTSTANDING LOANS TO INDIVIDUALS



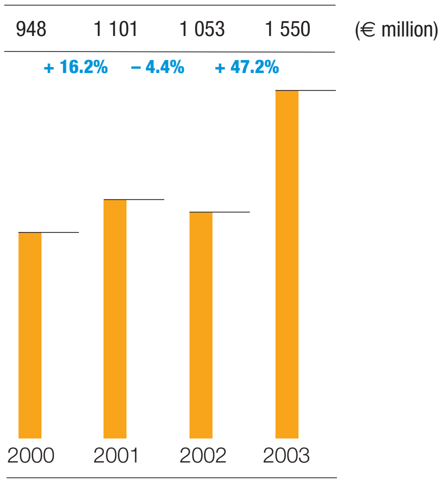
Overall, the level of outstanding loans to individuals climbed 14.1% over the year, driven by strong growth in mortgage loans which represent nearly 80% of all consumer lending.

Renewed growth in business financing.

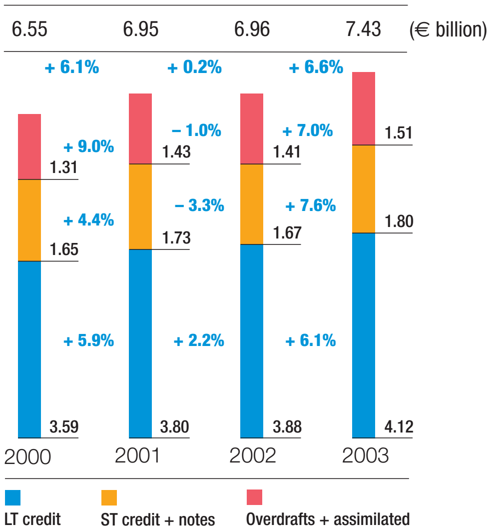
Following negative growth in 2002, capital expenditure (CAPEX) lending to businesses soared 47.2% in 2003. The economy-wide fall in corporate investment observed by the *INSEE* apparently applied more to large enterprises than to professionals and small enterprises – which make up the core customer base of Crédit du Nord.

All segments of business financing trended upwards in 2003. Long term CAPEX lending clearly benefited from this trend as did short-term lending for business cycle-generated working capital needs, following the sharp fall in this segment in 2002. Short-term credit lines granted to institutional investors swell overall numbers but, excluding these lines, both overdrafts and short-term notes exceeded 2002 levels by mid-May 2003. These trends are in line with the analysis of economists, who detected the start of a recovery at the end of the summer.

BUSINESS LOANS - CAPEX (incl. *PBE*)*



OUTSTANDING BUSINESS FINANCING



* *Reduced-rate loans.*

Management report
Fiscal year 2003

Financial developments

The figures presented below are taken from the Group's fully-consolidated financial statements. There was no significant change to the Group's scope of consolidation in 2003. In order to provide complementary information regarding specific accounting items, reference will be made to managerial accounting analyses applicable to different scopes of consolidation as explained in the accompanying text. These analyses concern first and foremost Retail Banking which represents over 90% of Group activity.

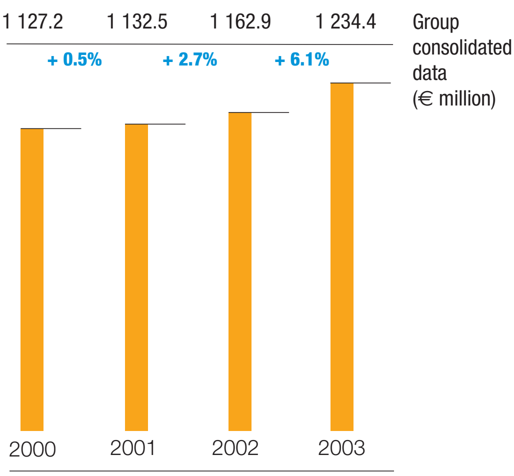
	31/12/03 € MILLION	31/12/02 € MILLION	CHANGE % 2003/2002
Net interest and similar income	**709.8**	664.3	+ 6.8
Net fee income	**500.5**	484.1	+ 3.4
Gross margin of insurance business	**24.1**	14.5	+ 66.2
NBI	**1 234.4**	**1 162.9**	**+ 6.1**

Consolidated NBI of the Crédit du Nord Group recorded a year-on-year rise of 6.1% thanks notably to the strong performance of the "net interest and similar income" component. Net fee income was up 3.4% in 2003 despite depressed stockmarket levels which again weighed on financial fees and commissions.

Of note in 2003 is the excellent performance of insurance activities which is due in part to a low 2002 reference level (following a provision for depreciation of underlying euro-based assets in 2002, Antarius then wrote-back the provision in 2003). This was further helped by the strong sales performance of the network which was able to increase net premiums collected by 48.8%.

An analysis of the full scope of consolidation of the Group's banks is useful in gaining a better understanding of NBI and the underlying trends in its different components.

NET BANKING INCOME



At year-end 2003 the overall commercial margin recorded a similar increase as a year earlier, up 3.9% i.e. + € 22.6 million in 2003 (versus + 4.3% i.e. + € 23.5 million in 2002 over 2001).

The year was especially marked by a surge of € 32.9 million or 14.7% in loan margins as the low level of short-term interest rates had a favourable effect on margins for short-term credit.

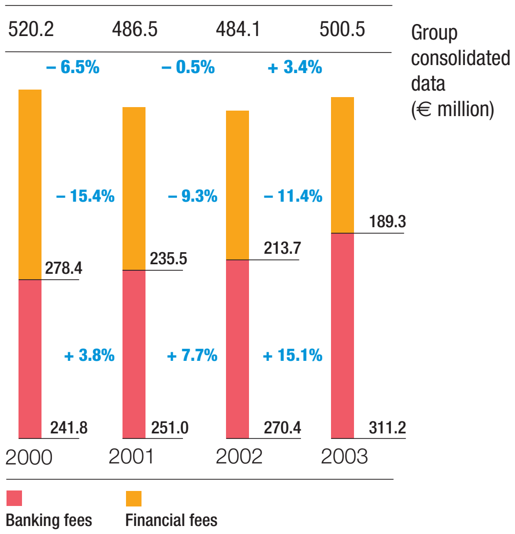
In addition, mortgage loans grew a healthy 16.8% over the period which helped stabilise income, despite a slight fall in the margin rate. Finally, loans for capital expenditures rose 6.1% in 2003.

Current account deposits also performed well, up 4.2%, despite an abnormally high reference level for the beginning of 2002, as current accounts swelled due to the official passage to the euro.

On the regulated savings segment volume showed renewed growth in 2003, climbing 11% under the effect of passbook savings accounts (up 47.9%), *CEL* home savings accounts (up 13.7%) and *PEL* home saving plans (up 7.3%).

Total margins on deposits fell € 10.5 million or 2.9% overall, due to the sharp decline in reinvestment rates.

NET FEE INCOME (1)



Consolidated fee income rose 3.4% year-on-year despite a challenging financial and stock market context.

Financial fees and commissions suffered as in 2002 from lacklustre stockmarket performance as the CAC 40 index fell 17.7% during the course of 2003. This explains the stagnation of mutual fund management fees as well as weak performance of custody fees.

Life-insurance fees and commissions however rose strongly (investment fees surged 45.6%) while those related to custody also grew (custodial fees were up 1.9%).

Banking fees continued to climb in 2003 as, following a rise of 7.6% in 2002, banking fees recorded a gain of 15.1% (1) in 2003.

Principal line items that performed strongly in 2003:

- overdraft fees grew 25.0% due to *Facilité Temporaire de Trésorerie* (FTT) credit facility agreements, which are now subscribed by 58.7% of current accounts, and fully automated overdraft billing as of April 2003;
- service package fees grew 13.4%, up 11.3% among individual customers and 20.4% among professional customers;
- direct banking fees rose 13.8% due notably to automatic billing of customer Internet access which became operational in mid-year 2002;
- transaction fees were up 7.9% for the year, a reflection of stronger day-to-day relations with our professional and business customers;
- application processing fees climbed 30.9% due to strong loan activity.

(1) Restated for 2000, 2001 and 2002 to adjust for an account transfer between the two fee types.

Management report
Fiscal year 2003

Operating expenses

	31/12/03 € MILLION	31/12/02 € MILLION	CHANGE % 2003/2002
Personnel expenses	**540.7**	525.9	+ 2.8
Taxes and levies	**23.9**	31.0	– 22.9
Other operating expenses	**244.4**	241.6	+ 1.2
Depreciation and amortization	**48.7**	44.0	+ 10.7
TOTAL OPERATING EXPENSES	**857.7**	**842.5**	**+ 1.8**

Operating expenses rose slightly, up 1.8% to € 857.7 million in 2003.

It should be noted that for the year 2003 Crédit du Nord spent € 19.8 million for IT projects, down slightly from € 22.3 million for fiscal year 2002.

• The slight rise in personnel expenses, up 2.8% from 2002, is essentially due to two factors: the increased profitability of the Group which led to a steep 20.1% rise in payouts linked to profit-sharing schemes, and a limited 1.1% rise in payrolls due to lower staff counts.

	31/12/03	31/12/02	31/12/01	CHANGE % 2003/2002
Pro rata staff count in activity - Group	**7 576**	7 733	7 783	– 2.0
Average staff count in activity - Group	**7 904**	8 007	7 982	– 1.3

• Taxes and levies fell 22.9% year-on-year due notably to the rate reductions of the *Contribution des Institutions Financières* (tax on Financial Institutions) and the *taxe professionnelle* (business tax).

• Other operating expenses rose 1.2% in 2003. However this includes a write-back of € 2.5 million for tax provisions made by Étoile Gestion. On a comparable basis, i.e. excluding this item, other operating expenses rose 3.5% year-on-year.

A Group-wide analysis has shown that the rise in other operating expenses is essentially due to the following line items:

– postage: up 10.9% or € 1.5 million from 2002. This rise is due to the recovery of an available provision of € 1 million relative to the *MURCEF* law.

– registration and professional fees: € 3.6 million. This expense is due to the repurchase of the Bank's premises in Paris.

– studies and intermediaries: up € 0.8 million or 14.8% from 2002. This increase is due essentially to major projects (IAS, preliminary Datawarehouse studies).

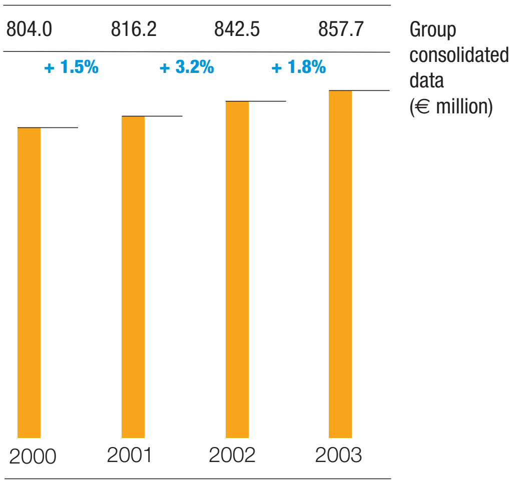
– rent and rental charges: up € 2.4 million or 6.8% year-on-year, of which € 0.9 million is relative to the repurchase of the Bank's premises in Paris (following the rupture of the leaseback contract).

– IT expenses: totalling € 44.8 million in 2003, an increase of € 5.1 million from a year earlier. This rise is due, for the most part, to outsourcing expenses paid to Natexis Banque Populaire for automated payment services.

– Supplies: expenses fell 15,7%, or € 1.6 million, from 2002 levels. However, note that 2002 levels were high due to expenses relative to euro-based checkbooks and check remittal slips.

• Depreciation and amortization rose 10.7% in 2003 due principally to the full amortization of goodwill relative to the acquisition of an asset management company from KBC Bank and rising depreciation relative to IT projects.

OPERATING EXPENSES

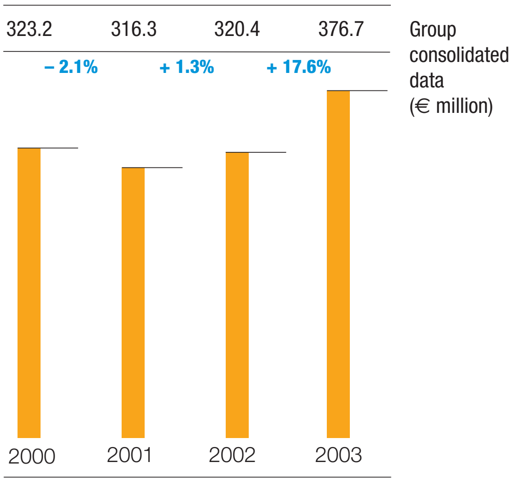


Gross operating income (GOI)

	31/12/03 € MILLION	31/12/02 € MILLION	CHANGE % 2003/2002
NBI	**1 234.4**	1 162.9	+ 6.1
Operating expenses	**857.7**	842.5	+ 1.8
GOI	**376.7**	**320.4**	**+ 17.6**

The combined effect of strong growth in NBI and successful cost-control led to significant growth in GOI over the fiscal year, reverting back to the trend which had been initiated several years before the financial market crisis of 2001.

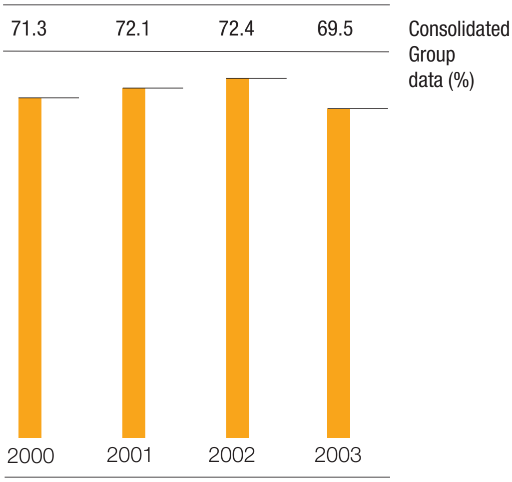
GROSS OPERATING INCOME



Management report
Fiscal year 2003

The cost-to-income ratio was 69.5% in 2003, down 2.9 points from the year-end 2002 ratio of 72.4%.

COST-TO-INCOME RATIO



Cost of risk

The consolidated Crédit du Nord Group cost of risk (1) was € 74.5 million in 2003, up 8.1% from 2002.

This rise needs to be considered in light of the strong growth in lending as the cost of risk divided by total lending fell to 0.43% from 0.46% in 2002.

€ MILLION	31/12/03	31/12/02	31/12/01	31/12/00
Cost of risk	**74.5**	68.9	61.6	61.3
Outstanding loans	**17 292**	14 977	14 009	13 668
Cost of risk / outstanding loans	**0.43%**	0.46%	0.44%	0.45%

(1) The cost of risk represents the net provisioning charge on banking activities (allocations to provisions less write-backs), plus non-provisioned losses on bad loans, less amounts recovered on amortized loans.

Despite a mixed economic context in 2003, the quality of Crédit du Nord Group's risk was maintained. The apparent decline in the ratio of provisions for doubtful & disputed loans, from 70.8% in 2002 to 64.3% in 2003, is due to the fact that the Crédit du Nord Group used, until year-end 2002, a more narrow definition of "doubtful" according to which only provisioned loans were classified as "doubtful".

In accordance with the recommendations of the French Banking Commission it was decided that from 1 January 2003 a complete review of all impaired risks would be performed in view of classifying as "doubtful" all loans that did not require provisions yet met the codified regulatory criteria relative to the term "doubtful". This reclassification increased doubtful loans by € 91 million in fiscal year 2003 without affecting provisions.

€ MILLION	31/12/03	31/12/02	31/12/01
Doubtful and disputed loans (gross)	**1 081.1**	1 000.8	986.7
Provisions for doubtful and disputed loans	**– 694.8**	– 708.3	– 729.4
Gross Doubtful & disputed loans / gross Outstanding loans	**6.0%**	6.4%	6.7%
Net doubtful & disputed loans / Net outstanding loans	**2.2%**	2.0%	1.8%
Provisioning ratio for doubtful & disputed loans (incl. lease finance)	**64.3%**	70.8%	73.9%

Operating income before corporation tax

	31/12/03 € MILLION	31/12/02 € MILLION	CHANGE % 2003/2002
GOI	**376.7**	**320.4**	**+ 17.6**
Cost of risk	**– 74.5**	– 68.9	+ 8.1
OPERATING INCOME	**302.2**	**251.5**	**+ 20.2**
Net income from equity investments	**2.6**	2.3	+ 13.0
Gains or losses on fixed assets	**3.5**	6.8	– 48.5
OPERATING INCOME BEFORE CORPORATION TAX	**308.3**	**260.6**	**+ 18.3**

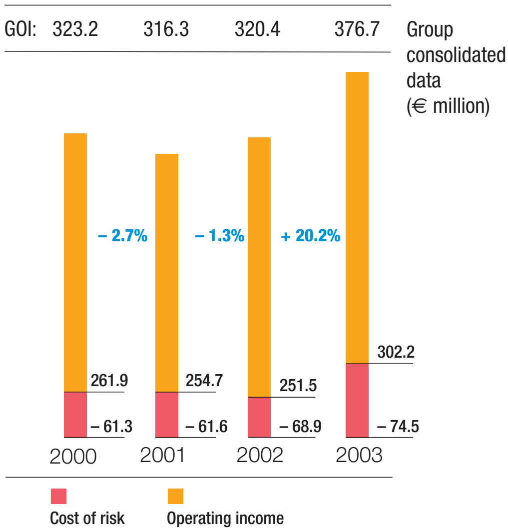
Management report
Fiscal year 2003

Taking into account the cost of risk, the Crédit du Nord Group generated operating income of 302.2 million in 2003, up 20.2% from 2002.

Earnings before taxes were € 308.3 million, a year-on-year rise of 18.3%.

Gains or losses on fixed assets in 2003 included capital gains of € 3.1 million on the sale of shares of non-strategic businesses. In comparison, income from fixed assets in 2002 included net capital gains of € 4 million on the sale of shares and a capital gain of € 1.8 million relative to the sale of an operating property in Bordeaux.

OPERATING INCOME



Net income

	31/12/03 € MILLION	31/12/02 € MILLION	CHANGE % 2003/2002
OPERATING INCOME BEFORE CORPORATION TAX	**308.3**	**260.6**	**+ 18.3**
Exceptional items	**0.0**	0.0	NS
Corporation tax	**– 108.5**	– 76.1	+ 42.6
Amortization of goodwill	**– 3.9**	– 3.7	+ 5.4
Minority interests	**– 5.5**	– 5.1	+ 7.8
CONSOLIDATED NET INCOME	**190.4**	**175.7**	**+ 8.4**

Consolidated net income after taxes represented € 190.4 million, an increase of 8.4% from 2002.

It should be noted that in 2002 corporate income tax levels benefited from the reintegration of significant deferred tax credits.

Shareholders’ equity

	31/12/03 € MILLION	31/12/02 € MILLION	31/12/01 € MILLION
Shareholders’ equity at year-end	**1 111.8**	1 038.9	974.6
of which Group share	***1 084.0***	*1 012.3*	*950.4*
Average shareholders’ equity	**1 081.4**	1 012.1	956.6
BIS risk-weighted equity	**1 325.9**	1 301.8	1 258.4
BIS-weighted credit risk	**15 096.6**	13 920.3	14 307.8
Consolidated solvency ratio	**8.78%**	9.35%	8.80%
of which Tier One	***6.61%***	*6.74%*	*6.22%*

Movements which affected the Group shareholders’ equity in 2003 included the incorporation of consolidated net income after distribution of dividends into reserves.

It should be noted that the solvency ratios are presented for information only as the Crédit du Nord Group is not bound directly by regulatory solvency ratio requirements due to its shareholder structure.

The presentation of these ratios do however make it possible to calculate the Group’s normative ROE on the basis of a Tier One capital ratio equal to 6% of risk weighted assets. The consolidated profitability of the Crédit du Nord Group at year-end 2003 was 20.0%, up from 19.3% a year earlier.

After tax return on book equity was 17.6% in 2003 with a Tier One ratio of 6.6%, compared to ROE of 17.4% and a Tier One ratio of 6.7% in 2002.

Management report
Fiscal year 2003

Outlook

Following two difficult years due to depressed financial markets, the Crédit du Nord Group showed remarkable resilience in 2003 which allowed the Group to post strong growth across all customer segments while maintaining a high level of profitability.

The continued improvement of financial results in coming years will be the fruit of a renewed dynamic approach to sales. This dynamic approach should be further boosted by initial results of process and practice optimisation efforts, especially with the redefinition of job descriptions within the branches and support units.

The rollout of these new modus operandi is planned throughout 2004 and will be accompanied by the implementation of new workstations which will further increase the productivity of advisors and service representatives.

These optimisation efforts are also reflected in new improvements in the commitment process and risk monitoring, which ensures better control over the cost of risk.

Following a pause in its downward trend in 2001 and 2002, the cost-to-income ratio of the Crédit du Nord Group has reverted back to the improving trend that was observed from 1996 to 2000.

In regards to fiscal year 2004, the objective is to maintain a high NBI growth rate. With the CAC 40 looking up and the economic recovery apparently under way, the outlook for meeting this objective in 2004 is quite positive.

Subsidiaries and affiliates

As a general rule, all Group subsidiaries and affiliates apply at the company level all the relevant significant financial changes and trends commented on above.

Crédit du Nord

Crédit du Nord generated GOI of € 274.2 million, up 6.7% from year-end 2002. Thanks to a 3.3% rise in net interest and similar income and a 3.1% rise in net fee income, NBI rose 3.2% in 2003. This year-on-year growth in GOI is the combined result of the rise in NBI and of successful cost-control efforts which limited the rise in operating expenses to 1.7%.

The cost of risk rose 11.9% to € 48 million in 2003.

Following the provision of € 8.9 million for, essentially, intra-group securities, earnings before taxes were € 217.3 million, down 0.5% year-on-year.

As a result, net income in 2003 was € 157.3 million, versus € 173.1 million at year-end 2002.

Banque Courtois

Stellar growth in GOI, up 18.7% to € 38.7 million in 2003, at Banque Courtois was the result of the combined effects of a strong 7.9% rise in NBI and of improved cost control which contained the rise in operating expenses to 2.6% for the period.

As a result, net income rose to € 22.2 million from € 17.4 million a year earlier.

Banque Rhône-Alpes

Due to a 9.0% rise in NBI and a rise of only3.6% in operating expenses, Banque Rhône-Alpes recorded a year-on-year rise of 19.6% in GOI.

With the cost of risk rising 73.5% to € 8.8 million, as a result of several problem loans, operating income was € 27.4 million, up slightly from € 25.2 million a year earlier.

Overall, net income rose 7.5% to € 18.0 million from € 16.7 million at year-end 2002.

Tarneaud Group

The Tarneaud Group generated GOI of € 30.0 million in 2003, a year-on-year rise of 5.2%.

Operating income rose slightly to € 24.9 million from € 23.9 million a year earlier.

Following an exceptional capital gain on the sale/exchange of LT investment securities of € 1.8 million and after taxes, net income for the period was € 17.0 million, up from € 14.9 million at year-end 2002.

Étoile Gestion

On the backdrop of several years of negatively performing stock markets, Étoile Gestion, an asset management specialist, still managed to record pre-tax earnings of € 17.2 million in 2003, up from € 15.4 million a year earlier.

It should be noted that 2002 figures integrated a provision of € 4.6 million relative to a fiscal audit of which a net recapture of € 2 million was integrated in 2003.

Banque Laydernier

The strong rise of 13.4% in net fee income drove an 11.0% rise in Banque Laydernier NBI in 2003. As operating expenses rose only 3.7%, GOI recorded strong year-on-year growth of 26.5%, while net income climbed 33.7% to € 8.3 million at year-end 2003 from € 6.2 million a year earlier.

Banque Nuger

NBI at Banque Nuger grew 2.8% year-on-year to € 24.4 million. With operating expenses contained, actually falling 0.7%, GOI rose 8.5% to € 9.8 million in 2003.

Operating income was € 8.0 million in 2003, up from € 7.7 million in 2002.

Net financial income was € 5.3 million for the period, up from € 4.9 million in 2002.

Banque Kolb

The transfer of four branches in the Rhine-Moselle sector from Crédit du Nord to Banque Kolb in March 2002 makes it difficult to make a significant comparison of the two periods.

On an accounting basis, and following the completion of this transfer, the NBI of Banque Kolb grew 9.3% to € 28.1 million in 2003, while operating expenses rose 10.9%, in part due to the aforementioned transfer.

GOI was up 6.8% to € 10.9 million, while net financial income was € 5.0 million in 2003, up from € 2.2 million a year earlier.

Société de Bourse Gilbert Dupont

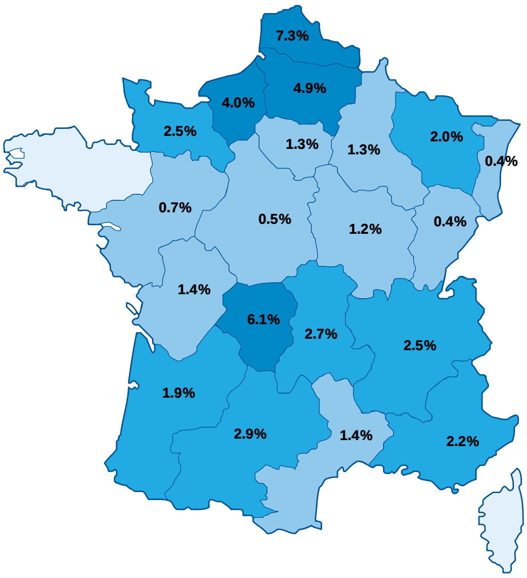
Despite depressed stock markets through most of the year, Société de Bourse Gilbert Dupont grew earnings before taxes from € 1.6 million in 2002 to € 3.8 million in 2003.

Management report

Information relative to market shares

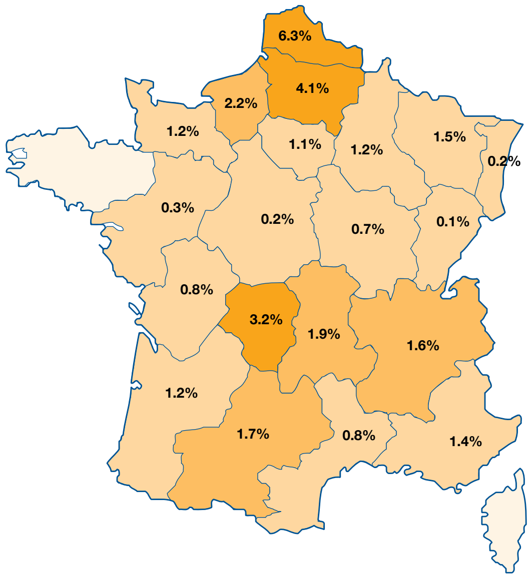
The Crédit du Nord Group does not have a uniform network of branches throughout France. As a result, while its share of the domestic market is situated between 1.5 and 2.0%, it occupies particularly stronger market shares in those areas in which it has been long established, notably north-western France, the Limousin region (Banque Tarneaud), the Auvergne region (Banque Nuger) and in the Midi-Pyrénées region (Banque Courtois).

Market share of customer loans
For the Crédit du Nord Group
as at 30/11/2003
Share of domestic market: 2.0%



0
0.1% à 1.5%
1.6% à 3%
> 3%

Market share of deposits
all Crédit du Nord Group customers
as at 30/11/2003
Share of domestic market: 1.6%



0
0.1% à 1.5%
1.6% à 3%
> 3%

Source : Banque de France local deposit/loan statistics.

Management report
Presentation of the IAS/IFRS project

The consolidated financial statements of Crédit du Nord Group in fiscal year 2005 (ending 31 December) will be established in full accordance with IAS/IFRS standards with comparative data for FY2004 financial statements.

In order to publish the comparative data the Crédit du Nord Group must prepare an opening balance sheet as at 1 January 2004, the date upon which IAS/IFRS standards become applicable. The translation effects of these new accounting standards will be recorded to shareholders' equity and capital accounts.

Since year-end 2002 the Crédit du Nord Group has put a dedicated project structure in place to ensure the successful passage to IAS/IFRS. The IAS project of Crédit du Nord Group is integrated into the project structure of its principal shareholder, Société Générale Group, and as a consequence benefits from synergies relative to impact studies of the new standards while ensuring coherence between the application of standards between the two Groups. The Crédit du Nord Group project is composed of approximately 20 workgroups which correspond to the principal findings regarding the impact of IAS/IFRS on accounting principles and information systems already in place. Coordination with the Basel II project has also been put into service. The objective of this project is to ensure the coherence of business practices as well as the mutualisation of system developments, especially those relative to the management of provisions and financial information.

The Crédit du Nord Group has identified the principal divergences among the presently-applied accounting principles and methods and the IAS/IFRS standards which have been validated by the European Regulatory Committee. Naturally this analysis has been performed to the best of the Group's knowledge and adapted in accordance with the progress of the project (the diagnostic phase is still underway) and as announcements are made concerning the standards that will be officially applicable in 2005.

The divergences discussed below do not take into account certain standards of major importance to the Crédit du Nord Group nor revisions of existing standards which have yet to be approved by the European Union, which is notably the case of IAS 32 and IAS 39 relative to the booking of financial instruments:

• *Business combinations (IAS 22)*

Goodwill cannot be charged to shareholders' equity under IAS 22. However the Group has retained the option offered by the FTA standard relative to first-time adoption of international financial reporting standards (IFRS 1) which consists of not restating acquisitions preceding 1 January 2004, the opening date of the restated balance sheet.

Moreover, The draft amendment to IAS 22 currently provides for the elimination of goodwill amortization and the introduction of a goodwill impairment test at least once a year.

• *Leases (IAS 17)*

The analysis of the substance of contracts according to IAS 17 demonstrates that the present classification of contracts as financial leases or operating leases is in accordance with IAS/IFRS.

• *Commissions (IAS 18)*

IAS 18 distinguishes three types of commissions:

– commissions earned during execution of a single major act, which are immediately recognized as revenue,

– commissions earned as services are rendered, which are to be accounted for according to the stage-of-completion method over the life of the service,

– commissions which are part of the effective return of a financial instrument, which are accounted for as an adjustment to the effective return of the financial instrument.

Crédit du Nord Group has examined these commissions and has found that accounting and recognition for these commissions is presently in accordance with IAS 18 with the following exceptions:

– annual credit/debit card fees, which will be spread over the life of the service (annualized) as of January 1, 2004

– intermediation fees paid, which will henceforth be integrated into the effective loan rates in accordance with IAS/IFRS standards.

Management report

Presentation of the IAS/IFRS project

• *Employee benefits (IAS 19)*

In accordance with the accounting principles described in the notes to the consolidated financial statements, the Crédit du Nord Group books provisions covering its pension liabilities, lump-sum retirement payments and long-service awards.

The main differences identified to date between these principles and the provisions of IAS 19 are as follow:

– certain categories of employee benefits (medical and life insurance benefits), which are not provisioned at present, are being analysed in order to determine the degree to which these benefits require provisioning according to IAS/IFRS;

– moreover Crédit du Nord Group will reclassify as employee benefits certain items that were formerly accounted for under other balance sheet or income statement headings, e.g. time saving accounts which were formerly accounted for as paid leave;

– IAS 19 imposes several publication obligations to justify applied methods and assumptions and to calculate the sensitivity of the results to these assumptions and additional non-accounting information explaining the possible future impact on results (unrecognized actuarial differences, amortizable past service costs).

As at year-end 2003 the majority of IAS/IFRS standards applicable in 2005, with the exception of provisions relative to the macro-coverage of IAS 39 which will not be published until March 2004, have been the subject of an initial review and impact study. The most significant impacts on information systems – especially those relative to derivatives, provisions for credit impairment, marking-to-market of financial instruments, and futures – have resulted in individual specifications which will be developed during the course of 2004. All relevant systems will be operational on or before 1 January 2005, following a planned complete test of all information systems in October 2004.

Specific training programs in IAS accounting were performed in 2003, principally among key personnel and departments involved in the project. Training will be intensified in the course of 2004, with a priority given to personnel from accounting and financial departments.

Management report
Internal control

The Crédit du Nord Group's internal control system is organised on the basis of three interdependent levels:

- Line management control: each unit or department manager is responsible for exercising a permanent supervision over transactions carried out under his responsibility. Operating branches must work to a predetermined plan (frequency/risks to be checked) and must produce a formal statement of controls carried out. It should also be noted that specialist supervisory staff assist branches with everyday monitoring of their accounts.
- A second level of control carried out by dedicated members of staff, who report at the hierarchical level to the regional or subsidiary or functional division manager, and at the fonctional a level to the *Inspection Générale*. The timing and methods of their intervention are decided in conjunction with the *Inspection Générale* office as far as the administrative aspects are concerned, and with the Central Risk Division as far as commitments are concerned.
- The *Inspection Générale office*, which is responsible for monitoring the controllers, has overall powers to intervene in any area of activity of Crédit du Nord and its subsidiaries. On average it audits each unit every four or five years.

The Inspector General produces an annual report on the conditions in which internal control is carried out, in accordance with regulation 2001-01 of the Banking and Financial Regulation Commission. Likewise, the Central Risk Division draws up an annual report on risk measurement and monitoring.

These reports confirm the constantly satisfactory quality of commercial risks and the administrative and accounting good practice exercised by Group entities.

This structure forms part of the internal controls of our majority shareholder, Société Générale.

Each year, Société Générale audit teams carry out a number of inspection missions involving the Crédit du Nord Group.

Management report
Risk management

Management of interest rate, currency and liquidity risk (excluding market activities)

The Crédit du Nord Group distinguishes between the management of structural balance sheet risks, or Asset and Liability Management (ALM), and the management of risks related to trading activities.

Group risk management policy

The ALM unit reports directly to the Finance Division of Crédit du Nord and is responsible for monitoring and analysing the Crédit du Nord Group's exposure to maturity mismatch, interest rate and euro liquidity risks.

An ALM Committee, presided by the Chairman and Chief Executive Officer, meets on a monthly basis in order to take all decisions concerning the management of any interest rate and/or liquidity mismatch positions generated by the Group's client-driven activity.

Liquidity risk

Crédit du Nord acts as the central refinancing unit of the Group's banks and financial subsidiaries. The ALM unit monitors outstanding loans and regulatory ratios by subsidiary, but short-term liquidity management is delegated to each subsidiary as part of its cash management activities and is subject to certain limits (i.e. liquidity requirements).

The Crédit du Nord Group saw strong customer demand for short-, medium- and long-term loans in 2003. As a result, Crédit du Nord was led to finance some of its subsidiaries, while maintaining a high level of liquidity. The Group's liquidity was bolstered by a policy of regular issuance of short- and medium-term negotiable debt instruments, and high levels of customer deposits (current accounts and regulated savings accounts) as well as the regular placement of long-term structured finance operations (issuance totalled €85 million). Consequently, Crédit du Nord regularly appeared as a net short-term lender on the interbank market over the period.

Within the framework of the regular monitoring of liquidity (CRB regulation 88-01, as amended), the liquidity ratio of Crédit du Nord averaged 118% over 2003, down from the exceptional level of 133% in 2002. Liquidity was thus significantly higher than the regulatory requirements and has never dropped below 100%.

Mismatch risk

The Crédit du Nord Group enjoyed exceptional growth in outstanding home and capital investment loans over the 2003 financial year, with outstanding medium- and long-term lending rising 16.5% year-on-year (see Note 2 to the financial statements).

The trend seen in recent years towards an inversion of the main balance-sheet items was confirmed in 2003: at present, surplus customer deposits are fully balanced by outstanding loans. This trend was accompanied by the ALM unit's successful management of maturity mismatch risk, which led to the implementation of the necessary refinancing arrangements for Group entities.

The quality of the Group's assets, an upgraded credit rating (Standard & Poor's raised its rating to AA-) and low debt levels provided the Crédit du Nord Group with access to competitive financing from both major institutional lenders and the financial markets.

2003 notably saw the first loan disbursement under the financing agreement signed with the Council of Europe Development Bank (€25 million over 10 years from a total facility of €50 million), as well as the implementation of a medium- and long-term negotiable debt instrument (TCN) programme, including an 8-year issue of around €100 million.

As a reflection of this successful management, the regulatory permanent capital ratio of Crédit du Nord, the Group's central refinancing unit, as determined on the basis of the parent company figures, stood at 61.5% at year-end 2003.

A special quarterly report on maturity mismatch risk is submitted to the majority shareholder.

Interest rate risk

All assets and liabilities of the Group's banks, excluding those relating to trading activities, are subject to an identical set of rules governing interest rate risk management.

• Methods

All on- and off-balance sheet transactions are match-funded, according to their specific characteristics (maturity, interest rate, explicit or implicit options). A model developed by the ALM unit ("notional balance sheet" model) is used to monitor interest rate risk management indicators, in particular a fixed-rate limit, as well as the risks associated with options appearing on the balance sheets of Group banks.

Sight deposits and regulated savings products are subject to specific modelling to lock in medium- and long-term yields. The rules for unwinding non-expired liabilities were left unchanged in 2003, and the conservative nature of the models used was instrumental in maintaining the interest margins of Group banks, despite the volatility of interest rate markets throughout 2003. More specifically, the modification of the rules for fixing regulated savings rates (interest rate paid on Livret A savings passbook accounts) did not have a significant impact on replication portfolios as the ALM unit had reinvested the regulated savings deposits in medium-term maturities earning similar interest rates.

The residual interest rate risk was hedged using the appropriate market instruments. Specific models are applied to risks on options linked to home savings plans and capped-rate loans, as these products are hedged using an options portfolio.

• Limit management and monitoring

The ALM Committee delegates responsibility for managing short-term interest rate risk to the Weekly Cash Flow Committee. This delegation is subject to limits, which define the exposure to money-market interest rate fluctuations and the net present value of monthly sensitivities of the maximum short-term rate (instruments with original maturities of under one year). These limits are verified at the meeting of the Weekly Cash Flow Committee.

The overall interest rate risk of the Crédit du Nord Group is controlled by sensitivity limits. The measurement of overall interest rate risk exposure is notably based on the recalculation of annual sensitivities to a uniform variation in the yield curve of plus or minus 1%. The observance of these limits is verified within the framework of regular reports to the majority shareholder. In 2003, the average net present value of the overall exposure of the balance sheet to a homothetic fluctuation in the yield curve of plus or minus 1% was substantially below 5% of consolidated equity.

Throughout 2003 the Crédit du Nord Group pursued its policy of systematically hedging ALM risks, implementing a number of complementary hedging transactions designed to further reduce the exposure of Group entities to fluctuations in interest rates. In particular, the ALM unit hedged long positions with fixed-rated lending transactions (fixed receiver swaps) and hedged short positions with a portfolio of fixed-rate payers in the amount of €450 million.

Each Group entity is monitored individually and hedged on an ad hoc basis. Hedges put on by the ALM unit thus cover all Crédit du Nord Group entities.

Trading

- Trading activities are closely linked to the management of client-driven transactions initiated by operating units: the interest rate and exchange rate risks generated by these transactions essentially comprise foreign currency positions (loans, borrowings and swaps).

- Transactions involving derivatives linked to client-related transactions are systematically hedged through Société Générale and Dexia, Crédit du Nord's shareholders, since Crédit du Nord does not hold proprietary positions in these products.

- Risk limits, including stop-loss, sensitivity limits, lending limits and counterparty limits, for trading activities are defined by General Management.

  These limits are monitored by the Treasury and Foreign Exchange Department in accordance

Management report
Risk management

with the standards adopted by the majority shareholder.

- The results of these activities are checked by the appropriate control department (see "Market risks").

Currency risk

The overall foreign exchange position is kept within conservative limits and is limited given the Bank's net shareholders' equity.

Market risks

Strategies

All capital market activities carried out by the Crédit du Nord Group are client-driven. In terms of both products and regions, the Crédit du Nord Group only conducts transactions on its own account in business segments where it has significant customer interests. The primary purpose of its activities in this area is to maintain a regular presence on the financial markets in order to be able to offer its clients competitive price quotations.

As part of this fundamental strategy:

- Crédit du Nord does not hold any positions on derivatives markets and systematically matches customer orders through Société Générale and Dexia, its shareholders, thus significantly reducing its exposure to market and counterparty risks.
- Trading on both the primary and secondary bond markets has been ceased for lack of sufficient commercial activity. The trading portfolio has been gradually liquidated and no new positions have been taken.
- With regard to other instruments, the trading limits imposed on the cash position in terms of geographic regions, authorised volumes and the duration of open positions are determined jointly with the Bank's majority shareholder and are kept at low levels given Crédit du Nord's consolidated equity.

Risk exposure

The Crédit du Nord Group is exposed to interest rate, exchange rate and counterparty risks (including issuer risks). A team of specialists is responsible for monitoring market and counterparty risks. Risk exposure is calculated and compared with the limits on a daily basis, and any limit overruns are reported to the management team of the Treasury and Foreign Exchange Department, which signs off on the report.

A report on limit overruns is submitted to the majority shareholder on a fortnightly basis. The shareholder integrates this information and in turn prepares a bi-monthly market risk statement, which it remits to the Chairman's Office. In addition, weekly reviews of counterparty risk are sent to the Head of the Central Risk Division, while quarterly statements covering major regulatory risks are submitted to Société Générale for consolidation purposes.

Capital market exposure limits are allocated as follows:

- a proposal is made by the Treasury and Foreign Exchange Department to the Chief Executive Officer. If accepted, the proposal is then forwarded to the market risk monitoring unit of Société Générale Risk Division for their opinion. Once a final opinion has been given, the limits are compiled and integrated into the daily monitoring and reporting system.

Counterparty limits are allocated as follows:

- where the counterparty is a bank, a file is opened for each counterparty, which provides details of requests for lines by product and duration based on a history of average borrowings and peak credit utilisation over the previous twelve months. This file is transmitted to the appropriate teams at Société Générale and once returned, the allocated limits are entered into the information systems for daily monitoring and reporting;
- where the counterparty is a customer, the regional Risk Divisions of Crédit du Nord or the Risk Divisions of Group subsidiaries provide the limits allocated by product, which are then input into the information systems for monitoring purposes;
- in the case of the *Société de Bourse* (stockbroker), settlement-delivery risk is essentially borne by the clearing house/account operator to which margin calls are paid according to the positions and ratings of the counterparties. Any counterparty risk that is transformed into market risk is borne by the *Société de Bourse*.
  A method for monitoring counterparty limits by

client, based on the prudential framework defined by the *Autorité des marchés financiers* (French Securities Regulator), enables counterparty commitments to be checked daily and flags any limit overruns. These counterparty limits, which were established on the basis of activity statistics, were first validated by the Central Risk Division and reviewed and updated in 2002.

The method used to assess capital market risk is as follows:

• Crédit du Nord has access to an application developed by Société Générale known as *TRAAB* (gross annual actuarial rate of return) which incorporates the data from internal information systems required to calculate risk profiles on a daily basis. This information is also used by Société Générale for its own consolidated risk monitoring. The model is based on a historical data series of daily movements in interest rate or exchange rate instruments, which are applied to daily positions in order to measure risk with a 99% confidence interval. In addition, the deployment of a single "front-to-back" system for managing capital market transactions was completed in 2003, while risk monitoring methods remained unchanged.

Value at Risk

The Values at Risk (VaR) shown below have the following characteristics:

• Change in the portfolio over a holding period of X days;

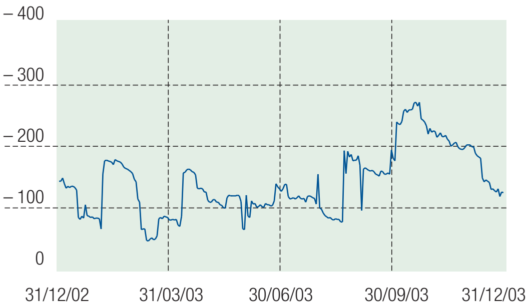
• A confidence interval of 99%;

• Historical data considered for the last 260 business days.

A confidence interval of 99% means that over a given period there is a 99% probability that an eventual loss will not exceed the defined value.

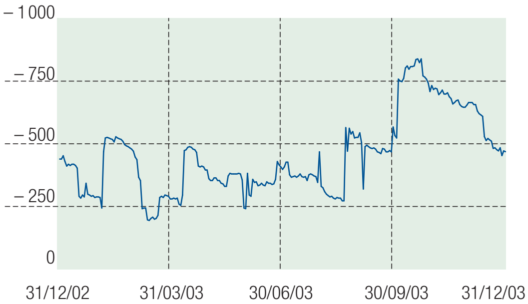
VALUE AT RISK (1 day - 99%)

IN THOUSANDS OF EUROS



VALUE AT RISK (10 days - 99%)

IN THOUSANDS OF EUROS



VALUE AT RISK: BREAKDOWN BY RISK FACTOR

IN THOUSANDS OF EUROS

	1 DAY - 99%				10 DAYS - 99%		
	FY 2003				FY 2003		
	AVERAGE	MINIMUM	MAXIMUM	LIMITS	AVERAGE	MINIMUM	MAXIMUM
Foreign exchange	– 29	– 3	– 193	– 305	– 91	– 9	– 610
Trading	– 15	– 2	– 127	– 457	– 48	– 6	– 402
Treasury	– 141	– 47	– 266	– 457	– 445	– 149	– 841
Netting effect	43	–	–	–	135	–	–
TOTAL	**– 142**	**–**	**–**	**–**	**– 449**	**–**	**–**

Report of the Chairman
on internal control

Report of the Chairman of the Board of Directors on the preparation and organisation of the Board's activities and on internal control procedures in 2003.

This report has been prepared in accordance with article L. 225-37 of the French Commercial Code, pursuant to the French Financial Security Act of 1 August 2003.

Functioning of the Board

The Board of Directors normally meets three times a year in February, July and October.

The agenda of all Board meetings is set by the Chairman and Chief Executive Officer during a preparatory work meeting with the Corporate Secretary, following consultation with the Chief Executive Officer (*Directeur Général Délégué*) and the Executive Committee. During the preparatory meeting the following points are reviewed:

- mandatory items that must be examined by the Board pursuant to the law;
- non-mandatory items of particular interest, in order to report to the Board on the proper functioning of the Company and its strategic choices (sales, organisational and investment strategies, etc.).

Directors are convened by letter no less than two weeks before the planned date of the Board meeting. Each letter includes:

- the agenda of the meeting;
- the draft minutes of the preceding Board meeting.

In addition to the Directors the following also participate in Board meetings:

- the members of the Executive Committee concerned by items on the Agenda;
- the Statutory Auditors;
- the Corporate Secretary acting in the capacity of Secretary of the Board;
- the Secretary of the Central Workers' Committee (*CCE*).

The information pack sent to each Director includes:

- the various reports provided for by law (Management Report, Report of the Chairman on the Board's Activities and on internal control, etc.);
- draft resolutions for shareholders' meetings;
- studies pertaining to strategic decisions on which the Directors may be called to deliberate.

For the Board meetings called to approve the annual financial statements, the information packs also include:

- for each Director: a list of all other company directorships held by the Director; it is the responsibility of each Director to verify and rectify the list as necessary;
- for the Chairman and Statutory Auditors: the list of all agreements concluded between Crédit du Nord and its senior managers and/or those companies with which Crédit du Nord shares senior managers or shareholders.

Board meetings last an average of 2 hours and 30 minutes.

Items for deliberation by the Board are presented by the Chairman, the appropriate member of General Management or the project manager in the event of a technical issue.

A deliberation ensues in which views and opinions are expressed, at the close of which the Board is asked to vote where necessary.

A draft of the minutes of the meeting is prepared by the Secretary of the Board, who submits the same to the Chairman and members of the Executive Committee present at the meeting. The draft minutes are then submitted for the approval of the Board at the start of the following meeting.

Limits to the powers of the Chief Executive Officer

The term of office and remuneration of the Chief Executive Officer, who equally acts as Chairman of the Board, are set by the Board of Directors. The Chairman and Chief Executive Officer is vested with the most extensive powers to act in the name of the company in all circumstances within the limits of the Company's corporate purpose and subject to those powers expressly attributed by law to the Shareholders' Meeting and the Board of Directors. The Chief Executive Officer is the Company's official representative in its relations with third-parties.

A Chief Executive Officer, nominated by the Chairman and Chief Executive Officer and appointed by the Board of Directors, assists the Chairman and Chief Executive Officer in his duties. The extent and duration of the powers conferred to the Chief Executive Officer, as well as the terms of remuneration, are set by the Board of Directors in agreement with the Chairman and Chief Executive Officer.

The Chief Executive Officer has the same powers as the Chairman and Chief Executive Officer in respect of third parties.

Internal control procedures

This report discusses the internal control procedures that apply to all entities within the Crédit du Nord Group. The Chairman of each Group subsidiary is also obliged to prepare a specific report on internal control.

The activity of the Crédit du Nord Group is subject to a dual control framework, framed by both banking regulations and the systems and procedures of the majority shareholder.

Like all banking establishments, and due to its extensive regional retail banking activity with a broad customer-base essentially comprising individuals and small and medium-sized enterprises, Crédit du Nord is exposed to various risks and especially to credit risk.

However, due to its chosen business mix, the Crédit du Nord Group has limited or no exposure to risks related to international, real estate and capital market (including derivatives) activities.

The Crédit du Nord Group's internal control system is structured around three-tier interdependent levels.

As regards accounting and financial management, a common information system is shared by virtually all Group companies and in particular the banking subsidiaries. This information system provides subsidiaries with access to all Crédit du Nord rules and procedures and allows Crédit du Nord to centralise all data required to monitor the results and activities of Group companies in real-time, in accordance with the defined rules and procedures.

A dual control framework

Banking regulations

- In accordance with articles 42 and 43 of regulation 2001-01 (ex 97-02) of the *Comité de la réglementation bancaire et financière* (French Banking and Finance Regulation Committee) two reports are prepared and published annually:
  - a report prepared by the *Inspection Générale* on conditions under which internal control is performed;
  - a report prepared by the Central Risk Division on the measurement and monitoring of risk.

  These reports are communicated to the Board, the Statutory Auditors and the majority shareholder for consolidation, and then submitted to the General Secretariat of the *Commission bancaire* (French Banking Commission).

  The French Banking Commission thus receives reports from each subsidiary of Crédit du Nord, the consolidated report of the Crédit du Nord Group and the consolidated report of the Société Générale Group.

- The Controller of Investment Services sends the AMF (formerly CMF) a normative report each year on compliance with investment service provider requirements. This codified report, as well as a special report on a subject set by the AMF, are reviewed and commented on by the Board.

Report of the Chairman on internal control

In 2003, the specific report concerned the compliance with margin requirements on financial instrument orders.

Procedures implemented by the majority shareholder

A part of the Société Générale Group since 1997, Crédit du Nord benefits from the control system implemented by its majority shareholder, as described in the latter's report on internal control.

The primary objectives of the majority shareholder's internal control system are to exercise satisfactory control over risk exposure, guarantee the accuracy of financial and management accounting data, and to ascertain the quality of information systems.

Systematic controls are performed by the majority shareholder within the framework of regular audit plans in order to ensure that the defined standards are respected.

Insofar as the majority shareholder is itself a banking establishment, permanent benchmarking between the two networks further facilitates the analytical review of accounts and risks.

Management of main banking risks

Credit risk

The credit policy of the Crédit du Nord Group is based on a set of rules and procedures concerning lending, delegation of responsibilities, risk monitoring, classification of risk and the identification of impaired risks.

This policy is defined by the Central Risk Division which reports directly to the Chairman and Chief Executive Officer.

The identification of counterparty risk impairment is the responsibility of all risk management personnel: sales units, risk management units, risk control units and the *Inspection Générale*.

Risk management is organised on two levels:

The Central Risk Division, which reports directly to the Chairman of Crédit du Nord, is functionally attached to the Risk Division of the Société Générale Group. It contributes to the definition of credit policies, oversees implementation of the said policies and participates in the credit approval process. Its responsibilities include, *inter alia*, risk control, risk classification, provisioning for doubtful loans, recovery of doubtful and disputed loans, and the itemization of risks.

Regional and Subsidiary Risk Departments report directly to the Regional Manager or to the Chairman of the subsidiary, and are functionally attached to the Crédit du Nord Central Risk Division. Risk Departments are responsible for implementing the Group's credit policies and managing risks at their level.

The Regional and Subsidiary Risk Departments notably intervene in the following areas:

- credit approval process;
- monitoring and classification of risks;
- recovery of doubtful and disputed loans.

Specialised committees and systems

In order to monitor and manage risk, Crédit du Nord has set up specialised risk committees and systems at both the Group level and the regional/subsidiary level:

- a Risk Committee, presided by the Chairman and Chief Executive Officer or the Chief Executive Officer, meets once a month. A member of the Risk Division of the majority shareholder also sits on this committee;
- a Healthy Risks Committee for each region and subsidiary is presided by the Chairman and Chief Executive Officer and/or the Chief Executive Officer and meets once a quarter;
- a review of impaired risks is performed every six months by the Control and Provisioning Division. A report on the evolution of impaired risks over the 2003 financial year was recently presented to the Chairman and Chief Executive Officer.

These committees and systems thus contribute on a regular basis to the definition of risk policy, the implementation of this policy, the examination of significant risks, the monitoring of impaired risks, provisioning for risks and overall risks analysis.

Moreover, Crédit du Nord prepares a quarterly report on major regulatory risks for its majority shareholder. The report is used for consolidation purposes and is also submitted to the French Banking Commission.

Interest rate, exchange rate and liquidity risk (excluding market activities)

Asset and liability management (ALM)

With regard to global risk management, the Crédit du Nord Group distinguishes the management of structural balance sheet risks (Asset and Liability Management or ALM) from the management of risks related to trading activities.

The ALM unit reports directly to the Finance Division of Crédit du Nord.

It is responsible for monitoring and analysing the Crédit du Nord Group's exposure to maturity mismatch, interest rate and euro liquidity risks.

An ALM Committee, presided by the Chairman and Chief Executive Officer, meets on a monthly basis in order to take all decisions concerning the management of any interest rate and/or liquidity mismatch positions generated by the Group's client-driven activity. A senior financial officer from the majority shareholder also sits on this committee.

Liquidity risk

The ALM unit monitors outstanding loans and regulatory ratios by subsidiary, but short-term liquidity management is delegated to each subsidiary as part of its cash management activities and is subject to certain limits (i.e. liquidity requirements).

Mismatch risk

Changes in the structure of the balance sheet are carefully monitored and managed by the ALM unit, which in turn determines the refinancing requirements of the Group's entities. A quarterly report on maturity mismatch risk is submitted to the majority shareholder.

Interest rate risk

All assets and liabilities of Group banks, excluding those related to trading activities, are subject to an identical set of rules governing interest rate risk management.

The ALM Committee delegates responsibility for managing short-term interest rate risk to the Weekly Cash Flow Committee. This delegation is subject to limits, which define the exposure to money-market interest rate fluctuations and the net present value of monthly sensitivities of the maximum short-term rate (instruments with original maturities of under one year). These limits are verified at the meeting of the Weekly Cash Flow Committee.

The global interest rate risk of the Crédit du Nord Group is controlled by sensitivity limits. The observance of these limits is verified within the framework of regular reports to the majority shareholder.

The Crédit du Nord Group follows a policy of systematically hedging ALM risks and, where applicable, puts on the hedges needed to reduce the exposure of Group entities to interest rate movements.

Each Group entity is monitored individually and hedged on an ad hoc basis. Hedges put on by the ALM unit cover all Crédit du Nord Group entities.

Trading

Transactions involving derivatives linked to client-related transactions are systematically hedged through Société Générale and Dexia, Crédit du Nord's shareholders, since Crédit du Nord does not hold proprietary positions in these products.

The control of limits assigned to these trading activities by General Management are monitored by the Treasury and Foreign Exchange Department in accordance with the standards adopted by the majority shareholder.

The results of these activities are checked by the appropriate control department (see “Market risks” below).

Market risks linked to client-driven transactions

Crédit du Nord does not hold any positions on derivatives markets and systematically matches customer orders through Société Générale and Dexia, its shareholders, thus significantly reducing its exposure to market and counterparty risks.

Report of the Chairman
on internal control

A specialised unit from the Treasury and Foreign Exchange Department is responsible for monitoring market and counterparty risks.

These risks are calculated on a daily basis and compared with the limits. Any limit overruns are reported to the management team of the Treasury and Foreign Exchange Department, which must review and certify all such reports.

A report on risk limit controls is submitted to the majority shareholder on a fortnightly basis. The majority shareholder sends a monthly market risk monitoring report to the Chief Financial Officer (CFO) and to the Head of the Treasury and Foreign Exchange Department. The CFO also receives a weekly limit/results monitoring report and a monthly report on changes in limits from the Treasury and Foreign Exchange Department. The Treasury and Foreign Exchange Department also addresses a quarterly report on changes in limits to the Chairman and the Chief Executive Officer.

In addition, a weekly review of counterparty risk is submitted to the Head of the Central Risk Division.

Operational risks

The business activities of the various entities within the Crédit du Nord Group are exposed to a series of risks – administrative, accounting, legal, IT, etc. – which are grouped under the heading of "Operational risks" within the framework of the reform of capital adequacy regulations (the MacDonough ratio).

In accordance with the recommendations of the Basel Committee of July 2002, also known as Basel II, and in consultation with the majority shareholder, operational risks have been newly classified. Moreover, all losses in excess of an amount fixed at Ä 10 000 for the Crédit du Nord Group have been subject to a systematic review.

In general, all major projects launched by Crédit du Nord are monitored within the framework of Steering Committees. The Chairman and Chief Executive Officer and the Chief Executive Officer sit on the Steering Committees of all major strategic projects.

An Operational Risks Meeting, with the participation of the *Inspection Générale* and the Information Systems and Projects Division, represented by the Head of Information Security Systems, meets upon delivery of each new IT application and in the event of modifications to existing applications in order to verify risk in terms of availability, integrity, confidentiality, testability and control ("audit trail").

In addition, an IT Security Committee, chaired by the Head of Information Security Systems, meets twice a year.

A Crisis Plan enables a Crisis Unit composed of the main members of General Management to be established within a dedicated Command Centre at any time.

Lastly, the strategic head-office entities, i.e. those needed to ensure the continuity of operations, are preparing a new Business Continuity Plan, which is to be implemented in the course of 2004. Procedures for ensuring service continuity are already in place throughout the network.

Organisation of internal control

The Crédit du Nord Group's internal control is organised on the basis of three interdependent levels:

– line management control;

– second level control;

– the *Inspection Générale*.

The head of each entity or department is responsible for exercising permanent oversight over transactions carried out under his or her responsibility. Operating branches must adhere to a predetermined plan (detailing frequency and risks to be controlled) and report on all performed controls. Specialised supervisory staff also assist branches in the day-to-day monitoring of accounts.

Second-level control is performed by dedicated personnel, who report hierarchically to the head of the respective region, subsidiary or functional department to which they are assigned but report functionally to the *Inspection Générale*.

The control plan and methods are determined in conjunction with the Inspection Générale as regards administrative matters and with the Central Risk Division as regards commitments.

The Inspection Générale is responsible for supervising controls and is mandated to intervene in any area of activity of the Crédit du Nord Group and its subsidiaries. It reports directly to the Chairman and Chief Executive Officer.

The control system is integrated into the internal control structure of the Group's majority shareholder. Every year the audit teams of the majority shareholder conduct various audits of the Crédit du Nord Group.

First- and second-level control system

Regional and subsidiary first- and second-level administrative and accounting control system

The Line Management Control Manual defines day-to-day security requirements covering, *inter alia*, reception desks, the opening of mail and the filing of documents, as well as a limited number of controls that require formalisation at the hierarchical level (recognition of securities in branches, certain sensitive procedures such as stock market orders, etc.). These controls may be delegated on the condition that each delegation of power is subject to hierarchical control.

Second-level control is performed by dedicated personnel who report directly to the Regional Manager or to the Chairman of the subsidiary. Control is performed using specific "control forms" developed with the *Inspection Générale*, and according to a control plan, which defines the frequency of controls based on the degree of risk that each procedure or operation represents.

Whenever an on-site control of a procedure is performed, the control and the branch subject to this control are input into a dedicated software application, together with a score based on the degree of compliance with applicable rules, which allows the *Inspection Générale* to map control procedure compliance levels at both local and national levels.

Following each of these assignments, the *Inspection Générale* prepares an evaluation of Regional Control for the region in which the audited branches are based.

First- and second-level risk control of regions and banking subsidiaries

First-level control at the regional and subsidiary level is carried out by the sales management and by the Risk Department of the region or subsidiary.

The Line Management Control Manual establishes that the Branch or Business Centre Manager is responsible for controlling compliance with delegated limits and the validity of loan decisions taken by staff to whom the limits are assigned (customer advisers, etc.) under their management, as well as any credit limit overruns at the branch or business centre. These controls are performed monthly, are formalised and may not be delegated.

Group managers also intervene at this level:

- In the capacity of line manager, group managers receive the following reports:
  - reports on the delegated credit approval limits of all branch managers within his/her group as well as all completed control forms;
  - second-level on-site audit reports sent for information purposes. Each group manager is responsible for assisting branches in preparing and sending a response to the aforementioned reports and for supervising the implementation of the Auditor's recommendations.
- In the capacity of decision-maker, group managers prepare monthly decision reports addressed to:
  - Risk Controllers, where they may use of their personal credit approval limits;
  - Regional or subsidiary Risk Managers within the reporting framework of the Monthly Risk Committee, where they delegate the decision-taking process.

Regional and Subsidiary Risk Departments are responsible for supervising limit overruns and the proper classification of risks.

Report of the Chairman
on internal control

They are thus responsible for preparing procedural memos to:

– define the overrun monitoring rules for the region or subsidiary and the role of each Risk Manager;

– organise the archiving of overrun request forms.

Regional and Subsidiary Risk Departments are responsible for ensuring the appropriateness of the risk classification. Where necessary, they must permanently monitor and reassess the status of “performing loans under watch” and “doubtful loans” in the event loans are renewed, loan requests are made in the interim or overruns are identified.

Second level control is performed by regional or subsidiary Risk Controllers, as well as the Central Risk Control Department.

The role of the regional or subsidiary Risk Controller is to permanently monitor that loans classified under “performing loans” merit their classification. The Risk Controller is also responsible for reviewing and monitoring “loans under watch” and “doubtful loans” for any necessary reclassification or declassification. These control missions can be performed on site or remotely.

The majority of the Risk Controller's work is carried out with the help of computer tools and the monthly delegated limit reports.

During the course of on-site visits the Risk Controller uses sampling tests to verify:

– the quality of Branch risks;

– the quality of operational risk management with special attention given to monitoring systems and compliance with first-level control requirements.

Central Risk Control is the responsibility of the Control and Provisioning Division, which performs the following roles:

– verification of due and proper implementation by the regions and subsidiaries of the risk management system defined by the Central Risk Division, i.e. the due and proper application of the Risk Policy Manual;

– permanent remote supervision of risks based on centralised monitoring of limit overruns and deferred settlement market (*SRD*) margin calls;

– on-site audits;

– quarterly analysis of the evolution of impaired risks with particular attention given to "loans under watch" and "doubtful loans".

On-site audits of the Control and Provisioning Division are performed annually and include:

– a principal audit of all loan files which fall within the framework of loan decisions taken directly by Regional Managers, Chairmen of subsidiaries and regional or subsidiary Risk Managers. From these files, a sample of between twenty and thirty files, with an emphasis on business loans, are taken and examined for the appropriateness of the credit decisions. Attention is given to avoid redundancy with regional or subsidiary audits;

– an audit of each entity's risk monitoring systems as implemented by the Risk and Risk Control Departments of the region or subsidiary;

– an audit of the appropriateness of the risk classification, particularly in respect of loans categorized as “under watch” or “doubtful” and on the management (Branch, Amicable Recovery, Special Regional Affairs, Special Head Office Affairs), monitoring and eventual provisioning of “doubtful loans”.

Moreover, the analysis of the evolution of risks and, more particularly, of “loans under watch”, “doubtful loans”, “non-performing loans” or “disputed loans” throughout the Crédit du Nord Group is used to compile a summary report by region, subsidiary and market.

First- and second-level control of functional divisions and specialised subsidiaries

Certain functional divisions, including Financial Affairs, Finance, Banking Operations, Wealth and Asset Management (which notably supervises discretionary private banking), and Information Systems and Projects, are endowed with second-level Controllers who report directly to the Head of Division.

The same is true for the following specialised subsidiaries: Étoile Gestion and Société de Bourse Gilbert Dupont.

The internal control of Norfinance Gilbert Dupont (an investment company with a franchise of execution-only clients, which manages a proprietary client portfolio as well as clients from the Nord Métropole and Provinces du Nord regions) is co-ordinated by the Controller of the Financial Affairs Division and is supported by the Administrative Controllers of the regions in question and the control carried out by the Wealth and Asset Management Division.

In certain cases the size of the specialised subsidiary leads the senior manager to perform the control of the entity. This is the case with Norbail Immobilier, Norbail Sofergie, SPTF and Norimmo.

In other cases internal control is outsourced: Star Lease outsources internal control to Franfinance, while the internal control of Antarius is the responsibility of Cardif, an insurer and equal shareholder.

The Inspection Générale of the Crédit du Nord Group

With a permanent staff of 35, the *Inspection Générale* has 22 inspectors who work on assignments (including 15 recent university graduates), managed by 6 senior inspectors with specific experience in Risk or Administrative and Accounting Control, and supervised by a member of General Management.

The frequency of control of the various entities in the operating network is approximately once every five years, depending on the priorities established by the Executive Committee.

These traditional control missions use both written methodologies as well as a pre-selection of files to be audited on site. These missions are broken down into three phases: pre-audit, on-site audit and audit report.

The *Inspection Générale* analyses the administrative and accounting operations of the audited entities as well as the risk exposure by category, especially counterparty, of each entity. In addition, it assesses the quality of first- and second-level control as described above.

The audit and control of specialised entities often implies a long preliminary learning phase, which could lead General Management to make use of the audit resources of the majority shareholder. This was the case, for example, in the audit of the Treasury and Foreign Exchange Department.

In addition to the co-ordination of second level control assignments, the *Inspection Générale* also compiles and monitors all cases of fraud and/or embezzlement. To this end the *Inspection Générale* performs its own audits or monitors the work of controllers in respect of “special affairs” which are likely to implicate an agent of the Group. Any ensuing sanctions are officially commented on by the *Inspection Générale*.

Compliance matters and anti-money laundering measures are the responsibility of the *Inspection Générale*, which also participates in the review of operational risks related to new IT projects, maintenance and upgrades of existing applications, as well as the identification of losses linked to these risk classes. These reports are sent to the majority shareholder for processing and consolidation.

Reports prepared by the *Inspection Générale* upon completion of its assignments are systematically submitted to the Chairman and Chief Executive Officer and to the Chief Executive Officer.

The implementation of recommendations included in these reports are specifically monitored by the Inspection Générale.

Furthermore, the *Inspection Générale* also monitors the implementation of recommendations by the French Banking Commission.

The Chairman and Chief Executive Officer meets the Head of the *Inspection Générale* on a monthly basis.

Elaboration and control of financial and management accounting data

The Chief Financial Officer (CFO), reporting directly to the Chairman and Chief Executive Officer and member of the Executive Committee, is responsible for the elaboration and control of financial and management accounting data, as well as monitoring the implementation of recommendations made by the Statutory Auditors.

Report of the Chairman
on internal control

Elaboration of accounting data

The role of the Accounting and Summary Information Department (DCIS)

This department, placed under the authority of the CFO, is structured according to its two major roles:

– defining the accounting organisation and procedures: a centralised definition for the entire Crédit du Nord Group of all accounting rules in accordance with the applicable accounting and fiscal regulations, including the definition of accounting frameworks and procedures, management of the internal charts of accounts, definition of parameters by type of report, etc.;

– establishing and analysing financial and accounting statements: preparation of individual company and consolidated accounts for the Crédit du Nord Group, elaboration of regulatory situation reports intended for the various regulatory authorities (Banque de France, French Banking Commission, etc.), as well as management of accounting aspects of controls performed by the Statutory Auditors and other controlling bodies (tax authorities, French Banking Commission, *Urssaf*, etc.).

Accounting information system

The Crédit du Nord information system is a multi-bank network as the Group's seven banks are managed on the same information network. All banks share the same banking operation processing systems, as well as the same summary reporting systems, which are used to prepare internal and regulatory statements and reports.

This unified information system architecture shared by all Group banks has helped improve accounting coherence and regularity. The *DCIS* is thus responsible for the definition and validity of accounting rules and procedures, as well as the flow of accounting information from input to output:

– the vast majority of accounting entries are processed automatically by the IT network. Regardless of whether the accounting frameworks are defined at the user-level (over two-thirds of book entries) or defined automatically by operating system software, all accounting procedures have been defined and tested by the *DCIS*. Manual entries remain limited and are subject to restrictive authorisations and numerous controls.

– accounting databases are interfaced to automatically input data into the consolidation packages and reports intended for the French Banking Commission and the Banque de France.

The accounting information production process

Three successive phases combine to produce the consolidated accounts:

• Upstream data entry:
For companies integrated into the Group's accounting information system (described above), data are processed by the operating systems and summary reporting systems, which results in the compilation of reliable accounting databases.
All "non-integrated" entities transmit consolidation packages as produced by their internal accounting systems, while respecting applicable the Group's rules and procedures.

• Preparation of company financial statements:
Ahead of the closing of half-year accounts, one-day meetings are organised by the DCIS with the accounting managers of the Group's companies in order to explain and comment on current accounting issues relating to the half-year, as well as any account-closing decisions made by the Group. This frequent contact ensures that the key points of each closing have been integrated and interpreted correctly by each company within the Group. The final adjustment and manual journal entries are then made. However, the main mission of the *DCIS* during these meetings is to control, analyse, correct and validate the accounts before the company's financial statements are transmitted to the regulatory authorities and published, and before the consolidation packages are transmitted to the Group's Consolidation Department.

• Account consolidation process:
This phase culminates with the production of consolidated financial statements, which can be

used for Group management purposes, legal and regulatory publications as well as shareholder reports.
During this phase, individual consolidation packages from Group companies are controlled and validated, consolidation entries are booked and intercompany eliminations are recognised. The consolidated financial statements are then analysed and validated before internal and external communication. The majority of these operations are performed on a monthly basis, which increases the reliability of the process.
Group tax consolidation and reporting are also carried out during this phase.

Internal accounting control

Branch level control

Responsibility for the monitoring of branch accounting (excluding Enterprise Business Centres) is entrusted to the Heads of Branch Support Units, who report to the Logistics Directors.

First level control is the responsibility of the Head of the Branch Support Unit.

Second level control is the responsibility of Regional Audit and Control Units.

Monitoring of accounting at Enterprise Business Centres is the responsibility of the Managers of the Enterprise Sales Assistants (ACE).

Control of preparation of company and consolidated financial statements

The process of consolidating accounting data and preparing consolidated financial statements is subject to several types of control.

- Control of data inputs:
  - the IT tool used to generate the consolidated reports include configurable data consistency tests. These tests are heavily used, with several hundred different controls being performed. As long as the reporting company has not satisfied control requirements, it may not transmit accounting information to the department in charge of consolidation;
  - before submitting its consolidation package, every consolidated entity must ensure that the package data are consistent with the data intended for internal sales and financial management reporting purposes, as well as reports intended for the regulatory authorities;
  - consolidation packages sent by each consolidated company are analysed, validated and corrected as necessary, notably with the help of tests for consistency with preceding monthly reporting packages and budgets, where available;
  - the control of specific consolidation entries is also performed;
  - the reconciliation and elimination of intercompany transactions can also help bring to light anomalies in the accounting entries;
  - lastly, a variance analysis of consolidated statements is also performed, notably focusing on changes in equity levels.
- Control of consolidation tools:
  - a specific Group chart of accounts for consolidation is managed by the department in charge of consolidation and aids in breaking down information to improve analysis;
  - careful attention is paid to the configuration of the Group consolidation system;
  - the various automated consolidation processes are subject to regular validation and control.

Lastly, the industrialisation of the monthly consolidated reporting process in itself helps to improve control of changes in data over time and the understanding of any problems as they arise.

Preparation and control of financial and management accounting data

Preparation of financial and management accounting data

The Crédit du Nord Group has based its financial management on the use of financial accounting data.

Analytical accounting data needed for the financial management of the Crédit du Nord Group are generated by the accounting information system and operating systems, which are able to break down data by item and by entity at the required level of detail. This information is stored in a

Report of the Chairman
on internal control

unified management database, which covers Crédit du Nord and its six banking subsidiaries.

The Financial Management Division (DGF), placed under the authority of the CFO, manages the integration of general accounting data into the analytical accounting items on the basis of the rules defined by the unit in charge of Group ALM and the match-funding of assets and liabilities. The analytical accounting system enables a switch from an interest paid/received view to an analytical approach in terms of margins on notional match-funding.

Information from the management database is accessible from the branch level up to the Group level and is identical from one level to the next. As a result, the data can be used by all Crédit du Nord Group management control teams, including subsidiaries, regional divisions, functional departments and the Financial Management Division, with the latter notably using this information for the preparation of the half-yearly management report in particular.

Data control

The control of financial and management accounting data is performed during the monthly data entry process through the verification of proper integration of all balance sheet, income statement and operating system data into the analytical framework and through the systematic analysis of variations in totals and material movements.

Downstream of the process, a monthly reconciliation is also performed by comparing the financial accounting figures with the management reporting figures.

Monitoring of budgets is performed three times a year within the framework of the Regional Board Meetings of the Group's regions and subsidiaries: twice in the first half of the fiscal year in the presence of the Chairman and Chief Executive Officer or the Chief Executive Officer, and once in the third quarter as part of the budget meeting with the participation of the Chairman and Chief Executive Officer and the Chief Executive Officer. During the course of these meetings the evolution of net banking income, operating expenses, investments and the main risk indicators are systematically reviewed.

A Cost Monitoring Committee, which includes the Chairman and Chief Executive Officer, the Chief Executive Officer and all head-office division managers, meets four times during the course of the year. A review of the evolution of operating expenses throughout the network is given by a senior executive of the Financial Management Division (*DGF*).

An IT Projects Monitoring Committee meets quarterly with the Chairman and Chief Executive Officer in order to examine projects in terms of progress and their financial impact on budgets and medium-term planning.

Statutory Auditors' report
on the Report of the Chairman on internal control
(Free translation of the French original)

Statutory Auditors' report, established in application of the latest provisions of article L. 225-235 of the French Code de Commerce, on the report of the Chairman of the Board of Crédit du Nord describing the internal control procedures relative to the elaboration and processing of accounting and financial information.

Fiscal year 2003

In our capacity as Statutory Auditors of Crédit du Nord and in application of the latest provisions of article L. 225-235 of the French Code de Commerce, we have audited the report prepared by the Chairman of Crédit du Nord, in compliance with the provisions of article L. 225-37 of the French Code de Commerce, in respect of the fiscal year ending 31 December 2003.

Under the responsibility of the Board of Directors, the Management is charged with defining and implementing adequate and effective internal control procedures. It is the charge of the Chairman to review and discuss in his report, among others, the preparation and organisation of the Board of Directors' activities and the internal control procedures which have been implemented throughout the company.

It is our responsibility to communicate our opinions concerning the information and declarations appearing in the Chairman's report concerning the internal control procedures relative to the elaboration and processing of accounting and financial information.

In accordance with the professional standards applicable in France, we have examined the internal control objectives and organisation, as well as the internal control procedures relative to the elaboration and processing of accounting and financial information, as presented in the Chairman's report.

On the basis of our examinations, we have no opinions to express concerning the description of the company's internal control procedures relative to the elaboration of accounting and financial information as contained in the report of the Chairman of the Board, established in application of the latest provisions of article L. 225-37 of the French Code de Commerce.

Neuilly-sur-Seine, 15 March 2004

The Statutory Auditors

DELOITTE TOUCHE TOHMATSU - AUDIT

José-Luis Garcia

BARBIER FRINAULT & AUTRES
ERNST & YOUNG
Isabelle Santenac

Comparative scope of consolidation

	31 December 2003			31 December 2002		
	Consolidation method	Ownership interest	Voting rights	Consolidation method	Ownership interest	Voting rights
Crédit du Nord 28, place Rihour - 59800 Lille	Full	Consolidating company		Full	Consolidating company	
Banque Rhône-Alpes 20-22, boulevard Édouard-Rey 38000 Grenoble	Full	99.9905	99.9905	Full	99.9905	99.9905
Banque Tarneaud 2-6, rue Turgot - 87000 Limoges	Full	79.9018	79.9018	Full	78.8764	78.8764
Banque Courtois 33, rue de Rémusat - 31000 Toulouse	Full	100.0000	100.0000	Full	100.0000	100.0000
Banque Kolb 1-3, place du Général-de-Gaulle 88500 Mirecourt	Full	99.7972	99.7972	Full	99.7972	99.7972
Banque Laydernier 10, avenue du Rhône - 74000 Annecy	Full	99.9997	100.000	Full	99.9997	100.0000
Banque Nuger 7, place Michel-de-l'Hospital 63000 Clermont-Ferrand	Full	64.6977	64.6979	Full	64.6977	64.6979
Norbail Immobilier 50, rue d'Anjou - 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Star Lease 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
S.P.T.F. 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Norfinance Gilbert Dupont et Associés 42, rue Royale - 59000 Lille	Full	100.0000	100.0000	Full	100.0000	100.0000
Société de Bourse Gilbert Dupont 50, rue d'Anjou - 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Norimmo 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Turgot Gestion 2-6, rue Turgot - 87000 Limoges	Full	79.9018	100.0000	Full	78.8765	100.0000
Fimmogest 33, rue de Rémusat - 31000 Toulouse	Full	100.0000	100.0000	Full	100.0000	100.0000
Crédinord Cidize 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Étoile Gestion 59, boulevard Haussmann 75008 Paris	Full	96.9726	99.9000	Full	96.8865	99.9000

	31 DECEMBER 2003			31 DECEMBER 2002		
	CONSOLIDATION METHOD	OWNERSHIP INTEREST	VOTING RIGHTS	CONSOLIDATION METHOD	OWNERSHIP INTEREST	VOTING RIGHTS
Anna Purna 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Nice Broc 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Nice Carros 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Kolb Investissement 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Couronna 33, rue de Rémusat 31000 Toulouse	Full	99.9999	99.9999	Full	99.9999	99.9999
Nord Assurances Courtage 28, place Rihour - 59800 Lille	Full	100.0000	100.0000	Full	100.0000	100.0000
Norbail Sofergie 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
SFAG 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Partira 59, boulevard Haussmann 75008 Paris	Full	100.0000	100.0000	Full	100.0000	100.0000
Banque Pouyanne 12, place d'Armes - 64300 Orthez	Equity	35.0020	35.0020	Equity	35.0020	35.0020
Dexia-C.L.F. Banque Tour Cristal 7-11, quai André-Citroën 75015 Paris	Equity	20.0000	20.0000	Equity	20.0000	20.0000
Antarius 59, boulevard Haussmann 75008 Paris	Proportionate	50.0000	50.0000	Proportionate	50.0000	50.0000

The scope of consolidation did not materially evolve during the course of 2003.

Group companies were not considered of a significant nature for consolidation purposes in the event that all three of the following criteria were met for two consecutive fiscal years: total assets under € 10 million, annual earnings below € 1 million and no ownership interests in a consolidated company. In the event, these companies were not included within the scope of consolidation.

The following companies are more than 99%-owned by Crédit du Nord, meet the above criteria and, as a result are not included within the scope of consolidation in 2003: Starhuit, Starquatorze, Starquinze, Starseize, Stardixsept, Stardixhuit, Stardixneuf, Starvingt, Nord Gérance, Immovalor Service, Crédinord Espana. None of these companies had total assets above € 700 000 in 2003.

In addition, two other companies in which Crédit du Nord holds ownership positions of approximately 34% are not consolidated: Cofipro and Verveine. Cofipro was dissolved at year-end 2002 and a liquidator has been appointed, while the only “activity” of Verveine is ownership of shares in a bank, Banque Clément, which is in liquidation.

Summary balance sheets

€ MILLION

ASSETS	NOTES	2003	2002	2001
Cash, due from central banks and postal accounts		**1 989.9**	1 488.0	1 622.8
Treasury notes and assimilated securities	4	**629.2**	948.0	1 291.1
Due from banks	1	**3 429.2**	3 257.2	3 298.7
TOTAL CASH AND INTERBANK ASSETS		**6 048.3**	**5 693.2**	**6 212.6**
Customer loans, leases and assimilated	2/3	**17 291.8**	14 976.4	14 009.2
TOTAL CUSTOMER LOANS		**17 291.8**	**14 976.4**	**14 009.2**
Bonds and other debt securities	4	**569.2**	562.9	708.2
Shares and other equity securities	4	**164.3**	41.6	67.0
Investments of insurance companies	8	**1 547.7**	1 259.1	1 179.3
Share of underwriters in reserves of insurance companies	8	**130.6**	95.6	77.3
Investments in non-consolidated affiliates and other long term equity investments	5	**62.9**	56.6	51.0
Investments in subsidiaries and affiliates accounted for by the equity method		**8.5**	7.8	6.4
Fixed assets	6	**307.1**	231.9	209.6
Accruals and other accounts receivable	7	**691.0**	684.5	1 091.6
Goodwill	9	**48.5**	51.0	54.8
TOTAL OTHER ASSETS		**3 529.8**	**2 991.0**	**3 445.2**
TOTAL		**26 869.9**	**23 660.6**	**23 667.0**

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	2003	2002	2001
Due to central banks and postal accounts		**1 408.5**	554.8	515.4
Due to banks	10	**1 444.8**	1 194.9	1 997.7
TOTAL CASH AND INTERBANK LIABILITIES		**2 853.3**	**1 749.7**	**2 513.1**
Customer deposits	11	**14 292.6**	13 846.3	13 283.1
TOTAL CUSTOMER DEPOSITS		**14 292.6**	**13 846.3**	**13 283.1**
Bonds and debt securities	12	**5 250.1**	3 731.9	3 604.1
Underwriting reserves of insurance companies	8	**1 580.4**	1 293.4	1 204.8
Accruals and other accounts payable	7	**1 006.2**	1 240.5	1 329.9
Allowances for general risks and commitments	13	**195.0**	194.7	213.3
Subordinated debt	14	**384.6**	384.4	384.6
Shareholders' equity	15	**1 111.8**	1 038.9	974.6
• of which Group share		**1 084.0**	1 012.3	950.4
Net income	15	**195.9**	180.8	159.5
• of which Group share		**190.4**	175.7	154.9
TOTAL OTHER LIABILITIES		**9 724.0**	**8 064.6**	**7 870.8**
TOTAL		**26 869.9**	**23 660.6**	**23 667.0**

BALANCE SHEET STRUCTURE

	2003	2002	2001
ASSETS			
Cash and interbank assets	**22.5%**	24.1%	26.2%
Customer loans	**64.4%**	63.3%	59.2%
Other assets	**13.1%**	12.6%	14.6%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Cash and interbank liabilities	**10.6%**	7.4%	10.6%
Customer deposits	**53.2%**	58.5%	56.1%
Other liabilities	**36.2%**	34.1%	33.3%
of which Shareholders' equity (including net income)	**4.9%**	5.2%	4.8%

Consolidated income statements

€ MILLION	NOTES	2003	2002	2001	CHANGE % 2003/2002
Net interest and similar income		**709.8**	664.3	627.3	6.8
Net fee income		**500.5**	484.1	486.5	3.4
Gross margin of insurance business		**24.1**	14.5	18.7	66.2
NET BANKING INCOME	*19*	**1 234.4**	**1 162.9**	**1 132.5**	**6.1**
Personnel expenses	*25*	**– 540.7**	– 525.9	– 515.3	2.8
Taxes		**– 23.9**	– 31.0	– 31.1	– 22.9
Other expenses	*26*	**– 244.4**	– 241.6	– 225.4	1.2
Depreciation and amortisation	*27*	**– 48.7**	– 44.0	– 44.4	10.7
TOTAL OPERATING EXPENSES		**– 857.7**	**– 842.5**	**– 816.2**	**1.8**
GROSS OPERATING INCOME		**376.7**	**320.4**	**316.3**	**17.6**
Cost of risk	*28*	**– 74.5**	– 68.9	– 61.6	8.1
OPERATING INCOME		**302.2**	**251.5**	**254.7**	**20.2**
Net income from companies accounted for by the equity method	*30*	**2.6**	2.3	1.3	13.0
Net income from on long term investments	*31*	**3.5**	6.8	0.6	– 48.5
EARNINGS BEFORE EXCEPTIONAL ITEMS AND TAX		**308.3**	**260.6**	**256.6**	**18.3**
Exceptional items	*32*	**0.0**	0.0	– 0.3	0.0
Income tax	*33*	**– 108.5**	– 76.1	– 93.5	42.6
Amortisation of goodwill	*34*	**– 3.9**	– 3.7	– 3.3	5.4
Minority interests	*35*	**– 5.5**	– 5.1	– 4.6	7.8
CONSOLIDATED NET INCOME		**190.4**	**175.7**	**154.9**	**8.4**
CONSOLIDATED NET INCOME PER SHARE (€)		**2.06**	**1.90**	**1.67**	**8.4**

Contribution to net income
by business line and company

Due to the restatements inherent in the consolidation process the contribution of Group companies to consolidated net income may differ significantly from amounts appearing in company financial statements. The nature of these restatements is explained in the section entitled "Principles and Methods of Consolidation." Restatements include, in particular, eliminations of intra-Group transactions including, but not limited to dividends, provisions on Group securities and intra-Group asset disposals.

The following table presents the net contribution (i.e. after restatement for consolidation purposes) by company, grouped by sector of activity, to consolidated net income.

€ MILLION	CONTRIBUTION TO CONSOLIDATED NET INCOME (GROUP SHARE)	
SUBSIDIARY COMPANIES	**2003**	**2002**
Crédit du Nord	**95.5**	105.2
Banque Rhône-Alpes	**17.1**	15.9
Banque Tarneaud (1)	**13.4**	11.6
Banque Courtois (1)	**21.6**	16.8
Banque Laydernier	**7.8**	5.6
Banque Nuger	**3.3**	3.0
Banque Kolb	**4.8**	2.0
Norbail Immobilier	**2.4**	2.2
Société de Bourse Gilbert Dupont	**2.9**	1.6
Dexia-C.L.F. Banque	**2.0**	1.7
Other companies	**3.1**	1.1
SUB-TOTAL BANKING	**173.9**	**166.7**
Étoile Gestion	**11.5**	8.5
SUB-TOTAL ASSET MANAGEMENT	**11.5**	**8.5**
Antarius	**5.0**	0.5
SUB-TOTAL INSURANCE	**5.0**	**0.5**
TOTAL	**190.4**	**175.7**

(1) Consolidated financial statements.

CONTRIBUTION BY BUSINESS LINE TO CONSOLIDATED NET INCOME

Banking	**91.3%**	94.9%
Asset management	**6.1%**	4.8%
Insurance	**2.6%**	0.3%

During the course of 2003 banking activity performed well despite a difficult business context. However, this business line is less sensitive to stock markets than asset management and insurance activities, which both benefited from a rebound in financial markets after several difficult years. Overall, these two business lines together represented nearly 18% of consolidated net income during the stockmarket euphoria of 2000, a level which fell to approximately 5% as stock markets bottomed out in 2002. In 2003, these activities represented an intermediate level as they contributed nearly 9% of consolidated income.

The balance of the portfolio of Group activities has contributed to the regular growth of consolidated net income, and notably to the 20% growth of consolidated net income recorded in the two preceding fiscal years.

Preliminary notes to the financial statements

Principles and methods of consolidation

Principles of consolidation

The Crédit du Nord is a financial and banking group. The methods and scope of consolidation are thus determined in accordance with regulation 99-07 of the Accounting Regulation Committee.

Group companies are not considered of a significant nature for consolidation purposes in the event that all three of the following criteria are met for two consecutive fiscal years: total assets under € 10 million, annual earnings below € 1 million and no ownership interests in a consolidated company. In the event, these companies are not included within the scope of consolidation.

Full consolidation

Group companies which are exclusively owned and controlled by the Crédit du Nord Group are fully consolidated. Full consolidation involves recognising the full value of all subsidiary assets and liabilities, net of minority interests in both shareholders' equity and net income.

Proportionate consolidation

Group companies which are jointly (non-exclusively) owned and controlled are consolidated by the proportionate method. This method consists in recognising a proportion of the company's assets and liabilities equal to the percentage of Group ownership in the company, rather than the value of the ownership interest in the company. Minority interests are not booked.

The equity method

Companies in which the Group holds an ownership interest of 20-50% are consolidated using the equity method. Under the equity method the Group substitutes the value of the ownership interest in the company with a proportionate share of the company's equity and net income. The net difference resulting from this substitution is recorded under "consolidated reserves". The Group's share in the company's income is recorded under "income from companies accounted for by the equity method."

Fiscal year-end

The consolidated financial statements were prepared on the basis of accounts closed on December 31st for all consolidated companies.

Methods of consolidation

Restatements and eliminations

The financial statements of consolidated companies are restated as necessary according to Group accounting principles. Consolidated net assets and net income are presented after eliminations for intra-group transactions.

Dividends

All dividends and interim dividends received from consolidated companies by Crédit du Nord and/or any of its subsidiaries are eliminated from net income and booked under "consolidated reserves".

Consolidated reserves

In compliance with regulation 99-07 of the Accounting Regulation Committee (CRC), this item includes consolidated reserves including revaluation reserves and adjustments for equity method consolidation.

Provisions for share depreciation

Provisions for financial depreciation of the shares of Group companies are restated. Thus the impact on income for provisions and reversals of this nature is eliminated. If applicable, deferred taxes are calculated on the basis of this restatement. The consolidation difference is calculated in relation to the value of the shares before depreciation. Provisions booked in the past which still apply at year-end are booked under consolidated reserves.

Provisions for doubtful loans

Provisions assimilated to provisions for doubtful loans which are booked as liabilities due to their tax status or the currency in which they were granted are deducted from assets on the consolidated balance sheet. In contrast, provisions for sovereign risks are fully booked under liabilities.

Goodwill

At the time of the initial consolidation of a company an analysis is performed to determine the difference between the original cost of shares and the value of the proportion of the company's equity that the shares represent. This difference is then booked to correct the value of balance sheet items and commitments of the consolidated company, on the one hand, and booked to goodwill in the consolidating company, on the other. If this difference is positive, it is booked as an asset on the consolidated balance sheet and generally amortised over a period of 5 years, with the exception of banks possessing a network for which the generally-applied period is 20 years. If the difference is negative, it is booked as a liability. In the event that the difference is due to a projected impairment of future performance for the company in question, it is booked to the income statement either according to a pre-determined schedule or at the actual time of recognition of the results and in the amount thereof.

At the time of a purchase of securities increasing the Group's ownership interest in an already consolidated company, the difference between the cost of acquisition of the securities and the proportion that these securities represent in the company's equity is:

- if positive, fully booked under goodwill;
- if negative, after any necessary depreciation of assets of the company in question, deducted from any positive goodwill generated during the initial consolidation. If a negative balance remains thereafter, it is booked as a non-equity liability, then charged against income for a period reflecting the assumptions made at the time of the latest acquisition.

Lease financing

Lease financing transactions are carried in the consolidated accounts on the basis of their redemption value rather than their amortised book value. Deferred taxes are calculated on the basis of the full restatement.

Insurance activities

The accounting principles and valuation rules specific to insurance activities are applied in full to the Group's consolidated accounts. The constituent account items of consolidated insurance companies are recorded under similar headings in the consolidated financial statements, with the exception of "net investments of insurance companies", "underwriting reserves of insurance companies", the "share of underwriting companies in reserves" and the "gross margins of insurance activities". These items are detailed in a separate note.

Preliminary notes to the financial statements

Accounting principles

All transactions are recorded in compliance with the accounting principles applicable to banking institutions. The consolidated financial statements are accompanied by notes that complement and comment on the information appearing in the balance sheet and income statement, in compliance with regulation 99-07 of the Accounting Regulation Committee.

Banking income and expenses

Interest and fee income

Interest and similar fee income are recorded in the income statement on a pro rata basis. They are subject to provisions in the event they remained unpaid for over 90 days, in the general case, or as they are booked in the event they relate to "doubtful loans" or "doubtful and difficult to recover loans".

Fees are recorded according to the criterion of due date, collection or payment date. Moreover, underwriting commissions on debt issues are recorded to the income statement as of the closing of the issue.

The fees incurred for capital increases are recorded in full to the income statement for the year in which they were sustained. On the other hand, the redemption premiums of securities issued are amortised over the period of the transactions to which they relate. The same treatment is reserved for issuance fees in the event that they are deemed significant (in excess of € 150 000 or of 0.5% of issue value). Otherwise, they are charged in full to income for the year during which they were incurred.

Income from the securities portfolio

Income from stocks, dividends and interim dividends is recognised as received. Income from bonds is recorded to income on a pro rata basis. Interest accrued at the time of purchase is entered in a deferred income account.

Tax credits and dividend tax credits corresponding to income taxed according to the standard tax system are recorded at the same time as said income in the amount effectively applicable to taxes payable.

Income from security disposals

Capital gains and losses are calculated on the basis of the gross value of securities sold and selling costs are deducted from the proceeds of the disposal.

Income from Forex transactions

Foreign exchange (Forex) contracts are marked-to-market on the closing date on the basis of spot rates for spot transactions, or the applicable forward rates for the remaining term to maturity of the forward contracts.

Forward exchange transactions associated with spot transactions are valued at the spot rate. Discount and premiums, i.e. the difference between the spot and forward rates of exchange at the time of the future transaction, are recorded to income on a pro rata basis.

Forex gains and losses resulting from the above valuations are recognised at the end of each period and recorded to income.

Income from financial instruments

• Interest rate swaps

These concern all transactions relative to swaps, FRAs, caps, floors, collars and interest rate options.

These contracts are accounted for in accordance with *CRB* regulation 90-15 as modified.

From origination, these contracts are classified in four separate categories and recorded in distinct accounts. The risks and income/expenses relative to each category are subject to specific monitoring:

a – Contracts whose purpose is to maintain open positions in order to benefit from any eventual interest rate movements. All relative income and expenses are recorded to income on a pro rata basis. Provisions are made for unrealised losses, as determined by book-to-market value comparisons. Unrealised gains are not recognised.

b – Contracts whose purpose is to hedge interest rate risk affecting one specific item or a homogeneous set of items (also called "microhedges"). All relative income and expenses are recorded to income on a pro rata basis in the same manner as those relating to the hedged item. The same applies to unrealised gains and losses.

c – Contracts whose purpose is to hedge and manage global interest rate risk of the institution (also called "macrohedges"). All relative income and expenses are recorded to income on a pro rata basis. Unrealised gains and losses, determined by a comparison between the book value and the market value, are not recognised.

d – Contracts whose purpose is to specifically manage a trading portfolio. All relative income and expenses are recorded to income symmetrically with income and expenses relating to trades made in the opposite direction. This symmetry is respected by valuing the contracts at market value and by recording changes in value from one closing date to the next.

• Other financial futures

These instruments are accounted for according to *CRB* regulation 88-02 as modified.

Concerned instruments include futures, *MATIF* contracts, exchange-traded interest-rate and forex options.

Margin calls paid or received on futures and *MATIF* contracts of a speculative character, or on contracts that hedge positions that can be marked-to-market, are recorded directly to income. In the event these contracts hedge non market-priced items, margin calls are recorded in suspense accounts in order to be distributed, after contracts are settled, on a pro rata basis over the remaining life of the covered transactions.

Premiums paid or received are entered in suspense accounts.

Premiums on unexpired and unexercised exchange-traded options are re-valued on the closing date. Revaluations are treated in the same manner as margin calls.

At the time of expiration or exercise of the option, premiums are either recorded immediately to income (speculative options, hedge options on market-priced items), or distributed on a pro rata basis over the residual life of the hedged transactions (hedge options on non market-priced items).

Taxes

All taxes, excluding income tax, whose assessment refers to items for the fiscal year in question are recorded as expenses for said year, whether or not the tax was effectively paid during the course of the fiscal year.

Assets, depreciation and amortisation

Fixed assets acquired prior to 31 December 1976 are recorded in the balance sheet at their "useful value", estimated according to the rules of the "legal revaluation of 1976", while fixed assets acquired after that date are entered at cost.

Tangible fixed assets are depreciated over their estimated useful life, generally according to the straight-line method. The depreciation periods generally applied by the Group are: 50 years for properties, 10 years for fixtures, fittings, equipment and furniture, 5 years for equipment (office and safety equipment), with the exception of computer hardware (depreciated over a period ranging from three to ten years depending on the type of equipment) and 4 years for transportation equipment. Accounting rules and procedures applied are in compliance with the provisions of regulation 2003-07 published on 12 December 2003 by the Accounting Regulation Committee (*CRC*).

Intangible assets represented by lease rights and purchase costs are amortised in full as of the year

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of acquisition. Business software purchased from third parties is capitalised and depreciated by the straight-line method over a period of 3-5 years. Software developed internally is either capitalised and depreciated in the same way as purchased business software, as in the case of IT projects involving significant sums and designated as strategic for the Group, or expensed immediately, as in all other cases. Accounting rules and procedures applied to software developed internally and capitalised follows the precepts of Note 31-1987 of the French Accounting Council (CNC). The cost of production capitalised covers solely costs relating to detailed design, programming, testing and test sets, and the production of technical documentation.

Securities and provisions for securities

Equity investments and subsidiaries

Equity investments and subsidiaries include the securities of companies of which a significant fraction of capital (10-50% for affiliates, over 50% for subsidiaries) is held for a long period. These investments are recorded at cost, and may eventually be re-valued within the “revaluation of 1976” framework.

At year-end, the value of the securities is estimated on the basis of their useful value determined according to the same criteria as those adopted at the time of their acquisition, i.e. net asset value and profitability of the concerned companies. Unrealised capital losses are provisioned, while potential capital gains are not recorded.

Long-term investment securities

Long-term investment securities include investments made by the Group with the intention to foster the development of lasting business relations by creating a special link with the issuing company without, however, exercising an influence on its management, due to the small percentage of voting rights attached to said investments.

At year-end, the value of the securities is estimated on the basis of their useful value determined according to the same criteria as those adopted at the time of their acquisition, such as the equity and profitability of the concerned companies. Unrealised capital losses are provisioned, while potential capital gains are not recorded.

Short-term investment securities

Short-term investment securities include securities purchased with the intention to hold them for a period exceeding six months, with the exception of investment securities.

Short-term investment securities are recorded at cost, expenses excluded. Accrued interest at the time of purchase is recorded, if applicable, to related accounts. The difference between the value on the date of purchase and the redemption value of these securities is spread on a pro rata basis over the period remaining to the date of redemption.

At year-end, the value of the securities is estimated on the basis of the most recent price in the case of quoted securities, or according to probable market value in the case of unquoted securities. Unrealised capital losses resulting from this valuation are provisioned, while unrealised capital gains are not recorded.

Shares intended for portfolio activity

This category of securities covers investments made on a regular basis with the sole aim of realising a capital gain in the medium term and without the intention of making a long-term investment in the development of the issuing company, nor of participating actively in its operational management. This category notably includes shares held in the context of venture-capital activities.

These securities are recorded at cost, expenses excluded. At year-end, these securities are valued at their "useful value" which is determined by taking into account the issuer's general growth prospects and the projected holding period. The useful value of quoted securities is determined by referring to the stockmarket price over a sufficiently long period and by taking into account the projected holding period. Unrealised capital losses resulting from this valuation are provisioned, while unrealised capital gains are not recorded.

Investment securities

Investment securities include fixed-income securities purchased with the intention to hold until maturity and financed by earmarked permanent resources. The difference between the value on the date of acquisition and the redemption value of these securities is spread on a pro rata basis over the period remaining to the date of redemption.

At the balancing of the accounts, unrealised losses are determined by a book-to-market value comparison but are not provisioned. Unrealised gains are not recorded.

Trading securities

Trading securities include all positions taken on liquid markets with the intent of reselling the securities or of selling them to customers in the short term, i.e. a period which is not to exceed six months. At year-end, the securities are valued at the most-recent market price. The net balance of differences resulting from price changes is recorded to income.

Securities lending and borrowing

Loaned securities are removed from the asset line item in which they appeared and, simultaneously, a receivable equal to the book value of loaned securities is recorded. At year-end the receivable is valued according to the rules applicable to the original portfolio from which the securities were loaned.

Borrowed securities are recorded to assets in the appropriate line item, while a debt of securities vis-à-vis the lender is recorded to liabilities. At year-end, borrowed securities appearing in assets follow the accounting rules applicable to trading securities. Conversely, the debt recorded to liabilities is valued at market. Compensation relating to loaned or borrowed securities is recorded on a pro rata basis to income.

Securities with repurchase or resale options

The amount of the repurchase agreement (the security selling price) is recorded to assets (securities purchased) or to liabilities (securities sold). Compensation generated by repurchase agreements is recorded on a pro rata basis to income.

Securities pledged, whether delivered or not, remain as originally booked to assets and are valued according to the rules applicable to the portfolio to which they belong. Income relating to these securities is also recorded as if the securities were still in the portfolio. Symmetrically, securities purchased in this manner are not included in the bank's securities portfolio.

Loans and provisions for doubtful loans

Loans to customers are recorded at face value to the balance sheet. Regulation 2002-03 of the Accounting Regulation Committee (CRC) as published on 12 December 2002 is applicable as of 1 January 2003. The new regulation details the classification of doubtful loans in the balance sheet and the treatment of off-market restructured loans.

If a loan is considered to bear a probable risk that all or part of sums due for commitments made by the counterparty according to the initial terms and conditions of the loan agreement will not be recovered, and regardless of the existence of loan guarantees, the loan in question is considered "doubtful" in the event one or more payments is

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“90 days past due” (6 months for real estate and property loans, 9 months for municipal loans), or, even in the absence of missed payments a probable risk of loss is evident, or in the presence of procedures to contest the loan. Any loan placed in “doubtful loans” for a given borrower causes a “contagion effect” by which all loans and commitments of the borrower are placed in the same category, regardless of the existence of guarantees.

Doubtful loans give rise to provisions for the probable portion of outstanding loans that will not be recovered, recorded as an asset reduction. Interest on doubtful loans are also fully-provisioned. Doubtful loans can be reclassified in normal loans once payments have resumed in a regular manner according to the initial contractual reimbursement schedule. Moreover, doubtful loans which have been restructured may be upgraded to normal loan status. In the case of an off-market loan restructure, the difference between the new loan conditions and the original loan conditions are recorded to “cost of risk” during the restructuring and then written back to “net banking income” over the remaining life of the loan. The volume of off-market restructured loans during the course of 2003 and preceding years is sufficiently low so that this procedure has no incidence on the net opening balance sheet or on consolidated earnings for FY2003.

In the event the creditworthiness of the borrower is such that after a reasonable period of classification in doubtful loans, a reclassification to normal loans status is no longer plausible, the loans is specifically classified as a “difficult to recover loan”. This status is conferred at close-out or upon cancellation of the loan agreement and, in any event, one year following classification in doubtful loans, with the exception of doubtful loans for which the contractual clauses are respected and/or doubtful loans with valid enforceable guarantees. Restructured loans for which the borrower has not respected payment schedules are also classified as “difficult to recover loans”.

Cash advances and loans, with maturities over 12 months in general, granted by the Group to countries generally classified as risky (sovereign risk) are subject to specific provisions. These provisions are recorded to liabilities under “allowances for general risks and commitments”, as are provisions for guarantees and endorsements and contested customer loans.

“Allowances for general risks and commitments” also include provisions for credit risks. This provision is not made on an individual loan basis and covers several classes of risk, including regional sector risk (global risk in sectors of the regional economy impaired by specific unfavourable business conditions). Each year the Group’s Central Risk Division sets out the sectors of activity and the type of debt that it considers represent a high probability of default in the short term in view of the recent past. Provisions for the relevant loans outstanding are then booked according to the rates defined by the Central Risk Division.

These various types of provisions are detailed in the notes. The net expense for banking risks for the year is recorded to “cost of risk” in the income statement. This net expense is constituted by allowances and non recoverable loans not already covered by provisions, less writebacks and recoveries on write-offs.

Income from real estate and property development

The Group share of profits and losses of real estate and property development companies is only recorded after net income allocation decisions of the Shareholders' Meetings of concerned companies are announced. However, any losses at these companies that have not yet been appropriated at year-end are subject to contingency provisions.

Income tax

The income tax burden includes:

- current income tax for the fiscal year including dividend tax credits and tax credits actually used for tax settlement purposes. Tax credits used are recorded to the same line item as the income to which they are imputed;
- deferred income tax resulting notably from restatements for consolidation purposes. This tax is calculated according to the liability method.

Moreover, the Group recognises deferred tax assets due to timing differences, deferrable losses and deferrable amortisation and depreciation deemed likely to affect future tax income . These deferred taxes are calculated according to the liability method by applying the expected effective tax rate (including temporary increases) for the period in which the tax asset is to be applied to income. The amount of deferred tax assets and liabilities recognised in this manner is detailed in a note to the balance sheet. Since fiscal year 2000, Crédit du Nord has opted for the group taxation system for some of its subsidiaries in which it holds a direct or indirect ownership interest of at least 95%. The convention adopted is that of neutrality.

Employee benefits

Pension, retirement and benefit costs

Commitments under statutory pension systems are covered by contributions charged gradually, as they are paid to independent pension funds which then manage all payments of retirement benefits.

Since 1 January 1994, pursuant to an agreement signed by all French banks on 13 September 1993, the banking institutions of the Crédit du Nord Group are no longer affiliated with specialist pension funds and are henceforth affiliated with the *ARRCO-AGIRC* funds of the general system. This agreement gave rise to residual commitments to current retirees and active employees (for periods of employment in the Group prior to 31 December 1993).

Commitments are calculated according to an actuarial method and are fully covered by provisions. Amounts are detailed in a note to the balance sheet. In the case of Crédit du Nord, valuations are performed by an independent actuary twice a year, that of 31 December calculated on the basis of data as at 31 August. Principal underlying assumptions, which have not changed in the last three fiscal years, with the exception of the discount rate, are as follows: a discount rate of 4.75% (5.5% in FY2001 and 2002), inflation of 1.5% and the TPG93 demographic table. In the case of banking subsidiaries, valuations are performed once a year, generally in February, by the independent fund which manages these residual complementary benefits, which makes it possible to determine commitments for the following 31 December.

Other commitments

In various Group companies personnel can also benefit from supplemental retirement plans with predefined benefits, from severance pay as well as from various seniority bonuses. These commitments are calculated according to the method described in the preceding paragraph.

The different amounts and coverage thereof are detailed in a note. It should be noted that in compliance with the precepts of Note 2004/A of 21 January 2004 of the Emergency Committee of the National Accounting Council (CNC) the Group uses straight-line methods, over the average residual period of activity of employee beneficiaries, to account for changes relative to law 2003-775 of 21 August 2003 on pension reforms.

Commitment valuations are performed by an independent actuary twice a year, that of December 31st calculated on the basis of data as at August 31st. Principal underlying assumptions, which have not changed in the last three fiscal years, with the exception of the discount rate, are

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as follows: a discount rate of 4.75% (5.5% in FY2001 and 2002), inflation of 1.5% and the TPG93 demographic table, with staff turnover rates determined empirically. However, concerning supplemental retirement plans with predefined benefits, demographic assumptions have been adjusted to the relatively-small number of concerned individuals.

In the event commitments are insured, the “corridor method” is applied to the differential between the commitment and the market value of the insurance policies. This method makes it possible to reduce the impact of market fluctuations, within a limit of 10% of the initially-insured commitment.

Early retirement and supplementary pensions

Benefits charged to Group companies between the effective date of employee severance and the effective date of coverage by the relevant pension fund are subject to a provision calculated according to an actuarial method.

Staff reduction costs

The cost of redundancy payments resulting from restructuring is booked in provisions at the end of the year in which these measures are announced. The provisions are reversed as the expenses relating to the measures taken are actually sustained.

Off-balance sheet accounts

Guarantees given by order of customer or lending institutions are recorded as off-balance sheet items in the amount of the commitments made. For guarantees received, only those from lending institutions, states, government administrations and local authorities are recorded.

Insurance activity

General framework

ntarius, a mixed (life and non-life) insurance company, is the only consolidated insurance company and jointly-held with Cardif SA. Commercial activity is exercised through the Crédit du Nord Group network of banks. Insurance policies are generally co-insured by the partner, and this partnership is complemented by reinsurance agreements in the form of acceptances and cessions/assignments between the two companies.

Reinsurance acceptances

The items received from the ceding party are recorded immediately. When the existence of a loss on reinsurance acceptances is known, a provision for the amount of the probable loss is recorded.

Reinsurance cessions

The items received from the ceding company are determined on the basis of the reinsurance agreement using the same accounting and valuation rules as those applied to gross items.

Investments of insurance companies

Investments of insurance companies include investments held to guarantee unit-linked policies, as well as investments backing both the companies' equity and euro-denominated policies. The latter include investments made in affiliates. Investments representing the underwriting reserves backing unit-linked policies are valued at the market value of the underlying assets at year-end.

Investments and other fixed-income securities are recorded at cost, net of income accrued from the last coupon date to the date of purchase. The difference, if any, between cost and redemption value is charged pro rata to income on the basis of an actuarial calculation on the residual duration of securities. In the specific case of inflation-indexed treasury bonds (*OATi*) revaluation of initial capital due solely to inflation is recorded in full to income.

Financial futures are booked using one of the following strategies:

• with an investment or disinvestment strategy, cash flows relative to financial futures are kept on the balance sheet until the strategy is closed out at which time the purchase or sales price of the hedged asset is adjusted;

• with a capital gains or yield differential strategy, cash flows and variations in market values of financial futures are booked to income over the lifetime of the strategy according to the effective rate of return of each transaction.

Equities and other variable-income securities are recorded at cost or book value. However, if the market value of quoted variable-income securities falls more than 20% below net book value (or 30% on markets deemed volatile) for a period exceeding 6 months and in a regular manner, the securities in question are reviewed in order to determine whether an allowance for durable depreciation is necessary. In the event an allowance of this nature is deemed necessary, the allowance is calculated on the basis of the recoverable value of the concerned securities which depends on the projected holding period. The recoverable value is determined by a multi-criteria prospective approach on the basis of known and available elements such as present value of future cash flows, net asset value and commonly-used ratios to evaluate the projected return of each security.

In compliance with the Note of January 2004 of the Emergency Committee of National Accounting Council (CNC) relative to the accounting treatment of allowances to be recorded to the individual company and consolidated accounts of insurance companies, in the event net asset values of non-current investments and variable-income securities exceed total market values an allowance (provisions for early redemption risk) equal to the difference between the two values is recorded. This allowance covers all unrealised capital losses relative to the concerned assets. Allowances and writebacks of this nature are recorded to income for the fiscal year in question.

Insurance company reserves

The reserves correspond to the commitments to the insured and to policy beneficiaries. The reserves of unit-linked policies are valued at year-end on the basis of the value of their underlying assets.

Life insurance reserves consist principally of actuarial provisions corresponding to the difference between the current values of the commitments made respectively by the insurer and the insured, taking into account the probability of payment. Future management fees relative to policies not otherwise covered are subject to a provision. In non-life insurance, provisions are recorded for unearned premiums (fractions of premiums issued corresponding to subsequent years) and for claims payable, including management fees.

The provision for claims payable represents the estimated value of disbursements in principal and expenses necessary for the settlement of all unpaid claims.

The capitalisation reserve, intended to offset the depreciation of securities held by the insurance company and a reduction in the revenues they generate, is provisioned for disposals (sale or conversion) realised before the maturity of redeemable regulated fixed-income securities.

Allowances and writebacks recorded to the capitalisation reserve in the non-consolidated accounts of the insurance company are eliminated from the consolidated accounts when they do not

Preliminary notes to the financial statements

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represent a contractual commitment to an insured party. Provisions for undistributed profit carried on the balance sheet represent the share of profits due to beneficiaries but not distributed during the fiscal year in which they were generated.

Gross margin of insurance activities

The gross margin of insurance activities is constituted by actuarial income and expenses (life and non-life), after reclassification by class of actuarial income and expenses, and is notably calculated on the basis of:

- earned premiums or contributions;
- benefit expenses, including changes in provisions and shares of profit, excluding management fees;
- net income from investments;
- eliminations for intra-group transactions as well as reinsurance acceptance and assignment activities.

Preliminary notes to the financial statements

Presentation of the financial statements

The consolidated financial statements of Crédit du Nord are presented in accordance with regulation 2000-04 of the Accounting Regulation Committee *(CRC)*. In this regard, the following points should be noted:

- allowances for interest are deducted from interest in net banking income;
- income from securities included in net banking income include all income from trading, investment and portfolio securities, i.e. income, proceeds from disposals and net allowances. Dividends from holdings in subsidiaries and affiliates, long term securities and interest from investment securities are also recorded to this account;
- personnel expenses include salaries, payroll taxes, incentives and employee profit-sharing, as well as the costs of employee benefit commitments. Allowances and reversals relative to these commitments are also recorded to this account;
- all expenses incurred for temporary employees and personnel with an employment contract with a non-Group company are recorded to operating expenses as “Other expenses”;
- “cost of risk” corresponds exclusively to counterparty risk relative to banking intermediation activities. Allowances and reversals for other risks are recorded to the same accounts as the covered expenses;
- proceeds from the disposal of fixed assets used for ordinary Group activity, as well as income from the sale of and net allowances to holdings in subsidiaries and affiliates and long term securities, are recorded to “gains and losses on fixed assets.” Proceeds from the disposal of investment securities are also recorded to this account;
- extraordinary items are strictly defined by the following criteria, which must all be met:

– a significant amount (exceeding € 2 million);
– an extra-ordinary nature (compared to ordinary operations);
– an exceptional occurrence (high probability of non-recurrence).

Consolidated balance sheets

€ MILLION

ASSETS	NOTES	2003	2002	2001
Cash, due from central banks and postal accounts		**1 989.9**	1 488.0	1 622.8
Treasury notes and assimilated	*4*	**629.2**	948.0	1 291.1
Due from banks	*1*	**3 429.2**	3 257.2	3 298.7
• Current accounts		**1 146.2**	1 532.2	2 001.7
• Term accounts		**2 283.0**	1 725.0	1 297.0
Customer loans	*2*	**16 267.8**	14 173.3	13 455.5
• Commercial loans		**888.7**	810.6	853.8
• Other loans		**13 712.3**	11 733.1	11 057.2
• Overdrafts		**1 666.8**	1 629.6	1 544.5
Lease financing and assimilated	*3*	**1 024.0**	803.1	553.7
Bonds and other debt securities	*4*	**569.2**	562.9	708.2
Shares and other equity securities	*4*	**164.3**	41.6	67.0
Investments of insurance companies	*8*	**1 547.7**	1 259.1	1 179.3
Share of underwriters in reserves of insurance companies	*8*	**130.6**	95.6	77.3
Investments in non-consolidated affiliates and other long term equity investments	*5*	**62.9**	56.6	51.0
Investments in subsidiaries and affiliates accounted for by the equity method		**8.5**	7.8	6.4
• Non financial		**0.0**	0.0	0.0
• Financial		**8.5**	7.8	6.4
Intangible fixed assets	*6*	**62.4**	46.4	26.3
Tangible fixed assets	*6*	**244.7**	185.5	183.3
Other assets	*7*	**385.1**	367.2	417.7
Other insurance assets	*7*	**5.3**	9.9	1.9
Accruals	*7*	**300.6**	307.4	672.0
Goodwill	*9*	**48.5**	51.0	54.8
TOTAL		**26 869.9**	**23 660.6**	**23 667.0**

OFF-BALANCE SHEET ITEMS	*17*			

€ MILLION

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	2003	2002	2001
Due to central banks and postal accounts		**1 408.5**	554.8	515.4
Due to banks	*10*	**1 444.8**	1 194.9	1 997.7
• Current accounts		**417.0**	510.0	849.7
• Term accounts		**1 027.8**	684.9	1 148.0
Customer deposits	*11*	**14 292.6**	13 846.3	13 283.1
• Special and regulated savings accounts		**5 494.4**	5 068.0	4 764.3
– Current accounts		**2 992.2**	2 386.4	2 080.0
– Term accounts		**2 502.2**	2 681.6	2 684.3
• Other deposits		**8 798.2**	8 778.3	8 518.8
– Current accounts		**7 400.8**	7 207.2	6 934.8
– Term accounts		**1 397.4**	1 571.1	1 584.0
Debt securities	*12*	**5 250.1**	3 731.9	3 604.1
• Short term notes		**40.5**	59.0	96.8
• Money market and negotiable debt securities		**5 209.6**	3 648.9	3 483.3
• Bonds		**0.0**	24.0	24.0
Underwriting reserves of insurance companies	*8*	**1 580.4**	1 293.4	1 204.8
Other accounts payable	*7*	**303.2**	204.2	229.2
Other insurance liabilities	*7*	**22.0**	20.2	21.9
Accruals	*7*	**681.0**	1 016.1	1 078.8
Allowances for general risks and commitments	*13*	**195.0**	194.7	213.3
Subordinated debt	*14*	**384.6**	384.4	384.6
Subscribed capital	*15*	**740.3**	740.3	740.3
Consolidated reserves (including revaluation. conversion and consolidation adjustments)	*15*	**371.5**	298.6	234.3
• Group share		**343.7**	272.0	210.1
• Minority interests		**27.8**	26.6	24.2
Net income	*15*	**195.9**	180.8	159.5
• Group share		**190.4**	175.7	154.9
• Minority interestss		**5.5**	5.1	4.6
TOTAL		**26 869.9**	**23 660.6**	**23 667.0**

OFF-BALANCE SHEET ITEMS	*17*

Activity of consolidated subsidiaries and affiliates

1 - Banks

€ MILLION

COMPANY (% OWNED)	DATE	TOTAL ASSETS	CUSTOMER DEPOSITS	CUSTOMER LOANS	NET INCOME	REMARKS
Banque Rhône-Alpes (100,0 %)	31.12.03 31.12.02 31.12.01	1 783,8 1 587,1 1 599,3	1 005,3 943,0 953,9	1 420,4 1 223,6 1 208,6	18,0 16,7 13,1	Due to the combination of business growth and cost containment, Banque Rhône-Alpes was able to further grow GOI by over 19.6%. A rise in cost of risk weighed on net income which, nevertheless, rose 7.5% in 2003.
Banque Tarneaud (79,9 %)	31.12.03 31.12.02 31.12.01	1 603,4 1 456,3 1 423,5	924,0 887,7 888,7	1 186,8 1 030,5 991,3	21,8 13,4 11,7	Banque Tarneaud showed excellent performance in 2003. Due to a strong rise in NBI (due in part to a non-recurring financial transaction) and successful cost control, GOI jumped 34.1%. Net income rose strongly year-on-year to € 21.8 million.
Banque Courtois (100,0 %)	31.12.03 31.12.02 31.12.01	1 816,6 1 541,1 1 515,1	1 211,8 1 125,9 1 111,3	1 436,5 1 215,7 1 128,5	22,2 17,4 15,5	The financial performance of Banque Courtois in 2003 was marked by a rapid rise of 18.7% in GOI, driven by growing NBI and stable operating expenses. Thanks to a moderate cost of risk, net income was € 22.2 million and confirmed the bank's strong performance.
Banque Laydernier (100,0 %)	31.12.03 31.12.02 31.12.01	817,3 670,8 651,4	504,9 457,2 445,7	603,0 525,6 494,8	8,3 6,2 5,3	Banque Laydernier performed strongly in 2003 as a rapid rise in NBI and well-contained operating expenses combined to increase GOI by 26.5%. Net income was € 8.3 million, up significantly from 2002.
Banque Kolb * (99,8 %)	31.12.03 31.12.02 31.12.01	597,2 498,9 470,0	334,7 303,1 326,7	515,9 421,5 366,4	5,0 2,2 4,8	Rapid growth in NBI and a less abnormal cost of risk than in 2002 combined to allow Banque Kolb to generate net income in 2003 similar to that of 2001.
Banque Nuger * (64,7 %)	31.12.03 31.12.02 31.12.01	383,6 379,0 384,1	317,9 296,7 289,4	288,9 258,6 262,4	5,3 4,9 4,3	In 2003, GOI at Banque Nuger grew 8.5%. Despite a jump in the cost of risk of 33.8%, net income income still rose 8.6% year-on-year.
Banque Pouyanne (35,0 %)	31.12.03 31.12.02 31.12.01	140,5 124,2 121,9	122,7 107,4 104,6	107,9 94,0 92,9	1,6 1,6 1,3	Banque Pouyanne continued to develop its business in 2003 and, as a result, was able to register another year of regular growth.

** To better reflect economic realities, accounting information of lease-financing companies was taken directly from the financial accounts.*

2 - Specialised banks and financial institutions

€ MILLION

COMPANY (% OWNED)	DATE	TOTAL ASSETS	CUSTOMER DEPOSITS	CUSTOMER LOANS	NET INCOME	REMARKS
Société de Bourse Gilbert Dupont (100,0 %)	31.12.03 31.12.02 31.12.01	127.6 39.8 42.5	NS NS 0.8	NS NS 0.1	3.8 1.6 4.7	Despite being penalised by lacklustre stock markets until March 2003 and a difficult stockmarket context in general, SDB Gilbert Dupont, a stockbroker, was still able to show growth in net income in 2003. Earnings before taxes were € 3.8 million. The income tax burden of this partnership is borne by its partners.
Norbail Immobilier* (100,0 %)	31.12.03 31.12.02 31.12.01	379.3 367.1 355.3	19.1 16.8 14.3	372.7 359.8 339.5	3.2 2.6 1.2	Property leasing company Norbail Immobilier to show strong growth in 2003 and recorded a sizeable increase in income. Net income rose 24% year-on-year to € 3.2 million.
Turgot Gestion* (79,9 %)	31.12.03 31.12.02 31.12.01	9.3 14.4 24.2	NS NS NS	4.5 11.2 22.6	2.0 1,5 1,3	In recent years the leasing activity of Banque Tarneaud has been redirected from Turgot Gestion, a subsidiary, towards other companies within the Crédit du Nord Group. As a result, loan levels have fallen regularly.
Norfinance G. Dupont et Associés (100,0 %)	31.12.03 31.12.02 31.12.01	10.6 12.2 12.0	2.8 3.9 3.7	NS NS NS	– 0.5 0.7 1.3	While financial markets weighed on performance in the first quarter, the rebound in the second half of 2003 allowed private asset management company Norfinance to finish the year with a rise in NBI of 3%. However, a significant acquisition and the amortization thereof weighed on net income in 2003.
Dexia-C.L.F. Banque (20,0 %)	31.12.03 31.12.02 31.12.01	4 397.6 4 344.2 3 038.0	200.3 198.8 319.7	1 414.6 1 558.4 1 045.5	10.0 8.7 4.3	The development of Dexia-C.L.F. Banque a subsidiary jointly-held by the Dexia and Crédit du Nord groups, continued in 2003. Net income rose 14.9% from 2002 to € 10 million.
Norbail-Sofergie* (100,0 %)	31.12.03 31.12.02 31.12.01	9.7 9.7 10.2	NS NS NS	8.1 8.6 9.4	0.1 0.1 0.1	Due to the recurrent nature of its activity, Norbail-Sofergie was able to maintain net income in 2003 at the same level as a year earlier.
Star Lease* (100,0 %)	31.12.03 31.12.02 31.12.01	649,8 405,5 125,3	1,0 0,6 0,4	557,6 348,8 106,2	9,7 – 8,5 – 1,8	Thanks to the activation of tax credits relative to past deferrable losses, Star Lease was able to post profits in 2003. However, even if corrected for this non-recurrent item, net income was still slightly positive in 2003.

** To better reflect economic realities, accounting information of lease-financing companies was taken directly from the financial accounts.*

Activity of consolidated subsidiaries and affiliates

3 - Other companies

€ MILLION

COMPANY (% OWNED)	DATE	TOTAL ASSETS	NET INCOME	REMARKS
Étoile Gestion (97.0 %)	31.12.03 31.12.02 31.12.01	35.0 33.6 45.6	17.2 15.4 30.1	The Group's mutual fund management company, Etoile Gestion, had a difficult year in 2003 due to the unfavourable stockmarket and financial market context, which came on the heels of an already bleak 2002. Net fees and commissions fell 11% year-on-year. However cost reduction efforts paid off as operating expenses fell 38.1%. Earnings before taxes were € 17.2 million in 2003. The income tax burden of this partnership is borne by its partners.
Antarius (50.0 %)	31.12.03 31.12.02 31.12.01	3 587.1 2 806.2 2 660.1	10.9 1.3 5.6	Antarius, the Group's insurance company, recorded excellent performance in 2003 as premium income jumped over 48%. Net income rose signifi cantly year-on-year to € 10 million, following an extremely trying 2002 in which business suffered from the particularly difficult market context.
S.P.T.F. (100.0 %)	31.12.03 31.12.02 31.12.01	23.4 21.6 22.6	2.2 0.5 1.9	The Crédit du Nord Group's venture capital company, S.P.T.F., derives the majority of its income from capital gains on disposals and from income-generating securities. S.P.T.F. recorded strong growth in income in 2003, a reflection of the rebound in capital markets.
SFAG (100.0 %)	31.12.03 31.12.02 31.12.01	0.0 0.0 0.0	0.0 0.0 0.0	This company's activity is marginal and not wholly significant. The company attained breakeven in 2003.
Crédinord Cidize (100.0 %)	31.12.03 31.12.02 31.12.01	7.3 21.5 5.6	0.0 0.0 0.0	This market specialist company did not generate any income in 2003. Marketable securities represent the majority of its assets.
Norimmo (100.0 %)	31.12.03 31.12.02 31.12.01	10.0 11.3 12.6	– 1.6 – 0.1 2.6	Norimmo is a registered estate agent engaged in property development. Norimmo's subsidiaries broke even in 2003, however Norimmo generated a consolidated loss for the year due to market-related difficulties. The income tax burden of this partnership is borne by its partners.
Anna Purna (100.0 %)	31.12.03 31.12.02 31.12.01	0.0 0.0 0.0	0.0 0.0 0.0	These three companies are subsidiaries of Norimmo and specialised in real estate and property operations. Overall, operating income is at breakeven as Nice Broc earned € 0.6 million and Nice Carros lost € 0.7 million in 2003, due in large part to asset depreciation.
Nice Broc (100.0 %)	31.12.03 31.12.02 31.12.01	7.5 7.2 8.9	0.6 0.4 3.1	
Nice Carros (100.0 %)	31.12.03 31.12.02 31.12.01	3.8 5.0 4.3	– 0.7 – 0.4 – 0.1	
Fimmogest (100.0 %)	31.12.03 31.12.02 31.12.01	0.1 0.1 0.1	0.0 0.0 0.0	These two subsidiaries of Banque Courtois are only marginally active, but both generate net income close to breakeven.
SCI Couronna (100.0 %)	31.12.03 31.12.02 31.12.01	3.4 3.4 3.3	0.0 0.1 0.0	
Nord Assurances Courtage (100.0 %)	31.12.03 31.12.02 31.12.01	1.8 2.2 1.4	1.8 1.5 1.5	Nord Assurances Courtage had a particularly good year. This insurance brokerage company generated earnings before taxes of € 1.8 million in 2003. The income tax burden of this partnership is borne by its partners.
Partira (100.0 %)	31.12.03 31.12.02 31.12.01	1.5 1.4 1.6	0.0 0.1 0.5	Partira manages a residual stock of property assets, mainly in the Rhône-Alpes region.
Kolb Investissement (100.0 %)	31.12.03 31.12.02 31.12.01	3.2 4.2 8.6	0.5 1.4 2.2	This holding company, which owns 32.9% of Banque Kolb, was acquired in the first half of 2001. Income is derived almost exclusively by dividends received from Banque Kolb.

Statutory Auditors' report
on the consolidated financial statements

Fiscal year 2003

In execution of the mission conferred to us by the Shareholders' Meeting, we have performed an audit of the consolidated financial statements of the Crédit du Nord company relative to the fiscal year ending 31 December 2003 as they are presented in this annual report.

The consolidated financial statements were approved by the Board of Directors. It is our mission, based on our audit, to express an opinion on these financial statements.

Opinion on the consolidated financial statements

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

In our opinion, the annual accounts present fairly, in all material respects, the financial position of the entire Group as constituted by the consolidated companies as at 31 December 2003 and the results of its operations for the year then ended, in accordance with French accounting principles.

Without expressing any reservations on the above opinion, we call your attention to the paragraph in the notes to the financial statements which details changes in accounting methods resulting from the application of *CRC* regulation 2002-03 relative to the accounting treatment of credit risk and of *CRC* regulation 2002-10 relative to asset amortization and depreciation.

Justification of opinions and evaluations

In application of the provisions of article L. 225-235 of the Commercial Code relative to the justification of our opinions and evaluations, which is applicable for the first time in this fiscal year, we wish to inform you of the following elements:

- As mentioned in the notes to the financial statements, the financial consequences of the *Loi Fillon* (Fillon law), in terms of evaluation of retirement benefits, give rise to provisions over the expected remaining period of employment of personnel. We have reviewed the assumptions made by Management and verified the compliance of this treatment with the recommendations of 21 January 2004 of the Emergency Committee of the National Accounting Council (CNC).
- As indicated in the section on “Accounting principles” of the notes to the financial statements, your Company makes provisions to cover the credit risks which are inherent to its activities. We have reviewed the processes implemented by Management to identify and evaluate these risks and to determine the necessary level of provisions.

On the basis of these reviews, we proceeded to determine that these estimates are of a reasonable nature. The evaluations we have made in regard to these elements are an integral part of our audit procedure which covers the entirety of the consolidated financial statements and have contributed to the formation of our opinion without reservation as expressed in the first part of this report.

Specific procedures and disclosures

We have also carried out, in accordance with French professional standards, the specific procedures prescribed by French law. We have nothing to report with respect to the fairness of information contained in the Board of Director's report and its consistency with the annual accounts and other information presented to shareholders concerning the financial position and annual accounts.

Neuilly-sur-Seine, 15 March 2004

The Statutory Auditors

DELOITTE TOUCHE TOHMATSU - AUDIT

José-Luis Garcia

BARBIER FRINAULT & AUTRES
ERNST & YOUNG

Isabelle Santenac

additional information

Contents

General description of Crédit du Nord

Company name

Crédit du Nord

Registered office

28, place Rihour - 59800 LILLE

Legal form

A limited liability company (Société Anonyme) registered in France and governed by articles L. 210-1 ff. of the French Commercial Code.

The company has the status of a bank governed by articles L. 311-1 ff. of the French Monetary and Financial Code.

Duration

The date of expiration of the company is set on 21 May 2068, barring dissolution before this date or an extension thereof as provided by law.

Corporate object (article 3 of the bylaws)

The purpose of the company, under the conditions set forth by the laws and regulations applicable to credit institutions, is to perform with individuals or corporate entities, in France or abroad:

- any and all banking transactions;
- any and all transactions related to banking transactions, including, in particular, all investment or related services as referred to in articles L. 321-1 and 321-2 of the Monetary and Financial Code;
- any and all acquisitions of ownership interests in other companies.

The company may also on a regular basis, as defined in the conditions set forth by the Banking and Financial Regulation Committee, engage in any and all transactions other than those mentioned above, including in particular insurance brokerage.

Generally, the company may engage, on its own behalf, on behalf of third parties or jointly, in any and all financial, commercial, industrial or agricultural personalty or realty transactions, directly or indirectly-related to the above-mentioned activities or likely to facilitate the execution thereof.

Registration number

SIREN 456 504 851 RCS Lille

APE activity code

651 C

Fiscal year

The fiscal year starts on January 1 and ends on December 31.

Allocation and distribution of income (article 22 of the bylaws)

Net income for the year is determined in accordance with all currently applicable laws and regulations.

At least 5% of net income for the year, less previous accumulated losses if any, must, by law, be set aside to form a legal reserve until this reserve reaches one-tenth of share capital.

Net income available after the legal reserve allocation, in addition to past unappropriated earnings, if any, constitutes "income available for distribution" from which dividends may be paid out and/or funds allocated to ordinary, extraordinary or special capital reserves as the General Meeting may deem useful on the basis of recommendations made by the Board of Directors.

The General Meeting called to approve the financial statements of the fiscal year may, in respect of all or part of final or interim dividends proposed for distribution, offer each shareholder the option to receive payment of the final or interim dividends in cash or in shares, under the conditions set forth by the currently applicable legislation. The shareholder must exercise this option for the entire amount of final or interim dividends to be received for the fiscal year.

Except in the case of a reduction in share capital, no distribution to shareholders may take place in the event shareholders' equity is, or will be as a result of such distribution, less than an amount equal to the sum of share capital plus legal reserves, which by law or under the bylaws are not available for distribution.

Shareholders' meetings (article 19 of the bylaws)

The General Meeting, if it is regularly constituted, represents all the shareholders and exercises the powers devolved to it by law.

It is convened and rules on issues as mentioned in the agenda, in accordance with the currently applicable legal and regulatory provisions.

The right to take part in the Meeting is subject to registration, in accordance with the currently applicable legal and regulatory provisions, of shares in the name of the shareholder at least five days before the date of the meeting.

Shareholder and capital information

Share capital

Share capital is fixed at € 740 263 248, divided into 92 532 906 shares with a par value of € 8 and fully paid in.

Form of shares

All shares must be registered.

Disclosure requirements

No restrictions have been made to legal provisions concerning ownership thresholds.

Share transfer approval

The General Meeting of 28 April 1997 ruled that the assignment, sale or transfer of shares to a third party who does not have the right to be a shareholder for any reason whatsoever, except in the event of estate transmission, liquidation, community property between spouses or transfer to a spouse or next-of-kin, is subject to the company's approval in order to become final.

Profit-sharing

A profit-sharing agreement was signed in June 2001 which concerns fiscal years 2001 through 2003. The amount that may be paid to employees for profit-sharing is calculated on the basis of 6% of gross operating income adjusted by certain parameters. Profit sharing is paid out on an egalitarian basis for the first € 2 286 735 (FF 15 million) and in proportion to gross annual salaries, not including performance bonuses, for the remainder. In the event the total amount to be distributed exceeds € 6 860 206 (FF 45 million) the egalitarian distribution portion shall be equal to 30% of the total.

Crédit du Nord makes an additional "employer contribution" when employee place their profit sharing into a Company Savings Plan.

CHANGES IN SHARE CAPITAL	2003	2002	2001	2000	1999
Shares outstanding	**92 532 906**	92 532 906	92 532 906	92 561 406	92 561 406
Par value per share	**8**	8	8	8	8
Share capital	**740 263 248**	740 263 248	740 263 248	740 491 248	740 491 248
Maximum no. of new shares*	**–**	–	–	4 500	38 602
Shares outstanding adjusted for potential dilution	**92 532 906**	92 532 906	92 532 906	92 565 906	92 600 008
Adjusted potential share capital	**740 263 248**	740 263 248	740 263 248	740 527 248	740 800 064

** Created by convertible debt and/or the exercise of stock options.*

OWNERSHIP AND VOTING RIGHTS (AS AT 31 DECEMBER 2003)	
Société Générale	80%
Dexia Crédit Local	10%
Dexia Banque Belgique	10%
Management	–
Employees (via specialised fund managers)	–

Double voting rights

None.

Changes in ownership in the last three years

• In 2000

On 17 January 2000, Société Générale sold 10% of Crédit du Nord to Dexia Banque Belgique (ex Crédit Communal de Belgique). As a result, the Dexia Group now holds, as planned, 20% of Crédit du Nord.

• In 2001

The Special Shareholder Meeting of 3 May 2001 reduced share capital by cancelling 28 500 shares with a par value of € 8 held by Crédit du Nord.

Dividend payments

- A dividend per share of € 0.76 was paid out in respect of FY 1999.
- A dividend per share of € 1.03 was paid out in respect of FY 2000.
- A dividend per share of € 1.00 was paid out in respect of FY 2001.
- A dividend per share of € 1.12 was paid out in respect of FY 2002.
- A dividend per share of € 1.20 will be paid out in respect of FY 2003.

Stockmarket information

Not applicable: Crédit du Nord shares are not listed on any stockmarket.

Group activity

Use of patents and licences

Not applicable.

Legal risks

Crédit du Nord is a credit institution approved in its capacity as a bank. As such, it may engage in any and all banking transactions. It is also authorized to provide any and all investment or related services as referred to in articles L. 321-1 and L. 321-2 of the Monetary and Financial Code. As an investment service provider, Crédit du Nord is subject to the applicable regulatory framework, in particular prudential rules and the controls of the French Banking Commission. All managers and employees are bound by professional secrecy, the breach of which is subject to criminal penalties. Crédit du Nord is also an insurance broker.

Litigation and extraordinary circumstances

To date there are no extraordinary circumstances and/or on-going litigation that may have, or may have had in the recent past, a significant effect on business, income, financial position or the assets and liabilities of Crédit du Nord or its subsidiaries.

Insurance

Insurance policies have been taken out to cover major risks capable of affecting the company:

- insurance of securities kept in safes and on the premises;
- insurance against customer fraud and employee embezzlement;
- professional third-party liability insurance;
- third-party liability insurance of Corporate Managers;
- insurance against operating losses subsequent to physical damage of working resources.

Other insurance contracts cover ordinary operating risks:

- insurance of premises and their contents, of IT and peripheral equipment, of company vehicles.

Insurance coverage levels have been determined with consideration of risk exposures as well as the capacity of the insurance market.

Other special risks

To the best of Crédit du Nord's knowledge, no risk needs to be mentioned in this regard.

Responsibility for the registered document and audit

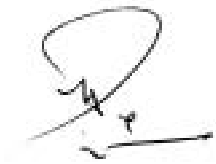
Person responsible for the registered document

Alain PY,
Chairman of the Board of Directors and Chief Executive Officer

Certification of the person responsible for the registered document

To the best of my knowledge, the information set out in the registered document (*document de référence*) is true and includes all the information needed by investors to form an opinion regarding Crédit du Nord's assets and liabilities, business, financial position, results and prospects, and regarding the rights attached to securities offered. There are no omissions that could impair its meaning.

Chairman of the Board of Directors
and Chief Executive Officer of Crédit du Nord,
Alain PY



Statutory Auditors

BARBIER FRINAULT & AUTRES
ERNST & YOUNG
Represented by Isabelle Santenac
Address: 41, rue Ybry
92200 Neuilly-sur-Seine
Date of appointment:
The 4th of May 2000 for a term of six fiscal years.
Alternate: Thierry Gorlin

DELOITTE TOUCHE TOHMATSU-AUDIT
Represented by José-Luis Garcia
Address: 185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
Date of appointment:
The 4th of May 2000 for a term of six fiscal years.
Alternate: Société B.E.A.S.

Report of the Statutory Auditors on the registered document

In our capacity as the Statutory Auditors of Crédit du Nord and pursuant to COB regulation 98-01, we have verified, in accordance with French professional standards, the information in respect of the financial position and the historical financial data included in the present registered document (document de référence).

The registered document was prepared under the responsibility of the Chairman of the Board of Directors. It is our responsibility to issue an opinion on the fairness of the information contained therein with respect to the financial position and financial statements.

We conducted our review in accordance with French professional standards. This review consisted in assessing the fairness of the information on the financial position and financial statements and to verify their consistency with the audited financial statements. We also reviewed other financial information contained in the registered document in order to identify any significant inconsistency with information in respect of the financial position and financial statements and to bring to your attention any obvious misstatements we noted based on our general understanding of the Company gained through our audit. It should be noted that the registered document does not contain individual projected items of information.

We performed our audit, in accordance with French professional standards, on the annual and consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 as approved by the Board of Directors according to French accounting rules and principles, which we have certified without reservation.

For the year ending 31 December 2001, the remark made concerning the annual and consolidated financial statements refers to the preliminary note to the financial statements which details the change of accounting method relative to the capitalisation of costs incurred to develop business software for use within the Group.

For the year ending 31 December 2003, the remark made concerning the annual and consolidated financial statements refers to the preliminary note to the financial statements which details the change of accounting method resulting from the application of CRC regulation 2002-03 relative to the accounting treatment of credit risk and CRC regulation 2002-10 relative to asset amortization and depreciation.

Our reports on the annual and consolidated financial statements of fiscal year 2003 include, in application of the provisions of article L. 225-235 of the Commercial Code which is applicable for the first time in this fiscal year, the justification of our evaluations as follows:

– as mentioned in the notes to the financial statements, the financial consequences of the Loi Fillon (Fillon law), in terms of evaluation of retirement benefits, give rise to provisions over the expected remaining period of employment of personnel. We have reviewed the assumptions made by Management and verified the compliance of this treatment with the recommendations of 21 January 2004 of the Emergency Committee of the National Accounting Council (CNC);

– as indicated in the section on “Accounting principles” of the notes to the financial statements, your Company makes provisions to cover the credit risks which are inherent to its activities. We have reviewed the processes implemented by Management to identify and evaluate these risks and to determine the necessary level of provisions.

On the basis of these reviews, we proceeded to determine that these estimates are of a reasonable nature.

The evaluations we have made in regard to these elements are an integral part of our audit procedure which covers the entirety of the annual and consolidated financial statements and have contributed to the formation of our opinion without reservation as expressed in the first part of our reports.

On the basis of these examinations, we have nothing to report with respect of the fairness of the information on the financial position and financial statements contained in this registration document.

Neuilly-sur-Seine, 31 March 2004
Statutory Auditors

DELOITTE TOUCHE TOHMATSU - AUDIT	BARBIER FRINAULT & AUTRES ERNST & YOUNG
José-Luis Garcia	Isabelle Santenac

Investor information: Jean-Pierre Bon – Tel.: +33 (0)1 40222391 – e-mail: jean-pierre.bon@cdn.fr

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DEPUIS 1760 BANQUE COURTOIS

Banque Kolb

Banque Laydernier

BANQUE NUGER

Banque Rhône-Alpes

Banque Tarneaud

Crédit du Nord