



**Natixis**

**Bank of America Merrill Lynch  
23<sup>rd</sup> Annual Financials CEO Conference**

September 26, 2018 - London



# Natixis' ambitions

New Dimension 2018-2020 Strategic Plan





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# Natixis' strategic ambitions

Delivering sustainable value creation through our selected expertise

## New Deal 2009-2012

**"Restructure  
and Focus"**

Profitable refocusing  
on 3 core businesses

## New Frontier 2014-2017

**"Transform  
and Develop"**

Become a provider of high  
value-added solutions and  
fully client-centric

## New Dimension 2018-2020

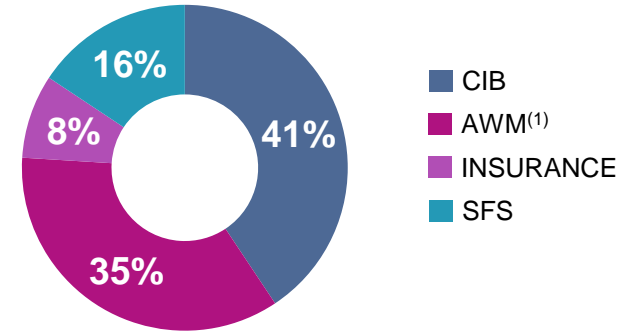
**"Deepen,  
Digitalize,  
Differentiate"**

Selected expertise  
to differentiate ourselves  
and deliver sustainable  
value creation

A well balanced and diversified business portfolio

### NET REVENUES BREAKDOWN

2017



**Natixis plans to sell its retail banking activities within SFS  
to parent company BPCE S.A.**

*(September 12, 2018 announcement)*

**Consumer finance, Leasing, Sureties & Financial guarantees,  
Factoring, Securities services**  
(~2/3 of SFS Net revenues, ~85% of SFS Profit before tax and ~85% of SFS RWA)

(1) Asset & Wealth Management

# Planned disposal of Natixis' retail banking activities

## New Dimension one step further

*In this presentation, all financial impacts from the transaction have been estimated based on 2018 projections*

- ▶ Natixis is contemplating the **disposal of its retail banking activities to BPCE S.A.** - Consumer finance, Leasing, Sureties & Financial guarantees, Factoring and Securities services
- ▶ The transaction will allow **Natixis to reinforce its differentiated positioning across key areas of expertise** i.e. Asset & Wealth Management, CIB, Insurance and Payments. Consistent with the objectives of the **New Dimension** strategic plan, this will support **value creation sustainability**, notably via **increased flexibility and agility, both from a financial and a strategic standpoint**. This will also **foster value creation** throughout the Group
- ▶ **The foreseen transaction price of €2.7bn** is based on each business' 2018 New Dimension trajectory. Based on 2017 reported figures, this is equivalent to a **~12.5x P/E** and **~1.7x allocated capital**
- ▶ The transaction will provide Natixis with **increased strategic mobility to deploy capital towards potential acquisitions and dividends**. **Upon completion of the foreseen transaction (expected end 1Q19)** and **given Natixis' strategy to not hold any excess capital**, a **special dividend up to €1.5bn (~€0.50/share)** will be paid out, contingent on potential acquisitions that may arise by then. By doing so, Natixis will position itself at a **fully-loaded CET1 ratio of 11%, reaching the 2020 target ahead of plan**. **Natixis' acquisition ambition for 2018-2020 will be lifted from €1bn to €2.5bn** with Groupe BPCE to support Natixis' growth ambitions, if needed

**14-15.5%**  
**2020 RoTE target**

reviewed upwards compared to  
previous target range of 13-14.5%

**Up to €1.5bn**  
**Special dividend**

to be paid upon completion of the transaction  
contingent on potential acquisitions that may  
arise by then (slide 9)

# Natixis' business model (1/3)

## Increase distinctiveness in Natixis' four business lines

Become the  
**world's premier  
active asset manager**

**> 30bps  
Fee rate  
over 2018-2020**

### Asset & Wealth Management

Asset Management  
Wealth Management  
Employee Savings Plans

### Corporate & Investment Banking

Investment Banking and M&A  
Financing (incl. Film Industry)  
Capital Markets  
Trade and Treasury Solutions  
Coverage

Be recognized as a  
**solution-oriented innovative house** and  
become the **"go-to bank"** in 4 selected sectors

**~ 6%  
Net revenues / RWA  
in 2020**

### Insurance

Life & Personal Protection  
Property & Casualty

### Payments

Merchant Solutions  
Prepaid & Managed Solutions  
Services & Processing

Build a **European pure-player** in Payments

**x 1.5  
Payment revenues  
by 2020**

Post transaction, **Payments** will become  
a standalone business line

Clear path towards a  
**leading French insurer**  
both in life and non-life insurance

**~ €90bn<sup>(1)</sup>  
Life insurance AuM  
in 2020**

*Pro forma planned disposal of Natixis' retail banking activities announced on September 12, 2018*

*Post transaction, Employee savings plan (Natixis Interépargne) will be reallocated to Asset & Wealth Management and Film industry financing (Natixis Coficiné) to CIB*

*(1) ~€77bn excluding the reinsurance agreement with CNP Assurances*

# Natixis' business model (2/3)

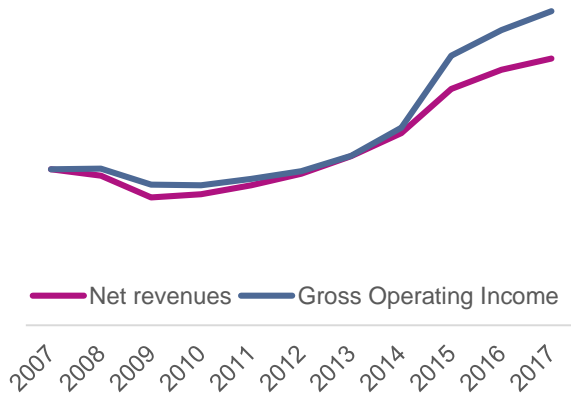
Flexibility and resilience to ensure sustainable delivery

## ASSET MANAGEMENT

2-year rolling  
Net revenues and Gross Operating Income

2007=100

2006-2017 Net revenues multiplied by ~ x2  
2006-2017 Gross Operating Income multiplied by ~ x2.5



~ 60%

of variable costs

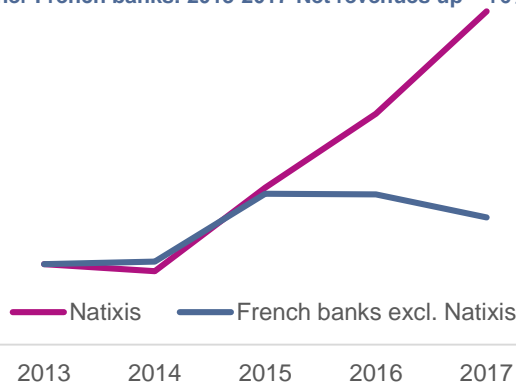
Historical illustration: ~50% drop in variable compensation in 2008 to offset a ~20% decline in revenues to protect Gross Operating Income

## CIB

FICT + Equity revenues vs. listed French banks  
over New Frontier - excl. CVA/DVA

2013=100

Natixis: 2013-2017 Net revenues up ~ +30%  
Other French banks: 2013-2017 Net revenues up ~ +6%



## Deepen and Differentiate

across all CIB activities

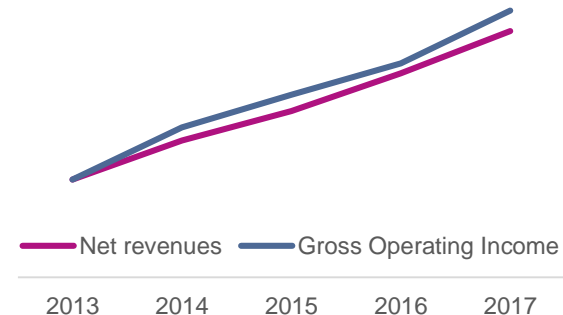
Focus on Solutions vs. flow business (Global markets)  
Focused and selective sectorial approach (Global finance)  
Multi-boutique model (M&A)

## INSURANCE

Net revenues and Gross Operating Income

2013=100

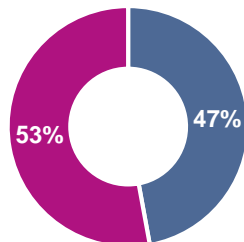
2013-2017 Net revenues up ~ +60%  
2013-2017 Gross Operating Income up ~ +70%



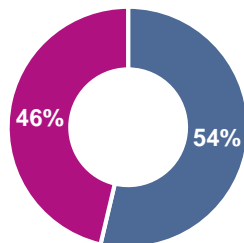
# Natixis' business model (3/3)

A diversified mix increasingly geared towards non-banking activities

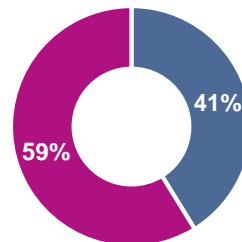
NET  
REVENUES



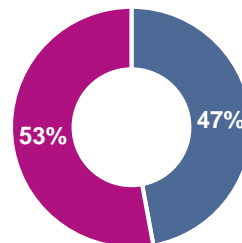
+7pp  
non-banking



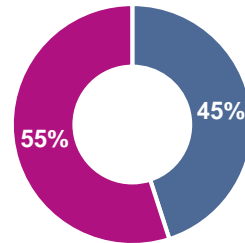
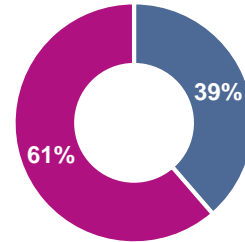
GROSS  
OPERATING PROFIT



+6pp  
non-banking



ALLOCATED  
CAPITAL



Current  
(1H18)

- AWM, Insurance, Payments
- CIB, SFS excl. Payments

Pro forma  
(1H18)

- AWM, Insurance, Payments
- CIB








Capital allocated towards non-banking activities > 50% if full consumption of the €2.5bn acquisition envelope

*Pro forma planned disposal of Natixis' retail banking activities announced on September 12, 2018*



# New Dimension: 2018-2020 financial targets

## RoTE and excess capital generation targets reviewed upwards

	NET REVENUES	OPERATING EXPENSES	CET1 FULLY-LOADED	ROTE <sup>(1)</sup>	EXCESS CAPITAL FREE UP
	2017-2020 Businesses CAGR	2017-2020 CAGR	2020 Target after distribution	2020 Target	2018-2020
Old	~ 5%	< 3%	11%	13-14.5%	~ €4bn
					
NEW	~ 5%	~ 3%	11%	14-15.5% 	~ €6bn 

**Theoretical dividend capacity of €5.6bn**, after €0.4bn spent on acquisitions to date, should no further acquisition happen by the end of 2020

**Special dividend up to €1.5bn**, contingent on potential acquisitions that may arise by the closing of the transaction.

**Ambition for potential acquisitions reviewed upwards from €1bn to €2.5bn** with BPCE to support Natixis' growth ambitions, if needed

*Targets reviewed on the occasion of the planned disposal of Natixis' retail banking activities announced on September 12, 2018*

*(1) Post SRF contribution and US tax reform reviews*

# New Dimension: 2018-2020 acquisition strategy

## Value creation through a solid track record of acquisitions

2015 flagship acquisitions in AWM and CIB



### NET REVENUES

> 20% CAGR 2014-2017  
fee rate increase

> 80% CAGR 2015-2017

### GROSS OPERATING INCOME

> 20% CAGR 2014-2017

> 90% CAGR 2015-2017

### COMMERCIAL INDICATORS

~40% of 2015-2017 net inflows  
driven by Natixis integration

From #42 (2012) to #5 (2017)  
number of transactions in France

~ 12%

Return on Investment<sup>(1)</sup>  
on **New Frontier** acquisitions in **AM**  
after an average ~2 years



Foster underlying growth  
while creating sizeable revenue synergies

Management stability  
*Alignment of interests, autonomy of the teams*

Enrichment and depth of Natixis' offering

Sharing of Natixis' standards

> 13%

Return on Investment<sup>(1)</sup>  
on **New Frontier** acquisitions in **CIB**  
after an average ~3 years



**Target to reach RoI > 12% in 3-5 years**

**Reminder** - Some fully-consolidated entities are not owned 100% but with a gradual ramp-up over time. This means **progressive EPS accretion** with no additional capital consumption

(1) Based on 2017 actual figures and/or 2018 projected figures

# Natixis' delivery

1H18 results



# 1H18: “New Dimension” well on track

Focus on value creation resulting in a strong 15.4% RoTE

*Figures excluding exceptional items*

**NET  
REVENUES**

**+7%**

**OPERATING  
EXPENSES**

**+5%**

**CET1 FL<sup>(1)</sup>**

**10.8%**

+13bps QoQ

**RoTE<sup>(2)</sup>**

**15.4%**

+230bps YoY

**90bps**

YoY improvement in  
the cost/income ratio<sup>(2)</sup> at **66.3%**

**< 2%**

Cost of risk/Net revenues

**~90bps**

of organic capital generation  
in 1H18 (excl. IFRIC 21)

**+4%**

QoQ rise in  
Natixis' tangible book value

*YoY P&L lines evolution at constant exchange rate, unless otherwise specified*

*(1) See note on methodology (2) See note on methodology and excluding IFRIC 21*

# 1H18 results

RoTE stable between 1Q18 and 2Q18 at a high 15.4%, +230bps vs. 1H17

Figures excluding exceptional items

€m	1H18	1H17	1H18 vs. 1H17	1H18 vs. 1H17 constant FX
<b>Net revenues</b>	<b>4,963</b>	<b>4,816</b>	<b>3%</b>	<b>7%</b>
o/w businesses	4,629	4,496	3%	7%
<b>Expenses</b>	<b>(3,402)</b>	<b>(3,327)</b>	<b>2%</b>	<b>5%</b>
<b>Gross operating income</b>	<b>1,560</b>	<b>1,490</b>	<b>5%</b>	<b>10%</b>
Provision for credit losses	(84)	(138)		
Associates and other items	20	40		
<b>Pre-tax profit</b>	<b>1,496</b>	<b>1,392</b>	<b>7%</b>	
Income tax	(472)	(501)		
Minority interests	(117)	(57)		
<b>Net income (gs) – underlying</b>	<b>907</b>	<b>834</b>	<b>9%</b>	
Restatement of IFRIC 21 impact	100	83		
<b>Net income (gs) – underlying excl. IFRIC 21 impact</b>	<b>1,007</b>	<b>917</b>	<b>10%</b>	

**Net revenues up +7% YoY** driven by a strong momentum in AWM (+18% YoY), Insurance (+8% YoY), SFS (+6% YoY) as well as for Coface (+15% YoY). CIB revenues flat compared to a historically high 1H17

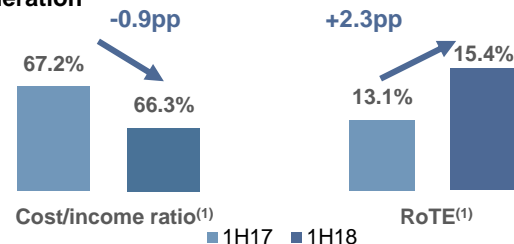
**Expenses** well under control translating into a **positive jaws effect of 3pp excluding SRF contribution**. **Cost/income ratio<sup>(2)</sup> down 90bps** vs. 1H17 to 66.3% and **GOI up +10% YoY**

**Pre-tax profit up +7% YoY** including a marked improvement in loan loss provisioning by more than a third

**Tax rate at ~32%** in 1H18, down vs. ~36% in 1H17. 1H tax rate impacted by the non-deductibility of the SRF and French systemic risk banking tax contributions in the first quarter. **Guidance at ~30% for 2018**

**Businesses' RoE<sup>(1)</sup> reached 16.8% in 1H18, up +170bps YoY** and with profitability improving across all business lines

**Natixis' RoTE<sup>(1)</sup> improved +230bps YoY at 15.4%**. Net income up +9% YoY and 1H18 earnings capacity above €1bn equivalent to ~180bps of annual capital generation



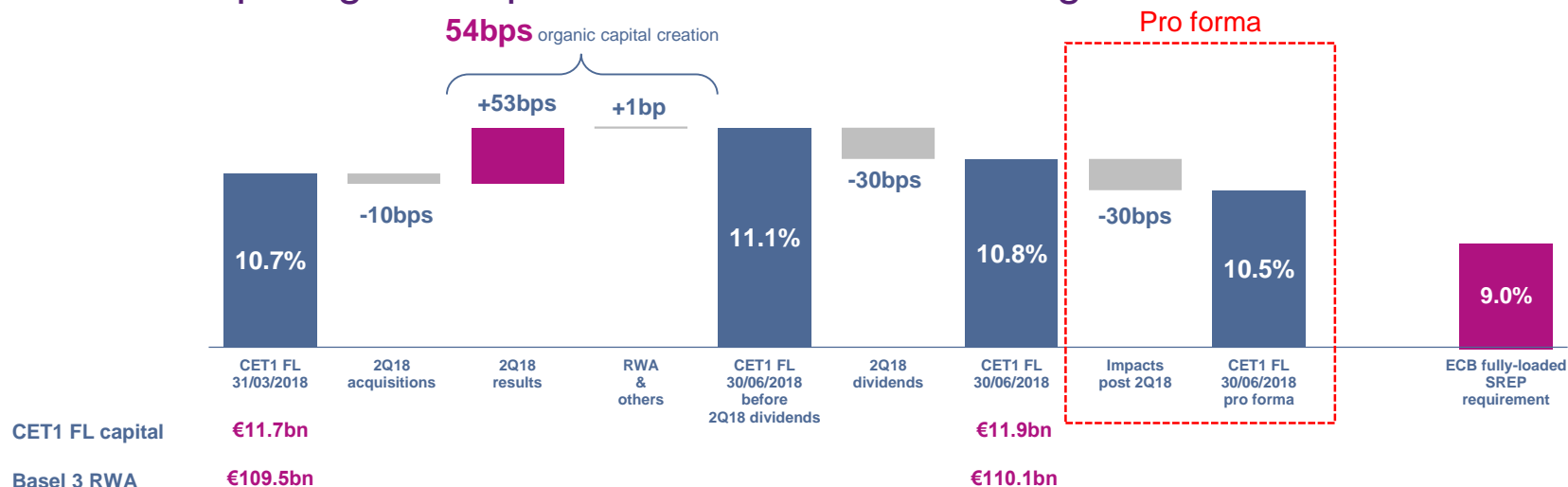
**+10%**  
Rise in earnings capacity to €1bn

Comments on YoY Net revenues, Expenses and GOI evolution at constant exchange rate, unless otherwise specified

(1) See note on methodology and excluding IFRIC 21

# Financial structure

54bps organic capital creation in 2Q18 driving a 10.8% CET1<sup>(1)</sup> FL ratio



- ▶ **Continued strict management of RWA** (up <1% vs. end-March 2018 and down -2% YoY)
- ▶ **Acquisitions in 2Q18** of **Fenchurch** Advisory Partners, **Vermilion** Partners and **Clipperton** to expand **M&A advisory** footprint. Acquisition of **Comitéo** in Payments to reinforce Natixis' **Prepaid & Managed Solutions**
- ▶ **Leverage ratio >4%**<sup>(1)</sup> and **LCR >100%** at end-June 2018
- ▶ **Pro forma impacts:**
  - ▶ Disposals of **Selection 1818** and **Axeltis** in AWM
  - ▶ Acquisitions of **MV Credit** and **WCM Investment Management** in AWM
  - ▶ Irrevocable Payment Commitments (IPC)

(1) See note on methodology

## Note on methodology



# Note on methodology (1/3)

**The results at 30/06/2018 were examined by the board of directors at their meeting on 02/08/2018.**

Figures at 30/06/2018 are presented in accordance with IAS/IFRS accounting standards and IFRS Interpretation Committee (IFRIC) rulings as adopted in the European Union and applicable at this date.

In view of the new strategic plan New dimension, the 2017 quarterly series have been restated for the following changes in business lines organization and in standards for implementation in 4Q17 as if these changes had occurred on 1<sup>st</sup> January 2017.

**The new businesses organization mainly takes into account:**

- The split of Investment Solutions into two new divisions: Insurance and Asset & Wealth Management<sup>(1)</sup>
- Within CIB:
  - Global finance and Investment banking<sup>(2)</sup> are now two separate business lines
  - Creation of Global Securities & Financing (GSF), a joint-venture between FIC and Equity derivatives. The joint-venture includes Securities Financing Group (SFG, previously in FIC) and Equity Finance (previously in Equity). Revenues of GSF are equally split between Equity & FIC
  - Transfer of short term treasury activities run by Treasury & collateral management department from FIC-T in CIB to Financial Management Division in 04/01/2017 in accordance with the French banking law. To ensure comparability, in this presentation CIB refers to CIB including Treasury & collateral management
- Within SFS, the Payments division is split out of Financial services and reported separately within the SFS business line
- The removal of the Financial investments division and its inclusion within the Corporate center

**The following changes in standards have been included:**

- Increase in capital allocation to our business lines from 10% to 10.5% of the average Basel 3 risk weighted assets
- Reduction in normative capital remuneration rate to 2% (compared to 3% previously)

*(1) Asset management includes Private equity (2) including M&A business*



## Note on methodology (2/3)

### Business line performances using Basel 3 standards:

- The performances of Natixis business lines are presented using Basel 3 standards. Basel 3 risk-weighted assets are based on CRR-CRD4 rules as published on June 26<sup>th</sup>, 2013 (including the Danish compromise treatment for qualified entities).
- **Natixis' RoTE** is calculated by taking as the numerator net income (group share) excluding DSN interest expenses on preferred shares after tax. Equity capital is average shareholders' equity group share as defined by IFRS, after payout of dividends, excluding average hybrid debt, average intangible assets and average goodwill.
- **Natixis' RoE:** Results used for calculations are net income (group share), deducting DSN interest expenses on preferred shares after tax. Equity capital is average shareholders' equity group share as defined by IFRS, after payout of dividends, excluding average hybrid debt, and excluding unrealized or deferred gains and losses recognized in equity (OCI).
- **RoE for business lines** is calculated based on normative capital to which are added goodwill and intangible assets for the business line. Normative capital allocation to Natixis' business lines is carried out on the basis of 10.5% of their average Basel 3 risk-weighted assets. Business lines benefit from remuneration of normative capital allocated to them. By convention, the remuneration rate on normative capital is maintained at 2%.

**Net book value:** calculated by taking shareholders' equity group share, restated for hybrids and capital gains on reclassification of hybrids as equity instruments. Net tangible book value is adjusted for goodwill relating to equity affiliates, restated goodwill and intangible assets as follows:

€m	30/06/2018
Goodwill	3,667
Restatement for Coface minority interests	(163)
Restatement for AWM deferred tax liability & others	(288)
<b>Restated goodwill</b>	<b>3,215</b>

€m	30/06/2018
Intangible assets	765
Restatement for Coface minority interests & others	(46)
<b>Restated intangible assets</b>	<b>719</b>

## Note on methodology (3/3)

**Own senior debt fair-value adjustment:** calculated using a discounted cash-flow model, contract by contract, including parameters such as swap curves and revaluation spread (based on the BPCE reoffer curve). Adoption of IFRS 9 standards, on November 22, 2016, authorizing the early application of provisions relating to own credit risk as of FY2016 closing. All impacts since the beginning of the financial year 2016 are recognized in equity, even those that had impacted the income statement in the interim financial statements for March, June and September 2016

**Regulatory (phased-in) CET1 capital and ratio:** based on CRR-CRD4 rules as reported on June 26, 2013, including the Danish compromise – phased in. **Presentation excluding current financial year's earnings and accrued dividend (based on a 60% payout ratio) as of 2Q18**

**Fully-loaded CET1 capital and ratio:** based on CRR-CRD4 rules as reported on June 26, 2013, including the Danish compromise - without phase-in. **Presentation including current financial year's earnings and accrued dividend (based on a 60% payout ratio)**

**Leverage ratio:** based on delegated act rules, without phase-in (presentation including current financial year's earnings and accrued dividend based on a 60% payout ratio) and with the hypothesis of a roll-out for non-eligible subordinated notes under Basel 3 by eligible notes. Repo transactions with central counterparties are offset in accordance with IAS 32 rules without maturity or currency criteria. Leverage ratio disclosed including the effect of intragroup cancelation - pending ECB authorization

**Exceptional items: figures and comments in this presentation are based on Natixis and its businesses' income statements excluding non-operating and/or exceptional items detailed page 7.** Figures and comments that are referred to as 'underlying' exclude such exceptional items. Natixis and its businesses' income statements including these items are available in the appendix of this presentation.

**Restatement for IFRIC 21 impact:** the cost/income ratio, the RoE and the RoTE excluding IFRIC 21 impact calculation in 1H18 take into account ½ of the annual duties and levies concerned by this accounting rule. The impact for the quarter is calculated by difference with the former quarter.

**Earnings capacity:** net income (group share) restated for exceptional items and the IFRIC 21 impact

**Expenses:** sum of operating expenses and depreciation, amortization and impairment on property, plant and equipment and intangible assets