Public limited company (société anonyme) with a share capital of €5,040,461,747.20
Registered office: 30 avenue Pierre Mendès France, 75013 Paris
542 044 524 Paris Trade Registry

UPDATE TO THE 2017 REGISTRATION DOCUMENT AND HALF-YEAR FINANCIAL REPORT

Update of the 2017 Registration Document and annual financial report filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on March 23, 2018 under number D.18-0172.
This update was filed with the French Financial Supervisory Authority on August 8, 2018 under number D.18-0172-A01.

The English version of this report is a free translation from the original which was prepared in French. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, the original language version of the document in French prevails over the translation.

This update of the 2017 Registration Document was filed with the French Financial Markets Authority on August 8, 2018, in accordance with Article 212-13 of the general regulations of the French Financial Markets Authority. It may be used in connection with a financial transaction only if accompanied by a transaction note approved by the Financial Markets Authority. The document has been prepared by the issuer and its signatories incur liability in this regard.

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UPDATE BY CHAPTER OF THE 2017 REGISTRATION DOCUMENT

I SECTION 1: PRESENTATION OF NATIXIS

1.1 Press Releases subsequent to the submission of the registration document

1.1.1 Press release dated April 26, 2018

Laurent Mignon succeeds François Pérol as Chairman of Groupe BPCE's Management Board

Groupe BPCE's Supervisory Board gathered on April 26, 2018 and took note of François Pérol's decision to resign as Chairman of the Management Board, appointing Laurent Mignon, CEO of Natixis, to succeed him. Laurent Mignon's new role will become effective as of June 1st, 2018 when he steps down as CEO of Natixis. In a sense of continuity, this hand-over will strenghten existing close ties between BPCE and Natixis whose clear and shared strategic vision underlies the « New Dimension » plan unveiled on November 20, 2017. Natixis has already engaged in Laurent Mignon's succession plan which should succeed in the coming days, asserting Natixis' strategic and financial ambitions in both the short and the medium term.

1.1.2 Press release dated April 27, 2018

François Riahi appointed CEO of Natixis

Natixis' Board of Directors gathered today under the chairmanship of François Pérol and appointed François Riahi Chief Executive Officer of Natixis. He succeeds Laurent Mignon, appointed Chairman of Groupe BPCE's Management Board on April 26, 2018. François Riahi's new role will become effective on June 1, 2018.
Simultaneously, Laurent Mignon will become Chairman of Natixis' Board of Directors.

Natixis' Board of Directors pays tribute to Laurent Mignon for his exceptional commitment to Natixis' successful transformation and development as Chief Executive Officer since 2009; development he will continue to ensure as Chairman of Natixis' Board of Directors. Natixis now is a solid and innovative company, entirely dedicated to its clients, with strong business activities and expertise, very closely anchored to Groupe BPCE.

François Riahi's appointment as Chief Executive Officer of Natixis comes in a sense of continuity in Natixis' strategy and development.

Fançois Riahi joined Groupe BPCE when it was first established in 2009 and participated in the major milestones of its constitution and development. He was a significant player in defining the strategy of the group as Deputy Chief Executive Officer, in charge of strategy, then joined Natixis as CEO, Corporate & Investment Banking, Asia Pacific Platform which he developped significantly. Then he became co-Head of Corporate & Investment Banking, member of the Senior Management Committee, alongside Marc Vincent. In this role, François Riahi has been committed in the development of our New Dimension strategic plan.

"I am particularly proud of all we have accomplished at Natixis since 2009 driven by François Pérol and thanks to the strong commitment of all employees. Natixis has become a company recognized and envied for its expertise and performance, as well as its strong entrepreneurial culture. I would like to pay a warm tribute to all the Natixis teams and in particular to the members of the Senior Management Committee. François Riahi who has significantly contributed to this success will ensure that the ambitions of the New Dimension strategic plan are carried out. I will remain very committed to Natixis' development" stated Laurent Mignon.

"I would like to thank the Board of Directors for the trust they have placed in me today. I remain committed to pursuing what makes the success of Natixis, creating value across all our businesses: Asset and Wealth Management, Corporate & Investment Banking, Insurance, Specialized Financial Services and Payments. Together with all Natixis teams, in all our businesses and throughout the world, we will continue Laurent Mignon's remarkable work by resolutely implementing the New Dimension strategic plan" indicated François Riahi.

François Riahi began his career as an Inspecteur des Finances (auditor at the French Treasury) at the Inspection Générale des Finances from 2001 to 2005. He was then appointed to the Government's Budget Department, first as a chargé de mission reporting to the Budget Director and subsequently as Head of the Budget Policy Office. In 2007, he was appointed as an advisor to the President of the French Republic, responsible for the reform of State institutions and Public Finance.

In March 2009, François Riahi joined Groupe BPCE as Deputy CEO and Chief Strategy Officer. In May 2012, he was appointed Head of Corporate & Investment Banking's Asia Pacific Platform for Natixis, based in Hong Kong and became member of the Natixis Executive Committee. In February 2016, he joined Natixis' Senior Management Committee as Co-Head of Corporate and Investment Banking.

On January 1st 2018, François Riahi became a member of the Groupe BPCE Management Board, in charge of Finance, Strategy and Corporate Secretariat. »

François Riahi (45) is a graduate of the Ecole Centrale de Paris school of engineering, the Paris Institute of Political Science (Sciences Po), the Stanford Executive Program, as well as a former student of the Ecole Nationale d'Administration (ENA).

1.1.3 Press release dated April 13, 2018

Free share allocation for the Chief Executive Officer of Natixis
Board of Directors' decision of April 13, 2018

On April 13, 2018, based on the positive opinion of the Compensation Committee, and as authorized by Natixis' General Shareholders' Meeting held on May 24, 2016 in its 20th resolution, Natixis' Board of Directors granted free shares to certain categories of employees. Out of the 84 775 shares granted to the Chief Executive Officer, 28 258 shares will only be vested in March 2020 and 56 517 shares in March 2021, all subject to a 6-month lock-in period as well as to performance conditions being assessed on the basis of the Operating Income of Natixis, defined as the Gross Operating Income after deduction of variable remunerations and cost of risk, and on Natixis' compliance with its regulatory obligations in terms of capital requirements.

Furthermore, 30% of the shares delivered to the Chief Executive officer of Natixis at the end of the vesting period will be subject to a lock-in period ending upon the termination of his office.

1.1.4 Press release dated May 2, 2018

INFORMATION RELATING TO COMPENSATION FOR EXECUTIVE OFFICERS

In accordance with the Afep-Medef Corporate Governance Code, Natixis discloses all compensation benefits of its executive officers as determined by its Board of Directors on May 2, 2018.

1. Compensation of the Chief Executive Officer, effective as of June 1, 2018

As a reminder, at the Board of Directors' meeting on April 27, 2018, François Riahi was appointed Chief Executive Officer, effective June 1, 2018, taking the place of Laurent Mignon following his resignation.

The Board of Directors decided to maintain compensation benefits similar to those to which Laurent Mignon was entitled, in particular:

- a fixed compensation;
- an annual variable compensation subject to the achievement of specific targets;

- eligibility to the allocation of performance shares as part of the long-term incentive plans which apply to the members of Natixis executive committee;
- severance payment subject to performance conditions; it being specified that the aggregate amount of such severance payment and, if any, the non-compete indemnity are capped at two (2) years of the monthly reference compensation;
- a protection insurance, a supplemental health insurance and benefit of the mandatory pension schemes.

1.1. Fixed compensation

At the May 2, 2018 meeting, the Board of Directors decided to set François Riahi, Chief Executive Officer, a gross fixed compensation (on an annual basis) of EUR 800,000 from the beginning of his mandate, which is expected to be June 1, 2018.

1.2. Variable compensation

On May 2, 2018, the Board of Directors decided to maintain the system of allocation for the annual variable compensation of the Chief Executive Officer, as defined in the Board of Directors' meeting on February 13, 2018.

Therefore, with regards to François Riahi, (i) the target annual variable compensation is maintained at 120% of the fixed compensation (*i.e.*, EUR 960,000); and (ii) the structure, weighting and calculation of indicators set by the Board of Directors on February 13, 2018, for the financial year 2018, are kept identical. The annual variable compensation may represent up to a maximum of 156.75 % of the target variable compensation, *i.e.*, 188.1 % of the fixed compensation.

As a reminder, the criteria for the determination of the annual variable compensation of the Chief Executive Officer, approved by the Board of Directors' meeting on February 13, 2018, for the 2018 financial year, are as follows:

System for the determination of variable compensation for the 2018 financial year		
Target set at 120 % of the fixed compensation, with a range from 0 % up to 156.75 % of the target, i.e., a maximum of 188.1 % of the fixed compensation.		
Quantitative criteria BPCE's financial performance	25 %	▪ 12.5 % group net income
		▪ 8.3 % cost/income ratio
		▪ 4.2 % net banking income
Quantitative criteria Natixis' financial performance	45 %	▪ 11.25 % net banking income
		▪ 11.25 % group net income*
		▪ 11.25 % cost/income ratio
		▪ 11.25 % ROTE*
Strategic criteria	30 %	▪ 5 % oversight in terms of supervision and control
		▪ 15 % implementation of the 2018-2020 strategic plan
		▪ 5 % implementation of Natixis transformation
		▪ 5 % managerial performance

* Excluding non-recuring items

1.3. Other compensation components

At its May 2, 2018 meeting, the Board of Directors also maintained, in order to reinforce the alignment over time with shareholders' interests, the Chief Executive Officer's eligibility principle for the allocation of free performance shares in the context of the long-term incentive plan ("LTIP") for members of the Natixis executive committee for an annual amount corresponding to 20% of the Chief Executive Officer's fixed compensation.

1.4. Regulated commitments

During its meeting on May 2, 2018, the Board of Directors decided that François Riahi would from his appointment as Chief Executive Officer benefit from (i) the same severance payment and non-compete indemnity scheme as his predecessor, Laurent Mignon; and (ii) a similar protection to that of Natixis' employees regarding healthcare coverage and personal protection insurance as well as the mandatory pension schemes. It being specified that he will not benefit from a supplementary pension plan as defined by Article 39 or Article 83 of the French Tax Code and that he will make payments to a life insurance policy (as defined by Article 82 of the French Tax Code) put in place by the BPCE Group, such payments being made by the Chief Executive Officer himself and not by Natixis.

The severance payment undertaking has the following features:

- The amount of the severance payment is equal to: the monthly reference compensation x (12 months + 1 month per year of seniority).
- The monthly reference compensation is equal to 1/12th of the sum of (i) the fixed compensation paid in respect of the last calendar year of activity; and (ii) the average variable compensation allocated (paid immediately and deferred in any form whatsoever) over the last three calendar years of activity.

  For the calculation of the monthly reference compensation, compensation components taken into account are those granted as Chief Executive Officer of Natixis. Seniority shall be calculated in years and fractions of a year as Chief Executive Officer of Natixis.
- The amount of the severance payment, together with the non-compete indemnity (if any) to be paid to the Chief Executive Officer, are capped at twenty-four (24) months of the monthly reference compensation.
- The Chief Executive Officer will not receive any severance payments in case of gross or willful misconduct, if he leaves the company at his own initiative to take another position, or following a change of his function within the BPCE Group.
- Any severance payment is subject to performance conditions. The payment of the severance amount would be subject to the assessment/verification by the Board of Directors that the performance conditions are satisfied.

The non-compete agreement has the following features:

- In the event of termination of his function as Chief Executive Officer, François Riahi would be subject to a non-compete obligation, for a six-month period as from the date of termination of his mandate, preventing him from accepting any management positions or corporate offices, and from taking any interest in credit institutions or insurance companies with registered offices in France and which are included in the *Euro Stoxx Banks* or *Euro Stoxx Insurance* indices.
- In consideration of such undertaking, he would receive an indemnity equal to six (6) months of the fixed compensation applicable at the date he leaves his office.
- In the event a severance payment is made to the Chief Executive Officer, the aggregate amount of such severance payment and of the non-compete indemnity are capped at twenty-four (24) months of the monthly reference compensation.
- The Board of Directors has the opportunity to waive unilaterally such non-compete undertaking. It shall decide on such matter at the time of the termination of the mandate of Chief Executive Officer and shall inform the latter immediately.

2. Compensation of the Chairman of the Board of Directors as from June 1, 2018

As a reminder, François Pérol resigned from his position as Director and Chairman of the Board of Directors of Natixis effective as of June 1, 2018. Early June 2018, Laurent Mignon is expected to be co-opted as Director, to replace François Pérol, and to be appointed as Chairman of the Board of Directors.

As part of the change of governance of Natixis, the Board of Directors on May 2, 2018, decided to set, as of June 1, 2018, the gross fixed compensation (on an annual basis) of the Chairman of the Board of Directors at EUR 300,000.

1.1.5 Press release dated May 24, 2018

Free share allocation for the Chief Executive Officer of Natixis
Board of Directors' decision of May 23, 2018

On May 23, 2018, based on the positive opinion of the Compensation Committee, and as authorized by Natixis' General Shareholders' Meeting held on May 24, 2016 in its 19th resolution, Natixis' Board of Directors granted performance shares to the members of the Senior Management Committee. 11 661 performance shares are allocated to the Chief Executive Officer, which can lead to a maximum acquisition of 13 993 shares, depending on the attainment of the performance condition. This amount was determined in proportion to the duration of his office as Chief Executive of Natixis during the 2018 exercise. The shares will only be vested at the end of a four-year period and subject to performance and presence conditions. The vesting of the shares is subject to the relative performance (Total Shareholder Return) of Natixis' share against the Euro Stoxx Banks index. It also depends on the Natixis ESR performance.

Furthermore, 30% of the shares delivered to the Chief Executive Officer at the end of the Vesting Period will be subject to a lock-in period ending upon the termination of any Chief Executive office within BPCE Group.

1.1.6 Press release dated July 13, 2018

Nathalie Bricker is appointed Chief Financial Officer of Natixis

Nathalie Bricker is appointed Chief Financial Officer of Natixis, member of the Senior Management Committee, effective August 6. Nathalie Bricker is succeeding Nicolas Namias, who joined BPCE in June as Management Board member, in charge of finance, strategy and legal affairs, Supervisory Board secretary. Nathalie Bricker began her career in 1991 at KPMG. In 1995, she joined Caisse des Dépôts et Consignations as manager-facilitator of the accounting network for the Markets and Custodian activities. In 1998, she was appointed Head of the Central Accounting department. She moved to CDC IXIS in 2000 as Deputy Head of the Accounting Department and Head of the Corporate Accounts sector. She was appointed Head of Accounting Standards and Systems for Natixis in 2005 and became Head of Accounting in 2007. Nathalie has been appointed Head of Accounting and Ratios at Natixis since 2013, and, in June 2016, member of Natixis' Executive Committee.
Nathalie Bricker, 50, graduated from SKEMA Business School. She also holds a degree in Accounting and Finance from IAE in Nice.

1.1.7 Press release dated July 27, 2018

Completion of the capital increase for Natixis employees participating in the "Mauve 2018" employee savings plans

Natixis carried out an employee shareholding operation called "Mauve 2018" from April 9 to May 4, 2018 included.

The operation has been reserved for employees in 8 countries (France, Germany, Hong Kong, Luxembourg, Portugal, Spain, United Arab Emirates and the United Kingdom).

"Mauve 2018" attracted close to 7,900 employees, i.e. a global subscription rate of 51.4%. The amount subscribed reached €59,937,990.61, corresponding to an increase of the nominal value of the share capital of €19,172,488 and €40,765,502.61 of issue premium, and resulted in the issue of 11,982,805 new shares, for a price of €5.002 per share.

The main features of Mauve 2018 were described in a press release dated March 23, 2018.

1.1.8 Press release dated August 2, 2018

Free share allocation for the Chief Executive Officer of Natixis
Board of Directors' decision of August 2, 2018

On August 2, 2018, based on the positive opinion of the Compensation Committee, and as authorized by Natixis' General Shareholders' Meeting held on May 24, 2016 in its 19th resolution, Natixis' Board of Directors, in the framework of the Long Term Incentive Plan 2018 for the benefit of the members of the Senior Management Committee, granted 13 605 performance shares to the Chief Executive Officer, which can lead to the acquisition of a maximum of 16 326 shares, depending on the achievement of the performance conditions. This number was determined in proportion to the duration of his office as Chief Executive of Natixis during the 2018 exercise.
The shares will only be vested on May 22, 2022, subject to performance and presence conditions. The vesting of the shares is subject to the relative performance (Total Shareholder Return) of Natixis' share against the Euro Stoxx Banks index. It also depends on the Natixis ESR performance.

Furthermore, 30% of the shares delivered to the Chief Executive Officer at the end of the Vesting Period will be subject to a lock-in period ending upon the termination of any corporate mandate within Group BPCE.

1.2 Results as at June 30, 2018: Press release dated August 2, 2018

2Q18 and 1H18 results
New Dimension strategic plan well embarked
Reported Net income up +19% at €580m in 2Q18 and up +18% at €903m in 1H18

SOLID GROWTH AND IMPROVED PROFITABILITY ACROSS OUR BUSINESS LINES

UNDERLYING NET REVENUES(1): €2.5BN IN 2Q18, €5BN IN 1H18 (+5% AND +7% AT CONSTANT FX)

BUSINESSES' UNDERLYING ROE(1) IMPROVING ACROSS THE BOARD AT 16.8% IN 1H18

AWM - Strong net inflows and fee rate improvement thanks to our resolutely active positioning

Positive momentum for net inflows and the fee rate: 7th consecutive quarter of positive net inflows (+€10bn) at a

3-year high, together with a fee rate increase >31bps (+3bps vs. 2Q17, +1bp vs.1Q18)

Significant growth in underlying gross operating income(1): +36% YoY at constant FX (+27% current) in 1H18

Announced acquisitions of WCM Investment Managers and MV Credit

CIB - Net revenues flat and underlying RoE(1) at 17.2% in 1H18 thanks to our diversified expertise

Underlying net revenues(1) flat at constant exchange rate in 1H18 vs. a historically high 1H17

Global markets: Decrease in net revenues in a volatile market with a clear focus on value creation

Global finance: Underlying net revenues(1) up +17% at constant exchange rate in 1H18 thanks to our sectorial approach

Insurance - Solid growth momentum

Underlying net revenues(1) up +8% YoY both in 2Q18 and 1H18

Life insurance(2): €5.4bn premiums in 1H18 (+2% YoY) of which 35% in unit-linked products

SFS - Strong commercial activity and successful integration of acquisitions

Underlying net revenues(1) from SFS up +6% YoY in 1H18 (+7% in 2Q18) of which +15% in Payments

Payments: Increase in business volumes from PayPlug and Dalenys, up close to +40% YoY in 1H18

SUSTAINABLE VALUE CREATION AND FINANCIAL STRENGTH

1H18 underlying net income(1) up +9% YoY at €907m

Underlying RoTE(1) improvement to 15.4% in 1H18 (+230bps vs. 1H17)

Basel 3 FL CET1 ratio(3) at 10.8% as at June 30, 2018, including 10bps of acquisitions (M&A and Payments)

1H18: A PROMISING START TO NEW DIMENSION

François Riahi, Natixis Chief Executive Officer, said: *"As in the 1st quarter of 2018, Natixis posted solid results in the 2nd quarter, in line with the objectives of our New Dimension strategic plan. The RoE is increasing in all the business lines. Our Asset management business grew strongly with net inflows of €10 billion, positive for the 7th consecutive quarter. Our Corporate & Investment Banking businesses continued to record solid revenues and a high level of profitability despite a mixed quarter in Global markets due to a high basis of comparison in the 2nd quarter of 2017 and a volatile market environment. Global finance activities are gaining market share with new loan production up sharply, demonstrating the relevance of our sector-based approach. Insurance remains a fast growth driver for Natixis while our Payments businesses keep up their positive momentum with net revenues up 15%."*

(1) Excluding exceptional items. Excluding exceptional items and the IFRIC 21 impact for cost/income ratio, RoE, and RoTE
(2) Excluding reinsurance agreement with CNP
(3) See note on methodology

2Q18 RESULTS

The Board of Directors approved Natixis' accounts for the second quarter of 2018 on August 2, 2018.

€m	2Q18 reported	2Q17 reported	2Q18 o/w underlying	2Q18 o/w exceptionals	2Q18 vs. 2Q17 reported	2Q18 vs. 2Q17 reported constant FX	2Q18 vs. 2Q17 underlying	2Q18 vs. 2Q17 underlying constant FX
Net revenues	**2,577**	**2,410**	**2,522**	**55**	*7%*	*10%*	*3%*	*5%*
o/w businesses	*2,348*	*2,288*	*2,348*		*3%*	*5%*	*3%*	*5%*
Expenses	(1,640)	(1,594)	(1,624)	(16)	*3%*	*5%*	*3%*	*5%*
Gross operating income	**936**	**815**	**898**	**39**	*15%*	*19%*	*3%*	*6%*
Provision for credit losses	(40)	(67)	(40)					
Net operating income	**896**	**748**	**857**	**39**	*20%*		*6%*	
Associates and other items	7	24	7					
Pre-tax profit	**903**	**772**	**864**	**39**	*17%*		*4%*	
Income tax	(266)	(255)	(252)	(13)				
Minority interests	(57)	(29)	(56)	(1)				
Net income – group share	**580**	**487**	**556**	**24**	*19%*		*5%*	

Excluding exceptional items €m	2Q18	2Q17	2Q18 vs. 2Q17
Net income (gs) – underlying	**556**	**528**	*5%*
Restatement of IFRIC 21 impact	(50)	(46)	
Net income (gs) – underlying excl. IFRIC 21 impact	**506**	**482**	*5%*

EXCEPTIONALS (€m)		2Q18	2Q17
Exchange rate fluctuations on DSN in currencies *(Net revenues)*	*Corporate center*	55	(49)
Transformation & Business Efficiency Investment costs *(Expenses)*	*Business lines & Corporate center*	(20)[1]	(11)
Fit to Win investments & restructuring expenses *(Expenses)*	*Corporate center*	4	
Exceptional additional Corporate Social Solidarity Contribution resulting from agreement with CNP *(Expenses)*	*Insurance*		
Total impact on income tax		(13)	19
Total Impact on minority interests		(1)	
Total impact on Net income – group share		**24**	**(40)**

(1) o/w €5m in the Corporate center in 2Q18

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p2)

Natixis

Natixis reported underlying net revenues at €2,5bn in 2Q18, up +3% YoY and +5% at constant exchange rate. Underlying net revenues generated by the businesses improved +3% YoY to reach €2.3bn (+5% at constant exchange rate), including significant rises from **Asset & Wealth Management** (+15% at constant exchange rate), **Insurance** (+8%) and **SFS** (+7%).

Underlying expenses came out at €1.6bn in 2Q18, up +3% YoY. This translates into an **underlying cost/income ratio**[1] nearly unchanged vs. 2Q17 at 66.6%. **The underlying gross operating income, at €898m, rose +3% YoY** vs. 2Q17 (+6% at constant exchange rate).

The underlying cost of risk, at €40m in 2Q18, was significantly down compared to a 2Q17 at €67m. Expressed in basis points of loans outstanding (excluding credit institutions), the businesses' cost of risk worked out to 19bps in 2Q18. **The underlying pre-tax profit at €864m rose +4%** in 2Q18 vs. 2Q17.

The 2Q18 tax rate reached ~29% (~33% in 2Q17). The tax rate guidance for 2018 is maintained at around 30%.

Net income (group share), adjusted for IFRIC 21 and excluding exceptional items, came out at €506m in 2Q18, up +5% YoY. Accounting for exceptional items (+€24m impact net of tax in 2Q18) and IFRIC 21 (+€50m impact in 2Q18), **the reported net income (group share) increased +19% YoY at €580m in 2Q18.**

Natixis delivered a 15.4% underlying RoTE[1] excluding IFRIC 21 impact and the businesses' underlying RoE[1] reached 16.7%, up +170bps and +150bps respectively vs. 2Q17.

Asset & Wealth Management

€m	2Q18	2Q17	*2Q18 vs. 2Q17*
Net revenues	**819**	**743**	***10%***
o/w Asset management	*782*	*713*	*10%*
o/w Wealth management	*37*	*30*	*22%*
Expenses	(549)	(521)	*5%*
Gross operating income	**270**	**223**	***21%***
Provision for credit losses	(1)	0	
Associates and other items	(2)	0	
Pre-tax profit	**266**	**223**	***20%***
Cost/income ratio[(1)]	*67.2%*	*70.2%*	*(3.0)pp*
RoE after tax[(1)]	*15.2%*	*12.4%*	*+2.8pp*

2Q18 **underlying net revenues from Asset & Wealth Management (AWM) were up a significant +15% YoY at constant exchange rate** (+10% current). Underlying net revenues from **Asset management** reached €782m in 2Q18, up +15% YoY at constant exchange rate, including rises of +11% (+2% current) to €402m in North America and +30% to €261m in Europe. Underlying net revenues from **Wealth management** were up +22% YoY.

In Asset management, the 2Q18 **fee rate excluding performance fees** (€55m in 2Q18 vs. €55m in 2Q17) stood **above 31bps (+0.7bps QoQ and +3.3bps YoY)** and rose both in Europe to 16bps (+1bp vs. 1Q18 and +2.9bps YoY) and North America above 40bps (+0.7bps QoQ and +1.9bps YoY).

Asset management attracted +€10bn of net inflows overall during the quarter, of which **+€7bn in Europe**, mainly driven by H_2O *(liquid alternative strategies)* and **+€3bn in North America** mostly via Harris (Oakmark International Fund and Oakmark Fund). **AuM reached €846bn at end-June 2018**, of which €413bn in Europe and €419bn in North America. AuM growth over the quarter was driven by the combination of net inflows, a -€4bn negative market effect and a +€22bn positive FX effect. Average AuM at constant exchange rate increased by +9% YoY in Europe (excl. Life insurance) and +8% YoY in North America. Wealth management AuM reached €32.5bn[(2)].

AWM delivered a +280bps YoY increase in underlying RoE[(1)] to 15.2% in 2Q18 and experienced a **significant positive jaws effect of 5pp** both at constant and current exchange rate. **The underlying cost/income ratio[(1)] improved 300bps YoY** in 2Q18.

Natixis reinforces its positioning in the private debt space with the acquisition of **MV Credit** in the UK and develops its International equity growth offering through the acquisition of a minority stake in **WCM Investment Management** and the settling of an international distribution agreement.

(1) See note on methodology and excluding IFRIC 21 impact for the calculation of the cost/income ratio and the RoE
(2) Including Vega IM, 60% owned by Natixis Wealth Management

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p2)

Corporate & Investment Banking

€m	2Q18	2Q17	2Q18 vs. 2Q17
Net revenues	**965**	**1,019**	***(5)%***
Net revenues excl. CVA/DVA	*952*	*1,032*	*(8)%*
o/w Global markets	*444*	*561*	*(21)%*
o/w Global finance	*382*	*343*	*11%*
o/w IB et M&A	*85*	*122*	*(30)%*
Expenses	(546)	(555)	*(2)%*
Gross operating income	**419**	**464**	***(10)%***
Provision for credit losses	(39)	(48)	
Associates and other items	3	3	
Pre-tax profit	**383**	**418**	***(8)%***
Cost/income ratio[1]	*57.3%*	*55.4%*	*+1.9pp*
RoE after tax[1]	*17.1%*	*16.1%*	*+1.0pp*

Underlying net revenues from Corporate & Investment Banking at €965m were down a modest -3% YoY at constant exchange rate in 2Q18 (-5% current) and -5% excluding the CVA/DVA desk (-8% current).

Global markets underlying revenues were down -15% YoY at constant exchange rate in 2Q18 vs. a historically high 2Q17. At constant exchange rate, **FICT** revenues decreased by -21% YoY (-23% current) driven by Rates and with a soft April/May followed by a good recovery in June. Natixis' RoE-focused strategy translated into a disciplined and selective approach to business undertaken. **Equity** revenues were down -15% YoY at constant exchange rate (-16% current), driven by a soft performance from Equity derivatives in Asia and the closure of the US and UK cash equity desks following the Natixis/Oddo-BHF partnership announcement (effective as of July 01, 2018).

Global finance underlying revenues rose +16% YoY at constant exchange rate in 2Q18 (+11% current) with a strong performance from **Real assets** across Real estate, Aviation and Infrastructure. **New loan production improved +42% YoY** in 2Q18 and was combined with solid distribution rates (e.g. 12% average final take for US Real estate). Underlying revenues generated by **Investment banking and M&A** reached €85m in 2Q18 slightly higher than 1Q18 and down -29% YoY at constant exchange rate (-30% current) mostly due to a soft French primary market for ECM and several "jumbo" deals closed in 2Q17.

CIB delivered a +100bps YoY increase in underlying RoE[1] to 17.1% in 2Q18.

Natixis expands its M&A advisory footprint through strategic investments finalized in 2Q18: **Fenchurch Advisory Partners in the UK, Vermilion Partners in China, and Clipperton in France**.

Insurance

€m	2Q18	2Q17	2Q18 vs. 2Q17
Net revenues	**193**	**179**	***8%***
Expenses	(107)	(101)	*7%*
Gross operating income	**85**	**78**	***9%***
Provision for credit losses	0	0	
Associates and other items	0	3	
Pre-tax profit	**86**	**81**	***5%***
Cost/income ratio[1]	*58.1%*	*58.3%*	*(0.2)pp*
RoE after tax[1]	*25.2%*	*20.8%*	*+4.4pp*

Underlying net revenues from Insurance increased by +8% YoY to reach €193m in 2Q18. Underlying expenses rose +7% YoY at €107m, **leading to a 1pp positive jaws effect** and a slight improvement in the underlying cost/income ratio[1] of 20bps.

Insurance delivered a +440bps YoY increase in underlying RoE[1] to 25.2% in 2Q18.

Global turnover[2] reached €3.0bn in 2Q18, largely in line with 2Q17. **Life insurance net inflows[2] reached €1.5bn in 2Q18, o/w 46% in UL products (34% of gross inflows).**

Life insurance AuM reached €58.6bn at June 30, 2018, of which 24% in the form of unit-linked products. The P&C combined ratio worked out to 92.0% in 2Q18, improving 0.5pp vs. 2Q17.

(1) See note on methodology and excluding IFRIC 21 impact for the calculation of the cost/income ratio and the RoE
(2) Excluding the reinsurance agreement with CNP

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p2)

Specialized Financial Services

€m	2Q18	2Q17	2Q18 vs. 2Q17
Net revenues	**371**	**347**	***7%***
Specialized financing	*230*	*218*	*6%*
Payments	*95*	*83*	*14%*
Financial services	*46*	*46*	*0%*
Expenses	(247)	(228)	*8%*
Gross operating income	**124**	**119**	***4%***
Provision for credit losses	3	(14)	
Associates and other items	1	0	
Pre-tax profit	**127**	**105**	***22%***
Cost/income ratio[(1)]	*67.2%*	*66.4%*	*+0.8pp*
RoE after tax[(1)]	*15.0%*	*14.7%*	*+0.3pp*

Underlying net revenues from Specialized Financial Services were up +7% YoY in 2Q18. This overall increase included growth rates of +6% for Specialized financing (of which +9% for Sureties & financial guarantees, +3% for Factoring and a markedly higher contribution from Film industry financing), of +14% for Payments and +0% for Financial services.

Within Payments, business volumes generated by Natixis' recent acquisitions (Dalenys and PayPlug) in Merchant Solutions increased +34% YoY in 2Q18. In the meantime, Prepaid & Managed Solutions revenues grew +33% YoY (+20% at constant scope excl. Comitéo) and the number of card transactions processed in the Services & Processing activity was up +11% YoY in 2Q18.

28% of 2Q18 Payments revenues were realized outside Groupe BPCE networks.

SFS **underlying expenses increased** +8% YoY in 2Q18. The **underlying cost/income ratio**[(1)] excluding Payments acquisitions worked out to 65.2%.

The underlying cost of risk materially improved to reach €3m in 2Q18, experiencing net writebacks due to sectorial credit rating improvements.

SFS delivered a +30bps YoY increase in underlying RoE[(1)] to 15.0% in 2Q18.

Corporate Center

€m	2Q18	2Q17	2Q18 vs. 2Q17
Net revenues	**174**	**171**	*2%*
Coface	*156*	*152*	*3%*
Others	*18*	*19*	
Expenses	(175)	(180)	*(3)%*
Coface	*(120)*	*(128)*	*(7)%*
SRF	*(1)*	*6*	
Others	*(54)*	*(57)*	*(5)%*
Gross operating income	**(1)**	**(9)**	
Provision for credit losses	(3)	(5)	
Associates and other items	6	19	
Pre-tax profit	**2**	**4**	

Corporate Center underlying revenues reached €174m in 2Q18, a +2% YoY increase, of which €156m came from Coface (+3% YoY).

The 2Q18 combined ratio net of reinsurance of Coface improved markedly to 81.5% (95.4% in 2Q17) on the back of reduced claims (loss ratio at 46.6% vs. 58.4% in 2Q17) and a strict cost control as well as higher reinsurance commissions (cost ratio 35.0% vs. 37.1% in 2Q17).

Corporate Center underlying expenses excluding Coface and the SRF dropped -5% YoY in 2Q18, positively contributing to New Dimension objectives.

(1) See note on methodology and excluding IFRIC 21 impact on the calculation of the cost/income ratio and RoE

1H18 RESULTS

€m	1H18 reported	1H17 reported	1H18 o/w underlying	1H18 o/w exceptionals	1H18 vs. 1H17 reported	1H18 vs. 1H17 reported constant FX	1H18 vs. 1H17 underlying	1H18 vs. 1H17 underlying constant FX
Net revenues	**4,989**	**4,756**	**4,963**	**27**	*5%*	*9%*	*3%*	*7%*
o/w businesses	*4,629*	*4,496*	*4,629*		*3%*	*7%*	*3%*	*7%*
Expenses	(3,435)	(3,365)	(3,402)	(33)	*2%*	*5%*	*2%*	*5%*
o/w expenses excluding SRF	*(3,271)*	*(3,243)*	*(3,239)*		*1%*	*4%*	*1%*	*4%*
Gross operating income	**1,554**	**1,391**	**1,560**	**(6)**	*12%*	*18%*	*5%*	*10%*
Provision for credit losses	(84)	(138)	(84)					
Net operating income	**1,471**	**1,254**	**1,477**	**(6)**	*17%*		*9%*	
Associates and other items	20	40	20					
Pre-tax profit	**1,490**	**1,294**	**1,496**	**(6)**	*15%*		*7%*	
Income tax	(470)	(469)	(472)	2				
Minority interests	(118)	(57)	(117)	(1)				
Net income – group share	**903**	**768**	**907**	**(4)**	*18%*		*9%*	

Excluding exceptional items €m	1H18	1H17	1H18 vs. 1H17
Net income (gs) – underlying	**907**	**834**	*9%*
Restatement of IFRIC 21 impact	100	83	
Net income (gs) – underlying excl. IFRIC 21 impact	**1,007**	**917**	**10%**

EXCEPTIONALS (€m)		1H18	1H17
Exchange rate fluctuations on DSN in currencies *(Net revenues)*	*Corporate center*	27	(60)
Transformation & Business Efficiency Investment costs *(Expenses)*	*Business lines & Corporate center*	(34)[1]	(20)
Fit to Win investments & restructuring expenses *(Expenses)*	*Corporate center*	1	
Exceptional additional Corporate Social Solidarity Contribution resulting from agreement with CNP *(Expenses)*	*Insurance*		(19)
Total impact on income tax		2	32
Total Impact on minority interests		(1)	
Total impact on Net income – group share		**(4)**	**(66)**

(1) o/w €8m in the Corporate center in 1H18

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p6)

Natixis

Natixis reported underlying net revenues at €5.0bn in 1H18, up +3% YoY and +7% at constant exchange rate. Underlying net revenues generated by the businesses improved +3% YoY to reach €4.6bn (+7% at constant exchange rate), including significant rises from **Asset & Wealth Management** (+18% at constant exchange rate), **Insurance** (+8%), **SFS** (+6%) and **Coface** (+15%).

Underlying expenses came out at €3.4bn in 1H18, up +2% YoY. Excluding the SRF contribution (€164m in 1H18 vs. €122m in 1H17) they only increase by +1% vs. 1H17. This translates into a **1pp positive jaws effect (2pp at constant exchange rate and 3pp at constant exchange rate excluding the SRF contribution) and a 90bps YoY decrease in the underlying cost/income ratio**[1] at 66.3%. **The underlying gross operating income, at €1.6bn, rose +5% YoY** vs. 1H17 (+10% constant).

The underlying cost of risk, at €84m in 1H18, was significantly down compared to a 1H17 at €138m. Expressed in basis points of loans outstanding (excluding credit institutions), the businesses' cost of risk worked out to 19bps in 1H18. **The underlying pre-tax profit rose +7% YoY in 1H18 to €1.5bn**.

The 1H18 tax rate reached ~32% (~36% in 1H17), the first quarter being impacted by IFRIC 21 and the non-deductibility of the SRF and French systemic risk banking tax contributions. The tax rate guidance for 2018 is maintained at around 30%.

Net income (group share), adjusted for IFRIC 21 and excluding exceptional items, came out at €1.0bn in 1H18, up +10% YoY. Accounting for exceptional items (-€4m impact net of tax in 1H18) and IFRIC 21 (-€100m impact in 1H18), **the reported net income (group share) increased +18% YoY at €903m in 1H18.**

Natixis delivered a 15.4% underlying RoTE[1] **excluding IFRIC 21 impact and the businesses' underlying RoE**[1] **reached 16.8%, up +230bps and +170bps respectively vs. 1H17.**

Asset & Wealth Management

€m	1H18	1H17	*1H18 vs. 1H17*	*1H18 vs. 1H17 constant FX*
Net revenues	**1,596**	**1,448**	***10%***	***18%***
o/w Asset management	*1,522*	*1,384*	*10%*	*18%*
o/w Wealth management	*74*	*64*	*17%*	*17%*
Expenses	(1,077)	(1,039)	*4%*	*10%*
Gross operating income	**518**	**408**	***27%***	***36%***
Provision for credit losses	(1)	0		
Associates and other items	(2)	9		
Pre-tax profit	**515**	**417**	***23%***	
	0	0		
Cost/income ratio[1]	*67.3%*	*71.6%*	*(4.3)pp*	
RoE after tax[1]	*14.6%*	*11.9%*	*+2.7pp*	

1H18 **underlying net revenues from Asset & Wealth Management (AWM) were up a significant +18% YoY at constant exchange rate** (+10% current). Underlying net revenues from **Asset management** reached €1.5bn in 1H18, up +18% YoY at constant exchange rate, including rises of +14% (+2% current) to €799m in North America and +27% to €489m in Europe. Net revenues from **Wealth management** were up +17% YoY.

In Asset management, **the 1H18 fee rate excluding performance fees** (€119m in 1H18 vs. €82m in 1H17) **reached 31bps (+3.3bps YoY)** and rose to 16bps in Europe (+2.8bps YoY) and to 40bps in North America (+1.3bps YoY).

Asset management attracted +€15bn of net inflows overall during the semester, of which **+€8bn in Europe** and **+€7bn in North America**.

AuM reached €846bn at end-June 2018, of which €413bn in Europe and €419bn in North America. AuM growth over the semester was driven by the combination of net inflows, a -€11bn negative market effect and a +€12bn positive FX effect. Average AuM at constant exchange rate increased by +10% YoY in Europe (excl. Life insurance) and +11% YoY in North America. Wealth management AuM reached €32.5bn[(2)].

AWM delivered a +270bps YoY increase in underlying RoE[(1)] to 14.6% in 1H18 and experienced a **significant positive jaws effect, both at constant (8pp) and current (6pp) exchange rate. The underlying cost/income ratio[(1)] improved 430bps YoY** in 1H18.

(1) See note on methodology and excluding IFRIC 21 impact for the calculation of the cost/income ratio and the RoE
(2) Including Vega IM, 60% owned by Natixis Wealth Management

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p6)

Corporate & Investment Banking

€m	1H18	1H17	1H18 vs. 1H17	1H18 vs. 1H17 constant FX
Net revenues	**1,904**	**1,990**	*(4)%*	*0%*
Net revenues excl. CVA/DVA	*1,889*	*1,968*	*(4)%*	*0%*
o/w Global markets	*970*	*1,128*	*(14)%*	*(11)%*
o/w Global finance	*717*	*655*	*9%*	*17%*
o/w IB et M&A	*168*	*203*	*(17)%*	*(15)%*
Expenses	(1,108)	(1,121)	*(1)%*	*1%*
Gross operating income	**796**	**869**	*(8)%*	*(2)%*
Provision for credit losses	(68)	(78)		
Associates and other items	9	5		
Pre-tax profit	**737**	**796**	*(7)%*	
Cost/income ratio[(1)]	*57.4%*	*55.4%*	*+2.0pp*	
RoE after tax[(1)]	*17.2%*	*15.9%*	*+1.3pp*	

Underlying net revenues from Corporate & Investment Banking excluding the CVA/DVA desk at €1.9bn were flat at constant exchange rate vs. 1H17 (-4% current) with the performance from Global finance (+17% at constant exchange rate) offsetting softer Global markets.

Global markets (excl. CVA/DVA desk) underlying revenues were down -11% YoY at constant exchange rate in 1H18 vs. a historically high 1H17. At constant exchange rate, **FICT** revenues dropped -10% YoY (-13% current) with a dynamic first quarter followed by one marked by lower activity. Natixis' RoE-focused strategy translated into a disciplined and selective approach to business undertaken. At constant exchange rate, **Equity** revenues were down -14% YoY (-17% current) driven by a soft performance from Equity derivatives in Asia in 2Q18 and the closure of the US and UK cash equity desks following the Natixis/Oddo-BHF partnership announcement.

Global finance underlying revenues rose +17% YoY at constant exchange rate in 1H18 (+9% current) driven by Real assets (>70% growth). **New loan production improved +36% YoY**. Underlying revenues generated by **Investment banking and M&A** reached €168m in 1H18, down -15% YoY at constant exchange rate (-17% current) mostly due to a soft French primary market for ECM and several "jumbo" deals closed in 1H17. Standalone M&A revenues increased by +17% YoY in 1H18.

CIB delivered a +130bps YoY increase in underlying RoE[(1)] to 17.2% in 1H18.

Insurance

€m	1H18	1H17	1H18 vs. 1H17
Net revenues	**397**	**368**	***8%***
Expenses	(225)	(209)	*8%*
Gross operating income	**171**	**159**	***8%***
Provision for credit losses	0	0	
Associates and other items	3	7	
Pre-tax profit	**175**	**166**	***5%***
Cost/income ratio[(1)]	*54.4%*	*54.9%*	*(0.5)pp*
RoE after tax[(1)]	*29.1%*	*24.2%*	*+4.9pp*

Underlying net revenues from Insurance increased by +8% YoY to reach €397m in 1H18. Underlying expenses rose +8% YoY to €225m, including a ~€5m increase in the Corporate Social Solidarity Contribution (C3S) in 1Q18 which calculation is based on previous year's activity levels (2017 benefiting in full of the take-over of the new life insurance business for the Caisses d'Epargne network vs. 2016). **YoY intrinsic underlying expense growth was +6% in 1H18, leading to a 2pp positive jaws effect.**

Insurance delivered a +490bps YoY increase in underlying RoE[(1)] to 29.1% in 1H18.

Global turnover[(2)] reached €6.6bn in 1H18 (+3% YoY), including rises of +2% in Life/Personal protection and +8% in Property & Casualty. **Life insurance net inflows[(2)] reached €3.5bn in 1H18 (+1% YoY) o/w 45% in UL products (35% of gross inflows). Life insurance AuM reached €58.6bn at June 30, 2018, of which 24% in the form of unit-linked products.** The P&C combined ratio worked out to 92.1% in 1H18, improving 0.3pp vs. 1H17.

(1) See note on methodology and excluding IFRIC 21 impact for the calculation of the cost/income ratio and the RoE
(2) Excluding the reinsurance agreement with CNP

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p6)

Specialized Financial Services

€m	1H18	1H17	1H18 vs. 1H17
Net revenues	**733**	**691**	***6%***
Specialized financing	*453*	*437*	*4%*
Payments	*188*	*164*	*15%*
Financial services	*92*	*90*	*2%*
Expenses	(491)	(460)	*7%*
Gross operating income	**242**	**231**	***5%***
Provision for credit losses	(7)	(35)	
Associates and other items	1	0	
Pre-tax profit	**236**	**195**	***21%***
Cost/income ratio[(1)]	*66.3%*	*66.0%*	*0.4 pp*
RoE after tax[(1)]	*14.5%*	*13.8%*	*0.7 pp*

Underlying net revenues from Specialized Financial Services were up +6% YoY in 1H18. This overall increase included growth rates of +4% for Specialized financing, +15% for Payments and +2% for Financial services.

Within Payments, business volumes generated by Natixis' recent acquisitions (Dalenys and PayPlug) in Merchant Solutions increased +37% YoY in 1H18. In the meantime, Prepaid & Managed Solutions revenues grew +30% YoY (including scope effect from Comitéo) and the number of card transactions processed in the Services & Processing activity was up +11% YoY vs. 1H17.

SFS underlying expenses increased +7% YoY in 1H18 but were up only +2% at constant scope. The 1H18 **underlying cost/income ratio[(1)]** excluding Payments acquisitions worked out to 64.8% in 1H18.

The underlying cost of risk materially improved to reach €7m in 1H18, experiencing net writebacks from sectorial credit rating improvements in the second quarter.

SFS delivered a +60bps YoY increase in underlying RoE[(1)] to 14.8% in 1H18.

Corporate Center

€m	1H18	1H17	1H18 vs. 1H17
Net revenues	**334**	**320**	*4%*
Coface	*333*	*289*	*15%*
Others	*1*	*30*	
Expenses	(501)	(497)	*1%*
Coface	*(239)*	*(250)*	*(4)%*
SRF	*(164)*	*(122)*	
Others	*(98)*	*(124)*	*(21)%*
Gross operating income	**(167)**	**(177)**	***(5)%***
Provision for credit losses	(8)	(25)	
Associates and other items	9	20	
Pre-tax profit	**(166)**	**(182)**	***(9)%***

Corporate Center underlying revenues reached €334m in 1H18, a +4% YoY increase, of which €333m came from Coface (+15% YoY).

Coface's turnover reached €685m in 1H18, up +2% YoY at constant exchange rate. **The combined ratio net of reinsurance improved markedly to 77.0%** (93.7% in 1H17) on the back of reduced claims (loss ratio at 43.2% vs. 58.3% in 1H17) and a strict cost control as well as higher reinsurance commissions (cost ratio 33.8% vs. 35.5% in 1H17).

Corporate Center underlying expenses excluding Coface and the SRF dropped -21% YoY in 1H18, positively contributing to New Dimension objectives. The SRF contribution is up €42m YoY.

(1) See note on methodology and excluding IFRIC 21 impact on the calculation of the cost/income ratio and RoE

FINANCIAL STRUCTURE

Basel 3 fully-loaded[1]

Natixis' **Basel 3 fully-loaded CET1 ratio worked out to 10.8%** as at June 30, 2018.

- **Basel 3 fully-loaded CET1 capital** amounted to €11.9bn
- **Basel 3 fully-loaded RWA** amounted to €110.1bn

Based on a Basel 3 fully-loaded CET1 ratio of 10.7% as at March 31, 2017, the respective impacts of 2Q18 were as follows:

- Effect of allocating net income (group share) to retained earnings in 2Q18: +53bps
- Accrued dividend for 2Q18: -30bps
- RWA and other effects: +1bp
- 2Q18 Acquisitions of **Fenchurch** Advisory Partners, **Vermilion** Partners and **Clipperton** (M&A advisory) as well as Comitéo (Payments): -10bps

Pro-forma for acquisitions in AWM (MV Crédit, WCM) and disposals in AWM (Selection 1818, Axeltis) already announced, as well as the irrevocable payment commitments deduction from capital (IPC), Natixis' Basel 3 fully-loaded CET1 ratio stands at 10.5% as at June 30, 2018.

Basel 3 phased-in, regulatory ratios[1]

As at June 30, 2018, Natixis' **Basel 3 regulatory (phased-in) capital ratios stood at 10.6% for the CET1, 12.5% for the Tier 1 and 14.5% for the total solvency ratio.**

- **Core Tier 1 capital** stood at €11.6bn and **Tier 1 capital** at €13.7bn.
- Natixis' **RWA** totaled €110.1bn, breakdown as follows:
  - Credit risk: €76.4bn
  - Counterparty risk: €6.9bn
  - CVA risk: €2.4bn
  - Market risk: €9.6bn
  - Operational risk: €14.8bn

Book value per share

Equity capital (group share) totaled €19.2bn as at June 30, 2018, of which €2.1bn in the form of hybrid securities (DSNs) recognized in equity capital at fair value (excluding capital gain following reclassification of hybrids).

Natixis' book value per share stood at **€5.44** as at June 30, 2018 based on 3,135,744,762 shares excluding treasury shares (the total number of shares being 3,138,305,787). The tangible book value per share (after deducting goodwill and intangible assets) was **€4.19.**

Leverage ratio[1]

The leverage ratio worked out to 4.0% as at June 30, 2018.

Overall capital adequacy ratio

As at June 30, 2018, the financial conglomerate's excess capital was estimated at around €2.9bn. Before consideration of current financial year's earnings and dividend accrual (based on a 60% payout ratio), the excess capital was estimated at around €2.6bn.

(1) See note on methodology

APPENDICES

Note on methodology:

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 1st January 2017.

The new businesses organization mainly considers:

- The split of Investment Solutions into two new divisions: Insurance and Asset & Wealth Management(1)
- Within CIB:
  - Global finance and Investment banking(2) 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)

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 26th, 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 based on 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%.

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

Net book value: calculated by taking shareholders' equity group share (minus dividend declared but not paid yet), 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:

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

In €m	30/06/2018
Intangible assets	765
Restatement for Coface minority interest & others	(46)
Restated intangible assets	**719**

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 on this press release are based on Natixis and its businesses' income statements excluding non-operating and/or exceptional items detailed page 2. 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 press release

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

Natixis - Consolidated P&L

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	2Q18 vs. 2Q17	1H17	1H18	1H18 vs. 1H17
Net revenues	**2,347**	**2,410**	**2,205**	**2,506**	**2,412**	**2,577**	*7%*	**4,756**	**4,989**	*5%*
Expenses	(1,771)	(1,594)	(1,530)	(1,737)	(1,795)	(1,640)	*3%*	(3,365)	(3,435)	*2%*
Gross operating income	**576**	**815**	**674**	**769**	**618**	**936**	*15%*	**1,391**	**1,554**	*12%*
Provision for credit losses	(70)	(67)	(55)	(65)	(43)	(40)		(138)	(84)	
Associates	7	6	5	8	7	3		13	10	
Gain or loss on other assets	9	18	(1)	22	6	4		27	10	
Change in value of goodwill	0	0	0	0	0	0		0	0	
Pre-tax profit	**523**	**772**	**623**	**733**	**587**	**903**	*17%*	**1,294**	**1,490**	*15%*
Tax	(214)	(255)	(181)	(139)	(204)	(266)		(469)	(470)	
Minority interests	(28)	(29)	(59)	(76)	(60)	(57)		(57)	(118)	
Net income (group share)	**280**	**487**	**383**	**518**	**323**	**580**	*19%*	**768**	**903**	*18%*

Natixis - IFRS 9 Balance sheet

Assets (in €bn)	30/06/2018	01/01/2018
Cash and balances with central banks	26.0	36.9
Financial assets at fair value through profit and loss[1]	225.8	225.7
Financial assets at fair value through Equity	9.9	10.0
Loans and receivables[1]	130.7	125.1
Debt instruments at amortized cost	1.2	1.0
Insurance assets	101.4	96.9
Accruals and other assets	19.0	18.5
Investments in associates	0.7	0.7
Tangible and intangible assets	1.7	1.6
Goodwill	3.7	3.6
Total	**520.1**	**520.0**

Liabilities and equity (in €bn)	30/06/2018	01/01/2018
Due to central banks	0.0	0.0
Financial liabilities at fair value through profit and loss[1]	217.9	221.3
Customer deposits and deposits from financial institutions[1]	126.5	135.3
Debt securities	41.0	32.6
Accruals and other liabilities	18.6	17.8
Insurance liabilities	90.2	86.5
Contingency reserves	1.8	1.9
Subordinated debt	3.7	3.7
Equity attributable to equity holders of the parent	19.2	19.7
Minority interests	1.2	1.2
Total	**520.1**	**520.0**

(1) Including deposit and margin call

Natixis - 2Q18 P&L by business line

€m	AWM	CIB	Insurance	SFS	Corporate Center	2Q18 reported
Net revenues	**819**	**965**	**193**	**371**	**229**	**2,577**
Expenses	(549)	(549)	(108)	(250)	(184)	(1,640)
Gross operating income	**269**	**417**	**85**	**121**	**45**	**936**
Provision for credit losses	(1)	(39)	0	3	(3)	(40)
Net operating income	**268**	**378**	**85**	**123**	**42**	**896**
Associates and other items	(2)	3	0	1	6	7
Pre-tax profit	**266**	**380**	**85**	**124**	**48**	**903**
					Tax	(266)

Minority interests	(57)
Net income (gs)	**580**

Asset & Wealth Management

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	*2Q18 vs. 2Q17*	1H17	1H18	*1H18 vs. 1H17*
Net revenues	**704**	**743**	**766**	**899**	**777**	**819**	***10%***	**1,448**	**1,596**	***10%***
Asset Management[(1)]	*671*	*713*	*730*	*857*	*739*	*782*	*10%*	*1,384*	*1,522*	*10%*
Wealth management	*33*	*30*	*36*	*42*	*37*	*37*	*22%*	*64*	*74*	*17%*
Expenses	(519)	(521)	(528)	(610)	(529)	(549)	*5%*	(1,039)	(1,078)	*4%*
Gross operating income	**186**	**222**	**239**	**289**	**248**	**269**	***21%***	**408**	**517**	***27%***
Provision for credit losses	0	0	0	0	0	(1)		0	(1)	
Net operating income	**186**	**223**	**239**	**289**	**248**	**268**	***20%***	**409**	**516**	***26%***
Associates	0	0	0	1	0	0		0	0	
Other items	9	0	(1)	2	0	(3)		8	(3)	
Pre-tax profit	**195**	**222**	**238**	**291**	**248**	**266**	***20%***	**417**	**514**	***23%***
Cost/Income ratio	73.6%	70.1%	68.8%	67.9%	68.1%	67.1%		71.8%	67.6%	
Cost/Income ratio excluding IFRIC 21 effect	73.2%	70.2%	69.0%	68.0%	67.5%	67.3%		71.7%	67.4%	
RWA (Basel 3 – in €bn)	10.6	10.2	10.2	11.7	11.5	11.6	*14%*	10.2	11.6	*14%*
Normative capital allocation (Basel 3)	3,874	3,828	3,715	3,676	4,077	3,997	*4%*	3,851	4,037	*5%*
RoE after tax (Basel 3)[(2)]	11.3%	12.5%	13.5%	14.0%	13.7%	15.2%		11.9%	14.5%	
RoE after tax (Basel 3) excluding IFRIC 21 effect[(2)]	11.5%	12.4%	13.4%	13.9%	14.0%	15.1%		11.9%	14.6%	

(1) Asset management including Private equity
(2) Normative capital allocation methodology based on 10.5% of the average RWA - including goodwill and intangibles

Corporate & Investment Banking

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	2Q18 vs. 2Q17	1H17	1H18	1H18 vs. 1H17
Net revenues	**971**	**1,019**	**775**	**817**	**938**	**965**	*(5)%*	**1,990**	**1,904**	*(4)%*
Global markets	***603***	***547***	***363***	***408***	***528***	***457***	***(16)%***	***1,150***	***985***	***(14)%***
FIC-T	388	389	253	288	378	299	*(23)%*	777	678	*(13)%*
Equity	179	172	103	144	148	145	*(16)%*	351	293	*(17)%*
CVA/DVA desk	35	(13)	7	(24)	1	13		22	14	*(36)%*
Global finance	***312***	***343***	***315***	***358***	***334***	***382***	***11%***	***655***	***717***	***9%***
Investment banking (1)	***81***	***122***	***85***	***75***	***83***	***85***	***(30)%***	***203***	***168***	***(17)%***
Other	***(25)***	***7***	***12***	***(24)***	***(7)***	***41***		***(18)***	***34***	
Expenses	(566)	(555)	(506)	(567)	(563)	(549)	*(1)%*	(1,121)	(1,112)	*(1)%*
Gross operating income	**404**	**464**	**269**	**249**	**375**	**417**	*(10)%*	**869**	**791**	*(9)%*
Provision for credit losses	(29)	(48)	(16)	(21)	(29)	(39)	*(20)%*	(78)	(68)	*(13)%*
Net operating income	**375**	**416**	**253**	**228**	**346**	**378**	*(9)%*	**791**	**724**	*(9)%*
Associates	3	3	3	3	4	3		5	6	
Other items	0	0	0	18	3	0		0	3	
Pre-tax profit	**378**	**418**	**255**	**249**	**352**	**380**	*(9)%*	**796**	**733**	*(8)%*
Cost/Income ratio	58.3%	54.4%	65.3%	69.5%	60.1%	56.8%		56.3%	58.4%	
Cost/Income ratio excluding IFRIC 21 effect	55.5%	55.4%	66.5%	70.6%	57.7%	57.6%		55.4%	57.6%	
RWA (Basel 3 – in €bn)	64.4	61.3	60.4	59.0	58.9	60.8	*(1)%*	61.3	60.8	*(1)%*
Normative capital allocation (Basel 3)	7,136	6,963	6,623	6,519	6,365	6,346	*(9)%*	7,049	6,355	*(10)%*
RoE after tax (Basel 3) (2)	14.7%	16.5%	10.5%	11.8%	16.1%	17.3%		15.6%	16.7%	
RoE after tax (Basel 3) excluding IFRIC 21 effect (2)	15.7%	16.1%	10.2%	11.4%	17.2%	17.0%		15.9%	17.1%	

(1) Including M&A
(2) Normative capital allocation methodology based on 10.5% of the average RWA - including goodwill and intangibles

Insurance

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	2Q18 vs. 2Q17	1H17	1H18	1H18 vs. 1H17
Net revenues	**189**	**179**	**176**	**190**	**204**	**193**	*8%*	**368**	**397**	*8%*
Expenses	(129)	(102)	(99)	(109)	(118)	(108)	*6%*	(231)	(226)	*(2)%*
Gross operating income	**60**	**77**	**77**	**80**	**86**	**85**	*10%*	**137**	**170**	*24%*
Provision for credit losses	0	0	0	0	0	0		0	0	
Net operating income	**60**	**77**	**77**	**80**	**86**	**85**	*10%*	**137**	**170**	*24%*
Associates	4	3	2	4	3	0		7	3	
Other items	0	0	0	0	0	0		0	0	
Pre-tax profit	**65**	**80**	**79**	**85**	**89**	**85**	*6%*	**144**	**173**	*20%*
Cost/Income ratio	68.1%	56.9%	56.2%	57.5%	58.0%	56.1%		62.7%	57.1%	
Cost/Income ratio excluding IFRIC 21 effect	54.9%	61.5%	60.9%	61.9%	51.1%	58.5%		58.1%	54.7%	
RWA (Basel 3 – in €bn)	7.4	7.2	7.4	7.2	7.3	7.0	*(3)%*	7.2	7.0	*(3)%*
Normative capital allocation (Basel 3)	857	871	849	875	853	868	*0%*	864	861	*0%*
RoE after tax (Basel 3)[(1)]	17.7%	21.6%	22.3%	26.7%	28.6%	26.4%		19.7%	27.5%	
RoE after tax (Basel 3) excluding IFRIC 21 effect[(1)]	25.6%	19.0%	19.6%	24.2%	33.0%	24.9%		22.3%	28.9%	

(1) Normative capital allocation methodology based on 10.5% of the average RWA - including goodwill and intangibles

Specialized Financial Services

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	2Q18 vs. 2Q17	1H17	1H18	1H18 vs. 1H17
Net revenues	**344**	**347**	**341**	**350**	**362**	**371**	*7%*	**691**	**733**	*6%*
Specialized Financing	***219***	***218***	***215***	***210***	***223***	***230***	***6%***	***437***	***453***	***4%***
Factoring	*39*	*39*	*38*	*42*	*40*	*40*	*3%*	*78*	*80*	*3%*
Sureties & Financial Guarantees	*55*	*46*	*52*	*47*	*54*	*50*	*9%*	*101*	*104*	*3%*
Leasing	*54*	*61*	*52*	*49*	*57*	*61*	*1%*	*115*	*118*	*3%*
Consumer Financing	*66*	*65*	*67*	*67*	*67*	*67*	*2%*	*131*	*134*	*2%*
Film Industry Financing	*5*	*6*	*5*	*6*	*6*	*11*	*68%*	*12*	*17*	*40%*
Payments	***81***	***83***	***83***	***89***	***93***	***95***	***14%***	***164***	***188***	***15%***
Financial Services	***44***	***46***	***43***	***51***	***46***	***46***	***0 %***	***90***	***92***	***2%***
Employee savings plans	*21*	*22*	*21*	*26*	*23*	*23*	*2%*	*44*	*45*	*4%*
Securities Services	*23*	*23*	*22*	*25*	*23*	*23*	*(1)%*	*46*	*46*	*1%*
Expenses	(233)	(228)	(229)	(249)	(245)	(250)	*10%*	(461)	(495)	*7%*
Gross operating income	**112**	**118**	**112**	**101**	**117**	**121**	*2%*	**230**	**238**	*3%*
Provision for credit losses	(21)	(14)	(13)	(24)	(9)	3		(35)	(7)	*(81)%*
Net operating income	**90**	**104**	**99**	**77**	**108**	**123**	*18%*	**195**	**231**	*19%*
Associates	0	0	0	0	0	0		0	0	
Other items	0	0	0	0	0	1		0	1	
Pre-tax profit	**90**	**104**	**99**	**77**	**108**	**124**	*19%*	**195**	**232**	*19%*
Cost/Income ratio	67.6%	65.8%	67.1%	71.2%	67.7%	67.4%		66.7%	67.6%	
Cost/Income ratio excluding IFRIC 21 effect	65.6%	66.5%	67.7%	71.8%	65.9%	68.0%		66.0%	67.0%	
RWA (Basel 3 – in €bn)	15.2	16.0	15.7	16.7	17.5	15.8	*(1)%*	16.0	15.8	*(1)%*
Normative capital allocation (Basel 3)	1,961	1,889	1,907	1,958	2,145	2,232	*18%*	1,925	2,189	*14%*
RoE after tax (Basel 3)(1)	12.6%	15.1%	14.0%	10.7%	13.5%	14.9%		13.8%	14.2%	
RoE after tax (Basel 3) excluding IFRIC 21 effect(1)	13.6%	14.7%	13.6%	10.3%	14.4%	14.6%		14.1%	14.5%	

(1) Normative capital allocation methodology based on 10.5% of the average RWA - including goodwill and intangibles

Corporate Center

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	2Q18 vs. 2Q17	1H17	1H18	1H18 vs. 1H17
Net revenues	**138**	**122**	**146**	**251**	**131**	**229**	***88%***	**260**	**360**	***39%***
Coface	*137*	*152*	*167*	*167*	*177*	*156*	*3%*	*289*	*333*	*15%*
Others	*1*	*(30)*	*(21)*	*84*	*(45)*	*73*		*(29)*	*27*	
Expenses	(324)	(189)	(169)	(201)	(339)	(184)	*(2)%*	(513)	(523)	*2%*
Coface	*(122)*	*(128)*	*(119)*	*(114)*	*(122)*	*(116)*	*(10)%*	*(250)*	*(238)*	*(5)%*
SRF	*(128)*	*6*	*0*	*1*	*(162)*	*(1)*		*(122)*	*(164)*	*34%*
Others	*(74)*	*(66)*	*(50)*	*(88)*	*(54)*	*(67)*	*1%*	*(140)*	*(121)*	*(14)%*
Gross operating income	**(186)**	**(67)**	**(23)**	**50**	**(208)**	**45**		**(253)**	**(163)**	***(36)%***
Provision for credit losses	(20)	(5)	(26)	(20)	(5)	(3)		(25)	(8)	
Net operating income	**(206)**	**(72)**	**(49)**	**30**	**(213)**	**42**		**(278)**	**(171)**	***(39)%***
Associates	0	0	0	0	0	0		1	0	
Other items	1	18	0	2	3	6		19	9	
Pre-tax profit	**(205)**	**(54)**	**(49)**	**32**	**(209)**	**48**		**(258)**	**(161)**	***(38)%***

2Q18 results: from data excluding non-operating items to reported data

€m	2Q18 Underlying	Exchange rate fluctuations on DSN in currencies	Transformation & Business Efficiency investment costs	Fit to Win investments & restructuring expenses	2Q18 reported
Net revenues	**2,522**	**55**			**2,577**
Expenses	(1,624)		(20)	4	(1,640)
Gross operating income	**898**	**55**	**(20)**	**4**	**936**
Provision for credit losses	(40)				(40)
Associates	3				3
Gain or loss on other assets	4				4
Pre-tax profit	**864**	**55**	**(20)**	**4**	**903**
Tax	(252)	(19)	7	(1)	(266)
Minority interests	(56)			(1)	(57)
Net income (group share)	**556**	**36**	**(13)**	**1**	**580**

1H18 results: from data excluding non-operating items to reported data

€m	1H18 Underlying	Exchange rate fluctuations on DSN in currencies	Transformation & Business Efficiency investment costs	Fit to Win investments & restructuring expenses	1H18 Reported
Net revenues	**4,963**	**27**			**4,989**
Expenses	(3,402)		(34)	1	(3,435)
Gross operating income	**1,560**	**27**	**(34)**	**1**	**1,554**
Provision for credit losses	(84)				(84)
Associates	10				10
Gain or loss on other assets	10				10
Pre-tax profit	**1,496**	**27**	**(34)**	**1**	**1,490**
Tax	(472)	(9)	12	0	(470)
Minority interests	(117)			(1)	(118)
Net income (group share)	**907**	**17**	**(22)**	**0**	**903**

Regulatory capital in 2Q18 & financial structure - Basel 3 phased-in(1), €bn

As of 2Q18, regulatory reporting excluding current financial year's earnings and accrued dividend - See note on methodology

Shareholder's equity group share	**19.2**
Current financial year's earnings	(0.9)
Goodwill & intangibles	(3.8)
Other deductions	(0.8)
Hybrids restatement in Tier 1(2)	(2.1)
CET1 Capital	**11.6**
Additional T1	2.1
Tier 1 Capital	**13.7**
Tier 2 Capital	2.2
Total prudential capital	**15.9**

	1Q17	2Q17	3Q17	4Q17	1Q18	1Q18 Pro forma	2Q18
CET1 ratio	10.9%	11.2%	11.4%	10.8%	10.8%	10.7%	**10.6%**
Tier 1 ratio	12.8%	13.1%	13.1%	12.9%	12.7%	12.5%	**12.5%**
Solvency ratio	15.1%	15.4%	15.3%	14.9%	14.8%	14.6%	**14.5%**
Tier 1 capital	14.6	14.7	14.6	14.3	13.9	13.7	**13.7**
RWA EoP	114.1	112.6	111.7	110.7	109.5	109.5	**110.1**

(1) See note on methodology
(2) Including capital gain following reclassification of hybrids as equity instruments

IFRIC 21 effects by business line

Effect in Expenses

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	1H17	1H18
AWM	(3)	1	1	1	(4)	1	(2)	(3)
CIB	(28)	9	9	9	(22)	7	(18)	(15)
Insurance	(25)(1)	8(2)	8(2)	8(2)	(14)	5	(17)	(9)
SFS	(6)	2	2	2	(6)	2	(4)	(4)
Corporate center	(94)	34	30	30	(119)	40	(60)	(80)
Total Natixis	**(156)**	**55**	**50**	**50**	**(166)**	**55**	**(101)**	**(110)**

Effect in Net revenues

€m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	1H17	1H18
SFS (Leasing)	(1)	0	0	0	(1)	0	(1)	(1)
Total Natixis	**(1)**	**0**	**0**	**0**	**(1)**	**0**	**(1)**	**(1)**

(1) -€10.9m in underlying expenses and -€14.1m in exceptional expenses linked to the additional Corporate Social Solidarity Contribution resulting from agreement with CNP
(2) €3.6m in underlying expenses and €4.7m in exceptional expenses linked to the additional Corporate Social Solidarity Contribution resulting from agreement with CNP

Normative capital allocation and RWA breakdown - 30/06/2018

€bn	RWA EoP	% of total	Goodwill & intangibles 1H18	Capital allocation 1H18	RoE after tax 1H18
AWM	11.6	12%	2.8	4.0	14.5%
CIB	60.8	64%	0.2	6.4	16.7%
Insurance	7.0	7%	0.1	0.9	27.5%
SFS	15.8	17%	0.4	2.2	14.2%
Total (excl. Corporate center)	**95.2**	**100%**	**3.5**	**13.4**	

RWA breakdown (€bn)	30/06/2018
Credit risk	**76.4**
Internal approach	*56.3*
Standard approach	*20.1*
Counterparty risk	**6.9**
Internal approach	*5.9*
Standard approach	*1.0*
Market risk	**9.6**
Internal approach	*4.0*
Standard approach	*5.6*
CVA	**2.4**
Operational risk - *Standard approach*	**14.8**
Total RWA	**110.1**

Fully-loaded leverage ratio(1)

According to the rules of the Delegated Act published by the European Commission on October 10, 2014, including the effect of intragroup cancelation - pending ECB authorization

€bn	30/06/2018
Tier 1 capital(1)	**14.0**
Total prudential balance sheet	420.5
Adjustment on derivatives	(40.1)
Adjustment on repos(2)	(28.3)
Other exposures to affiliates	(37.5)
Off balance sheet commitments	37.9
Regulatory adjustments	(4.7)
Total leverage exposures	**347.7**
Leverage ratio	**4.0%**

(1) See note on methodology. Without phase-in - supposing replacement of existing subordinated issuances when they become ineligible
(2) Repos with clearing houses cleared according to IAS32 standard, without maturity or currency criteria

Net book value as of June 30, 2018

€bn	30/06/2018
Shareholders' equity (group share)	**19.2**
Deduction of hybrid capital instruments	(2.0)
Deduction of gain on hybrid instruments	(0.1)
Distribution	
Net book value	**17.1**
Restated intangible assets(1)	0.7
Restated goodwill(1)	3.2
Net tangible book value(2)	**13.1**
€	
Net book value per share	**5.44**
Net tangible book value per share	**4.19**

(1) See note on methodology (2) Net tangible book value = Book value – goodwill - intangible assets

2Q18 Earnings per share

€m	30/06/2018
Net income (gs)	903
DSN interest expenses on preferred shares after tax	(50)
Net income attributable to shareholders	**853**
Earnings per share (€)	**0.27**

Number of shares as of June 30, 2018

€m	30/06/2018
Average number of shares over the period, excluding treasury shares	3,136,214,689
Number of shares, excluding treasury shares, EoP	3,135,744,762
Number of treasury shares, EoP	2,561,025

Net income attributable to shareholders

€m	2Q18	1H18
Net income (gs)	580	903
DSN interest expenses on preferred shares after tax	(24)	(50)
RoE & RoTE numerator	**556**	**853**

Natixis RoTE(1)

€m	30/06/2018
Shareholders' equity (group share)	19,180
DSN deduction	(2,122)
Dividend provision	(512)
Intangible assets	(719)
Goodwill	(3,215)
RoTE Equity end of period	12,611
Average RoTE equity (2Q18)	12,511
2Q18 RoTE annualized	**17.8%**
Average RoTE equity (1H18)	12,461
1H18 RoTE annualized	**13.7%**

Natixis RoE(1)

€m	30/06/2018
Shareholders' equity (group share)	19,180
DSN deduction	(2,122)
Dividend provision	(512)
Exclusion of unrealized or deferred gains and losses recognized in equity (OCI)	(354)
RoE Equity end of period	16,192
Average RoE equity (2Q18)	16,004
2Q18 RoE annualized	**13.9%**
Average RoE equity (1H18)	15,892
1H18 RoE annualized	**10.7%**

(1) See note on methodology

Doubtful loans[1]

€bn	31/03/2017 Pro forma IFRS9	30/06/2018 Under IFRS9
Provisionable commitments [2]	2.7	2.4
Provisionable commitments / Gross debt	2.2%	1.9%
Stock of provisions[3]	2.0	1.9
Stock of provisions / Provisionable commitments	73%	78%

(1) On-balance sheet, excluding repos, net of collateral
(2) Net commitments include properties that are underlying leasing contracts and for which Natixis is the owner as well as factored loans for which the chargeable counterparties are not in default
(3) Specific and portfolio-based provisions

OTHER INFORMATION

Long-term ratings (as of August 6, 2018)

Standard & Poor's: A (positive outlook)
Moody's: A1 (stable outlook)
Fitch Ratings: A (positive outlook)

2018/2019 Financial calendar

November 8, 2018 After market close (subject to modification)	2018 Third Quarter Results
February 12, 2019 After market close (subject to modification)	2018 Annual Results
May 28, 2019	General Shareholders' Meeting (approving the 2018 financial statements)

II SECTION 2: CORPORATE GOVERNANCE

2.1 Natixis Governance at August 6, 2018

2.1.1 Structure of the Board of Directors

Member's first and last name	Main position within the Company[(a)]	Main position outside the Company
Laurent Mignon Born December 28, 1963 Nationality: French Natixis shares held: 29,845	**Chairperson of the Board of Directors** First appointed: Co-opted by the Board of Directors on 06.01.2018 (Chairman of the Board of Directors since the Board Meeting of 06.01.2018) Term expires: 2019 AGM[(b)] **Member - Strategic Committee** First appointed: Board Meeting of 06.01.2018	Chairman of the BPCE Management Board 50 avenue Pierre Mendès France 75201 Paris Cedex 13
BPCE Natixis shares held: 2,227,221,174	**Director** Permanent Representative: Catherine Halberstadt Born October 9, 1958 First BPCE appointment: Co-opted by the Board of Directors on 08.25.2009 and ratified at the AGM of 05.27.2010 Term expires: 2019 AGM[(b)] **Member – Audit Committee** First appointed: Board Meeting of 12.21.2017 (effective 01.01.2018) **Member - Risk Committee** First appointed: Board Meeting of 12.21.2017 (effective 01.01.2018) **Member - Strategic Committee** First appointed: Board Meeting of 12.21.2017 (effective 01.01.2018)	Member of the BPCE Management Board Member of the BPCE Management Board in charge of Group Human Resources, Internal Communications and the Corporate Secretary's Office of BPCE 50 avenue Pierre Mendès France 75201 Paris Cedex 13
Thierry Cahn Born September 25, 1956 Nationality: French Natixis shares held: 1,000	**Director** First appointed: Co-opted by the Board of Directors on 01.28.2013 and ratified at the AGM of 05.21.2013 Term expires: 2022 AGM[(e)] **Member - Appointments Committee** First appointed: Board Meeting of 02.09.2017 **Member - Strategic Committee** First appointed: Board Meeting of 01.28.2013	Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne Immeuble le Concorde 4 quai Kléber BP 10401 67000 Strasbourg Cedex
Alain Condaminas Born April 6, 1957 Nationality: French Natixis shares held: 1,000	**Director** First appointed: AGM of 05.29.2012 Term expires: 2020 AGM[(c)] **Member - Compensation Committee**	Chief Executive Officer of Banque Populaire Occitane 33-43 avenue Georges Pompidou 31135 Balma Cedex

Member's first and last name	Main position within the Company(a)	Main position outside the Company
	First appointed: Board Meeting of 05.29.2012 **Member - Strategic Committee** First appointed: Board Meeting of 05.29.2012	
Alain Denizot Born October 1, 1960 Nationality: French Natixis shares held: 1,001	**Director** First appointed: AGM of 05.19.2015 Term expires: 2019 AGM(b) **Member – Compensation Committee** First appointed: Board Meeting of 05.19.2015 **Member – Risk Committee** First appointed: Board Meeting of 02.09.2017 **Member – Strategic Committee** First appointed: Board Meeting of 05.19.2015	Chairman of the Management Board of Caisse d'Epargne Hauts de France 135 Pont de Flandres 59777 EURALILLE
Bernard Dupouy Born September 19, 1955 Nationality: French Natixis shares held: 1,000	**Director** First appointed: Co-opted by the Board of Directors on 08.01.2017 and ratified at the AGM of 05.23.2018. Term expires: 2019 AGM(b) **Member – Strategic Committee** First appointed: Board Meeting of 08.01.2017	Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique 10 quai des Queyries 33072 Bordeaux Cedex
Sylvie Garcelon Born April 14, 1965 Nationality: French Natixis shares held: 1,000	**Director** First appointed: Co-opted by the Board of Directors on 02.10.2016 and ratified at the AGM of 05.24.2016 Term expires: 2020 AGM(c) **Member – Audit Committee** First appointed: Board Meeting of 02.10.2016 **Member - Strategic Committee** First appointed: Board Meeting of 02.10.2016	Chief Executive Officer of CASDEN Banque Populaire 1 bis rue Jean Wiener – Champs-sur-Marne 77474 Marne-La-Vallée Cedex 2
Anne Lalou Born December 6, 1963 Nationality: French Natixis shares held: 1,000	**Independent Director** First appointed: Co-opted by the Board of Directors on 02.18.2015 and ratified at the AGM of 05.19.2015 Term expires: 2022 AGM(e) **Member - Compensation Committee** First appointed: Board Meeting of 02.18.2015 **Member - Appointments Committee** First appointed: Board Meeting of 02.18.2015 **Chairman - Strategic Committee(e)** First appointed: Board Meeting of 02.18.2015	Dean and Managing Director of Web School Factory, Managing Director of the Innovation Factory 59 rue Nationale 75013 Paris
Françoise Lemalle Born January 1, 1965	**Director** First appointed: Co-opted by the Board of Directors on	Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur (CECAZ)

Member's first and last name	Main position within the Company[a]	Main position outside the Company
Nationality: French Natixis shares held: 1,000	07.30.2015 and ratified at the AGM of 05.24.2016 Term expires: 2022 AGM[e] **Member – Audit Committee** First appointed: Board Meeting of 02.09.2017 **Member - Strategic Committee** First appointed: Board Meeting of 07.30.2015	455 promenade des Anglais 06200 Nice
Bernard Oppetit Born 08/05/1956 Nationality: French Natixis shares held: 1,000	**Independent Director** First appointed: Co-opted by the Board of Directors on 11.12.2009 and ratified at the AGM of 05.27.2010 Term expires: 2022 AGM[e] **Chairman - Risk Committee** First appointed: Board Meeting of 12.17.2014 **Member – Audit Committee** First appointed: Board Meeting of 12.17.2009 **Member - Strategic Committee** First appointed: Board Meeting of 05.11.2011	Chairman of Centaurus Capital Limited 53 Davies Street London W1K 5JH England
Stéphanie Paix Born March 16, 1965 Nationality: French Natixis shares held: 1,093	**Director** First appointed: AGM of 05.29.2012 Term expires: 2020 AGM[c] **Member - Risk Committee** First appointed: Board Meeting of 12.17.2014 **Member - Appointments Committee** First appointed: Board Meeting of 02.09.2017 **Member - Strategic Committee** First appointed: Board Meeting of 11.14.2012	Chairman of the Management Board of Caisse d'Epargne Rhône Alpes 42 bd Eugène Deruelle BP 3276 69404 Lyon Cedex 03
Catherine Pariset Born August 22, 1953 Nationality: French Natixis shares held: 1,000	**Independent Director** First appointed: Co-opted by the Board of Directors on 12.14.2016 and ratified at the AGM of 05.23.2017 Term expires: 2019 AGM[b] **Chairman – Audit Committee** First appointed: Board Meeting of 12.14.2016 **Member - Risk Committee** First appointed: Board Meeting of 12.14.2016 **Member - Strategic Committee** First appointed: Board Meeting of 12.14.2016	Independent Director 19, rue Ginoux 75015 Paris
Henri Proglio Born June 29, 1949 Nationality: French	**Independent Director** First appointed: AGM of 04.30.2009 Term expires: 2019 AGM[b]	Chairman of Henri Proglio Consulting SAS 151 boulevard Haussmann

Member's first and last name	Main position within the Company[(a)]	Main position outside the Company
Natixis shares held: 1,000	**Chairman - Appointments Committee** First appointed: Board Meeting of 12.17.2014 **Member - Compensation Committee** First appointed: Board Meeting of 04.30.2009 **Member - Strategic Committee** First appointed: Board Meeting of 05.11.2011	75008 Paris
Philippe Sueur Born July 4, 1946 Nationality: French Natixis shares held: 4,000	**Director** First appointed: AGM of 04.30.2009 Term expires: 2019 AGM[(b)] **Member - Appointments Committee** First appointed: Board Meeting of 12.17.2014 **Member - Strategic Committee** First appointed: Board Meeting of 05.11.2011	Member of the Steering and Supervisory Board of Caisse d'Epargne Île-de-France 57 rue du Général-de-Gaulle 95880 Enghien-Les-Bains
Nicolas de Tavernost Born August 22, 1950 Nationality: French Natixis shares held: 1,000	**Independent Director** First appointed: AGM of 07.31.2013 Term expires: 2021 AGM[(d)] **Chairman - Compensation Committee** First appointed: Board Meeting of 08.06.2013 **Member - Appointments Committee** First appointed: Board Meeting of 12.17.2014 **Member - Strategic Committee** First appointed: Board Meeting of 08.06.2013	Chairman of the Groupe M6 Management Board 89 avenue Charles de Gaulle 92575 Neuilly sur Seine Cedex

(a) A brief resume for each Natixis corporate officer and the list of corporate offices they held in 2017 as well as previous years are provided in paragraph 2.2 of the Natixis 2017 Registration Document.
(b) AGM held to approve the financial statements for fiscal year 2018.
(b) AGM held to approve the financial statements for fiscal year 2019.
(d) AGM held to approve the financial statements for fiscal year 2020.
(b) AGM held to approve the financial statements for fiscal year 2021.

2.1.2 SENIOR MANAGEMENT COMMITTEE AND EXECUTIVE COMMITTEE

2.1.2.1 Senior Management at August 6, 2018

Corporate officer's first and last name	Main position within the Company	Main position outside the Company
François Riahi Born April 8, 1973 Nationality: French Natixis shares held: 0	**Chief Executive Officer** First appointed: Board Meeting of 04.27.2018 (effective 06.01.2018) Term expires: 2022 AGM	Member of the BPCE Management Board[(a)]

(a) The list of corporate offices held by the Chief Executive Officer in 2018 and in previous years is provided in paragraph 2.2 of the update to the Natixis 2016 Registration Document.

2.1.2.2 Senior Management Committee and Executive Committee

■ MEMBERS OF THE SENIOR MANAGEMENT COMMITTEE (SMC) AT AUGUST 6, 2018

François Riahi Chief Executive Officer Chairman of the Committee	**Gils Berrous** Specialized Financial Services (SFS)	**Nathalie Bricker** Finance	**Pierre Debray** Risk
Anne Lebel Human Resources	**Jean-François Lequoy** Insurance	**André-Jean Olivier** Corporate Secretariat	**Jean Raby** Asset & Wealth Management
Pierre-Antoine Vacheron SFS – Payment Activities	**Marc Vincent** Corporate & Investment Banking (CIB)		

■ MEMBERS OF THE EXECUTIVE COMMITTEE (EXCO) AS OF AUGUST 6, 2018

François Riahi Chief Executive Officer	**Stéphane About** Financing and Market Solutions - Americas	**Carine André** Operations and Information Systems - Operations	**Patrick Artus** Chief Economist
Luc Barnaud Chief Digital Officer	**Beverly Bearden** Asset & Wealth Management – Natixis Investment Managers and Human Resources	**Gils Berrous** Specialized Financial Services (SFS)	**Olivier Bilal** Asset & Wealth Management – Natixis Investment Managers – International Sales and Marketing
Nathalie Bricker Finance	**Nathalie Broutèle** Insurance – Non-life insurance	**Marc Cattelin** SFS – EuroTitres	**Anne-Christine Champion** Corporate & Investment Banking – Distribution and financing portfolio management
Jean Cheval Senior Advisor	**Fouad Chéhady** Transformation & Operational Excellence	**Georges-Eric de La Brunière** Asset Management and Wealth Management – Natixis Asset Management	**Guillaume de Saint-Seine** Corporate & Investment Banking – Coverage
Pierre Debray Risks	**Anne-Cécile Delas** Corporate & Investment Banking – Global Transaction Banking	**Olivier Delay** Corporate & Investment Banking – Real Asset	**Matthieu Duncan** Asset Management and Private Banking – Natixis Asset Management
Christophe Eglizeau Asset & Wealth Management – Natixis Interépargne	**Catherine Fournier** SFS – Natixis Payment Solutions	**Dominique Fraisse** Corporate & Investment Banking – Energy & Natural Resources	**Luc François** Corporate & Investment Banking – Global Markets
Alain Gallois Corporate & Investment Banking – Asia-Pacific	**Benoît Gausseron** Media	**David Giunta** Asset & Wealth Management – Natixis Investment Managers – United States and Canada	**Hervé Housse** General Inspection
Philippe Jeanne Finance – Financial Management	**Mohamed Kallala** Corporate & Investment Banking – Investment Banking	**Christophe Lanne** Asset & Wealth Management – Transformation	**Christian Le Hir** Corporate Secretariat – Chief Legal Officer
Christophe Le Pape Insurance – Personal Insurance	**Anne Lebel** Human Resources	**Jean-François Lequoy** Insurance	**Daniel Louis** Strategy
Cyril Marie Asset & Wealth Management - Finances – Natixis Investment Managers -	**Didier Miquel** SFS – Natixis Financement	**Stéphane Morin** Corporate Secretariat - Compliance	**André-Jean Olivier** Corporate Secretariat
Jean Raby Asset & Wealth Management	**Dominique Sabassier** Asset & Wealth Management - Natixis Private Equity	**Anne Sallé Mongauze** SFS – Compagnie Européenne de Garanties et Cautions	**Cécile Tricon-Bossard** Human Resources
Didier Trupin SFS – Natixis Lease	**Pierre-Antoine Vacheron** SFS – Payment Activities	**Claude Valade** SFS – Natixis Factor	**Marc Vincent** Corporate & Investment Banking (CIB)

2.2 Additional information on the directors' positions at August 6, 2018

Laurent Mignon ***(since June 1, 2018)***
Chairman of the BPCE Management Board

Born December 28, 1963
Nationality: French
Natixis shares held: 29,845
Address:
50 avenue Pierre Mendès France
75201 Paris Cedex 13

Director
First appointed: Co-opted by the Board of Directors on 06.01.2018
Term expires: 2019 AGM[(a)]

Member – Strategic Committee
First appointed: Board Meeting of 06.01.2018

Attendance rate in 2017	Board of Directors:	Strategic Committee:
	N/A	N/A

A graduate of HEC and the Stanford Executive Program, Laurent Mignon worked for more than 10 years in various positions at Banque Indosuez, from the trading floor to corporate banking. In 1996 he joined Schroeders in London, then AGF in 1997 as Chief Financial Officer. He was appointed to the Executive Committee in 1998, then became Deputy CEO in charge of Banque AGF, AGF Asset Management and AGF Immobilier in 2002. He became CEO in charge of the Life and Financial Services and Credit Insurance divisions in 2003 and Chairperson of the Executive Committee in 2006. From September 2007 to May 2009 he was associate manager at Oddo et Cie alongside Philippe Oddo.

From May 2009 to May 2018, Laurent Mignon was Chief Executive Officer of Natixis. He has been member of the BPCE Management Board since August 6, 2013. Laurent Mignon has been Chairman of the Management Board of BPCE since June 1, 2018.

Other offices held in 2017 and 2018:

Within Groupe BPCE
• Chairperson of the Management Board of BPCE *(since 06.01.2018)*
• Chairperson of the Board of Directors of Crédit Foncier France *(since 05.17.2018)*
• Member of the Board of CE Holding Participations *(since 06.06.2018)*
Member of the Board of Sopassure *(since 06.18.2018)*
Member of the BPCE Management Board *(since 08.06.2013)*
• Chairperson of the Board of Directors of: Natixis Investment Managers *(from 09.01.2010 to 06.01.2018),* COFACE SA *(from 11.22.2012 to 06.15.2018)*, Natixis Assurances *(from 03.23.2017 to 06.07.2018)*
• Member of the Board of Peter J. Solomon Company LLC *(from 06.08.2016 to 05.30.2018)*

Outside Groupe BPCE
• Director of: Arkema[(1)] *(since 10.27.2009),* AROP (Association pour le Rayonnement de l'Opéra National de Paris) *(since 12.10.2015),* CNP Assurances[(1)] *(since 05.15.2018, effective 06.01.2018)*

Compliance with rules governing the number of offices held	AFEP-Medef code:	French Monetary and Financial Code:
	compliant	compliant

Offices held in previous fiscal years

2013	2014	2015	2016
. Director of Sequana[(1)(2)] *(from 10.27.2009 to 06.27.2013)*			
. Non-voting member of BPCE (Permanent Representative of Natixis) *(from 08.01.2013 to 07.11.2013)*			
. Member of the Board of Lazard Ltd[(1)(2)] *(since 07.28.2009)*			*(until 04.19.2016)*

(1) Listed company.
(2) Company outside Groupe BPCE.
(b) AGM held to approve the financial statements for fiscal year 2018.

François Riahi *(since June 1, 2018)*
Chief Executive Officer of Natixis

Born April 8, 1973
Nationality: French
Natixis shares held: 0
Address:
30 avenue Pierre Mendès France
75201 Paris Cedex 13

Director
First appointed: Co-opted by the Board of Directors on 06.01.2018
Term expires: 2022 AGM

Member – Strategic Committee
First appointed: Board Meeting of 06.01.2018

A graduate of the Ecole Centrale de Paris, IEP Paris and the Stanford Executive Program, François Riahi began his career as an Inspector General in the French Finance Ministry (Inspection Générale des Finances) from 2001 to 2005, before joining the Ministry's Budget Department. In 2007 he was appointed Advisor on State Reform and Public Finances to the President of the French Republic. He joined Groupe BPCE in March 2009, becoming its Deputy Chief Executive Officer in charge of Strategy. In May 2012 he headed up the Asia-Pacific platform of the Corporate & Investment Banking division of Natixis based in Hong Kong. In February 2016 he was appointed a member of Natixis' Senior Management Committee as Global co-head of Corporate & Investment Banking. In January 2018 François Riahi was appointed Chief Executive Officer of Groupe BPCE in charge of Finance, Strategy, Legal Affairs and Secretary's Office of the Governing Bodies.

François Riahi has served as Chief Executive Officer of Natixis since June 1, 2018.

Other offices held in 2017 and 2018:

Within Groupe BPCE
- Member of the BPCE Management Board *(since 01.01.2018)*
- Chairperson of the Board of Directors of: Natixis Investment Managers *(since 06.01.2018)*, Natixis Assurances *(since 06.07.2018),* Coface SA *(since 06.15.2018)*
- Member of the Board of Peter J. Solomon Company LLC *(since 05.30.2018)*
- Member of the Supervisory Board of Natixis Pfandbriefbank AG *(from 06.01.2018 to 02.28.2018)*
- Director: Natixis North America LLC *(from 05.31.2016 to 01.15.2018)*, Natixis Japan Securities Co. Ltd *(from 09.07.2012 to 12.22.2017)*
- Permanent Representative of Natixis, Director of Natixis Coficiné *(from 01.09.2017 to 02.07.2018)*
- Permanent Representative of BPCE, Director of Crédit Foncier de France *(from 01.01.2018 to 05.31.2018)*

Outside Groupe BPCE
- Manager of SNC TEA and EMMA *(since 08.01.2012)*

Compliance with rules governing the number of offices held	AFEP-Medef code:	French Monetary and Financial Code:
	compliant	compliant

Offices held in previous fiscal years

2013	2014	2015	2016
Member of the Board of:			
. Natixis Asia Limited *(since 09.04.2012)*			*(until 09.23.2016)*
. Natixis Australia PTY Ltd *(since 09.03.2012)*			*(until 07.18.2016)*

(1) Listed company
(2) Company outside Groupe BPCE

2.3 Management and oversight of corporate governance

2.3.1 Board of Directors

2.3.1.1 Organization

- Changes in the structure of the Board since March 23, 2018:

On May 23, 2018, the Combined Shareholders' Meeting of Natixis:

- Ratified the co-opting of Bernard Dupouy as a Director by the Board of Directors, which took place on the meeting of the Board on August 1, 2017, to replace Michel Grass and serve out the remainder of his predecessor's term of office, i.e. until the 2019 General Shareholders' Meeting to approve the financial statements for the year ending on December 31, 2018;
- Renewed the term of office of Thierry Cahn for four years, i.e. until the 2022 General Shareholders' Meeting to approve the financial statements for the year ending on December 31, 2021;
- Renewed the term of office of Anne Lalou for four years, i.e. until the 2022 General Shareholders' Meeting to approve the financial statements for the year ending on December 31, 2021;
- Renewed the term of office of Françoise Lemalle for four years, i.e. until the 2022 General Shareholders' Meeting to approve the financial statements for the year ending on December 31, 2021, and;
- Renewed the term of office of Bernard Oppetit for four years, i.e. until the 2022 General Shareholders' Meeting to approve the financial statements for the year ending on December 31, 2021.

On June 1, 2018, the Board of Directors recognized the resignation of François Pérol from his duties as Director and Chairman of the Board of Directors and decided, following the approval of the Appointments Committee, to:

- Co-opt Laurent Mignon as Director to replace François Pérol for the remainder of his predecessor's term of office, namely until the end of the 2019 General Shareholders' Meeting to approve the financial statements for the fiscal year ending December 31, 2018.
  This co-option will be subject to the approval of the next General Shareholders' Meeting.
- Appoint Laurent Mignon as Chairman of the Board of Directors for the duration of his directorship, i.e. until the General Shareholders' Meeting called in 2019 to approve the financial statements for the fiscal year ending December 31, 2018.

2.3.2 Special Committees: offshoots of the Board of Directors

Following the General Shareholders' Meeting of May 23, 2018 during which the directorships of Thierry Cahn, Anne Lalou, Françoise Lemalle and Bernard Oppetit were renewed for four years, the Board of Directors renewed:

- Thierry Cahn as Member of the Appointments Committee;
- Anne Lalou as Chairman of the Strategic Committee, Member of the Appointments Committee and Member of the Compensation Committee;
- Françoise Lemalle as Member of the Audit Committee;
- Bernard Oppetit as Member and Chairman of the Risk Committee and Member of the Audit Committee.

In addition, in their capacity as Directors, Laurent Mignon, Anne Lalou, Thierry Cahn, Bernard Oppetit, Françoise Lemalle and Bernard Dupouy are de facto members of the Strategic Committee.

2.3.3 Senior Management

2.3.3.1 Organization

Following the resignation of Laurent Mignon from his role of Chief Executive Officer, and following the approval of the Appointments Committee, during its meeting on April 27, 2018 the Board of Directors appointed François Riahi Chief Executive Officer, effective as of June 1, 2018, for a term of four years, until the end of the 2022 General Shareholders' Meeting to approve the financial statements for the fiscal year ending December 31, 2021.

Accordingly, François Riahi is Executive Manager of Natixis ("dirigeant effectif", as defined by Article L.511-13 and L. 532-2 of the French Monetary and Financial Code). The executive management of Natixis is thus provided by three executive managers: François Riahi, Chief Executive Officer, Gils Berrous, Head of Specialized Financial Services, and Marc Vincent, Head of Corporate & Investment Banking.

The Chief Executive Officer set up a Senior Management Committee (CDG), which he chairs, made up of the heads of Natixis' main businesses (Asset & Wealth Management, Corporate & Investment Banking, Insurance and Specialized Financial Services) and support functions.
At August 6, 2018, the members were: Gils Berrous (Specialized Financial Services), Nathalie Bricker (Finance), Pierre Debray (Risks), Anne Lebel (Human Resources), Jean-François Lequoy (Insurance), André-Jean Olivier (Corporate Secretary), Jean Raby (Asset & Wealth Management), Pierre-Antoine Vacheron (SFS – Payment Activities) and Marc Vincent (Corporate & Investment Banking).

2.4 Policies and rules established for determining compensation and benefits of any kind for corporate officers

2.4.3 Principles and criteria for determining, distributing and awarding fixed, variable and non-recurring items making up the total compensation and benefits of any kind attributable to the Chairman of the Board of Directors and the Chief Executive Officer

2.4.3.1 Chairman of the Board of Directors

On the advice of the Compensation Committee, the Board of Directors decided to set the compensation of the Chairman of the Board at €300,000 on an annual basis as of June 1, 2018.

2.4.3.2 Chief Executive Officer

<u>Fixed compensation</u>

The fixed compensation of the Chief Executive Officer is set in accordance with the skills and expertise necessary for performing his duties and in line with common market practice for similar positions.

For fiscal year 2018, François Riahi's gross annual fixed compensation is set at €800,000 as of June 1, 2018 when his appointment comes into effect.

<u>Variable compensation linked to the company's performance</u>

On the advice of the Compensation Committee, the Board of Directors approved the following principle for variable compensation: François Riahi will be paid a target annual variable compensation amount of 120% of his fixed compensation, i.e. €960,000 gross. The structure, weighting and indicator calculation model approved by the Board for 2018 and included in the 2017 Registration Document, Section 2.4.3.2, will be applied identically to the compensation of François Riahi.

The theoretical maximum percentage that can be paid would remain unchanged at 156.75% of the target variable compensation amount, i.e. €1,504,800 gross for François Riahi. The total variable compensation amounts (variable & long-term profit-sharing) over the fiscal year may not exceed 200% of the fixed compensation amount.

Performance shares

The Chief Executive Officer is eligible to receive 20% of his gross annual compensation as performance shares under the long-term compensation plans for members of the Natixis Senior Management Committee. The vesting of these shares is contingent upon presence and the achievement of performance conditions. The total of annual variable compensation and performance shares in favor of the Chief Executive Officer during the fiscal year cannot exceed twice his fixed gross annual compensation.

Other benefits

François Riahi also enjoys benefits in terms of social protection, in an identical manner to that enjoyed by Natixis employees or implemented by Groupe BPCE for its executive officers. With regards to post-employment benefits, he is entitled to mandatory pension schemes, contract termination payment and non-compete payment in an identical manner to those applicable to his predecessor Laurent Mignon.

Pension Plan

Like all Natixis staff, François Riahi is entitled to mandatory pension schemes. He is not entitled to the kind of supplementary pension schemes described in article 39 (defined benefit plan) or article 83 (voluntary defined contribution plan) of the French General Tax Code. François Riahi will pay €117,333 on an annual basis into an "article 82" type life insurance policy (in reference to the French General Tax Code), put in place by BPCE and in compliance with Groupe BPCE policy. The premiums on this policy will be paid by François Riahi and not by Natixis.

Contract termination payment:

As a reminder, the commitment related to contract termination payment is characterized as follows:

- The amount of severance pay is equal to: Monthly Reference Compensation x (12 months +1 month per year of seniority).
- The Monthly Reference Compensation used for the calculation is equal to one-twelfth of the sum of:
  - the fixed compensation paid in respect of the last calendar year in activity,
  - and the average variable compensation (immediate and deferred payment in whatever form) paid over the last three calendar years of activity.

To determine the Monthly Reference Compensation, the compensation factored in is that paid with respect of his duties as Chief Executive Officer of Natixis. Seniority is counted in years and fractions of years in his capacity of Chief Executive Officer of Natixis.

The amount of contract termination payments, together with the non-compete payment, if applicable, received by the Chief Executive Officer is capped at 24 months of the Monthly Reference Pay.

The contract termination payment is made on condition that the following performance criteria are achieved:

- For four half-years prior to departure, average net income Group share equal to or higher than 75% of the expected budget average for the period.
- For four half-years prior to departure, average ROE equal to or higher than 75% of the expected budget average for the period.
- A cost/income ratio below 75% for the last fiscal half-year prior to departure.

The contract termination payment amount will be calculated as follows:
- If all three criteria are met: payment of 100% of the agreed amounts;
- If two criteria are met: payment of 66% of the agreed amounts;
- If only one criterion is met: payment of 33% of the agreed amounts;
- If none of the criteria is met: no payment will be made.

The Chief Executive Officer will not be eligible for contract termination payment:
- in the event of gross negligence or willful misconduct, or
- if he leaves at his initiative to takes another position within Groupe BPCE or
- changes his position within Groupe BPCE.

The release of severance payment will be subject to the recognition by the Board of Directors, in application of the contract termination payment commitment, of the performance criteria being met.

Non-compete payment:

Since his appointment, François Riahi benefits from the same non-compete payment arrangement as his predecessor Laurent Mignon.

In the event François Riahi no longer performs his duties of Chief Executive Officer, he will be required to comply with a non-compete agreement, limited to a period of six (6) months starting on the day of the effective termination of his office as Chief Executive Officer. Under this agreement, he may not accept any management or directorship position nor have any vested interest whatsoever in a credit institution or insurance company headquartered in France and belonging to one of the following two indices: Euro Stoxx Banks and Euro Stoxx Insurance.

This non-compete agreement is associated with an indemnity equal to six (6) months of fixed compensation, as in force at the date on which the Chief Executive Officer leaves office.

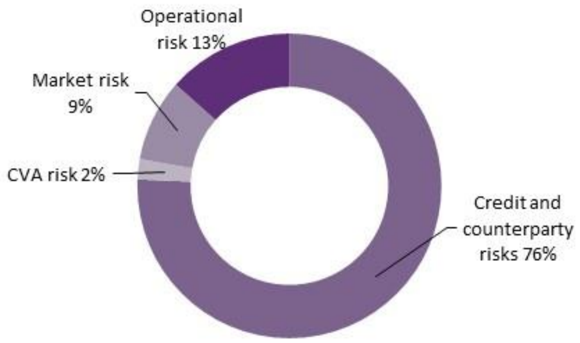
In the event a contract termination payment is made to the Chief Executive Officer, the total amount of this indemnity and the non-compete payment may not exceed a ceiling of 24 months of Monthly Reference Compensation.

Upon the Chief Executive Officer's departure, the Board of Directors shall authorize the release of the contract termination payment and decide whether to enforce the non-compete clause.

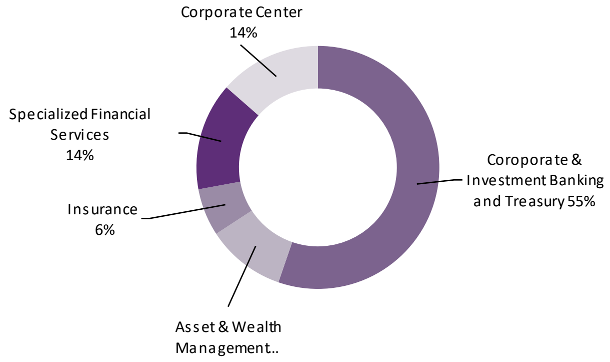
III SECTION 3: RISK AND CAPITAL ADEQUACY

3.1.1 Key risk figures

- **Capital requirements by risk type at June 30, 2018**



- **Capital requirements by main business line at June 30, 2018**



3.1.2 Risk factors

There were no significant changes in the risk factors applicable to Natixis compared to the description given in the Natixis 2017 Registration Document (Chapter 3, pp. 101-108).

3.4 Capital management and capital adequacy

3.4.3 Composition of capital

- **Transition from shareholder's equity to prudential capital after applying phase-in arrangements**

(in millions of euros)	**12.31.2017**	**Balance sheet at 01.01.2018 under IFRS 9**	**06.30.2018**
Shareholders' equity			
Capital	5,020	5,020	5,021
Issue premium	4,210	4,210	4,210
Retained earnings	6,235	6,204	6,532
Treasury shares	-25	-25	-38
Other, including items of comprehensive income	453	357	575
Other instruments to be reclassified as Additional Tier 1 capital	2,232	2,232	1,978
Net income	1,669	1,669	903
Total shareholders' equity (Group share)	**19,795**	**19,667**	**19,180**
Reclassification as Additional Tier 1 capital	-2,232	-2,232	-1,978
Translation adjustments	17	17	15
Restatement of proposed dividend (dividend for previous year)	0	0	0
Prudential filters after phase-in arrangements			
Own credit risk: gain on reclassification of hybrid securities	-170	-170	-144
Own credit risk: liabilities and derivatives net of deferred taxes	181	181	9
Prudent valuation adjustment	-262	-262	-253

Unrealized gains and losses	16	35	121
Total prudential filters	**-236**	**-216**	**-267**
Deductions after phase-in arrangements			
Dividend proposed for current year and related expenses	-1,160	-1,160	0
Goodwill			
Amount as per accounting base	-3,215	-3,215	-3,280
Amount of related deferred tax liabilities	311	311	321
Amount included in value of investments in associates	-227	-227	-257
Intangible assets			
Amount as per accounting base	-511	-511	-547
Minority interests			
Amount as per accounting base	137	133	101
Prudential adjustment including phase-in arrangements	-137	-133	-101
Deferred tax assets (tax loss carry-forwards)			
Amount as per accounting base	-1,490	-1,582	-1,176
o/w portion not including tax loss carry-forwards and impact of netting	700	791	474
Prudential adjustment including phase-in arrangements	316	318	140
Shortfall of provisions to expected losses	0	0	0
Investments in the share capital of financial sector entities	0	0	0
Other prudential adjustments including phase-in arrangements	-95	-72	-978
Total deductions	**-5,370**	**-5,347**	**-5,303**
Total Common Equity Tier 1 (CET1)	**11,975**	**11,890**	**11,647**
Hybrid capital instruments			
Amount as per accounting base			
Other equity instruments	2,232	2,232	1,978
Residual gain on reclassification as equity	170	170	144
Nominal value adjustment during the period	-4	-4	0
Early redemption through exercise of call option	0	0	0
Leveling due to the grandfathering limit	0	0	0
Total hybrid instruments	2,397	2,397	2,122
Deductions	-22	-22	-22
Other prudential adjustments including phase-in arrangements	-79	-79	0
Total Additional Tier 1 (AT1)	**2,297**	**2,297**	**2,100**
Total Tier 1 capital	14,271	14,186	13,747
Subordinated debt instruments			
Amount as per accounting base	3,081	3,081	3,071
Regulatory adjustment	-126	-126	-179
Transfer of grandfathering leveling on hybrid capital instruments	0	0	0
Total Tier 2 instruments	2,955	2,955	2,893
Surplus of provisions to expected losses	0	145	72
Deductions	-760	-760	-762
Other prudential adjustments including phase-in arrangements	74	74	0
Total Tier 2 capital	**2,269**	**2,413**	**2,203**
Total prudential capital	**16,540**	**16,600**	**15,950**

3.4 Changes in regulatory capital, regulatory own fund requirements and ratios

▪ Changes in prudential capital after the application of phase-in arrangements over the period

(in millions of euros)	First half of 2018	Of which impact of first application of IFRS 9
Common Equity Tier 1 (CET1)		
Amount at start of period	11,975	
New instruments issued (including issue premiums)	2	0
Instruments redeemed	0	
Retained earnings from previous periods	-215	-32
Net income/(loss) for the period	903	0
Gross dividend proposed	0	0
Dividend payout in new shares	0	
Changes in other comprehensive income		
Translation adjustments	107	0
Available-for-sale assets	-183	-111
Cash flow hedging reserve	26	0
Other	170	15
Other	-903	0
Minority interests	0	0
Filters and deductions not subject to the phase-in arrangements		
Goodwill and intangible assets	-122	0
Own credit risk	-146	0
Other comprehensive income CFH	-26	0
Prudent valuation adjustment	9	0
Other	24	22
Other, including prudential adjustments and phase-in arrangements		
Deferred tax assets that rely on future earnings (excluding temporary differences)	89	2
Deductions in respect of breaches of capital thresholds	0	0
Other	-13	0
Impact of phase-in arrangements	-49	18
o/w impact of changes in phase-in rate	-31	0
o/w impact of change in basis subject to phase-in arrangements	-18	18
Amount of Common Equity Tier 1 (CET1) at end of period	**11,647**	
Additional Tier 1 (AT1) capital		
Amount at start of period	2,297	
New eligible instruments issued	0	0
Redemptions during the period	-300	0
Other, including prudential adjustments and phase-in arrangements	104	0
o/w impact of changes in phase-in rate	79	0
o/w other impact of changes in base	25	0
Amount of Additional Tier 1 (AT1) capital at end of period	**2,100**	
Tier 1 capital	13,747	
Tier 2 capital		
Amount at start of period	2,269	
New eligible instruments issued	0	0
Redemptions during the period	0	0
Other, including prudential adjustments and phase-in arrangements	-66	145
o/w impact of changes in phase-in rate	-74	0
o/w other impact of changes in base	8	145
Amount of Tier 2 capital at end of period	**2,203**	
Total prudential capital	**15,950**	

In the first half of 2018, Basel 3/CRR prudential capital, after applying transitional arrangements, changed as follows:

Common Equity Tier 1 (CET1) totaled €11.6 billion at June 30, 2018, down by -€0.4 billion over the period.

Common Equity Tier 1 capital does not consider income earned in the first half of 2018 or projected dividends for the same period.

The -€0.6 billion decrease in shareholders' equity (Group share) was mostly attributable to the -€1.2 billion dividend payout for the 2017 fiscal year that took place during the period and the -€0.3 billion repayment of two subordinated bond issues, offset by first half-year income of +€0.9 billion.

CET1 capital includes an increase in the prudential deduction for goodwill and intangible assets in the amount of -€0.1 billion and the phase-in effect on deferred tax, which rose from 60% in 2017 to 80% in 2018, combined with the use of deferred taxes on tax loss carry forwards for a net amount of -€0.1 billion. Finally, the repayment of two subordinated bond issues was the subject of a +€0.3 billion restatement applied to the Tier 1 capital category, as they do not meet CET1 eligibility criteria.

Tier 1 capital fell by -€0.2 billion, mainly due to the repayment of the above-mentioned bond issues.

Tier 2 capital was stable at €2.2 billion.

At €110.1 billion, **risk-weighted assets** were down -€0.6 billion over the period.

- **Risk-weighted assets at June 30, 2018**

(in billions of euros)	Credit risk	CVA	Market risk	Operational risk	Total RWA
12.31.2017	**85**	**1.2**	**9.7**	**14.8**	**110.7**
Changes in exchange rates	0.4				0.4
Changes in business activity	1.4	0.4			1.8
Improvement in risk parameters	-2.1	0.7	-0.1		-1.5
Acquisitions and disposals of financial investments					0
Impact of guarantees	-1.2				-1.2
06.30.2018	**83.3**	**2.4**	**9.6**	**14.8**	**110.1**

The -€0.6 billion decrease in risk-weighted assets over the first half of the year was mainly due to the following factors:

- the impact of the dollar's appreciation (+€0.4 billion);
- an increase in outstandings (+€1.8 billion), mainly for CVA and credit RWA;
- the impact of risk parameters (-€1.5 billion), mainly due to changes in risk weights and exposure maturities offset partly by the approval in April 2018 of the use of the EEPE method to determine counterparty risk exposure and of an internal model to calculate CVA capital requirements;
- a guarantee effect of -€1.2 billion.

3.4.5 Capital planning

- **Table NX02: RWA by business line**

(in millions of euros)

		Basel 3 RWA at 06.30.2018		
Division	**TOTAL**	**Credit[a]**	**Market[b]**	**Operational**
Corporate & Investment Banking[c]	60,842	43,964	9,557	7,321
Asset & Wealth Management	11,592	6,870	5	4,717
Insurance	6,966	6,966		
Specialized Financial Services	15,795	13,540		2,255
Corporate Center	14,932	11,997	2,444	491
TOTAL AT 06.30.2018	**110,127**	**83,337**	**12,006**	**14,784**
TOTAL AT 12.31.2017	**110,697**	**84,985**	**10,928**	**14,784**

(a) Including counterparty risk.

(b) Including settlement-delivery risk of €2,375 million in CVA RWA.

(c) Including Treasury & Collateral Management.

3.5 Credit and counterparty risks

3.5.8 Quantitative disclosures

▪ **Table NX01: EAD, RWA and OFR by Basel approach and by category of exposure**

	06.30.2018			12.31.2017		
(in millions of euros)	EAD	RWA	OFR	EAD	RWA	OFR
Credit risk						
Internal approach	**157,044**	**56,329**	**4,506**	**177,471**	**60,782**	**4,863**
Equities	5,146	15,777	1,262	5,446	16,548	1,324
Central governments or central banks	37,360	409	33	47,832	601	48
Other assets	734	191	15	717	188	15
Retail	671	208	17	620	181	14
Corporates	96,770	35,918	2,873	107,942	39,971	3,198
Institutions	10,327	2,434	195	9,706	2,219	178
Securitization	6,036	1,392	111	5,208	1,074	86
Standardized approach	**77,477**	**20,100**	**1,608**	**66,452**	**17,532**	**1,402**
Central governments or central banks	5,110	1,353	108	6,012	1,549	124
Other assets	8,863	6,994	559	8,177	8,526	682
Retail	2,246	1,638	131	2,631	1,937	155
Corporates	8,581	6,694	536	3,274	2,428	194
Institutions	47,180	528	42	41,573	549	44
Exposures at default	335	407	33	374	477	38
Exposures secured by mortgages on immovable property	1,128	532	43	1,025	498	40
Exposures to institutions and corporates with a short-term credit assessment	555	364	29	382	200	16
Securitization	3,479	1,590	127	3,004	1,368	109
Sub-total credit risk	***234,521***	***76,429***	***6,114***	***243,923***	***78,314***	***6,265***
Counterparty risk						
Internal approach	**38,771**	**5,870**	**470**	**33,305**	**5,756**	**460**
Central governments or central banks	6,018	133	11	6,424	105	8
Corporates	18,027	3,949	316	13,594	3,694	295
Institutions	14,394	1,737	139	13,065	1,911	153
Securitization	332	51	4	222	46	4
Standardized approach	**22,355**	**853**	**68**	**21,132**	**659**	**53**
Central governments or central banks	1,007	215	17	955	128	11
Retail	1	1		1		
Corporates	68	46	4	60	15	1
Institutions	20,890	367	29	19,843	365	29
Exposures at default	2	3		2	3	
Exposures to institutions and corporates with a short-term credit assessment	386	221	18	270	147	12
Securitization	1			1	1	

CCP default fund exposure	**344**	**185**	**15**	**368**	**256**	**21**
Sub-total counterparty risk	***61,470***	***6,908***	***553***	***54,805***	***6,671***	***534***
Market risk						
Internal approach		**4,015**	**321**		**4,229**	**338**
Standardized approach		**5,598**	**448**		**5,491**	**439**
Equity risk		552	44		432	34
Foreign exchange risk		2,579	206		2,586	207
Commodities risk		595	48		720	58
Interest rate risk		1,872	150		1,753	140
Sub-total market risk		***9,613***	***769***		***9,720***	***777***
CVA	**8,138**	**2,375**	**190**	**8,389**	**1,198**	**96**
Settlement-delivery risk		**18**	**1**		**10**	**1**
Operational risk (standardized approach)		**14,784**	**1,183**		**14,784**	**1,183**
TOTAL		**110,127**	**8,810**		**110,697**	**8,856**

▪ Table NX05: EAD by geographic area and by asset class

(in millions of euros)

Category of exposure	France	Europe *	North America	Other	Total
Corporates	**42,114**	**37,112**	**19,747**	**24,473**	**123,446**
Other than SMEs and SF	33,957	30,015	15,538	20,148	99,658
Specialized Financing (SF)	4,527	6,207	3,922	3,935	18,591
SMEs	3,630	890	287	390	5,197
Institutions	**58,092**	**15,838**	**11,174**	**8,031**	**93,135**
Central governments or central banks	**26,172**	**8,031**	**9,731**	**5,561**	**49,495**
Central governments or central banks	25,008	6,994	9,637	5,558	47,197
International organizations		582			582
Multilateral development banks					
Regional governments or local authorities	344	287			631
Public sector entities	820	168	94	3	1,085
Securitization	**5,331**	**598**	**3,267**	**652**	**9,848**
Other assets	**8,032**	**621**	**823**	**121**	**9,597**
Equities	**4,195**	**569**	**309**	**73**	**5,146**
Retail	**2,834**	**24**	**1**	**59**	**2,918**
Other than SMEs	2,064	18	1	4	2,087
SMEs	770	6		55	831
Exposures secured by mortgages on immovable property	**1,090**	**37**		**1**	**1,128**
Exposures to institutions and corporates with a short-term credit assessment	**238**	**9**	**8**	**686**	**941**
Exposures at default	**307**	**3**		**27**	**337**
Collective investments undertakings					
Total at 06.30.2018	**148,405**	**62,842**	**45,060**	**39,684**	**295,991**
Total at 12.31.2017	**157,656**	**59,207**	**45,137**	**36,728**	**298,728**

* Europe = European Union + Europe (outside EU)

▪ Table NX12: EAD by internal rating (S&P Equivalent)

The following table shows the breakdown of exposures at risk by internal rating (S&P equivalent) for asset classes measured using the IRB approach, excluding:

- exposures to equities (calculated using a simple weighting);
- pool-based exposures (acquired portfolios) and third parties grouped into homogeneous risk classes;
- securitization positions.

(% breakdown)

Grade	Internal rating	06.30.2018 (*)	12.31.2017 (*)
Investment Grade	AAA	0.1%	
	AA+	5.4%	6.8%
	AA	12.6%	17.0%
	AA-	12.7%	12.2%
	A+	5.6%	4.2%
	A	11.9%	9.0%
	A-	9.7%	8.8%
	BBB+	7.4%	6.8%
	BBB	7.4%	8.0%
	BBB-	8.2%	7.4%
Investment Grade		**81.0%**	**80.2%**
Non-Investment Grade	BB+	5.2%	5.5%
	BB	4.3%	4.2%
	BB-	3.2%	3.4%
	B+	2.1%	2.2%
	B	0.9%	0.6%
	B-	0.3%	0.4%
	CCC+	0.1%	0.1%
	CCC	0.1%	0.1%
	CCC-		
	CC		
	C		
Non-Investment Grade		**16.2%**	**16.5%**
Non-rated	**Non-rated**	**1.0%**	**1.3%**
Default	**D**	**1.8%**	**2.0%**
Total		**100.0%**	**100.0%**

(*) Reclassification of central bank exposures from AA- to AA+ for the US central bank and from AA- to AA for the French central bank in the interest of better alignment with their external ratings (modification of the theoretical allocation principle: level 1 internal rating, or equivalent to an S&P rating of between AAA and AA-, with allocation to an AA- rating).

3.7 Market risks

3.7.4 Market risk management quantitative disclosure

Change in Natixis VaR

The VaR level for Natixis' trading portfolios averaged €7.2 million on a rolling one-year period. It peaked at €10 million on January 26, 2018 and bottomed out at €5.3 million on December 29, 2017, standing at €8.6 million at June 29, 2018.

The following chart shows the VaR trading history between June 30, 2017 and June 30, 2018 for the entire scope.

Overall Natixis VaR– trading portfolio (1 day 99% VaR)

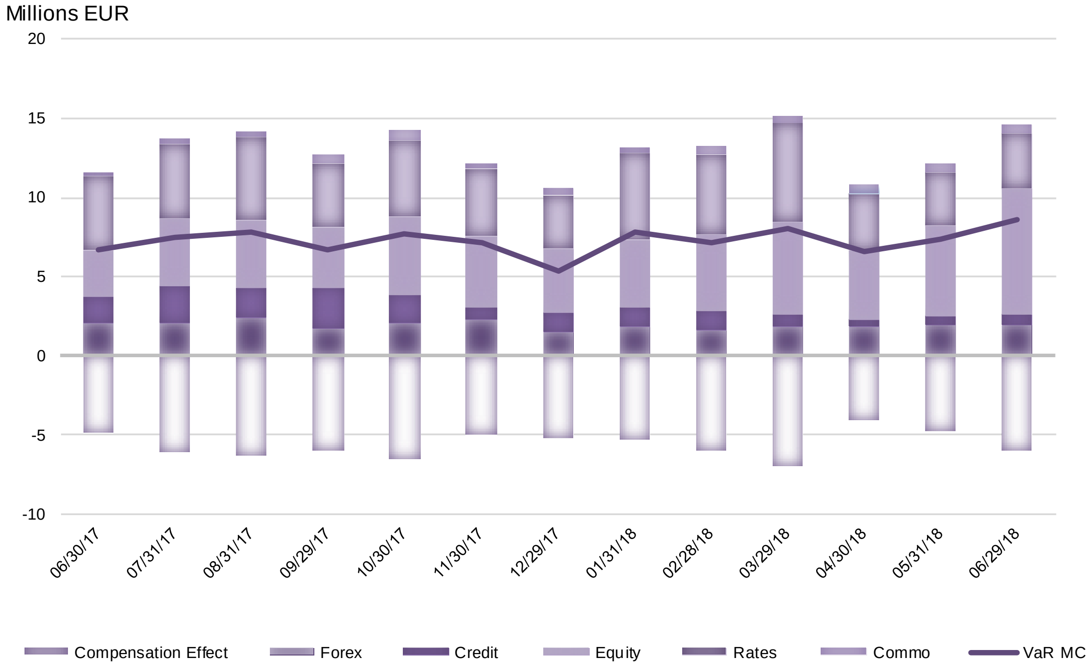
Breakdown of total trading VaR by portfolio

The following table presents the key VaR figures - (1 day 99% VaR):

(in millions of euros) **Natixis trading portfolio**	**VaR at 06.30.2018**
Natixis	**8.6**
Corporate & Investment Banking	**8.7**
o/w:	
Global Markets	8.6
Equity Markets	3.8
Commodities	0.7
Fixed Income	3.9
Global Securities Financing	6.2
XVA	1.8
Other run-off activities	2.1

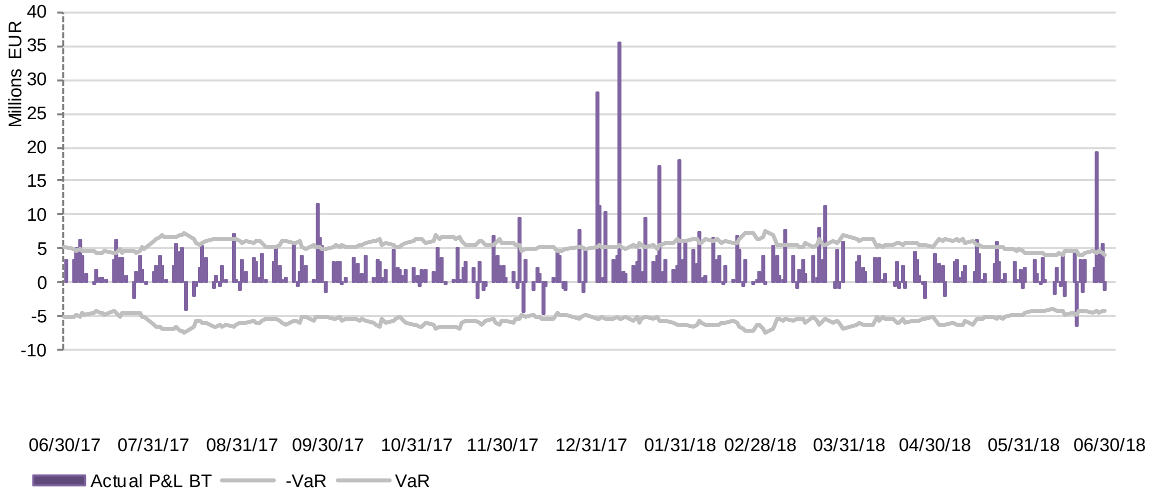
VaR breakdown by risk factors and compensation effect

The breakdown of the VaR by risk factor provides a picture of the monthly contribution of the main risks and the compensation effects in terms of VaR.



Natixis backtesting for regulatory scope

The following chart shows results of backtesting (ex-post comparison of potential losses, as calculated ex-ante by VaR (99%, 1 day), with hypothetical and actual P&L impacts) on the regulatory scope, and can be used to verify the solidity of the VaR indicator:

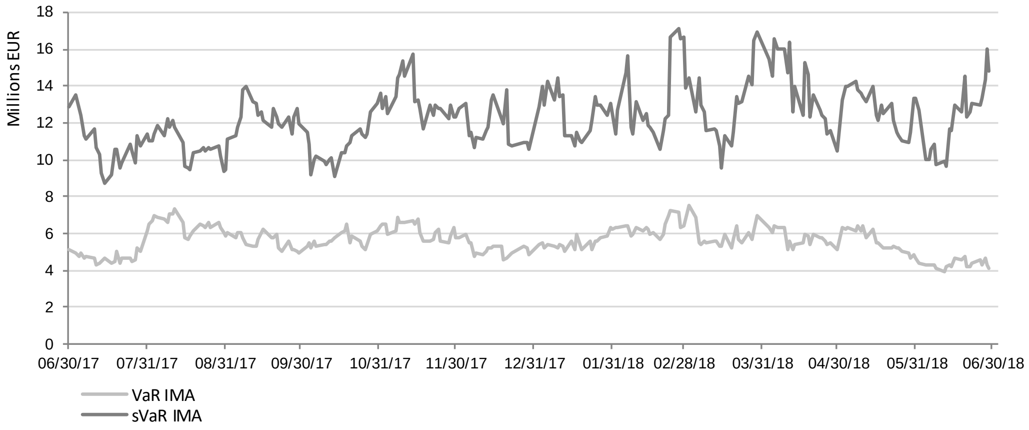


A backtesting exception was observed during the period, on June 19, 2018, due to the redefinition of US yield curves used in New York. This loss amounted to -€10.2 million in profit and loss.

Natixis Regulatory Stressed VaR

The Natixis Regulatory Stressed VaR level averaged €12.2 million on a rolling one-year period. It peaked at €17.1 million on February 26, 2018, and bottomed out at €8.7 million on July 14, 2017.

Change in regulatory VaR (1 day 99% VaR) and Stressed VaR (1-day SVaR).



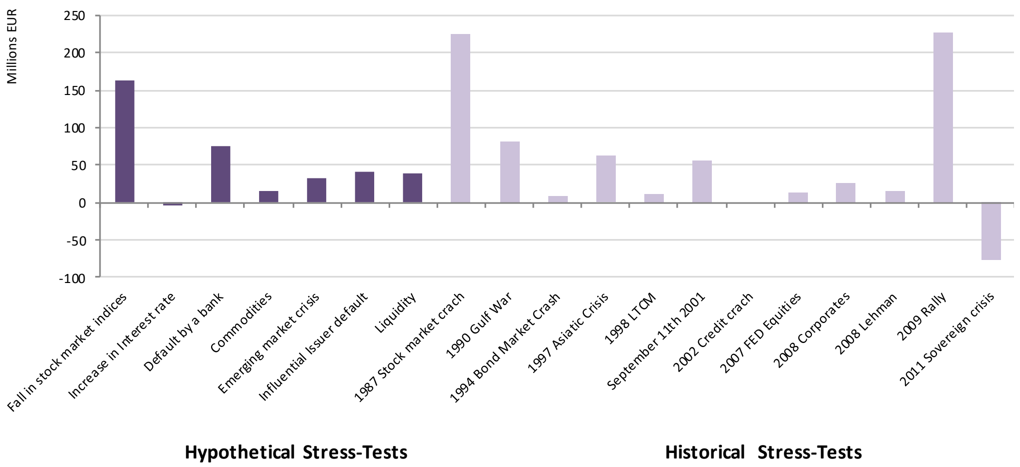
IRC Indicator

This indicator covers the regulatory scope. Natixis' IRC level averaged €28.7 million on a rolling one-year period. It peaked at €71.2 million on September 7, 2017, and bottomed out at €10.9 million on March 16, 2018, and stood at €16.5 million at June 30, 2018.

Stress test results for the Natixis scope

Overall stress test levels averaged +€53 million at June 30, 2018.
The historical stress test replicating the sovereign debt crisis in 2011 gave the maximum loss (-€77 million at June 30, 2018).

■ **OVERALL STRESS TESTS AT JUNE 29, 2018**



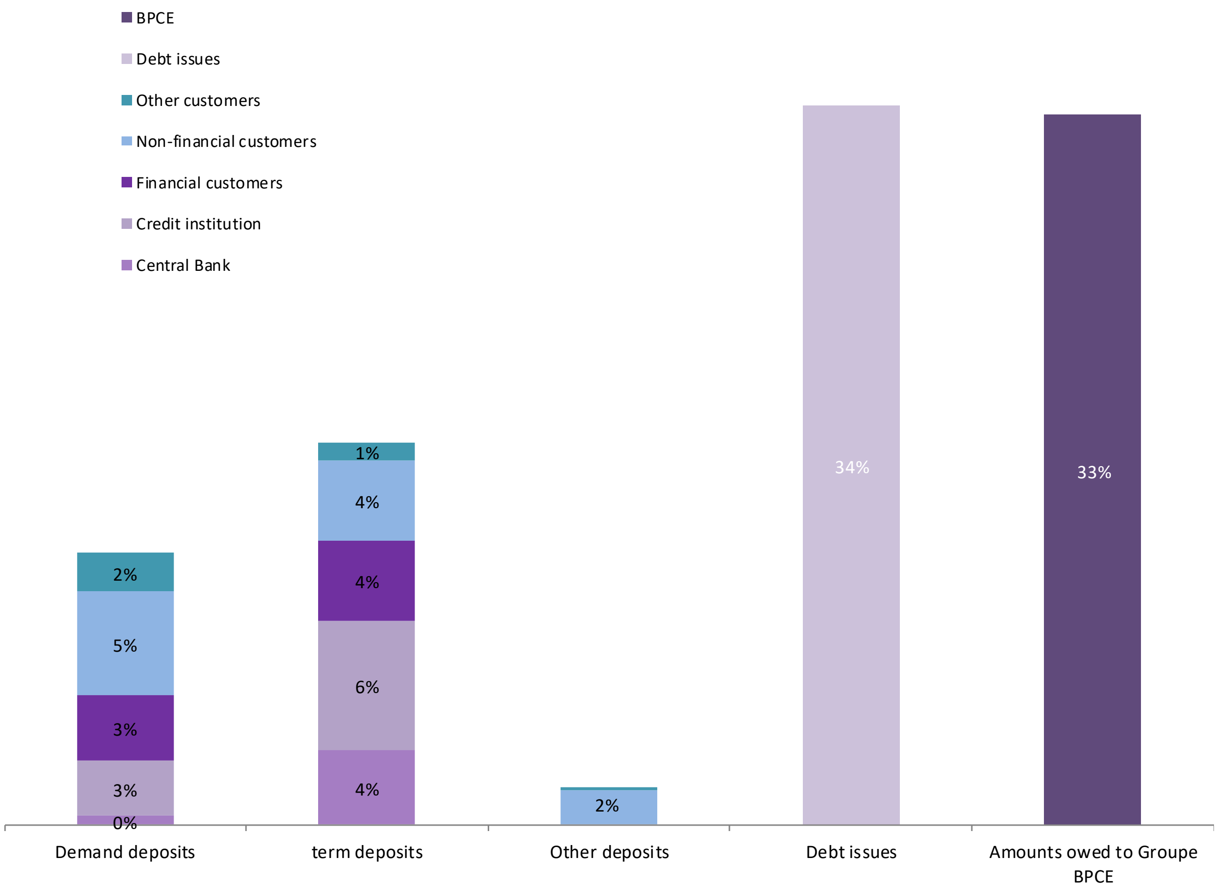
3.9 Overall interest rate, liquidity and structural foreign exchange risks

3.9.2.4 Funding principles and structure

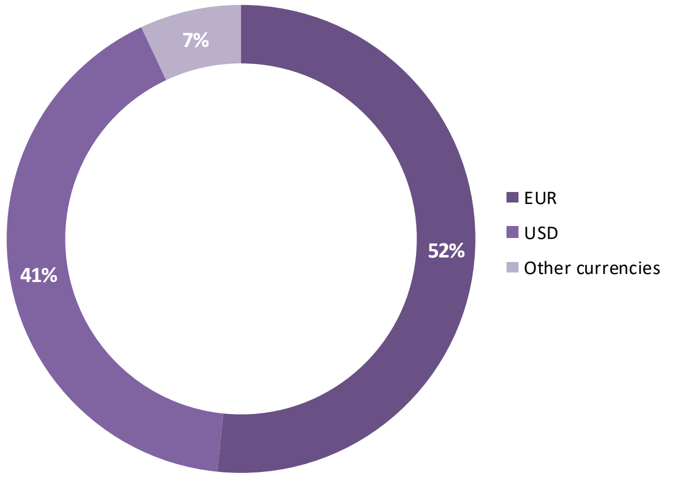
Funding strategy

The following charts are prepared and updated for information purposes on the basis of management data at half-year end.

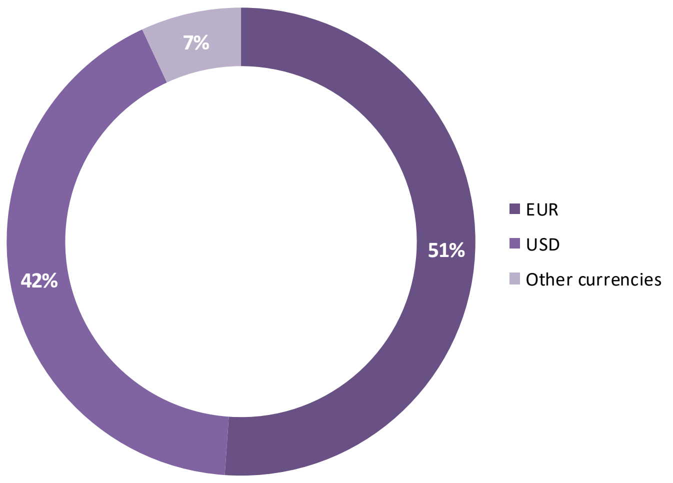
Gross weight of on-balance sheet funding sources, by major category of vehicle and/or by customer segment at 06.30.2018.



Breakdown of gross funding structure by currency, at current USD exchange rates - 06.30.2018



Breakdown of gross funding structure by currency, at constant USD exchange rates - 06.30.2018



At June 30, 2018, the execution of the MLT funding program is currently in line with the origination of long-term assets, and corresponds to around half the 2018 plan.

Bank funding

Short-term funding

After a positive start to the year on the stock markets, concerns about growth following the Trump administration's trade policy quickly turned into widespread doubt, triggering fresh volatility.

In the US, the prospect of accelerated inflation, which could result in faster-than-expected monetary policy normalization, drove US long rates to 3-4 year record levels.
In addition, the surge in short-term debt issuance by the US Treasury widened the Libor-Ois spread, thus renewing investor interest in banking debt.
In Europe, the political uncertainties in Germany and Italy had a limited impact on the markets, with no contagion to the rest of the euro zone.
The European Central Bank announced its timeline for phasing out its bond-buying program, as well as its payment reinvestment policy. It also announced that it would not change its key interest rates before the second half of 2019 and encouraged short-term investors to continue to seek yield on the interest rate curve.
Accordingly, Natixis was able to maintain its euro-denominated funding over longer periods as well as consolidate its dollar-denominated funding.

NATIXIS' SHORT-TERM ISSUANCE PROGRAM OUTSTANDINGS

(in millions of euros or euro equivalents)	**Certificates of deposit**	**Commercial papers**
Program caps *	45,000	24,867
Outstandings at 06.30.2018	25,545	8,415

* *For certificates of deposit, NEU CP program only*

Long-term funding

In the first half of 2018, on the back of the strength of the US economy 2018 growth was revised upwards from 2.5% to 2.7% (Fed). Core PCE inflation reached 2% and hourly earnings were up. The Fed went ahead with two 25 bp interest rate hikes. Since the start of the year, long rates gained 70 bp to 3.11% (10Y US Treasuries) in mid-May before falling back to 2.86% at end-June amid fears of a US-China trade war.
In Europe, the legislative elections in Italy were won by a populist government. Still in Italy, the emergence of euroskeptic forces pushed up the 10Y BTP to 3.20% in May, and the Bund-BTP spread exceeded the 300 bp mark before returning to 230 bp levels.
In June, The European Central Bank announced that it would end its quantitative easing (QE) program by the end of the year: it will halve its monthly asset repurchases from the current €30 billion to €15 billion in October, before halting the program altogether in December. The ECB also revealed its 2018 inflation forecast (between 1.4% and 1.7%), but the market does not expect to see an interest rate increase before the second half of 2019.
In the European credit market, core bank spreads on senior unsecured debt resisted reasonably well in this environment: the five-year spread of French banks ended the first six months of the year at Euribor3M +33 bp, up 18 bp over the period. The non-preferred debt (MREL/TLAC eligible) for these same banks was less resilient, with the spread widening 50 bp.
Against this backdrop, in the first half of 2018 Natixis raised a total of €7.9 billion in funding under its medium- and long-term funding program.

NATIXIS' MEDIUM- AND LONG-TERM DEBT ISSUANCE PROGRAMS

(in millions of euros or euro equivalents)	**EMTN**	**NEU MTN**	**US MTN**	**Bond issues**
Issues at 06.30.2018	5,607	240	55	1,990
Outstandings at 06.30.2018	16,269	736	211	9,272

3.9.2.6 Reserves and operational management of ratios

Oversight of the leverage ratio

Restated for exposure related to affiliates and after factoring in the net income of the dividend forecast for the period as well as additional Tier 1 capital, Natixis maintained its leverage ratio above 4% in its quarterly reporting.

Table LR1: Comparison of accounting exposures and leverage exposures

(in millions of euros)

	Category	06.30.2018	12.31.2017
1	Total consolidated assets reported in the financial statements	520,137	519,987
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(99,619)	(94,937)
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measurement, in accordance with Article 429 (13) of Regulation (EU) No. 575/2013 "CRR")		
4	Adjustments for derivative financial instruments	(27,034)	(29,265)
5	Adjustment for securities financing transactions (repurchase transactions and other types of collateralized loans)	(17,394)	(19,927)
6	Adjustment for off-balance sheet items (i.e. conversion of off-balance sheet exposures to credit equivalent amounts)	40,549	36,079
7	Other adjustments	(16,241)	(15,661)
8	**Leverage ratio exposure (*)**	**400,398**	**396,276**
(*)	**o/w exposure related to affiliates**	**52,512**	**47,251**
(*)	**Excluding exposure related to affiliates**	**347,886**	**349,025**

3.9.4 Overall interest rate risk

3.9.4.3 Quantitative information

Overall interest rate risk remains moderate for Natixis given the outstanding positions managed by the company.

The Basel 2 normative shock (immediate -200 bp change in yield curves) at June 30, 2018 would lead to a variation of -€679 million in the portfolio’s economic value. This sensitivity is low given the size of the banking book and represents less than 5% of the bank's CET1 capital.

3.9.5 Other information

3.9.5.3 Monitoring of rating triggers

These are covered under the LCR management policy and are estimated at €2.2 billion in EUR equivalent at June 30, 2018, versus €2 billion at December 31, 2017.

3.11 Legal risks

3.11.1 Legal and arbitration proceedings

Madoff fraud

Outstanding Madoff assets, net of insurance, were estimated at €388.8 million at December 31, 2017, and were fully provisioned at this date. The effective impact of this exposure will depend on both the extent of recovery of assets invested in Natixis' name and the outcome of the measures taken by the bank, primarily legal. With this in mind, Natixis has appointed law firms to assist it in these recovery efforts. Furthermore, in 2011 a dispute emerged over the application of the insurance policy for professional liability in this case, which had been taken out with successive insurers for a total amount of €123 million. In November 2016, the Paris Court of Appeal confirmed (like the Commercial Court before it) the liability of the first-line insurers, in the amounts of the policies taken out, for the losses incurred by Natixis as a result of the Madoff fraud. The implementation of this ruling by all of the insurers is ongoing. In January and February 2017, both of the first-line insurers submitted an appeal to the Court of Cassation. The hearing was held on January 31, 2018. Deliberations are in progress and the case has been transferred to the Second Civil Chamber of the Commercial Division of the Court of Cassation. The hearing took place on July 3 and the ruling will be issued on September 19.

Irving H. Picard, the court-appointed trustee for Bernard L. Madoff Investment Securities LLC (BMIS), submitted a restitution claim concerning the liquidation of amounts received prior to the discovery of the fraud through a complaint filed with the United States Bankruptcy Court for the Southern District of New York against several banking institutions, including a $400 million claim against Natixis. Natixis denies the allegations made against it and has taken the necessary steps to defend its position and protect its rights. Natixis has launched appeals, including a motion to dismiss, requesting that the case be dismissed on a preliminary basis or prior to any ruling on merit, and a motion to withdraw the reference to transfer certain matters to the United States district court. These proceedings have been subject to numerous rulings and appeals and are still ongoing. A November 2016 ruling by the bankruptcy court dismissed a number of restitution claims initiated by the trustee on the grounds of extraterritoriality. The case is ongoing.

Furthermore, the liquidators of Fairfield Sentry Limited and Fairfield Sigma Limited have initiated numerous proceedings against investors having previously received payments from these funds for redemptions of shares (over 200 proceedings have been filed in New York). Some Natixis entities have been named as defendants in some of these proceedings. Natixis deems these proceedings to be entirely unfounded and is vigorously defending its position. These proceedings have been suspended for several years, and in October 2016 the bankruptcy court authorized the trustees to modify their initial claim. The defendants jointly responded in May and June 2017 and are awaiting the announcement of the hearing date.

Natixis Asset Management (formerly CDC Gestion) – Profit sharing

In 2012, a complaint was filed against Natixis Asset Management before the Paris District Court (Tribunal de Grande Instance de Paris) by 187 former employees of CDC Gestion (current name Natixis Asset Management). The subject of the complaint is the legal recognition of their rights to common law profit-sharing schemes from 1989 to 2001. Following the application for a priority preliminary ruling on the issue of administrative constitutionality raised by Natixis Asset Management on the interpretation of an article of the French Labor Code, on August 1, 2013, the Constitutional Council declared the first paragraph of Article L.442-9 of the French Labor Code in its version prior to Law No. 2004-1484 of December 30, 2005, to be unconstitutional and ruled that employees of companies whose share capital is predominantly held by public entities cannot call for a profit-sharing scheme to be applicable to them for the period during which the provisions declared unconstitutional were in force. In September 2014, the Paris District Court ruled in favor of Natixis Asset Management and dismissed all of the employees' complaints. The employees appealed the ruling to the Paris Court of Appeal. On May 9, 2016 the Court of Appeal upheld the ruling and rejected the appeal filed by the plaintiffs. Employees have collectively submitted an appeal to the Court of Cassation. In a ruling on February 28, 2018, the Court of Cassation rejected the employees' collective appeal. The case is closed.

Union Mutualiste Retraite

In June 2013, Union Mutualiste Retraite (UMR) filed three complaints against AEW SA (previously AEW Europe) in relation to the acquisition and management of two real estate portfolios in Germany between 2006 and 2008. The amounts claimed by UMR total €139 million.

On October 25, 2016, the Commercial Court of Paris ordered the two insurance schemes involved to honor, in respect of AEW SA, the sanctions covered by the policies that may be ruled in favor of UMR in connection with the litigation and to cover the defense costs incurred by AEW SA. Several of the insurers concerned appealed this decision.

On June 26, 2018, the Paris Court of Appeal ordered a stay of proceedings opposing AEW SA and its insurers, until a final ruling is issued on the case opposing UMR and AEW SA, currently before the Commercial Court of Paris. The matter of the insurance cover provided by the insurers, as set by the ruling issued by the Commercial Court of Paris on October 25, 2016, and the coverage of AEW SA's legal fees, were not challenged by the Paris Court of Appeal.

The proceeding opposing UMR and AEW SA is ongoing.

Securitization in the United States

Since 2012, five separate legal proceedings regarding residential mortgage-backed security (RMBS) transactions executed between 2001 and mid-2007 have been initiated against Natixis Real Estate Holdings LLC before the New York Supreme Court.

Two of these proceedings relate to accusations of fraud. One was dismissed in 2015 as time-barred as were some of the claims related to the second proceeding, and in 2018 Natixis settled the outstanding claims before the court issued a final ruling on the merits of the case.

Three of these five proceedings have been brought against Natixis, purportedly on behalf of certificate holders, alleging that Natixis failed to repurchase defective mortgages from certain securitizations. Natixis considers the claims brought against it before the New York Supreme Court to be without merit for multiple reasons, including that they are time-barred under applicable statute of limitations (two proceedings have already been dismissed for these reasons but are open to appeal) and that the claimants do not have the legal standing to file the suit, and intends to defend itself vigorously.

Société Wallonne du Logement

On May 17, 2013, Société Wallonne du Logement (SWL) filed a complaint against Natixis before the Charleroi Commercial Court (Belgium), contesting the legality of a swap agreement entered into between SWL and Natixis in March 2006 and requesting that it be annulled.

All of SWL's claims were dismissed in a ruling by the Charleroi Commercial Court on November 28, 2014. On September 12, 2016, the Mons Court of Appeal annulled the contested swap agreement and ordered Natixis to repay to SWL the amounts paid by SWL as part of the swap agreement, less any amounts paid by Natixis to SWL under the same agreement and taking into account any amounts that would have been paid had the previous swap agreement not been terminated.

The Cour de Cassation of Belgium overturned this ruling on June 22, 2018.

Furthermore, on March 16, 2017 Natixis filed an appeal with the Paris Court of Appeal challenging the appeal ruling's legal enforceability in France. In a ruling dated June 19, 2018, the Paris Court of Appeal rejected Natixis' appeal. Said ruling was null and void in light of the aforementioned ruling by the Cour de Cassation.

In addition, on August 3, 2017, Natixis summoned the Walloon regional authority to appear before the Namur Court of First Instance regarding the appeal of its performance bond as part of the aforementioned swap agreement.

SFF/Contango Trading SA

In December 2015 the South African Strategic Fuel Fund (SFF) entered into agreements to sell certain oil reserves to several international oil traders. Contango Trading SA (a subsidiary of Natixis) provided funding for the deal.

In March 2018, SFF launched a proceeding before the South African Supreme Court (Western Cape Division, Cape Town) primarily against Natixis and Contango Trading SA to have the agreements invalidated, declared null and void, and to obtain fair and equitable compensation.

Lucchini Spa

In March 2018 Natixis SA was summoned, jointly and severally with other banks, by Lucchini Spa (under extraordinary administration) to appear before the Court of Milan, with Lucchini Spa's receiver alleging improprieties in the implementation of the loan restructuring agreement granted to Lucchini Spa.

3.12 Other risks

3.12.1 Risks related to insurance activities

Natixis Assurances

Natixis Assurances

Natixis Assurances is the insurance division of Natixis and is structured into two businesses:

- The personal insurance business, focused on developing portfolios in life insurance, savings and retirement capitalization, as well as provident insurance;
- The non-life insurance business, focused on developing portfolios for motor and multi-risk home insurance, personal accident insurance, legal protection, healthcare and property and casualty insurance.

Given the predominance of the Investment Solutions activity, the main risks to which Natixis Assurance is exposed are financial. The company is also exposed to underwriting risks (life and non-life), as well as counterparty risk.

Market risk

Market risk is in large part borne by the subsidiary BPCE Vie on the financial assets that underpin its commitments with guaranteed principal and returns (euro-denominated policies: €50.5 billion on the main fund balance sheet at June 30, 2018). The company is exposed to asset depreciation risk (fall in the equity or real estate market, wider spreads, interest rate hikes) as well as the risk of lower interest rates which would generate a shortfall in terms of principal and meeting its the guaranteed rate of return. To deal with this risk, BPCE Vie has only sold policies without a minimum guaranteed return in recent years: more than 94% of the policies have a zero minimum guaranteed return. The minimum guaranteed return averages 0.15%.

To manage market risk, the sources of return have been diversified, namely via investments in new asset classes (financing the economy, low-volatility equity, etc.). This diversification is managed by a strategic allocation, defined on a yearly basis, that takes into account regulatory constraints, commitments to policyholders and commercial requirements.

Credit risk

Credit risk is monitored and managed in compliance with Natixis Assurances' standards and internal limits. At June 30, 2018, 63% of the fixed-income portfolio is invested in securities rated A- or higher.

Life insurance underwriting risk

The main risk to which life insurance underwriting is exposed is linked to the Investment Solutions activity. In an especially low interest-rate environment, the biggest risk is that of fewer redemptions and/or excessive inflows in euro-denominated vehicles, as reinvestments in securities dilute the main fund's return. To encourage inflows in unit-linked policies, measures have been taken, such as the creation of unit-linked policy products and communication campaigns, and a communication campaign targeting customers and the network.

Non-life insurance underwriting risk

The general insurance underwriting risk to which Natixis Assurances is exposed is borne by its subsidiary BPCE Assurances:

- Premium risk: in order to ensure that the premiums paid by the policyholders corresponds to the transferred risk, BPCE Assurances implemented a portfolio monitoring policy whereby each policy is given a score based on its track record over three years. Factored in are types of claims, number of claims, their cost and other variables specific to the activity in question (degree of liability and bonuses/penalties for motor insurance, for instance). This monitoring policy also contributes to detecting potential risks arising from large claims, and to arranging adequate reinsurance coverage;
- Risk of loss: each time inventory is taken, an actuarial assessment of the reserves for claims to be paid is conducted based on methods widely recognized by the profession and required by

the regulator.

- Catastrophe risk: catastrophe risk is the exposure to an event of significant magnitude generating a multitude of claims (storm, risk of civil liability, etc.). This risk is therefore reinsured either through the government in the event of a natural disaster or an attack, for example, or through private reinsurers, specifically in the event of a storm or a civil liability claim, or through reinsurance pools.

Counterparty risk

The counterparty risk to which Natixis Assurances is exposed mainly concerns reinsurance counterparties. The selection of reinsurers is a key component of managing this risk:

- Natixis Assurances deals with reinsurers who are subject to a financial rating by at least one of the three internationally recognized rating agencies, and who have a Standard & Poor's equivalent rating of A- or higher.
- Using several reinsurers ensures counterparty diversification and limits counterparty risk.

Coface

Through its activities, Coface is exposed to five main types of risk (strategic risk, credit risk, financial risk, operational and non-compliance risk, and reinsurance risk), of which the two principal risks are credit risk and financial risk. Credit risk is defined as the risk of loss, due to non-payment by a debtor, of a receivable owed to a policyholder of the Group. Financial risk relates to the risk of losses arising from adverse changes in interest rates, exchange rates or the market value of securities or real estate investments. The Coface Group has implemented the appropriate tools to control these risks and to ensure they remain within conservative limits.

Given its listing on the stock market, the main risk factors and uncertainties to which Coface is exposed are set out in detail under paragraph 5 "Main Risk Factors and their Management within the Group" in the Coface Group registration document, submitted to the AMF on April 5, 2018 under number D.18-0267.

In the first half of 2018, the Coface Group's risk management is being applied in accordance with the previously established management principles and in line with the actions taken in 2016 to reduce corporate risks in certain sensitive geographic areas and business sectors deemed high-risk.

CEGC

Compagnie Européenne de Garanties et Cautions is the Group's multiple business line security and guarantee platform. It is exposed to underwriting risk, market risk and the risk of the reinsurers defaulting, as well as operational risk.

Under the Solvency II supervisory regime, which came into effect on January 1, 2016, CEGC uses a partial internal model. The ACPR (French Prudential Supervisory Authority for the Banking and Insurance Sector) approved the model in March 2017. CEGC's partial internal model therefore meets the specific requirement applicable to mortgage loan guarantors to improve the robustness of the French banking system for home loans.

Underwriting risk

Underwriting risk is the main risk incurred by CEGC. It is essentially a counterparty risk, as the commitments given by CEGC to beneficiaries of guarantees result in direct exposure to underwriters. These regulated commitments recorded on the liabilities side of the balance sheet amounted to €1.925 billion at June 30, 2018 (up 4.1% compared to the end of 2017). This increase was in line with fiscal year 2017, driven mainly by mortgage guarantees for individual customers.

■ CEGC'S OUTSTANDINGS (IN MILLIONS OF EUROS)

CEGC's activities	June 2018	Change (June 2018 vs. December 2017)
Individual customers	1,715	3.4%
Individual home builders	21	5.0%
Property administrators - Realtors	20	81.8%
Corporates	27	(6.9%)
Real estate developers	15	0.0%
Professional customers	73	4.3%
Social economy - Social housing	45	7.1%
Run-off activities	9	80.0%
TOTAL	**1,925**	**4.1%**

Market risk

CEGC holds an investment portfolio of about €1.86 billion on its balance sheet as at June 30, 2018, hedging underwriting provisions. The portfolio is down 3% since the end of 2017. Market risk from the investment portfolio is limited by the Company's investment choices.

The company's risk limits are set out in the asset management agreement established with Ostrum. By collecting surety insurance premiums at the time of commitment, CEGC does not require funding. Neither does CEGC carry transformation risk: the investment portfolio is entirely backed by equity and technical reserves.

(in millions of euros)	06.30.2018			*12.31.2017*		
	Net balance sheet value of the provision	% breakdown	Fair value	*Net balance sheet value of the provision*	*% breakdown*	*Fair value*
Equities	143	*7.7%*	155	137	*7.2%*	164
Bonds	1,380	*74.3%*	1,501	1,338	*69.8%*	1,476
Diversified	116	*6.2%*	118	131	*6.8%*	137
Cash	38	*2.0%*	38	124	*6.5%*	124
Real estate	167	*9.0%*	165	169	*8.8%*	174
Private equity investment funds	13	*0.7%*	19	14	*0.7%*	19
Other	2	*0.1%*	2	3	*0.2%*	2
TOTAL	**1,859**	***100%***	**1,998**	**1,915**	***100%***	**2,096**

Reinsurance risk

CEGC hedges its liability portfolio by implementing a reinsurance program tailored to its activities.
In loan guarantees, reinsurance is used as a way to manage regulatory capital by protecting guarantee beneficiaries in the event of an economic recession leading to a loss of up to 2% of outstanding guaranteed loans.
In the Corporate segments, the program is used to protect CEGC's capital by covering high-severity risks. It has been calibrated to protect against three individual loss events (loss related to a counterparty or a group of counterparties) which could have a significant impact on the Corporate segment's income statement.
Any modification of the reinsurance program (reinsurers, pricing, structure) is subject to the validation of the Capital and Solvency Management Committee chaired by a corporate officer.
Reinsurer default risk is governed by counterparty concentration and rating limits. CEGC's reinsurance programs are underwritten by a broad panel of international reinsurers with a minimum rating of A on the S&P scale.

3.13 At-risk exposures

(These data form an integral part of the Statutory Auditors' report on the condensed consolidated interim financial information.)

Natixis was exposed to the following risks at June 30, 2018.

Exposure to monoline insurers

Value adjustments decrease by €40 million during half-year 2017 (excluding the effect of the BPCE guarantee) to €23 million at June 30, 2018, versus €63 million at December 31, 2017.

	Data at 30.06.2018			Data at 31.12.2017		
(in millions of euros)	**Notional amount**	**Pre-value adjustment exposure**	**Value adjustments**	**Notional amount**	**Pre-value adjustment exposure**	**Value adjustments**
Protection for RMBS	-	-	-	36	5	-
Other risks	1,224	159	(23)	1,466	257	(63)
TOTAL	**1,124**	**159**	**(23)**	**1,502**	**262**	**(63)**

(in millions of euros)	**30.06.2018**	**31.12.2016**
Pre-value adjustment exposure	159	262
Value adjustments	(23)	(63)
RESIDUAL EXPOSURE	**136**	**199**
Discount (%)	15%	24%

European RMBS

- NET EXPOSURE TO UK RMBS

(in millions of euros) **UK RMBS**	**Net exposure at 31.12.2017**	**Change in value in H1 2018**	**Other changes**	**Net exposure at 30.06.2018**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**
Trading book	29	-	14	43	26	12	3	2	-	-	-	-
TOTAL	**29**	**-**	**14**	**43**	**26**	**12**	**3**	**2**	**-**	**-**	**-**	**-**

- NET EXPOSURE TO SPANISH RMBS

(in millions of euros) **Spanish RMBS**	**Net exposure at 31.12.2017**	**Change in value in H1 2018**	**Other changes**	**Net exposure at 30.06.2018**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**
Trading book	11	-	7	19	0	12	4	-	2	-	-	-
TOTAL	**11**	**0**	**7**	**19**	**0**	**12**	**4**	**-**	**2**	**-**	**-**	**-**

CMBS

(in millions of euros) **CMBS**	**Net exposure as at 31.12.2017**	**FTA reclassifications [(1)]**	**Net exposure as at 01.01.2018**	**Change in value in H1 2018**	**Other changes**	**Net exposure as at 30.06.2018**
Trading book	1	1				1
Loans and receivables portfolio	146	(23)	123	-	57	180
Portfolio of financial assets at fair value through profit or loss	0	23	23		19	42
TOTAL	**147**	**0**	**147**	**0**	**76**	**223**

(1) The reclassifications relating to the first-time application of IFRS 9 are detailed in note 1 of Chapter 5.1 “Financial data” of the Update to the 2017 Registration Document.

Breakdown by rating	% breakdown
NR	100%
TOTAL	**100%**

Breakdown by country	% breakdown
US	100%
TOTAL	**100%**

Exposures to countries receiving financial assistance

At June 30, 2018 exposures to sovereign risk in countries receiving financial aid or facing uncertainties (political, currency, etc.) were as follows:

	30.06.2017 (1)				31.12.2017 (1)			
(in millions of euros)	**Sovereign securities**	**Derivatives (2)**	**Other**	**Total**	**Sovereign securities**	**Derivatives (2)**	**Other**	**Total**
Spain*	1,094	(1)	3	**1,096**	916	4	10	930
Greece*	0	1		**1**	0			0
Ireland*	182	3		**185**	185	(4)		181
Portugal*	121			**121**	154			154
Russia	1	(1)	12	**12**	1	0	11	11
Venezuela (3)			51	**51**			58	58
TOTAL	**1,397**	**2**	**66**	**1,465**	**1,255**	**0**	**79**	**1,334**

(*) Countries which benefited from European Union financial assistance.
(1) Excluding corporates.
(2) Including credit derivatives.

At June 30, 2018 exposure to non-government risk, in particular Greece and countries facing uncertainties (political, currency, etc.), directly held by Natixis stood as follows:

(in millions of euros)	Gross exposure at June 30, 2018 (1)			Total gross exposure	Provi-sions (2)	Net exposure at June 30, 2018	Gross exposure at December 31, 2017 (1)			Total gross exposure	Provi-sions (2)	Net exposure at Dec. 31, 2017
	Bank	**Asset financing and structured transactions (3)**	**Corpo-rate**				**Bank**	**Asset financing and structured transactions**	**Corporate**			
Greece(*)	5	133	110	248	(17)	232	5	182	22	209	(25)	185
Russia	287	437	224	948	(3)	945	525	419	328	1,272	(6)	1,265
Ukraine	0	88	28	116	(0)	116	0	118	25	143	(8)	134
Total	**292**	**658**	**362**	**1,313**	**(20)**	**1,293**	**530**	**718**	**375**	**1,624**	**(39)**	**1,585**

(*) Countries receiving financial aid from the European Union.
(1) Gross exposure: gross carrying amount on the balance sheet at June 30, 2018 and December 31, 2017.
(2) Credit losses expected at one year and credit losses expected at maturity;
(3) Exposure corresponds mainly to the "shipping finance" sector amounting to €36 million at June 30, 2018 versus €82 million at December 31, 2017.

IV SECTION 4: OVERVIEW OF THE FISCAL YEAR

4.1 Interim Management Report as of June 30, 2018

4.1.1 Note on methodology

The interim management report is presented in respect of the half years ended June 30, 2018 and June 30, 2017. In accordance with European regulation 809/2004 relating to information contained in prospectuses, the financial statements for the half year ended June 30, 2016 can be consulted in the update of August 9, 2017, registration number D.17-0195-A01, of the registration document filed with the AMF on March 21, 2017, under registration number D.17-0195.

The presentation of the divisions in 2018 as well as the standards used to assess their performance are unchanged from December 31, 2017, and are those included in the New Dimension plan presented in November 2017.

In addition, to comply with the requirements of the French law on the separation of banking activities, the Short-Term Treasury and Collateral Management activities, which used to be part of Global Markets, were transferred to the Finance Department on April 1, 2017. Nevertheless, to ensure comparability, in this management report CIB refers to CIB including Short-Term Treasury and Collateral Management activities.

Assessment of business line performances

The results of the Natixis business lines are presented in accordance with the Basel 3 regulatory framework.

Capital is allocated to Natixis business lines on the basis of 10.5% of their Basel 3 average risk-weighted assets.

Capital allocation specific to the insurance businesses is based on the Basel 3 accounting treatment for investments in insurance companies, as transposed in the CRD4 and CRR (“Danish compromise”). The capital allocated to CEGC takes into account its exclusion from the “Danish compromise”. It is based on a 250% risk weighting of the value of the securities held by CEGC, which is the prudential treatment under the threshold mechanism applied to holdings of equity instruments issued by financial entities.

The **conventions applied to determine the results generated by the various business lines** are as follows:

- the business divisions record the return on regulatory capital allocated to them. By convention, the rate of return on normative capital is 2%;
- the return on the issued share capital of the entities comprising the divisions is eliminated;
- the cost of Tier two debt subordination is now charged to the divisions as a pro rata of their normative capital;
- the divisions are invoiced for an amount representing the bulk of Natixis’ overhead. The uninvoiced portion accounts for less than 3% (excluding Single Resolution Fund) of Natixis' total overhead. The Single Resolution Fund (SRF) contribution is covered by the Corporate Center and is not charged back to the divisions.

Deeply Subordinated Notes (DSNs) are classified as equity instruments; interest expense on those instruments is not recognized in the income statement.

ROE and ROTE for Natixis and the business lines are calculated as follows:

- the result used to determine **Natixis' ROE** is net income (Group share) minus the post-tax interest expense on DSNs. The equity used is average shareholders' equity (Group share) under IFRS, after distribution of dividends, excluding average hybrid debt, and eliminating unrealized or deferred gains and losses recognized in equity;
- the calculation of **business line ROE** is based on:
  - as the numerator, the business line's pre-tax profit, as per the aforementioned rules, to which a normative tax is applied. The normative tax rate is determined for each of the divisions by factoring in the tax liability conditions of Natixis' companies in the jurisdictions where they operate. It is determined once a year and does not factor in potential changes over the year linked to deferred taxes;
  - as the denominator, normative capital, calculated on the basis of 10.5% of RWA assigned to the division, plus goodwill and intangible assets related to the business line.
- **Natixis' ROTE** is determined using, as the numerator, net income (Group share) minus the post-tax interest expense on DSNs. The equity used is average shareholders' equity (Group share) under IFRS, after distribution of dividends, excluding average hybrid debt, average intangible assets and average goodwill.

4.1.2 Key events for the period

Global growth in the first quarter of 2018 remained relatively stable. There was no significant change to the respective contributions of developed and emerging economies, the latter of which continued to account for nearly three quarters of global GDP growth. Emerging economy powerhouses Brazil and India in particular made a comeback with accelerated growth of 1.4% (at end-2017) and 7.7% (in the first quarter of 2018) respectively. China's GDP continued its steady upward trend to 6.8% in the first quarter of 2018. It was a mixed bag for growth in the developed economies: US growth continued to gather pace in the first quarter to 2.8%, while the euro zone and Japan entered a phase of gradual deceleration. Growth in the UK proved more erratic, rebounding 1.8% in the first quarter of 2018 versus 1.1% in the fourth quarter of 2017, and 2.1% in the third quarter of 2017. After a steady climb averaging 0.7% per quarter in 2017, French GDP came down sharply to 0.2% in the first quarter of 2018. This pulled down the year-on-year growth rate from 2.8% at end-2017 to 2.2% in the first quarter of 2018.

Worldwide, markets were less buoyant in the first months of 2018. Global trade increased an average of 4.2% between January and April versus 4.6% in the last quarter of 2017. In energy, the price of Brent hit a higher $76.5 a barrel since its rebound in January 2016 from $35.7, gaining a total of 28% in the first half of 2018. Despite this, consumer prices remained relatively stable on average worldwide. Global inflation came to 3.5% in April 2018 versus 3.9% in December 2017. This sideways movement can be attributed to price controls in emerging economies where inflation shed 0.8 point between December to April to 4.5%. Several of the big emerging currencies stabilized, which kept imported energy inflation in check. Consumer prices in the developed economies were more affected by the increase in the oil price which led to a visible acceleration, particularly in the euro zone where inflation is now at the ECB target of 2%.

In this context of controlled inflation, monetary policies were eased in emerging economies, which were struggling against higher consumer prices, while in developed economies the processes in place to normalize monetary policies stayed their course. In the US, the Federal Reserve raised its rates in

June to a target range of 1.75% and 2%. Its governors are also largely in favor of the ongoing tightening of monetary policy, which means shrinking the Fed's balance sheet. In the euro zone, where inflation is gradually returning to target levels, the ECB announced that it will end its net asset purchases from the end of 2018. It also indicated that it will maintain its key interest rates at their current levels until summer 2019. This shows the ECB's confidence in the path of inflation, and that it does not seem concerned by the extent of the slowdown in growth.

Volatility on the financial markets surged, particularly in the second quarter. In Europe, the political crisis that swept across Italy following the legislative elections in March, and the establishment of an overtly euroskeptic government thereafter clearly left the markets flustered. Italian risk premiums were up sharply, with the rest of the peripheral countries - Spain, Portugal and Greece - following suit. Added to this were tensions within Angela Merkel's coalition in Germany over migration policy issues. Finally, investor confidence fell lower after the US government announced, then imposed, new trade tariffs on certain Chinese imports. Events in the first half-year were both complex and conflicting: while the meeting between the US and North Korea was lauded, Donald Trump's unilateral withdrawal from the Iran nuclear deal stoked fresh fears worldwide.

In this global climate, the stock markets were disappointing on the whole. US indices managed to perform better than most: the Nasdaq closed the half-year up around 9%, while the Dow Jones posted a small loss of 1.9% at end-June. The stock markets in Europe were less well off: the Euro Stoxx shed 3.8% from early January, the DAC 5% and the CAC contained its loss to 0.5%. And the Asian stock markets did not fare any better: the Shanghai stock market recorded a 13.5% loss in the first half-year.

Against this backdrop, Natixis pursued the roll-out of its New Dimension strategic plan to turn Natixis into a client-focused bank offering high added-value financial solutions.

Natixis bolstered its positions and further developed the operations of its main business lines, which cater to the BPCE networks and to its own clientele.

The Asset & Wealth Management division achieved a number of milestones in its development in the first half-year:

- Natixis Asset Management became Ostrum Asset Management from April 3. As part of Natixis' New Dimension strategic plan, Natixis Investment Managers began the process of aligning its brands. Ostrum - the Latin word for "purple" - pays tribute to the company's European roots and places it firmly within the Natixis and Groupe BPCE family. The name change also marks the business' re-centering on its historical expertise in bond management, its targeted expertise in equity management, and its recognized expertise in insurance management, all underpinned by an active and fundamental portfolio management approach.

- On January 1, 2018, Seeyond, Ostrum's active quantitative management specialist, became a separate asset management company. With just over €7 billion in assets under management at January 1, 2018, Seeyond wants to accelerate its growth by drawing on the international distribution platform of Natixis Investment Managers.

- In May 2018, Natixis Corporate & Investment Banking and Ostrum Asset Management formed a partnership that will give customers a single point of access to a vast range of real-asset finance solutions. Under this partnership, Natixis will be better aligned as a co-investor and customers will also have access to a premium European asset manager.

- Natixis Investment Managers acquired a minority stake in specialist aircraft lease and asset management firm, Airborne Capital, in order to meet a growing demand for alternative and real asset classes. The deal gives Airborne access to a worldwide asset management platform that will help accelerate its development plans.

- On June 26, 2018, Natixis Investment Managers announced its acquisition of MV Credit. The deal broadens Natixis' private debt capabilities to help investors' need for diversification and alternative investment solutions. Founded in 2000, MV Credit is a recognized European credit specialist based in London and Luxembourg. The firm draws on a team boasting 18 years of investment experience across all credit cycles, and sets itself apart with its investment philosophy built on two core principles: rigorous credit analysis and active portfolio management. Over the years, MV Credit has invested over €5 billion in nearly 500 financing solutions and have delivered a consistent top quartile track record.

- On 11 July, 2018, Natixis Investment Managers announced that it had signed an agreement to acquire a minority stake in WCM Investment Management (WCM) and become their exclusive third-party distributor, subject to certain limited exclusions. With $29 billion of assets under management at May 31, 2018, employee-owned WCM is best known for managing low-turnover, alpha-generating equity portfolios with a focused, global growth approach.

Natixis Investment Managers earned the following distinctions over the past half-year:

- Natixis IM was ranked a top Barron's/Lipper US Mutual Fund Family for the second year running. Natixis IM took first place in the "Best Performing Family Fund" category for one-year performance and second place for five-year performance.

- At the 2018 Thomson Reuters Lipper Fund Awards US, UK, Netherlands, Europe: the companies Ostrum, H20 Asset Management, Harris Associates and Loomis, Sayles & Company were recognized in several fund categories.

- For the second year running, Mirova was named "Best Asset manager Contributor to Sustainable Investment" by Extel SRI Connect / 2017 Independent Research in Responsible Investment.

- Natixis IM ranked No. 24 in the "II 300" - America's Top 300 Money Managers listing by the Institutional Investor.

- Mirova won the "2018 ESG Best Practices Honours" from SWEN Capital Partners in the "Greenfield Infrastructure" category for the European renewable energies market.

- The following Natixis IM asset management subsidiaries were recognized at the 2018 European Funds Trophy:
  - H2O AM - Best European Asset Management Company for funds rated 4 to 7.
  - Dorval - Best European Asset Management Company for funds rates 8 to 15.
  - Ostrum - Best National Asset Management Company (France) for funds rated 101 to 200.

- Natixis IM's H20 subsidiary was distinguished at the 2018 Citywire Americas awards where Bruno Crastes took first prize in the "Unconstrained Bond Portfolio Manager" category.

On June 30, 2018, **Corporate & Investment Banking** continued to develop its strategic advisory services, ramp up its solutions approach on the capital markets and consolidate its status as the go-to-bank in four strategic sectors: energy and natural resources, aviation, infrastructure, real estate and hospitality.

Internationally, Corporate & Investment Banking continued to expand its business franchises with increased revenues, especially in Asia-Pacific and the Americas.

The Asia-Pacific platform bolstered its M&A advisory offering by acquiring a majority stake in Vermilion Partners in China, expanding its expertise in investment banking in the region. The platform won

numerous awards in the first half of the year in recognition of its market expertise: three awards for Structured Retail Products ("Best House, FX", "Best House, Interest Rates", "Best House, Taiwan"), three awards for Structured Products/Asia Risk ("Korea house of the year", "Taiwan house of the year", "Interest rates house of the year") and three awards from The Asset ("Oil & Gas Deal of the Year, Malaysia", "Power Deal of the Year, Australia", "Telecom Deal of the Year, Australia"). The platform also launched the Diversity@Natixis interest network to promote equal opportunities and embed practices in favor of diversity within the company.
The Americas platform delivered a solid performance in all its business sectors. It continued to develop its range of solutions and consolidate its expertise in structured finance, acquisition finance and capital markets, particularly securitization.

The EMEA platform pursued its growth across its business lines and strengthened its franchise, particularly in mergers & acquisitions by acquiring a majority stake in Fenchurch Advisory Partners in the UK and a minority stake in Clipperton in France. In Madrid, Natixis inaugurated its new offices that now house all its business lines under one roof.

In **capital markets**, Natixis pursued its strategy based on an innovative service offering that adapts to the specific needs of customers, and continued to develop digital tools designed to improve the customer experience.

In the fixed income market, the expansion of the financial engineering team since 2016 boosted the development of innovative and bespoke solutions, such as the first green structured note on the market: the OAT 2039 Green Repack. Global Structured Credit and Solutions (GSCS) continued its vigorous development in ABS and solutions in Europe, and maintained its dynamism in CLOs in the US. The solutions business went from strength to strength, as illustrated by the numerous awards it received, particularly in Asia-Pacific (see above).

In the equity derivatives market, Natixis continued to enhance its offering with investment solutions, such as the climate investment funds *Magenta Climat* and *Transition Énergétique*. The teams were recognized for their expertise in solution design and distribution, as well as pre- and post-trade services: "Best Insurance Deal", "Best Distributor, France & Benelux", "Best Distributor, Italy" and "Best Training Initiative" (source: SRP Europe Structured Products & Derivatives Awards 2018).
Formed from the partnership between the fixed income and equity derivatives markets in 2017, the Global Securities business developed a diversified multi-asset solutions offering on the securities financing market.

Within Global Market Research, the Commodities Research team was awarded for the accuracy of its precious metals forecasts (score weighted from 1998 to 2017 - source: LBMA Precious Metals Premiership Table).
On July 2, Natixis' Cash Equity and Equity Research teams were transferred to the broker ODDO BHF. This move is part of Natixis and ODDO BHF's long-term partnership to provide equity broking and research service continuity to Natixis and Groupe BPCE clients. The Natixis-ODDO BHF teams were ranked No. 1 broker in France (source: Extel 2018).

The three business lines **Real Assets** (covering the aviation, infrastructure, real estate and hospitality sectors), **Energy and Natural Resources** and **Distribution and Portfolio Management** delivered a sharp increase in revenues on the back of solid origination and distribution activities.

Aviation finance maintained its dynamism thanks to innovative structures, particularly in Islamic finance: Natixis issued a Sukuk backed by aviation assets and Shari'a compliant. It was a first for Abu Dhabi Global Market (ADGM) where the special-purpose structure holding the assets is incorporated.

Infrastructure Finance remained renewable energy-focused. Of note, it arranged financing for the Cerro Dominador solar project in Chile - the first project in Latin America to combine concentrated solar power (CSP) and photovoltaic technologies. An active and dynamic player in the telecommunications sector, Natixis worked with Covage as financial advisor for the deployment of fiber in the Hérault region in southern France.

The real estate & hospitality sector was particularly vibrant in the first half-year in Europe in terms of arrangements, supported by business in France in particular. The results were also thanks to consistently efficient loan syndication and the dynamism of the Pfandbriefbank, which helped to effectively optimize liquidity consumption. In the US, Natixis posted continued growth on the back of strong origination and distribution volumes. It was the sole arranger of the financing of 20 Times Square, the first building to be built in 30 years in the legendary borough of Manhattan.

The energy and natural resources sector assisted its commodity producing, transforming and trading clients in all their financing transactions. Natixis helped finance the Fruta del Norte gold mine project in Ecuador developed by the Canadian group Lundin Golf Inc. Natixis also continued to work on its digital initiatives to better serve its clients: together with its banking and industrial partners, it developed, a digital platform dedicated to commodity trade finance, and connecting banks, traders and other electronic platforms.

Distribution and portfolio management activities were merged within the same business line to boost Corporate & Investment Banking's distribution volumes and active credit portfolio management.

Global Transaction Banking restructured its organization to become Trade & Treasury Solutions (TTS). The business line is now structured as two flagship businesses: Trade Finance and Treasury Management Solutions.
In doing so, Natixis aims to better align its organization to that of its corporate and institutional clients, and position itself as a provider of value-added, innovative and digital solutions. This development is also in line with the objectives of the New Dimension strategic plan.

Within **Investment Banking**, Acquisition & Strategic Finance delivered a solid performance in a largely positive context but highly competitive market. The business rolled out a wide range of financing solutions worldwide (loans, bonds, private placements) for its corporate clients, investment funds and family offices, for acquisitions, change in shareholding structure, refinancing, etc.

Natixis financed a number of major deals, assisting in particular Groupe Rocher with the acquisition of the US firm Arbonne International. It also arranged numerous leveraged acquisition finance transaction for investment funds: HLD's buyout of PAI and Sagard's shares in Kiloutou; acquisition in Spain of a 20% stake in Gas Natural Fenosa's capital by CVC Capital Partners; in the US, the acquisition in the US of Ply Gem Holdings, one of the leading manufacturers of PVC windows and sidings in North America, by Clayton Dubilier & Rice, with LLC as joint lead arranger and joint book runner for $2.4 billion in financing.
Natixis continued to flourish in Australia by supporting Permira as MLA and bookrunner in the acquisition of I-MED Radiology for €690 million.

In the primary bond market, Natixis confirmed its status as market front runner and strengthened its positions by leading a number of emblematic, high added-value issues. It also provided adapted solutions to the new challenges faced by clients in the form. Solutions included new segments, such as hybrid issues, senior non-preferred debt and social bonds.
Natixis also pursued its growth across its three international platforms and in all issuer categories and segments.
On the euro market, it led the issues of La Poste (perpetual €750 million bond issue), Santander (Tier 2, €1.25 billion), Iliad (€1.1 billion) and the Council of Europe (€ 1 billion). On the currency market, it led the green issues of Beijing Capital ($500 million) and Scor's Perpetual Resettable Restricted Tier 1 Notes issue ($625 million).

In covered bonds, Natixis led long-maturity transactions, obtaining tighter spreads despite the tough market conditions.

In France and Europe, equity capital markets issuance volumes slumped in the first half of 2018 compared with the same period in 2017. Despite a flat market environment, Natixis stood out by leading or taking part in a number of notable transactions, including for Nexity (convertible bonds issue) and AXA (issue of bonds redeemable in shares), and by leading the initial public offering of 2CRSI for close to €51 million - the biggest IPO in France to date.
Natixis also bolstered its front runner position on the equity capital markets by signing an equity broking and research partnership with ODDO BHF to give investor and issuer clients a single solution that complies with MiFID 2 regulatory developments. Under this partnership, both players' equity capital markets activities have been merged in France under Natixis;
Lastly, the Equity Capital Markets business confirmed its position on the French market by ranking No. 3 on the equity-linked market by number of deals (excluding ABB) (source: Bloomberg).

Natixis' **M&A advisory services** continued to thrive thanks to its strategic investments in Fenchurch Advisory Partners in the UK, Vermilion Partners in Chine and Clipperton in France, all leaders in their respective market segments (financial services, M&A transactions in China, and technologies).
In Europe, Natixis and Natixis Partners jointly ranked fourth on the French market by number of deals *(source: Agefi).* They also advised the Chinese consortium comprising Fosun International Limited ("Fosun") and Beijing Sanyuan Foods Co., Ltd. ("Sanyuan") on the acquisition of a 100% stake in Group St Hubert.
In Spain, Natixis Partners España advised Cinven on the sale of its Spanish operations to Antin Infrastructure Partners and, and sale of its international operations to Sixth Cinven Fund. In the US, PJ Solomon helped Groupe Rocher with its acquisition of Arbonne International.

Insurance enjoyed strong sales momentum in the first half-year, with business up 3%.

In Personal Insurance, the new client relationship model developed under the Move#2018 transformation program was rolled out in June. The client relationship structure, tools and processes are now identical across the Banque Populaire banks and Caisses d'Epargne.

The Specialized Financial Services business lines continued to build synergies with the BPCE networks. It launched new products ("ProZen" factoring for professional customers, the "Régén'air" restructuring loan offering, etc.) and incorporated new Group partners (Crédit Coopératif for equipment leasing, Aquitaine Centre Atlantique for "Topaze Client Final" securities services, etc.).

The digitalization of the business lines that began in 2017 remains a major development priority. The goal is to be fully digital by 2020. To this end, the Spark2020 program was launched as part of the Customer Journeys initiative to overhaul all the business lines' front-to-back customer experience.

All Natixis' **Payment** activities now operate under the name Natixis Payments.

In the second quarter of 2018, Natixis Payments finalized its acquisition of Comitéo - a provider of innovative payment solutions for works councils. The deal gives Natixis a significant head-start in prepaid payments.

In the first half of 2018, Natixis Payments furthered the development of innovative solutions so that its customers - including those of the Banque Populaire banks and Caisses d'Epargne - can enjoy a number of exclusive services:

- Thanks to Natixis Payments, Groupe BPCE is the first banking group in France to offer instant payment services to its customers. This instant and irrevocable means of payment is offered by the subsidiary Natixis Assurances, and enables policyholders to be compensated immediately for insurance losses. It will be rolled out to the 15 million Banque Populaire and Caisses d'Epargne customers from autumn this year;

- Natixis Payments also formed a partnership with TransferWise and Groupe BPCE. The Network the networks' customers to transfer money to over 60 countries at a better exchange rate. Another milestone, this makes Groupe BPCE the first big bank in Europe to directly integrate TransferWise's API with its mobile banking applications.

- Lastly, Natixis Payments oversaw the development of the Samsung Pay mobile payment solution for all Banque Populaire and Caisses d'Epargne customers who use compatible Samsung smartphones.

Business was brisk for Services & Processing in the first half-year thanks to higher transaction volumes, and an increase in the service voucher business.

This development of the four businesses went hand-in-hand with strict financial management:

- liquidity needs remained contained over the first half of 2018 and posted a 3% decrease year-on-year;
- the consumption of Basel 3 RWA was down 2% year-on-year to €110.1 billion.

Lastly, at Natixis' General Shareholders' Meeting on May 23, 2018, a resolution was made to pay an ordinary dividend of €0.37 per share.

4.1.3 Consolidated results

NATIXIS				
(in millions of euros)	**6M-2018**	**6M-2017 pro forma**	**Change 2018/2017**	**(*)**
Net revenues	**4,989**	**4,756**	**4.9%**	**8.9%**
o/w main business lines*	***4,629***	***4,496***	***2.9%***	***7.1%***
Expenses	– 3,435	– 3,365	2.1%	5.2%
Gross operating income	**1,554**	**1,391**	**11.7%**	**17.8%**
Provision for credit losses	– 84	– 138	– 39.1%	
Net operating income	**1,471**	**1,254**	**17.3%**	
Associates	10	13	– 24.3%	
Gains or losses on other assets	10	27	– 64.7%	
Change in value of goodwill	0	– 0		
Pre-tax profit	**1,490**	**1,294**	**15.1%**	
Taxes	– 470	– 469	0.1%	
Minority interests	– 118	– 57		
Net income (group share)	**903**	**768**	**17.6%**	
Cost/income ratio	*68.8%*	*70.7%*		
Equity (Average)	*15,892*	*16,503*		
ROE	*10.7%*	*8.7%*		
ROTE	*13.7%*	*10.8%*		

(*) At constant exchange rates

Analysis of changes in the main items comprising the consolidated income statement

NET REVENUES

Natixis' **net revenues** stood at €4,989 million at June 30, 2018, up 8.9% from 2017 at constant exchange rates.

At €4,629 million, **net revenues generated by the business lines** [1] were up 7.1% at constant exchange rates versus the first half of 2017. The different divisions posted increased revenues overall: an increase of 18% at constant exchange rates for Asset & Wealth Management, an increase of 8% for Insurance and 6% for the SFS division while Corporate & Investment Banking revenues were stable on the whole.

The **Corporate Center's net revenues** stood at €360 million in the first half of 2018, of which €333 million for Coface. They include +€27 million for the return of foreign-currency DSNs to the historic exchange rate, versus -€60 million in the first half of 2017.

Revenue synergies achieved with the BPCE networks were in line with the strategic plan's targets.

OPERATING EXPENSES AND HEADCOUNT

Recurring expenses totaled €3,435 million, up 5.2% at constant exchange rates compared with the first half of 2017. At constant exchange rates, costs increased 10.5% for the Asset & Wealth Management division, 1.6% for the CIB division, and 7.5% for SFS. Recurring expenses were down 1.8% for Insurance, which posted a once-off expense of €19 million in the first half of 2017 for the Social Security and Solidarity Contribution (C3S). Corporate Center expenses were up slightly to

1) Under the New Dimension plan's presentation of the divisions, the notion of "Net revenues generated by the business lines" now includes the Asset & Wealth Management, CIB, Insurance and SFS divisions, and no longer includes Coface.

€523 million in the first half of 2018 compared with €513 million in the same period last year. They comprise expenses of €238 million for Coface, as well as a €164 million contribution to the Single Resolution Fund, which was significantly higher compared with the first half of 2017 (€122 million).

Headcount at the end of the period stood at 21,380 FTE, up 5% year-on-year. The increase in headcount in the businesses (5%) was equal to that of the Corporate Center, with the headcount of the Support Departments up 7% (in IT for the expansion of the Porto branch in control functions).

GROSS OPERATING INCOME

Gross operating income stood at €1,554 million at June 30, 2018, up 17.8% at constant exchange rates versus the same period last year.

PRE-TAX PROFIT

Pre-tax profit stood at €84 million at June 30, 2018 versus €138 million at June 30, 2017. The provision for credit losses of the main businesses as a percentage of assets came to 19 basis points at June 30, 2018 versus 28 basis points at June 30, 2017.

Revenues from **Associates** climbed to €10 million at June 30, 2018 versus €13 million at June 30, 2017.

Gains or losses on other assets totaled €10 million in the first half of 2018 versus €27 million in the first half of 2017 after recognizing income for the sale of the Ellisphere subsidiary.

Accordingly, **pre-tax profit** amounted to €1,490 million at June 30, 2018 versus €1,294 million at June 30, 2017.

RECURRING NET INCOME (GROUP SHARE)

The recurring **tax** expense came to €470 million at June 30, 2018. The effective tax rate was 31.7% at June 30, 2018.

After incorporating -€118 million in **minority interests**, **recurring net income (Group share)** came out at €903 million in the first half of 2018, up 17.6% since the same period in 2017.

Consolidated management ROE after tax (excluding non-recurring items and the IFRIC21 impact) came to 12.1% in the first half of 2018, giving an accounting ROE of 10.7%.

Consolidated management ROTE after tax (excluding non-recurring items and the IFRIC21 impact) came to 15.4% in the first half of 2018, giving an accounting ROE of 13.7%.

4.1.4 Analysis by Natixis main business line

4.1.4.1 Asset and Wealth Management

AWM				
(in millions of euros)	**6M-2018**	**6M-2017 pro forma**	**Change 2018/2017**	**(*)**
Net revenues	**1,596**	**1,448**	**10.2%**	**17.7%**
Asset Management	*1,522*	*1,384*	*9.9%*	*17.8%*
Wealth Management	*74*	*64*	*16.5%*	*16.5%*
Expenses	– 1,078	– 1,039	3.7%	10.5%
Gross operating income	**517**	**408**	**26.8%**	**36.2%**
Provision for credit losses	– 1	0		
Pre-tax profit	**514**	**417**	**23.2%**	
Cost/income ratio	*67.6%*	*71.8%*		
Equity (Average)	*4,037*	*3,851*		
ROE	*14.5%*	*11.9%*		

(*) At constant USD exchange rates

The AWM division’s revenues jumped 10% versus the first half of 2017 to €1.6 billion (+18% at constant exchange rates).

Expenses also rose but at a slower pace of 4% (+11% at constant exchange rates) and stood at €1.1 billion.

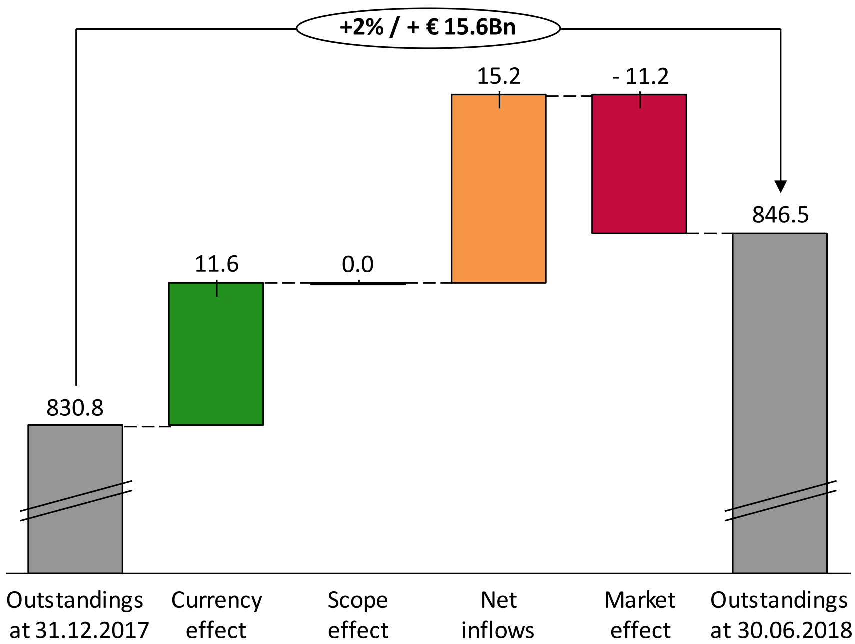
Gross operating income jumped 27% (+36% at constant exchange rates) to €517.4 million.

At 14.5%, ROE improved by 2.6 points compared with June 30, 2017.

A – Asset Management

Assets under management at June 30, 2018 totaled €846.5 billion, up €15.6 billion or 2% (+0.5% at constant exchange rates) against December 31, 2017, driven by solid inflows and a favorable foreign exchange effect that more than offset the negative market effect.

CHANGE IN ASSETS UNDER MANAGEMENT OVER THE SIX-MONTH PERIOD *(IN BILLIONS OF EUROS)*



The business generated net inflows of €15.2 billion over the first half-year, of which €14.2 in long-term products. Inflows were up €1.7 billion at constant exchange rates compared with the first half of 2017.

- In Europe, net inflows were €7.8 billion, held mostly by H2O (mainly in bond and diversified products), DNCA (mainly in bond products), Seeyond, AEW Europe and Dorval, and were partially offset by Ostrum with outflows primarily in bond products.
- In the US, the €7.4 billion in net inflows ($8.7 billion) was mostly attributable to Harris Associates in equity products;
- Net inflows from by Private Equity firms totaled €70.9 million, generated mainly by Euro Private Equity France.

The distribution platforms NIM International Distribution and NIM US Distribution posted higher net inflows of €10.3 billion (€5.3 billion for NIM International Distribution and €4.9 billion for NIM US Distribution respectively for the half-year).

At €825.8 billion, average assets under management in the first half of 2018 were up €42.6 billion (+5.4%) versus the first half of 2017 at constant EUR exchange rates.
The average rate of return on AuM of 30.9 bp was up by 11.8% versus the first half of 2017 at constant exchange rates.
AuM at end-June 2018 was weighted as follows: predominantly bond products (28.2%) and equity (25.9%), followed by life insurance (20.7%).

At June 30, 2018, net revenues increased 10% over the same period last year to €1.5 billion (+18% at constant exchange rates). The increase is attributable to the growth of fees on AuM mostly in the US and Europe, linked to the rise in the rate of return of AuM and in average AuM over the period, and, to a lesser extent, higher outperformance fees of European asset management companies.

Expenses totaled €1.0 billion, gaining 3% since the first half of 2017 (+11% at constant exchange rates) due mainly to higher variable fee expenses of the US asset management companies in line with revenue growth and the increase in operating fees, in particular consulting fees for the implementation of strategic projects in Europe and Distribution.

B- Wealth Management

At June 30, 2018, **Wealth Management** posted **net inflows of €0.9 billion**, buoyed by wealth management in France, the dynamism of the B2B private management services provided by the networks, and wealth management abroad.
Assets under management came to €32.5 billion, up 3% for the first half of the year and 5% year-on-year.

In the first six months of the year, the business's **net revenues** were up 17% to €74.0 million (+€10.5 million) over the same period last year. Restated for a non-recurring item in the first half of 2017 for the adjustment of the Group's distribution mechanism, the increase would be 4%. This result is largely attributable to the strong growth momentum of fees on AuM and net interest income (linked to higher AuM), partially offset by lower outperformance fees and other fees on net revenue drivers.

Expenses totaled €75.2 million, up 10% since the first half of 2017. This increase is the result of higher IT expenditure combined with fewer projects on hold over the period, higher fixed payroll costs (rise in average FTE), as well as consulting fees in connection with ongoing projects (digital, regulatory, business model review, etc.).

4.1.4.2 Corporate & Investment Banking

CIB & TCM				
(in millions of euros)	**6M-2018**	**6M-2017 pro forma**	**Change 2018/2017**	**(*)**
Net revenues	**1,904**	**1,990**	**– 4.3%**	**– 0.3%**
Global Markets	*985*	*1,150*	*– 14.4%*	*– 12.0%*
Fixed Income	678	777	– 12.7%	– 10.2%
Equity	293	351	– 16.6%	– 14.6%
XVA desks	14	22	– 36.0%	– 36.0%
Financing	*717*	*655*	*9.4%*	*17.0%*
Investment Banking	*168*	*203*	*– 17.2%*	*– 14.6%*
Other items	*34*	*– 18*		
Expenses	– 1,112	– 1,121	– 0.8%	1.6%
Gross operating income	**791**	**869**	**– 8.9%**	**– 2.8%**
Provision for credit losses	– 68	– 78	– 12.7%	
Pre-tax profit	**733**	**796**	**– 8.0%**	
Cost/income ratio	*58.4%*	*56.3%*		
Equity (Average)	*6,355*	*7,049*		
ROE	*16.7%*	*15.6%*		

(*) At constant exchange rates

In the first half of 2018, Corporate & Investment Banking's **net revenues** totaled €1,904 million, down 0.3% from the first half of 2017 at constant exchange rates.

Capital market revenues at June 30, 2018 fell 12.0% over the same period last year to €985 million at constant exchange rates.

Revenues from **Fixed Income, Forex, Credit, Commodities and Cash Management activities** stood at €678 million in the first half of 2018, down 10.2% from the first half of 2017 at constant exchange rates. The following changes were observed in each segment:

- revenues from **Fixed Income and Forex** declined due to lower business volumes in Fixed Income, especially in Asia, and a strong increase in **Forex** on the back of heightened currency volatility, particularly in the second quarter with elections in Italy resulting in higher flow volumes;
- Revenues from **Credit** activities were up compared with the first half of 2017. The business posted continued growth in securitization activities in Europe, but was penalized by a high comparison base in the US and Asia;
- Revenues from the **Repo** business, now split down the middle between Fixed Income and Equity, was down compared with the first half of 2017 on account of a more competitive market and consequently tighter margins.

Strategic and Acquisition Finance revenues were down because of an unfavorable comparison base (transactions concentration in the first half of 2017).

Revenues from **syndication on the bond market** fell compared with the first half of 2017. The increase in revenues generated on the primary bond market was largely offset by the unfavorable conditions on the second market in the second quarter. This affected the management of sovereign debt positions amid uncertainty surrounding the Italian elections.

At €293 million, **Equity** fell 14.6% at constant exchange rates compared with the first half of 2017. The soft performance of **Equity Derivatives** drove the business's revenues lower, as did the discontinuation of the **Equity Brokerage** business in the US and the UK at the end of 2017.

At €717 million, **Finance** revenues, including GTB (Global Transaction Banking) increased 17.0% compared with 2017 at constant exchange rates.
Revenues from **Real Assets** were up since the first half of 2017, driven by the performance of its three strategic sectors: Real Estate Finance in the US, with a high volume of securitizations in the first half-year, Aviation, which recorded strong fee levels in the second quarter, and Infrastructure - also very buoyant following a number of major deals. Commodity finance (**Energy & Natural Resources)** revenues were pushed higher on a stronger oil price per barrel than last year, boosting the Trade Finance business. The revenues of the DPM financing portfolio contracted marginally at constant exchange rates in a context of pressure on margins.

Revenues from **Investment Banking** including **M&A** activities were down 14.6% at constant exchange rates compared with 2017 for accumulated revenues of €168 million.

At June 30, 2018, Corporate & Investment Banking's **expenses** totaled €1,112 million, up 1.6% compared with the same period last year and at constant exchange rates.

Gross operating income totaled €791 million, down 2.1% compared with 2017. The **cost/income ratio** was 58.4% in 2018, shedding 2.1 points compared with the first half of 2017 (56.3%).

The **provision for credit losses** was €68 million, 12.7% lower than in 2017.

ROE after tax totaled 16.7% in 2018, up 1.1 point compared with the first half of 2017 (15.6%). This increase reflects the CIB's effective tax rate reduction in 2018 to pass on the impact of the tax reform in the US and a decrease of its risk-weighted assets (RWA).

4.1.4.3 INSURANCE

INSURANCE			
(in millions of euros)	6M-2018	6M-2017 pro forma	Change
Net revenues	**397**	**368**	**7.8%**
Expenses	– 226	– 231	– 1.8%
Gross operating income	**170**	**137**	**23.9%**
Provision for credit losses	0	0	
Pre-tax profit	**173**	**144**	**20.0%**
Cost/income ratio	*57.1%*	*62.7%*	
Equity (Average)	*861*	*864*	
ROE	*27.5%*	*19.7%*	

Insurance enjoyed solid sales momentum in the first half of 2018 which translated into growth across the insurance branches.

With €5.7 billion in premiums (including acceptance of CNP inventory), **Life Insurance** inflows increased 2% compared with the first half of 2017. Unit-linked policy premiums were stable at €1,968 million, making up 34% of total gross inflows in direct business in France, versus 29% for the market at end-May.

At €442 million, premiums on **Personal protection and Payment Protection insurance** (ADE) were up 5%. ADE premiums increased 2% on the back of the growth of the Caisse d'Epargne network (+6%). Premiums on personal protection insurance increased by €15 million (+15%), propelled mainly by the Caisse d'Epargne network (+75%) which now makes up 28% of the personal protection insurance business (18% in the first half of 2017). The personal protection insurance business in the Banque Populaire network gained 2%.

In **Non-Life Insurance**, despite a dip in business due to an exceptional sales comparison base in early 2017 and a decrease in real estate financing, net sales were positive overall thanks to an improved attrition rate. The portfolio gained 5%, totaling 5.8 million policies. Earned premiums on the Banque Populaire and Caisse d'Epargne networks gained 8% to €737 million. Claims remained carefully managed despite extreme weather events.

Despite a persistently low interest rate environment, net revenues of the Insurance business gained 8% to €397 million. The contributing factors were:

- **net revenue growth in Life Insurance** (+17%) supported by stronger inflows;
- **net revenue growth in Non-Life Insurance** (+6% vs. the first half of 2017), attributable to the increase in premiums in line with the portfolio's development, a good current year loss ratio despite the weight of severe weather events, favorable prior year reserves and a sharply improved reinsurance balance. The combined ratio stood at 92.1%, an improvement compared with the first half of 2017 (92.4%).
- **Net revenues in Personal Protection and Payment Protection insurance** edged lower (-3%). Personal protection insurance fared well on the growth in volumes following the distribution of the new offering to the Caisse d'Epargne network.

Operating expenses shed 1.8% to €226.5 million compared with the first half of 2017, factoring in an exceptional C3S tax of €19 million (for the acceptance of 10% of CNP's life insurance inventory). Corrected for this impact, expenses had a 7% growth rate, reflecting the growth of the business and the implementation of the strategic projects of the non-life insurance business. The growth rate of expenses remained below that of net revenues (+8%) compared with the first half of 2017.

4.1.4.4 Specialized Financial Services

SPECIALIZED FINANCIAL SERVICES			
(in millions of euros)	**6M-2018**	**6M-2017 pro forma**	**Change**
Net revenues	**733**	**691**	**6.1%**
Specialized Financing	***453***	***437***	***3.6%***
Factoring	*80*	*78*	*2.6%*
Sureties & Financial Guarantees	*104*	*101*	*3.0%*
Leasing	*118*	*115*	*3.1%*
Consumer Finance	*134*	*131*	*1.9%*
Film Industry Financing	*17*	*12*	*40.1%*
Financial Services	***92***	***90***	***2.4%***
Employee Savings Schemes	*45*	*44*	*4.1%*
Securities Services	*46*	*46*	*0.7%*
Payments	***188***	***164***	***14.7%***
Expenses	– 495	– 461	7.5%
Gross operating income	**238**	**230**	**3.3%**
Provision for credit losses	– 7	– 35	– 81.1%
Pre-tax profit	**232**	**195**	**18.9%**
o/w Specialized Financing	***211***	***167***	***26.4%***
o/w Financial Services	***11***	***10***	***11.5%***
Cost/income ratio	*67.6%*	*66.7%*	
Equity (Average)	*2,189*	*1,925*	
ROE	*14.2%*	*13.8%*	

Specialized Financing enjoyed positive momentum overall.

With €28.8 billion in revenues in France, up 12%, the **Factoring** business boasted market share of 18.9% at March 31, 2018.

Leasing developed its business serving the Banque Populaire and Caisse d'Epargne networks. New business, three-quarters of which is in equipment leasing, was up 8% over the period.

Consumer Finance achieved strong commercial growth with €6 billion in financing, up 4% year-on-year, driven by personal loans (+4%), while revolving loans remained stable.

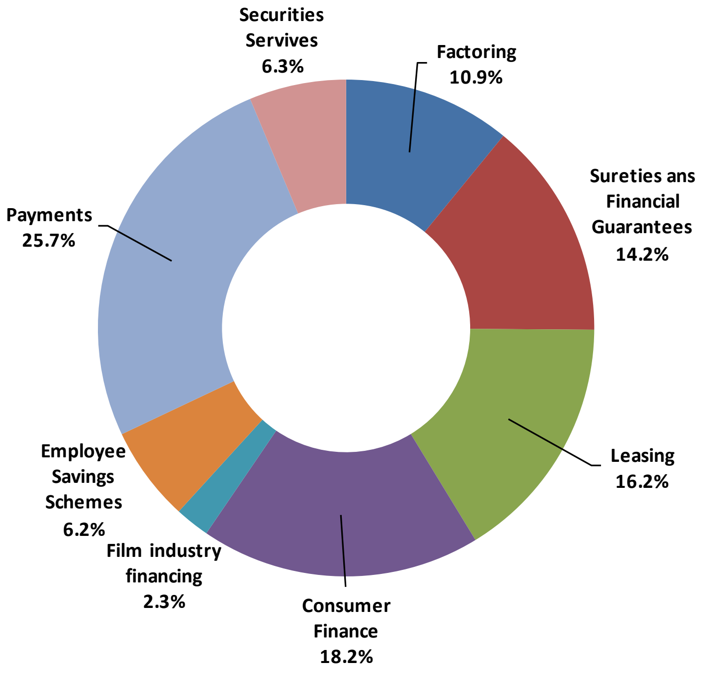
After two outstanding years, **Sureties and Guarantees** maintained strong business volumes, with a very active loan guarantee market for retail customers despite a decrease in refinancing volumes.

The **Financial Services** business remained solid.

Assets under management in **Employee Savings Plans** continued to climb, posting annual growth of 7% to €28.4 billion.

Securities Services continued to expand its range of services for the networks.

■ **BREAKDOWN OF SFS NET REVENUES BY BUSINESS LINE AT END-JUNE 2018**



Net revenues of the SFS division totaled €733 million at end-June, up 6%.

Specialized Financing revenues were up 4%. The Factoring, Sureties and Guarantees, and Leasing business lines all posted net revenue growth of 3%. There was an uptick in Film Industry Financing net revenues thanks to an exceptional dividend on its MCI subsidiary.

Financial Services revenues were up 2% with net revenues in Employee Savings Plans up 4%.

Revenues from the **Payments** business were up 15% compared with the first half of 2017, supported by the acquisitions made in 2017.

Business volumes were strong across the business units:

- Services & Processing saw a significant increase in electronic banking and retail transactions (+11%) in connection with the roll-out of contactless payment;
- Merchant Solutions benefited from the business volumes generated by Natixis Payment Solutions' recent acquisitions (Dalenys et PayPlug);

In Prepaid, revenues were up by more than 30% year-on-year, owed in large part to the integration of Comitéo.

SFS division expenses stood at €495 million at end-June, up 7% compared to June 2017, mainly attributable to the scope effects on Payments.

Overall, **gross operating income** rose 3% to €238 million.

The **provision for credit losses** was €7 million at June 30, 2018, down sharply compared with the same period last year.

At 14.2%, **ROE of the SFS division** improved by 0.4 point year-on-year.

4.1.4.5 Corporate Center

CORPORATE CENTER (EXCLUDING TCM)

(in millions of euros)	6M-2018	6M-2017 pro forma	Change
Net revenues	**360**	**260**	**38.6%**
Coface	*333*	*289*	*15.1%*
Corporate Center excluding Coface	*27*	*– 29*	
Expenses	– 523	– 513	2.0%
Gross operating income	**– 162**	**– 253**	**– 35.7%**
Provision for credit losses	– 8	– 25	– 68.2%
Pre-tax profit	**– 161**	**– 258**	**– 37.6%**

Corporate Center net revenues totaled +€360 million in the first half of 2018 versus +€260 million in the same period last year.

Coface net revenues in the first half of 2018 totaled €333 million, up 15% (+19% at constant exchange rate) compared with the first half of 2018.
Revenues for the first half of 2018, stood at €685 million, shedding just 1% compared with the first half of 2017, with a 1% decrease in credit insurance which represents 95% of total revenues. At constant exchange rates, revenues would be up 2% compared with the first half of 2017.
The loss ratio net of reinsurance was 43.2% in the first half of 2018 compared with 58.3% in the same period last year, i.e. an improvement of 15.1 points thanks to the efficiency of claims expense management plans and an improved economic climate.

Net revenues of the Corporate Center **excluding Coface** totaled +€27 million versus -€29 million in the first half of 2017.

- Exchange rate fluctuations o**f deeply subordinated notes** issued in dollars stood at +€27 million in the first half of 2018 compared with -€60 million in the same period last year.
- Virtually no revenues for investments in associations were booked in the first half of 2018, whereas the same period last year saw €18 million in dividends on shares in Caceis before the equity investment in the company was sold in the fourth quarter of 2017.
- Other significant net revenues, represented essentially by **Long-Term Treasury and ALM transactions**, were stable overall.

In addition:

- Net revenues in the first half of 2017 benefited from €10 million in final revenues from **Corporate Data Solutions** before the complete disposal of the business in June 2017.
- **Natixis Private Equity** contributed €4 million to net revenues in the first half of 2018, up €7 million compared with the same period last year. Natixis Private Equity pursued its disengagement strategy.
- **Natixis Algérie** posted net revenues of €27 million, up 8% compared with the first half of 2017. Excluding the exchange rate effect, net revenues were up 27%. Natixis Algérie benefited from an uptrend in new loan activity.

Corporate Center expenses stood at -€523 million in the first half of 2018 versus -€513 million in the same period last year.

At €238 million, **expenses from Coface** were down 5% compared with the first half of 2017, or a 1% decrease at constant exchange rates and excluding non-recurring Fit to Win expenses.

Expenses from the Corporate Center excluding Coface were for:

- the contribution to the Single Resolution Fund totaling -€164 million in 2018 versus -€122 million in the first half of 2017;
- the expenses of the Corporate Data Solutions, Natixis Private Equity (Finance division) and Natixis Algérie businesses which totaled -€17 million in the first half of 2018, compared with -€33 million in the same period last year due to the complete disposal of Corporate Data Solutions in mid-2017;
- as well as the support function expenses not invoiced to the Natixis business lines; these totaled €104 million at June 30, 2018, down 3% year-on-year.

4.1.4.6 Provision for credit losses

In accordance with IFRS 9 as applied on January 1, 2018, the provision for credit losses was -€84 million at June 30, 2018, of which -€153 million were in respect of non-performing loans and +€69 million in respect of performing loans. At June 30, 2017, the provision for credit losses totaled -€138 million (under IAS39).

TOTAL PROVISION FOR CREDIT LOSSES BY DIVISION

(in millions of euros)	06.30.2018	06.30.2017
Corporate & Investment Banking	- 68	- 78
Insurance	0	0
Asset & Wealth Management	- 1	0
Specialized Financial Services	- 7	- 35
Coface	0	- 4
Corporate Center	- 8	- 21
TOTAL PROVISION FOR CREDIT LOSSES	**- 84**	**- 138**

TOTAL PROVISION FOR CREDIT LOSSES BY GEOGRAPHIC AREA

(in millions of euros)	06.30.2018	06.30.2017
Africa and the Middle East	- 61	- 8
Central and Latin America	0	- 14
North America	1	- 9
Asia and Oceania	0	- 7
Eastern Europe	7	0
Western Europe	- 31	- 100
TOTAL PROVISION FOR CREDIT LOSSES	**- 84**	**- 138**

4.1.4.7 Related parties

Financial information concerning transactions between related parties is provided in Note 10.4 to the interim consolidated financial statements presented in section 5.1 of the present updated version of the 2017 Registration Document.

Appendix to 4.1.3 – Consolidated Results

1 - Management results reclassified as consolidated results in the first half of 2018

Natixis (June 2018)

(in millions of euros)	6M-2018 Management excl. non-rec.	Non-recurring item items AWM	Corporate & Investment Banking	INS	SFS	Corporate Center	6M-2018 Published
Net revenues	**4,963**	**0**	**0**	**0**	**0**	**27**	**4,989**
Expenses	– 3,402	– 1	– 4	– 1	– 5	– 22	– 3,435
Gross operating income	**1,560**	**– 1**	**– 4**	**– 1**	**– 5**	**5**	**1,554**
Provision for credit losses	– 84						– 84
Net operating income	**1,477**	**– 1**	**– 4**	**– 1**	**– 5**	**5**	**1,471**
Associates	10						10
Gains or losses on other assets	10		0				10
Change in value of goodwill	0						0
Pre-tax profit	**1,496**	**– 1**	**– 4**	**– 1**	**– 5**	**5**	**1,490**
Taxes	– 472	0	1	0	1	– 1	– 470
Minority interests	– 117					– 1	– 118
Net income (group share)	**907**	**– 1**	**– 3**	**– 1**	**– 3**	**3**	**903**
Cost/income ratio	*68.6%*						*68.8%*

2 - Management results reclassified as consolidated results in the first half of 2017

Natixis (June 2017)

(in millions of euros)	6M-2017 Management excl. non-rec.	Non-recurring item AWM	CIB	INS	SFS	Corporate Center	6M-2017 Published
Net revenues	**4,816**	**0**	**0**	**0**	**0**	**– 60**	**4,756**
Expenses	– 3,327	– 0	0	– 21	– 0	– 16	– 3,365
Gross operating income	**1,490**	**– 0**	**0**	**– 21**	**– 0**	**– 76**	**1,391**
Provision for credit losses	– 138						– 138
Net operating income	**1,352**	**– 0**	**0**	**– 21**	**– 0**	**– 76**	**1,254**
Associates	13						13
Gains or losses on other assets	27					0	27
Change in value of goodwill	– 0					0	– 0
Pre-tax profit	**1,392**	**– 0**	**0**	**– 21**	**– 0**	**– 76**	**1,294**
Taxes	– 501	0	0	7	0	25	– 469
Minority interests	– 57					0	– 57
Net income (group share)	**834**	**– 0**	**0**	**– 14**	**– 0**	**– 51**	**768**
Cost/income ratio	*69.1%*						*70.7%*

V SECTION 5: FINANCIAL DATA

5.1 Financial data (interim consolidated financial statements and notes)

CONSOLIDATED INCOME STATEMENT
STATEMENT OF NET INCOME (LOSS) AND GAINS AND LOSSES RECORD DIRECTLY IN OTHER COMPREHENSIVE INCOME
CONSOLIDATED BALANCE SHEET
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
NET CASH FLOW STATEMENT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 9
NOTE 2 ACCOUNTING PRINCIPLES
NOTE 3 CONSOLIDATION SCOPE
NOTE 4 NOTES TO THE INCOME STATEMENT
NOTE 5 NOTES TO THE BALANCE SHEET
NOTE 6 NOTES ON INSURANCE ACTIVITIES
NOTE 7 COMMITMENTS
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NOTE 9 RISK MANAGEMENT
NOTE 10 OTHER INFORMATION
NOTE 11 POST-CLOSING EVENTS

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	H1 2018	H1 2017 (1)
Interest and similar income	4.1	2,006	3,031
Interest and similar expenses	4.1	(1,289)	(1,663)
Fee and commission income	4.2	2,884	2,813
Fee and commission expenses	4.2	(1,213)	(1,094)
Net gains or losses on financial instruments at fair value through profit or loss	4.3	1,118	1,779
Net gains or losses on available-for-sale financial assets	4.4		313
Net gains or losses on financial assets at fair value through other comprehensive income	4.4	11	
Net gains or losses on financial assets at fair value through other comprehensive income reclassified as financial assets at fair value through profit or loss			
Net gains or losses resulting from the derecognition of financial instruments at amortized cost	4.5	(1)	
Net gains or losses on financial assets at amortized cost reclassified as financial assets at fair value through profit or loss			
Net income from insurance activities	6.3	1,455	
Income from other activities	4.6	370	6,193
Expenses from other activities	4.6	(352)	(6,616)
Net revenues		**4,989**	**4,756**
Operating expenses	4.7	(3,315)	(3,245)
Depreciation, amortization and impairment on property, plant and equipment and intangible assets		(120)	(120)
Gross operating income		**1,554**	**1,391**
Provision for credit losses	4.8	(84)	(138)
o/w value adjustments for losses			
Net operating income		**1,471**	**1,254**
Share in income of associates		10	13
Gains or losses on other assets	4.9	10	27
Change in value of goodwill			
Pre-tax profit		**1,490**	**1,294**
Income tax		(470)	(469)
Net income/(loss) from discontinued operations			
Net income/(loss) for the period		**1,020**	**825**
o/w Group share		903	768
o/w share attributable to non-controlling interests		118	57
Earnings/(loss) per share (in euros)			
Net income/(loss) attributable to shareholders (see Note 10.1.2) – Group share – per share, calculated on the basis of the average number of shares over the period, excluding treasury shares		0.27	0.23
Diluted earnings/(loss) per share (in euros)			
Net income/(loss) attributable to shareholders (see Note 10.1.2) – Group share – per share, calculated on the basis of the average number of shares over the period, excluding treasury shares and including shares that could be issued on the exercise of stock options and free shares		0.27	0.23

(1) The information reported at June 30, 2017 has not been restated for the impact of the first-time application of IFRS 9 “Financial instruments”, in accordance with the option available under this standard.

STATEMENT OF NET INCOME (LOSS) AND GAINS AND LOSSES RECORD DIRECTLY IN OTHER COMPREHENSIVE INCOME

In millions of euros	H1 2018	H1 2017 (1)
Net income	**1,020**	**825**
Items recyclable to income	**49**	**(326)**
Translation adjustments	**106**	**(392)**
Revaluation adjustments for the period	130	
Reclassified to income	(24)	
Other reclassifications	0	
Revaluation of debt financial assets at fair value through other comprehensive income(2)	**(16)**	
Revaluation adjustments for the period	(13)	
Reclassified to income	(4)	
Other reclassifications	0	
Revaluation of available-for-sale financial assets	**(111)**	**(14)**
Revaluation adjustments for the period	(92)	
Reclassified to income	(19)	
Other reclassifications	(0)	
Revaluation of hedging derivatives	**39**	**102**
Revaluation adjustments for the period	(21)	
Reclassified to income	60	
Other reclassifications	-	
Share in gains (losses) of associates recorded directly and recyclable to income	**0**	**(1)**
Tax impact on items recyclable to income	**31**	**(22)**
Items not recyclable to income	**162**	**(28)**
Revaluation adjustments on defined-benefit plans	**12**	**16**
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	**224**	**(59)**
Revaluation of equity instruments recognized at fair value through other comprehensive income	**(7)**	
Revaluation of derivative instruments hedging equity financial assets at fair value through comprehensive income	**-**	
Share in gains and losses recognized directly in the equity of associates not recyclable to income	**-**	
Tax impact on items not recyclable to income	**(67)**	**14**
Gains and losses recognized directly in other comprehensive income (after income tax)	**211**	**(354)**
OTHER COMPREHENSIVE INCOME	**1,231**	**470**
Group share	1,118	420
Non-controlling interests	114	51

(1) The information reported at June 30, 2017 has not been restated for the impact of the first-time application of IFRS 9 "Financial instruments", in accordance with the option available under this standard;
(2) Including impairment of debt instruments recognized in "Financial assets at fair value through other comprehensive income" recorded as "Other items of comprehensive income" on the first-time application of IFRS 9 as at January 1, 2018, for €1.1 million (gross of tax).

Details of taxes on unrealized or deferred gains or losses

In millions of euros	H1 2018		
	Gross	Tax	Net
Translation adjustments	106	0	106
Revaluation of debt financial assets at fair value through other comprehensive income recyclable to income	(16)	7	(9)
Revaluation of available-for-sale financial assets	(111)	36	(75)
Revaluation of hedging derivatives	39	(13)	27
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	224	(65)	160
Revaluation of equity instruments recognized at fair value through other comprehensive income	(7)	1	(6)
Revaluation of derivative instruments hedging equity financial assets at fair value through other comprehensive income		0	0
Revaluation adjustments on defined-benefit plans	12	(4)	8
Share in unrealized or deferred gains and losses of associates	0	0	0
Total changes in unrealized or deferred gains or losses	**247**	**(36)**	**211**

CONSOLIDATED BALANCE SHEET - ASSETS

In millions of euros	Notes	06.30.2018	12.31.2017 (1)
Cash, central banks		25,986	36,901
Financial assets at fair value through profit or loss	*5.1.1*	225,810	184,497
Hedging derivatives		349	339
Financial assets at fair value through other comprehensive income	*5.3*	9,889	
Available-for-sale financial assets			57,885
Debt instruments at amortized cost	*5.5.3*	1,228	
Loans and receivables due from banks and similar items at amortized cost	*5.5.1*	43,050	
Customer loans and receivables at amortized cost	*5.5.2*	87,706	
o/w institutional operations		*804*	
Loans and receivables due from banks			45,289
o/w institutional operations			
Customer loans and receivables			136,768
o/w institutional operations			*779*
Revaluation adjustments on portfolios hedged against interest rate risk			
Insurance business investments	*6.4*	101,401	
Held-to-maturity financial assets			1,885
Current tax assets		219	577
Deferred tax assets		1,222	1,585
Accrual accounts and other assets	*5.9*	16,416	46,624
Non-current assets held for sale		796	738
Deferred profit-sharing			
Investments in associates		719	734
Investment property		118	1,073
Property, plant and equipment		796	758
Intangible assets		765	732
Goodwill	*5.10*	3,667	3,601
Total assets		**520,137**	**519,987**

(1) The information reported at December 31, 2017 has not been restated for the impact of the first-time application of IFRS 9 "Financial instruments", in accordance with the option available under this standard.
The impact of the first-time application of IFRS 9 on the opening balance sheet at January 1, 2018 is detailed in Note 1.

CONSOLIDATED BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros	Notes	06.30.2018	12.31.2017 (1)
Due to central banks			
Financial liabilities at fair value through profit or loss	5.1.2	217,899	144,885
Hedging derivatives		723	710
Valuation of deposits and loans due to banks	5.6.1	87,057	
o/w institutional operations		*46*	
Deposits and loans due to customers	5.6.2	39,424	
o/w institutional operations		*880*	
Debt securities	5.7	41,044	
o/w institutional operations			
Due to banks			104,318
o/w institutional operations			*46*
Customer deposits			94,571
o/w institutional operations			*851*
Debt securities			32,574
Revaluation adjustments on portfolios hedged against interest rate risk		98	138
Current tax liabilities		476	532
Deferred tax liabilities		505	620
Accrual accounts and other liabilities	5.9	16,158	37,936
o/w institutional operations		*17*	*0*
Liabilities on non-current assets held for sale		775	698
Insurance-related liabilities	6.5	90,227	
Insurance companies' technical reserves			76,601
Provisions	5.11	1,753	1,742
Subordinated debt	5.8	3,663	3,674
Shareholders' equity (Group share):		19,180	19,795
- Share capital and reserves		*10,976*	*10,976*
- Consolidated reserves		*6,727*	*6,697*
- Gains and losses recorded directly in equity		*743*	*772*
- Non-recyclable gains and losses recorded directly in equity		*(169)*	*(318)*
- Net income/(loss)		*903*	*1,669*
Non-controlling interests		1,155	1,192
Total liabilities and shareholders' equity		**520,137**	**519,987**

(1) The information reported at December 31, 2017 has not been restated for the impact of the first-time application of IFRS 9 "Financial instruments", in accordance with the option available under this standard.
The impact of the first-time application of IFRS 9 on the opening balance sheet at January 1, 2018 is detailed in Note 1.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In millions of euros	Share capital & reserves		Consolidated reserves			Gains/(losses) recorded directly in equity										
						Recyclable				Non-recyclable						
	Capital	Reserves related to share capital (1)	Other equity instruments issued (2)	Elimination of treasury stock	Other consolidated reserves	Translation adjustments	Available-for-sale assets	Revaluation of debt instruments at fair value through other comprehensive income (recyclable)	Hedging derivatives	Revaluation of equity instruments at fair value through other comprehensive income	Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss (3)	Revaluation adjustments on defined-benefit plan commitments	Net income (Group share)	**Shareholders' equity (Group share)**	Non-controlling interests	**Total consolidated equity**
Shareholders' equity at December 31, 2016 after appropriation of income	**5,019**	**5,956**	**1,611**	**1**	**6,098**	**950**	**629**		**(255)**		**(62)**	**(111)**		**19,835**	**1,296**	**21,131**
Capital increase	0	(0)												**0**		**0**
Elimination of treasury stock				(19)	(1)									**(20)**		**(20)**
Equity component of share-based payment plans					8									**8**		**8**
2016 dividend paid in 2017					(1,098)									**(1,098)**	(73)	**(1,170)**
Total activity related to relations with shareholders	**0**	**(0)**	**0**	**(19)**	**(1,091)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,110)**	**(73)**	**(1,183)**
Issuance and redemption of perpetual deeply subordinated notes and preference shares			474		0									**474**		**474**
Interest paid on perpetual deeply subordinated notes and preference shares					(47)									**(47)**		**(47)**
Change in gains and losses recorded directly in equity						(380)	3		67		(39)			**(350)**	(7)	**(357)**
Appropriation to own credit risk reserve during the period					(2)						2			**0**		**0**
Change in actuarial gains and losses under IAS 19R												11		**11**		**11**
Income/(loss) at June 30, 2017													768	**768**	57	**825**
Impact of acquisitions and disposals (4)					(59)	(9)	1							**(68)**	(7)	**(74)**
Other					6									**6**	3	**9**
Shareholders' equity at June 30, 2017	**5,020**	**5,956**	**2,085**	**(18)**	**4,905**	**560**	**633**	**0**	**(189)**	**0**	**(99)**	**(101)**	**768**	**19,520**	**1,270**	**20,789**
Capital increase														**0**		**0**
Elimination of treasury stock				(6)	1									**(5)**		**(5)**
Equity component of share-based payment plans					3									**3**		**3**
2016 dividend paid in 2017														**0**	(6)	**(6)**
Total activity related to relations with shareholders	**0**	**0**	**0**	**(6)**	**4**	**0**	**0**	**0**	**0**	**0**	0	**0**	**0**	**(3)**	**(6)**	**(9)**
Issuance and redemption of perpetual deeply subordinated notes and preference shares			147											**147**		**147**
Interest paid on perpetual deeply subordinated notes and preference shares					(47)									**(47)**		**(47)**
Change in gains and losses recorded directly in equity						(265)	(16)		41		(98)			**(338)**	(21)	**(359)**
Appropriation to own credit risk reserve during the period					(1)						1			**0**		**0**
Change in actuarial gains and losses under IAS 19R												(22)		**(22)**		**(22)**
Income/(loss) at June 30, 2017													901	**901**	135	**1,037**
Impact of acquisitions and disposals(4)					(285)	(12)	20					(0)		**(278)**	(183)	**(461)**
Other(5)					(86)									**(86)**	(2)	**(89)**
Shareholders' equity at December 31, 2017	**5,020**	**5,956**	**2,232**	**(25)**	**4,490**	**282**	**637**	**0**	**(148)**	**0**	**(196)**	**(123)**	**1,669**	**19,795**	**1,192**	**20,987**
Appropriation of 2017 earnings					1,669								(1,669)	0		0
Shareholders' equity at December 31, 2017 after appropriation of income	**5,020**	**5,956**	**2,232**	**(25)**	**6,159**	**282**	**637**	**0**	**(148)**	**0**	**(196)**	**(123)**	**0**	**19,795**	**1,192**	**20,987**
Initial application of IFRS 9					**(32)**		**(107)**	**26**		**(14)**				**(128)**	**(4)**	**(132)**
Shareholders' equity at January 1, 2018	**5,020**	**5,956**	**2,232**	**(25)**	**6,127**	**282**	**530**	**26**	**(148)**	**(14)**	**(196)**	**(123)**	**0**	**19,667**	**1,188**	**20,855**
Capital increase	2	(2)												**0**		**0**
Elimination of treasury stock				(13)	(0)									**(14)**		**(14)**
Equity component of share-based payment plans					5									**5**		**5**
2017 dividend paid in 2018					(1,160)									**(1,160)**	(159)	**(1,320)**
Total activity related to relations with shareholders	**2**	**(2)**	**0**	**(13)**	**(1,156)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,169)**	**(159)**	**(1,328)**
Issuance and redemption of perpetual deeply subordinated notes and preference shares			(254)											**(254)**		**(254)**
Interest paid on perpetual deeply subordinated notes and preference shares					(50)									**(50)**		**(50)**
Change in gains and losses recorded directly in equity						131	(71)	(9)	26	(6)	160			**231**	(4)	**227**
Appropriation to own credit risk reserve during the period					(3)						3			**0**		**0**
Appropriation to reserves of income from the sale of equity instruments at fair value through other comprehensive income (non-recyclable) during the period					1					(1)				**0**		**0**
Change in actuarial gains and losses under IAS 19R												8		**8**		**8**
Income/(loss) at June 30, 2018													903	**903**	118	**1,020**
Impact of acquisitions and disposals(6)					(88)	(24)								**(112)**	15	**(97)**
Other(7)					(45)									**(45)**	(2)	**(47)**
Shareholders' equity at June 30, 2018	**5,021**	**5,954**	**1,978**	**(38)**	**4,787**	**389**	**458**	**17**	**(121)**	**(21)**	**(33)**	**(115)**	**903**	**19,181**	**1,156**	**20,335**

(1) Issue premiums, legal reserve, contractual reserves, long-term capital gains reserve and other Natixis reserves;

(2) Other equity instruments issued: refers to perpetual deeply subordinated notes. At June 30, 2018, the redemption of perpetual deeply subordinated notes issued in 2008 was recorded in the amount of -€253 million. At December 31, 2017, BPCE subscribed to two new issuances of perpetual deeply subordinated notes for a total amount of €897 million, and the redemption of -€276 million for perpetual deeply subordinated notes issued in 2017 was recognized.

(3) Realized and unrealized changes in fair value attributable to own credit risk on financial liabilities at fair value through profit or loss" recognized in shareholders' equity at June 30, 2018 totaled +€224.4 million (gross amount, with an associated tax impact of -€64.8 million). Balances relating to the early repayment of Natixis issues recognized in shareholders' equity at June 30, 2018 totaled +€3.9 million (gross amount, with an associated tax impact of -€1.2 million).
Realized and unrealized changes in fair value attributable to own credit risk on financial liabilities at fair value through profit or loss recognized in shareholders' equity at December 31, 2017 totaled -€185.3 million (gross amount, with an associated tax impact of +€48.5 million), including -€39.1 million in the first half of 2017 and -€97.7 million in the second half of 2017. Balances relating to the early repayment of Natixis issuances recognized in shareholders' equity at December 31, 2017, totaled +€5.3 million (gross amount, with an associated tax impact of -€1.8 million), including +€2.4 million in the first half of 2017 and +€1.1 million in the second half of 2017;

(4) In 2017, shareholders' equity group share included the following:
-€111 million for the revaluation and unwinding of the discount on call options granted to minority shareholders of DNCA France (-€63.1 million), Ciloger (-€16.1 million), Dorval (-€29 million), Darius (-€6.7 million) and Lakooz (+€3.8 million);
-€38 million for the acquisition of the 100% stake held by BPCE in S-Money and its subsidiary Lakooz, which occurred in two stages (51% in the first half of 2017 and 49% in the second half of 2017);
+€18 million for the acquisition of BatiLease and InterCoop from Crédit Coopératif;
-€94 million for the buyback of 40% of BPCE Assurances from minority interests (Macif and Maif);
-€7 million for the buyout of Ossiam shares from one of its managers;
+€8 million for the disposal of Ellisphère;
-€62 million in call options granted to minority shareholders in Dalenys;

-€56 million in call options granted to minority shareholders in IML (Investors Mutual Limited);
-€4 million in call options granted to minority shareholders in PayPlug;

(5) In 2017, other reclassifications included -€87 million related to the elimination of capital gains on reclassification following the repayment of a line of perpetual deeply subordinated notes;

(6) At June 30, 2018, shareholders' equity group share included the following:
- The impact of the recognition of new put options granted to minority shareholders relating to acquisitions, for -€48.8 million. These put options concern the M&A business, with the acquisitions of Vermilion (-€13.8 million) and Fenchurch (-€27.1 million), and the payments business, with the acquisition of Alter CE (-€7.9 million);
- The impact of existing put options granted to minority shareholders at the start of the year, for -€36 million. This impact was partly due to the change in the fair value of these put options at June 30, for -€17.4 million, mainly generated by the unwinding of discounts on financial debt, and also due to the transfer of the share of the net minority position of the entities representing these put options, for -€18.6 million;
- The effect of changes in the percentage ownership without a loss of control of consolidated entities, for -€1.8 million. This mainly concerned the increase in the percentage ownership of the consolidated entity Caspian PE (from 55% to 72%), for -€1.6 million;
- The recognition of goodwill on BPCE Immobilier Exploitation directly in equity, in accordance with the accounting treatment of acquisitions of jointly-controlled entities, for -€1 million.

(7) At June 30, 2018, other reclassifications included -€43.2 million related to the elimination of capital gains on reclassification following the repayment of two lines of perpetual deeply subordinated notes issued in 2008;
The impact of the first-time application of IFRS 9 on the opening balance sheet at January 1, 2018 is detailed in Note 1.

NET CASH FLOW STATEMENT

The balance of cash and cash equivalents consists of the net balances on cash and amounts due from central banks, as well as on-demand deposits with and loans from credit institutions.

Changes in cash generated by operating activities consist of cash flows generated by Group activities, with the exception of those relating to held-to-maturity financial assets and investment property.

Changes in cash related to investment operations result from cash flows related to acquisitions and disposals of investments in consolidated and non-consolidated associates, tangible and intangible fixed assets, and acquisitions and disposals of investment property, property provided under operating leases and financial assets held to maturity.

In millions of euros	06.30.2018	12.31.2017
Pre-tax profit	**1,490**	**2,651**
+/- Net charge to depreciation and amortization of property, plant and equipment and intangible assets	162	320
+/- Writedown of goodwill and other non-current assets	0	(5)
+/- Net charge to other provisions (including insurance companies' technical reserves)	4,023	7,536
+/- Share in income of associates	(10)	(26)
+/- Net loss/(gain) on investing activities	(143)	(418)
+/- Net loss/(gain) on financing activities	45	87
+/- Other activity	1,472	(1,939)
= Total non-cash items included in pre-tax profit and other adjustments	***5,548***	***5,556***
+/- Decrease/(increase) in interbank and money market items	(7,339)	(1,958)
+/- Decrease/(increase) in customer items	(4,201)	14,212
+/- Decrease/(increase) in financial assets or liabilities	(1,947)	(18,739)
+/- Decrease/(increase) in non-financial assets or liabilities	206	(5,551)
- Income taxes paid	(373)	(213)
= Net decrease/(increase) in operating assets and liabilities	***(13,654)***	***(12,249)***
Net cash provided/(used) by operating activities	**(6,616)**	**(4,042)**
+/- Decrease/(increase) in financial assets and equity interests[1]	385	200
+/- Decrease/(increase) in investment property	86	50
+/- Decrease/(increase) in property, plant and equipment and intangible assets	(169)	(324)
Net cash provided/(used) by investing operations	**302**	**(74)**
Cash received from/(paid to) shareholders[2]	(1,320)	(1,176)
+/- Other cash provided/(used) by financing operations[3]	(358)	(127)
Net cash provided/(used) by financing operations	**(1,678)**	**(1,303)**
Cash flow on assets and liabilities held for sale	**(5)**	**(1)**
Impact of exchange rate fluctuations on cash and cash equivalents	**190**	**(1,981)**
Net increase/(decrease) in cash and cash equivalents	**(7,807)**	**(7,401)**
Net cash provided/(used) by operating activities	(6,616)	(4,042)
Net cash provided/(used) by investing activities	302	(74)
Net cash provided/(used) by financing activities	(1,678)	(1,303)
Cash flow on assets and liabilities held for sale	(5)	(1)
Impact of exchange rate fluctuations on cash and cash equivalents	190	(1,981)
Cash and cash equivalents at beginning of period	**30,568**	**37,969**
Cash and balances with central banks	36,901	26,703
Interbank balances	(6,333)	11,266
Cash and cash equivalents at end of period	**22,763**	**30,568**
Cash and balances with central banks	25,986	36,901
Interbank balances	(3,223)	(6,333)
Change in cash and cash equivalents	**(7,807)**	**(7,401)**

(1) Decrease/(increase) in financial assets and investments in associates, including in particular:
- flows related to assets held to maturity (+€344 million);

- flows related to investments in consolidated associates totaling -€163 million for the purchase of 51% of Fenchurch (-€37 million), 51% of Vermilion (-€12 million), 70% of Alter CE (-€20 million), 100% of BPCE Immobilier Exploitation (-€3 million), the acquisition of an additional 5% stake in PayPlug (-€2 million), and an additional 18% in Natixis Caspian Private Equity (-€2 million), +€24 million in cash acquired (including +€12 million on the acquisition of BPCE Immobilier Exploitation, +€6 million on Fenchurch, +€4 million on Vermilion and +€2 million on Alter CE), the disposal of Cofacrédit (+€14 million), and the partial exercise of a put option on DNCA (-€125 million);
- cash flows related to investments in non-consolidated associates in the amount of +€204 million, including +€186 million for the disposal of the 8% stake in AUSTIN FINANCE.

(2) Flows received from/(paid to) shareholders included dividends paid to BPCE in the amount of -€824 million and dividends paid to non-group entities for -€496 million.

(3) Flows from financing activities can be broken down as follows:

- -€254 million paid on perpetual deeply subordinated notes, corresponding to the reimbursement of two issues made in 2008;
- the redemption of debt held by Morgan Stanley for -€10 million;
- interest paid on subordinated notes for -€45 million;
- interest paid on deeply subordinated notes recorded in equity for -€49 million.

NOTE 1 Impact of the first-time application of IFRS 9 as of January 1, 2018

1.1 Preamble

From January 1, 2018, Natixis has applied IFRS 9 “Financial instruments”, which replaced IAS 39 “Financial instruments: Recognition and Measurement” with new rules for classifying and measuring financial assets and a new impairment model for expected losses. As a reminder, Natixis opted for the early adoption of IFRS 9 for its financial liabilities (see Note 2.1). Natixis has chosen to continue to apply IAS 39 for insurance entities, as authorized by the amendment to IFRS 4 (see Note 2.1) and for hedging, as permitted by IFRS 9. The main impacts of the first-time application of IFRS 9 (with the exception of the impact of the provisions relating to financial liabilities, which have been applied since January 1, 2016) on the opening balance sheet at January 1, 2018 are as follows:

Classification and measurement

Most financial assets that were measured at amortized cost under IAS 39 continue to meet the conditions for measurement at amortized cost under IFRS 9. Similarly, most financial assets measured at fair value under IAS 39 (available-for-sale financial assets and financial assets at fair value through profit or loss) continue to be measured at fair value under IFRS 9. As of January 1, 2018, the main reclassifications were:

- for financing portfolios:
  - repurchase agreements classified as loans and receivables and liabilities measured at amortized cost under IAS 39 and considered part of a trading business model under IFRS 9 were reclassified as “Financial assets at fair value through profit or loss”, for €47,328 million, and as “Financial liabilities at fair value through profit or loss” for €63,620 million, and are now measured at fair value through profit or loss.
  - repurchase agreements designated under the fair value option under IAS 39 for the purpose of comprehensive management at fair value and considered part of a trading business model were classified as “Financial assets at fair value through profit or loss” under IFRS 9, for €44,695 million. This reclassification had no impact on the balance sheet, since assets designated at fair value through profit or loss and assets held for trading were measured in the same way and presented in the same line of the balance sheet under IAS 39.
- for securities portfolios:
  - debt securities held in the liquidity reserve, which under IAS 39 were recognized as “Available-for-sale assets” and which are held under a hold to collect and sell business model, were reclassified as “Financial assets at fair value through other comprehensive income” (recyclable to income), for €9,466 million;
  - mutual fund and venture capital mutual fund units, except for those in the insurance business, classified as equity instruments under IAS 39 and recognized as “Available-for-sale assets” or as “Financial assets under the fair value option through profit or loss”, are considered as debt instruments with non-basic (non-SPPI) characteristics under IFRS 9 and as a result they are recognized as “Financial assets at fair value through profit or loss”, for €1,645 million;
  - Investments in associates recognized as available-for-sale assets under IAS 39 which, as allowed under IFRS 9, are either recognized as “Financial assets at fair value through profit or loss”, for €379 million, or under the option provided for by IFRS 9, they are recognized as “Financial assets at fair value through other comprehensive income” (non-recyclable to income even in the event of disposal), for €71 million. In this latter case, only dividends are

recorded in income;

- securitization fund units measured at amortized cost and classified as loans and receivables under IAS 39 (i) are measured at fair value through profit or loss under IFRS 9 if their contractual cash flows are not solely payments of principal and interest, (ii) are measured at fair value through other comprehensive income if they are managed under a hold to collect and sell business model, and (iii) will continue to be recognized at amortized cost in all other cases. As of January 1, 2018, securitization units measured at fair value through profit or loss and reclassified to this category amounted to €23 million; Natixis' other positions will continue to be recognized at amortized cost.

Reclassifications between categories of financial assets measured at amortized cost and fair value through profit or loss or through other comprehensive income had an impact on Natixis' consolidated equity at January 1, 2018 owing to the different calculation methods applicable to these assets and to the retrospective application of the standard. Nevertheless, as these reclassifications are limited or affect assets whose fair value does not vary significantly from their value at amortized cost due notably to the residual maturity of the transactions in question, these reclassifications had an impact of €3 million (after tax) on Natixis' opening equity at January 1, 2018. Reclassifications between different categories under IAS 39 and IFRS 9 are shown in Notes 1.2.1 and 1.2.2.

The classification and measurement principles applied to financial instruments are described in Note 2.2.

Impairment

Under IAS 39, there was a separate provisioning model for: (i) instruments measured at amortized cost, (ii) debt instruments measured as "Available-for-sale assets", (iii) equity instruments measured as "Available-for-sale assets", and (iv) instruments recognized at cost. In contrast, under IFRS 9, there is just one provisioning model. This model applies equally to instruments measured at amortized cost and to debt instruments measured at fair value through recyclable other comprehensive income. Additionally, under IFRS 9, equity instruments are no longer impaired since they are either measured at fair value through profit or loss or at fair value through non-recyclable other comprehensive income.

Under IAS 39, it was forbidden to record impairment on the initial recognition of assets. An asset or group of assets could be impaired only if:

- there was objective evidence of impairment resulting from one or more events having occurred since the initial recognition of the asset (i.e. loss events); and
- these loss events had an impact on the estimated cash flows of the financial asset.

IFRS 9 now requires that entities recognize impairments at an earlier stage than under IAS 39, i.e., from the date of initial recognition of the financial instrument. Accordingly, application of the new IFRS 9 provisioning model leads to an increase in the amount of impairment recorded on loans and securities carried at amortized cost in the balance sheet or recorded at fair value through recyclable other comprehensive income and on loan or guarantee commitments given (excluding those recognized at fair value through profit or loss) as well as on lease receivables.
The impact of the first-time application of IFRS 9 on opening equity related to the implementation of the new impairment model is €166.8 million before tax and €124.7 million after the impact of deferred taxes (negative impacts).

The principles of the new impairment model applied pursuant to IFRS 9 are described in Note 2.5.

1.2 Detail of the impact of the first-time application of IFRS 9

1.2.1 Transitional balance sheet

This table provides details of the impact of the transition from IAS 39 to IFRS 9 on balance sheet items due to reclassifications and the application of the new impairment method.

In millions of euros				Impacts of change			
Classification under IAS 39	Balance sheet under IAS 39 at December 31, 2017(*)	Reclassifications and restatements under IFRS 9(1)	Other reclassifications(2)	Valuation	Value adjustment for credit losses(3)	Balance sheet under IFRS 9 at January 1, 2018	Classification under IFRS 9
	§42I (a)			§42L (a) and (b)	§42P	§42I (b)	
ASSETS							**ASSETS**
Cash, central banks	36,901					36,901	Cash, central banks
Financial assets at fair value through profit or loss	184,497	46,184	(5,017)	(1)		225,663	Financial assets at fair value through profit or loss
Hedging derivatives	339		(1)			337	Hedging derivatives
Available-for-sale financial assets	57,885	(10,951)	(46,934)				
		9,981				9,981	Financial assets at fair value through other comprehensive income
Loans and receivables due from banks	45,289	(4,278)	(446)		5	40,570	Loans and receivables due from banks and similar items at amortized cost
Loans and receivables due from customers	136,768	(41,920)	(10,312)		(24)	84,512	Loans and receivables due from customers at amortized cost
		994			(10)	984	Debt instruments at amortized cost
Revaluation adjustments on portfolios hedged against interest rate risk							Revaluation adjustments on portfolios hedged against interest rate risk
Held-to-maturity financial assets	1,885		(1,885)				
			96,901			96,901	Insurance business investments
Current tax assets	577					577	Current tax assets
Deferred tax assets	1,585	(5)			41	1,622	Deferred tax assets
Accrual accounts and other assets	46,624		(31,357)			15,267	Accrual accounts and other assets
Non-current assets held for sale	738					738	Non-current assets held for sale
Investments in associates	734				(1)	732	Investments in associates
Investment property	1,073		(949)			124	Investment property
Property, plant and equipment	758					758	Property, plant and equipment
Intangible assets	732					732	Intangible assets
Goodwill	3,601					3,601	Goodwill
	519,987	**4**	**(0)**	**(1)**	**11**	**520,000**	
LIABILITIES							**LIABILITIES**
Financial liabilities at fair value through profit or loss	144,885	63,620	12,816			221,321	Financial liabilities at fair value through profit or loss
Hedging derivatives	710					710	Hedging derivatives
Due to banks	104,318	(9,827)				94,491	Deposits and loans due to banks
Customer deposits	94,571	(53,783)	49			40,837	Deposits and loans due to customers
Debt securities	32,574					32,574	Debt securities
Revaluation adjustments on portfolios hedged against inte	138					138	Revaluation adjustments on portfolios hedged against interest rate risk
Current tax liabilities	532					532	Current tax liabilities
Deferred tax liabilities	620	(4)				616	Deferred tax liabilities
Accrual accounts and other liabilities	37,936		(22,771)			15,165	Accrual accounts and other liabilities
Liabilities on assets held for sale	698					698	Liabilities on assets held for sale
Insurance companies' technical reserves	76,601		9,906			86,507	Liabilities related to insurance policies
Provisions	1,742				140	1,882	Provisions
Subordinated debt	3,674					3,674	Subordinated debt
Shareholders' equity (Group share)	19,795	(2)		(1)	(125)	19,667	Shareholders' equity (Group share)
Non-controlling interests	1,192				(4)	1,188	Non-controlling interests
	519,987	**4**	**(0)**	**(1)**	**11**	**520,000**	

(*) Figures reported at December 31, 2017

(1) Details of the reclassifications are provided in note 1.2.2;

(2) Other reclassifications mainly correspond to changes in the balance sheet presentation of insurance activities and guarantee deposits in accordance with ANC recommendation 2017-02, and the impact of the first-time application of IFRS 15 corresponding to the reclassification of commodity stocks on the balance sheet. These reclassifications had no impact on Natixis' opening equity;

(3) Details of the impact of the first-time application of the new impairment model are provided in note 1.2.2.

1.2.2 Summary of reclassifications by category

This table provides a summary of reclassifications between IAS 39 and IFRS 9 by category of instruments.

Financial assets under IAS 39	Classification under IFRS 9	Note	01.01.2018 Carrying amount under IAS 39	01.01.2018 Carrying amount under IFRS 9
Financial assets at fair value through profit or loss	**Financial assets at fair value through profit or loss**		**184,497**	**225,663**
Of which fair value through profit and loss of assets held for trading			**113,615**	
Derivatives	Financial assets at fair value through profit or loss		60,228	60,014
	Insurance business investments	(l)		214
Variable-income securities	Financial assets at fair value through profit or loss		37,348	28,033
	Insurance business investments	(l)		4,310
Fixed-income securities	Financial assets at fair value through profit or loss		13,033	18,044
	Insurance business investments	(l)		(6)
Loans and receivables	Financial assets at fair value through profit or loss	(c)	3,006	3,006
Of which under the fair value option through profit or loss			**70,883**	
Fixed-income securities	Financial assets at fair value through profit or loss	(a)	3,134	592
	Insurance business investments	(l)		2,541
Variable-income securities	Financial assets at fair value through profit or loss	(b)	15,530	1,863
	Insurance business investments	(l)		13,667
Loans and receivables due from banks	Loans and receivables at amortized cost due from banks	(c)	2,099	2,097
Loans and receivables due from customers	Financial assets at fair value through profit or loss	(c)	5,425	3,414
	Insurance business investments	(l)		2,011
Reverse repurchased securities	Financial assets at fair value through profit or loss	(d)	44,695	44,695
Hedging derivatives	**Hedging derivatives**		**339**	337
	Insurance business investments	(l)		1
Available-for-sale financial assets			**57,885**	
Fixed-income securities	Financial assets at fair value through profit or loss	(e)	49,704	15
	Financial assets at fair value through other comprehensive income	(f)		9,910
	Insurance business investments	(l)		39,681
	Debt instruments at amortized cost			99
Variable-income securities	Financial assets at fair value through profit or loss	(g)	8,178	853
	Insurance business investments	(l)		7,253
	Financial assets at fair value through other comprehensive income	(h)		71
Loans and receivables	Loans and receivables due from customers at amortized cost		3	3
Loans and receivables (*)			**182,057**	
Loans and receivables	Loans and receivables at amortized cost due from banks		98,541	30,556
	Loans or receivables at amortized cost due from customers			57,253
	Financial assets at fair value through profit or loss	(i)		57
	Insurance business investments	(l)		10,808
Current accounts overdrawn	Loans and receivables at amortized cost due from banks		10,262	6,433
	Loans or receivables at amortized cost due from customers			3,822
Fixed-income securities	Debt instruments at amortized cost		923	885
	Financial assets at fair value through profit or loss	(j)		28
Repurchased securities	Loans and receivables at amortized cost due from banks		52,776	1,434
	Loans or receivables at amortized cost due from customers			4,024
	Financial assets at fair value through profit or loss	(k)		47,328
Finance leases	Loans or receivables at amortized cost due from customers		11,336	11,202
Factoring	Loans or receivables at amortized cost due from customers		8,218	8,208
Held-to-maturity financial assets				
Fixed-income securities	Insurance business investments	(l)	1,885	1,885
Accruals and other assets	Accruals and other assets		46,624	15,267
	Financial assets at fair value through profit or loss	(c)		17,721
	Insurance business investments	(l)		13,588
	Loans and receivables at amortized cost due from banks			49
Investment property	Insurance business investments	(l)	1,073	949
	Investment property			124
Cash, central banks			**36,901**	**36,901**
Current tax assets			**577**	**577**
Deferred tax assets			**1,585**	**1,622**
Non-current assets held for sale			**738**	**738**
Investments in associates			**734**	**732**
Property, plant and equipment			**758**	**758**
Intangible assets			**732**	**732**
Goodwill			**3,601**	**3,601**
Total			**519,987**	**520,000**

(*) Collective provisions are recognized as a deduction from assets, like individual provisions, and are therefore included in the carrying amount of the instruments.

The application of the classification and measurement criteria set out in IFRS 9 (see Note 2.2) relating to business models and the contractual characteristics of financial instruments led Natixis to make the following reclassifications:

(a) Fixed-income securities classified as “Financial assets designated at fair value” according to IAS 39 were classified as “Financial assets at fair value through profit or loss” under IFRS 9 for €201 million, as they are managed under a trading business model. Fixed-income securities reclassified as “Financial assets at fair value through profit or loss” under IFRS 9 because they do not meet SPPI criteria (see Note 2.2.2) amounted to €391 million;

(b) Variable-income securities classified as “Financial assets designated at fair value” under IAS 39 and managed under a trading business model were classified as “Financial assets at fair value through profit or loss” under IFRS 9 for €242 million. UCITS recognized as “Financial assets at fair value through profit or loss” under IFRS 9 because they do not meet SPPI criteria (see Note 2.2.2) amounted to €1,191 million;

(c) Loans and receivables classified as “Financial assets designated at fair value” under IAS 39 and managed under a trading business model were classified as “Financial assets at fair value through profit or loss” under IFRS 9, for €2,565 million. Loans and receivables reclassified as “Financial assets at fair value through profit or loss” under IFRS 9 because they do not meet SPPI criteria (see Note 2.2.2) amounted to €2,297 million; Loans and receivables recognized as “Financial assets designated at fair value” under IAS 39 and reclassified as “Financial assets at amortized cost” under IFRS 9 amounted to €2,097 million;

(d) Securities received under repurchase agreements classified as “Financial assets designated at fair value” under IAS 39 and managed under a trading business model were classified as “Financial assets at fair value through profit or loss” under IFRS 9, for €44,695 million;

(e) Debt instruments recognized as “Available-for-sale financial assets” under IAS 39 for €15 million were reclassified as “Financial assets at fair value through profit or loss” under IFRS 9 as they do not meet SPPI criteria (see Note 2.2.2);

(f) Debt instruments corresponding to the liquidity reserve securities portfolio, totaling €9,466 million, managed under a hold to collect and sell business model, were reclassified as “Financial assets at fair value through other comprehensive income” (recyclable to income) under IFRS 9. This reclassification had no impact on opening equity. Debt instruments recognized as “Available-for-sale financial assets” under IAS 39 and reclassified as “Financial assets at amortized cost” under IFRS 9 amounted to €99 million; These instruments correspond to issues made by affiliates and are held in a hold to collect business model.

(g) Non-consolidated UCITS units totaling €453 million are considered non-SPPI debt instruments under IFRS 9 and were therefore classified as “Financial assets at fair value through profit or loss”. Other variable-income securities (excluding investments in associates) managed under a trading business model were reclassified as “Financial assets at fair value through profit or loss” under IFRS 9, for €22 million. Investments in associates classified as “Financial assets at fair value through profit or loss” under IFRS 9 totaled €379 million.

(h) Investments in associates reclassified as “Financial assets at fair value through other comprehensive income” (non-recyclable to income) under IFRS 9 represented €71 million.

(i) These include loans and receivables classified as “Loans and receivables” under IAS 39 and reclassified as “Financial assets at fair value through profit or loss” under IFRS 9 because they do not meet SPPI criteria, for €57 million;

(j) These include debt instruments classified as “Loans and receivables” under IAS 39 and reclassified as “Financial assets at fair value through profit or loss” under IFRS 9 because they do not meet SPPI criteria, for €28 million;

(k) Securities received under repurchase agreements classified as “Loans and receivables” under IAS 39 and managed under a trading business model were recognized as “Financial assets at fair value through profit or loss” under IFRS 9, for €47,328 million.

(l) Reclassification of financial assets of the insurance businesses to “Insurance business investments” in accordance with the ANC recommendation.

Financial liabilities under IAS 39	Classification under IFRS 9	01.01.2018 Carrying amount under IAS 39	Carrying amount under IFRS 9
Financial liabilities at fair value through profit or loss		**144,885**	**221,321**
Of which fair value through profit and loss of assets held for trading		**85,937**	
Derivatives	Liabilities related to insurance policies	59,783	183
	Financial liabilities at fair value through profit or loss		59,600
Securities	Financial liabilities at fair value through profit or loss	26,096	26,096
Other liabilities	Financial liabilities at fair value through profit or loss	57	57
Of which under the fair value option through profit or loss		**58,949**	
Securities	Financial liabilities at fair value through profit or loss	20,535	20,535
Repurchased securities	Financial liabilities at fair value through profit or loss (a)	34,974	34,974
Other liabilities	Financial liabilities at fair value through profit or loss	3,440	3,440
Due to banks and customer deposits		**198,889**	
Deposits and loans	Deposits and loans	125,579	125,579
Repurchased securities	Due to banks and customer deposits	73,310	9,700
	Financial liabilities at fair value through profit or loss (b)		63,620
Accruals and other liabilities	Accruals and other liabilities	37,936	15,165
	Financial liabilities at fair value through profit or loss		12,999
	Liabilities related to insurance policies		9,724
	Deposits and loans due to customers		49
Insurance companies' technical reserves	**Liabilities related to insurance policies**	**76,601**	**76,601**
Hedging derivatives		**710**	**710**
Debt securities		**32,574**	**32,574**
Revaluation adjustments on portfolios hedged against interest rate risk		**138**	**138**
Current tax liabilities		**532**	**532**
Deferred tax liabilities		**620**	**616**
Liabilities on non-current assets held for sale		**698**	**698**
Provisions		**1,742**	**1,882**
Subordinated debt		**3,674**	**3,674**
Shareholders' equity (Group share)		**19,795**	**19,667**
Non-controlling interests		**1,192**	**1,188**
Total		**519,987**	**520,000**

(a) Securities sold under repurchase agreements classified as “Financial liabilities designated at fair value” under IAS 39 and managed under a trading business model were classified as “Financial assets at fair value through profit or loss” under IFRS 9, for €34,974 million;

(b) Securities sold under repurchase agreements classified as “Loans and receivables” under IAS 39 and managed under a trading business model were recognized as “Financial assets at fair value through profit or loss” under IFRS 9, for €63,619 million.

Table showing the impact of the change in impairment method

This table provides details of the impact of changes relating to the application of the new impairment model under IFRS 9.

Financial assets under IAS 39	Classification under IFRS 9	Closing balance of value adjustments under IAS 39 and IAS 37 at 12.31.2017	Opening balance of value adjustments for losses under IFRS 9 at 01.01.2018	Impact of changes in measurement category on value adjustments for losses at that date
Available-for-sale securities	Debt securities at amortized cost		(24)	
	Debt securities at fair value through other comprehensive income recyclable to income	(43)	(3)	0
	Insurance business investments		(15)	
Customer loans and receivables available for sale	Customer loans and receivables at amortized cost	(15)	(15)	
Loans and receivables due from banks	Loans and receivables due from banks at amortized cost	(69)	(64)	5
Customer loans and receivables	Debt securities at amortized cost		(92)	
	Customer loans and receivables at amortized cost	(1,975)	(1,909)	(34)
	Loans at fair value through profit or loss		(4)	
	Fixed-income securities at fair value through profit or loss		(4)	
Financing commitments	Financing commitments	(3)	(120)	(116)
Guarantee commitments	Guarantee commitments	(16)	(40)	(24)
		(2,120)	**(2,289)**	**(169)**

1.2.3 Impact of the first-time application of IFRS 9 on shareholders' equity

In millions of euros	Other consolidated reserves	Gains and losses recognized directly in other comprehensive income				Total impact of IFRS 9 - Group share	Non-controlling interests	Total impact of IFRS 9 at 01.01.2018
		Available-for-sale assets	Financial assets at fair value through other comprehensive income (recyclable)	Equity instruments at fair value through other comprehensive income (not recyclable)	Total			
Balance at 12/31/2017 (after appropriation of income)	**6,159**	**637**			**637**	**6,796**	**1,192**	**7,988**
Type of impact:								
Revaluation of equity instruments at fair value through other comprehensive income								
Reclassification to financial assets at fair value through profit or loss	59	(61)			(61)	(2)		(2)
Reclassification to financial assets at fair value through other comprehensive income	43	(70)	40	(13)	(43)			
Reclassification to financial assets at amortized cost								
Reclassification to financial liabilities at fair value through profit or loss								
Impact of change in impairment of financial assets at fair value through other comprehensive income								
Impact of change in impairment of financial assets (receivables) at amortized cost	(27)					(27)	(3)	(29)
Impact of change in impairment of off-balance sheet commitments	(140)					(140)	(1)	(141)
Tax impact	34	23	(14)	(2)	7	41		41
Impact on consolidated reserves at 01/01/2018	**(32)**	**(107)**	**26**	**(14)**	**(96)**	**(128)**	**(4)**	**(132)**
Balance at 01/01/2018	**6,127**	**530**	**26**	**(14)**	**541**	**6,668**	**1,188**	**7,856**

NOTE 2 ACCOUNTING PRINCIPLES

2.1 Applicable standards

Natixis' consolidated half-year financial statements at June 30, 2018 include a set of condensed financial statements prepared and presented pursuant to the provisions of IAS 34 "Interim financial statements". These condensed financial statements must be read in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2017, published in the Registration Document filed with the Autorité des Marchés Financiers (AMF - French Financial Markets Authority) on March 23, 2018. They consist of:

- the balance sheet;
- the income statement;
- the statement of net income/(loss) and other comprehensive income;
- the statement of changes in shareholders' equity;
- the net cash flow statement;
- and a selection of notes to the financial statements.

They are presented with a comparison against December 31, 2017 for the balance sheet and June 30, 2017 for the income statement, drawn up under IAS 39. A comparison as at January 1, 2018 is provided for details of balance sheet items.

The accounting principles and methods used to prepare the consolidated interim financial statements of Natixis at June 30, 2018 are identical to those used to prepare the consolidated financial statements for the fiscal year ended December 31, 2017, prepared in accordance with IFRS as adopted in the European Union and detailed in Note 1 "Basis of presentation" to the consolidated financial statements for fiscal year 2017 (presented in Chapter 5.1 "Financial data - Consolidated financial statements and notes" of the 2017 Registration Document), with the exception of the following standards, amendments and interpretations, which took effect as of January 1, 2018:

- **The new standard, IFRS 9 "Financial instruments"**, was adopted by the European Commission on November 22, 2016 and is applicable in Natixis' consolidated financial statements retroactively as of January 1, 2018, except for the provisions relating to financial liabilities at fair value through profit or loss, which Natixis applied in advance to the financial statements from January 1, 2016, under the option available in the standard.
  Under the option available in IFRS 9, Natixis elected not to restate data for previous fiscal years published as comparative information for its financial statements.
  IFRS 9 replaces IAS 39 and sets the new rules for classifying and measuring financial assets and liabilities, a new impairment model for financial assets, and a new method of hedge accounting, except for macro-hedging, which the IASB is currently studying in a separate draft standard.
  Natixis has taken the option offered by IFRS 9 of not applying its provisions relating to hedge accounting and of continuing to apply IAS 39 to account for its hedging transactions. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 continue to be disclosed in the same way from January 1, 2018.

  The amendment to IFRS 4 applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" with specific provisions for financial conglomerates, was adopted by the European Commission on November 3, 2017 with effect from January 1, 2018. This European regulation will allow European financial conglomerates to defer application of IFRS 9 to their insurance divisions until January 1, 2021 (effective date of the new IFRS 17 "Insurance Contracts") as long as they:

  - do not transfer financial instruments between the insurance division and other divisions of the conglomerate (with the exception of financial instruments at fair value through profit or loss for the two divisions affected by the transfer);
  - indicate the insurance entities that apply IAS 39;
  - provide specific additional information in the Notes.

As Natixis is a financial conglomerate, it applies this provision to its insurance entities, which will continue to be accounted for as per IAS 39 in Natixis' consolidated financial statements until January 1, 2021. The main entities concerned by this measure are CEGC, the Coface insurance subsidiaries, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, ADIR, BPCE Prévoyance, BPCE Assurances and BPCE IARD.

Natixis has also taken steps to prevent any transfer of financial instruments (with the exception of financial assets at fair value through profit or loss) between its insurance division and other divisions, which would lead to derecognition for the transferring entity.
From January 1, 2018, in accordance with ANC recommendation 2017-02, Natixis presents insurance activities on separate lines in its consolidated financial statements: "Insurance business investments" on the assets side of the balance sheet; "Liabilities related to insurance policies" on the liability side of the balance sheet; and "Net revenues from insurance activities" in the income statement.

The amendment to IFRS 9 "Financial instruments" entitled "Prepayment Features with Negative Compensation" was adopted by the European Commission on March 22, 2018 and was applied in advance by Natixis from January 1, 2018, as permitted by IFRS 9. This amendment provides that prepayment features with negative compensation are not incompatible with the notion of basic contractual cash flows provided they represent "reasonable compensation". The application of this amendment allows Natixis to consider that a portfolio of fixed-rate loans with symmetrical repayment clauses provides solely payments of principal and interest, and to recognize this portfolio at amortized cost.

- **IFRS 15 "Revenue from Contracts with Customers"** was adopted by the European Commission on September 22, 2016 and is applicable retrospectively from January 1, 2018. Application of the amendment entitled "Clarifications to IFRS 15", adopted by the European Commission on October 31, 2017, is also mandatory from January 1, 2018.
IFRS 15 replaces current standards and interpretations on revenue recognition and imposes a single model for accounting for revenue arising from contracts with customers.
Under IFRS 15, the entity must recognize income arising from ordinary activities at an amount that reflects the consideration that the entity expects to receive in exchange for the transfer of goods and services promised to customers.

IFRS 15 thus introduces a new five-stage general approach for the recognition of income:

- Identification of contracts with customers;
- Identification of specific performance obligations (or items) to be recognized separately from one another;
- Determination of overall transaction price;
- Allocation of transaction price to the various specific performance obligations;
- Recognition of revenue when performance obligations are met.

IFRS 15 applies to all contracts with customers except for leases (covered by IAS 17), insurance contracts (covered by IFRS 4) and financial instruments (covered by IFRS 9). If specific stipulations relating to revenue or contract costs are specified under a different standard, these will first be applied.

The analysis relating to the first-time application of IFRS 15 drew on assessments carried out within the entities affected and was used to identify the main items that could be involved, including:

- Fee and commission income, notably that relating to banking services when this income is not included in the effective interest rate, or that relating to asset management or financial engineering services;

- Income from other activities, in particular for services included in leases.

Based on the analyses performed, Natixis is only very slightly affected by certain issues related to first-time application of IFRS 15 that have been identified such as real estate development, loyalty programs and telephony.

Accordingly, Natixis did not recognize any material impact related to the first-time application of IFRS 15, on either opening equity at January 1, 2018 or on income and expense items in fiscal 2018. Only one change impacted the presentation on the balance sheet, relating to the reclassification of commodity stocks, which were recorded under "Financial assets at fair value through profit or loss" in the amount of €242 million as of January 1, 2018; this had no impact on Natixis' opening equity.

Under the option available in IFRS 15, Natixis did not restate data for previous fiscal years published as comparative information for its financial statements.

- **The amendment entitled "Annual Improvements to IFRSs 2014-2016 Cycle"** adopted by the European Commission on February 7, 2018 with mandatory application in Natixis' financial statements from January 1, 2018. This amendment is part of the annual improvement process that aims to simplify and clarify international accounting standards. The following standards were modified: IAS 28 "Investments in Associates and Joint Ventures", IFRS 1 "First-time Adoption of International Financial Reporting Standards", and IFRS 12 "Disclosure of Interests in Other Entities". This amendment had no impact on Natixis' financial statements;

- **The amendment to IFRS 2 "Share-based payment"** adopted by the European Commission on February 26, 2018 with mandatory application in Natixis' financial statements from January 1, 2018. This amendment clarifies the accounting treatment of share-based payment transactions with details of the criteria to be taken into account when determining fair value, the impact of tax withholdings and the accounting treatment to be applied if the terms and conditions of share-based payment plans are changed. This amendment had no impact on Natixis' financial statements;

- **The amendment to IFRS 40 "Investment property"** adopted by the European Commission on March 14, 2018 with mandatory application in Natixis' financial statements from January 1, 2018. This amendment sets out the cases in which a company can transfer a property to or from the "Investment property" category. Such transfers must only be made if the property meets, or ceases to meet, the definition of investment property. This amendment had no impact on Natixis' financial statements;

- **Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** adopted by the European Commission on March 28, 2018 with mandatory application in Natixis' financial statements from January 1, 2018. This interpretation clarifies the accounting treatment of transactions that include the receipt or payment of advance consideration in a foreign currency. The transaction date, which is needed to determine the exchange rate to be used, is the date of initial recognition of the non-monetary asset or liability except in the case of multiple payments or receipts, in which case it will be set for each payment or receipt. This interpretation had no impact on Natixis' financial statements;

Natixis did not opt for early application of the following standards:

- **IFRS 16 "Leases"**, adopted by the European Commission on October 31, 2017 but not yet applicable as of June 30, 2018. This standard will replace IAS 17 "Leases" and interpretations related to the accounting of these contracts and will be applicable retrospectively as of January 1, 2019, with specific phase-in conditions.
  Under IFRS 16, lease contracts shall be accounted for such that they identify an asset and

convey the right to use this asset for a period of time.
From the lessor's perspective, the impact is expected to be limited, as the provisions will not change substantially in relation to the current IAS 17.

For lessees, the standard requires that all lease contracts be recorded in the balance sheet such that they convey the right to use the leased asset, which must be recognized under fixed assets with a corresponding financial liability entry under liabilities to reflect the leases and the remaining payments over the duration of the lease contract. Natixis has decided to opt for the exception included in the standard of not modifying the accounting method for short-term leases (less than 12 months) or leases related to low value underlying assets (unit replacement cost of €5,000 at the most).
The right to use the asset will be amortized on a straight-line basis and the financial liability will be calculated an actuarial basis over the duration of the lease contract. The interest expense on the financial liability and amortization expense on the right of use will be recognized separately in income. In contrast, under existing IAS 17, operating leases are not recorded in the balance sheet and only the related lease income is recognized in the income statement.

Work on estimating the amount of the rights of use to be recorded in the balance sheet began in 2016 and continued in 2017 and the first half of 2018. At this stage, the implementation of IFRS 16 will mainly affect real estate assets leased for operational purposes as offices. Natixis expects a major impact on the balance sheet.

For the first-time application of this standard, Natixis has chosen the modified retrospective method, which recognizes the cumulative impact at January 1, 2019, with no comparison with 2018, and listing in the Notes to the financial statements any of the standard's impacts on the various items in said financial statements.

- **IFRS 17 "Insurance Contracts",** published by the IASB on May 18, 2017, will replace IFRS 4 "Insurance Contracts". Subject to adoption by the European Commission, this standard will be applicable as of January 1, 2021, with a comparison to January 1, 2020.
  IFRS 17 establishes the principles of recognition, measurement, presentation and disclosure for the insurance contracts that fall within its scope.
  Liabilities under these contracts, which are currently valued at historical cost, will have to be recognized at present value under IFRS 17. As such, insurance contracts will be valued based on their future cash flows, including a risk margin in order to factor in the uncertainty relating to these cash flows. IFRS 17 also introduces the concept of contractual service margin. This represents the insurer's unearned profit and will be released over time as the services are rendered to the insured.
  These accounting changes could modify the profile of insurance income (in particular for life insurance) and also introduce greater volatility in income.

  Given the extent of the changes made under IFRS 17, Natixis' insurance entities have begun their impact analyses and, in first-half 2018, established specific project structures to help them to understand all aspects of the standard as it applies to the different projects: modeling, adjustments to systems and organizations, production of the financial statements, financial communications and change management.

2.2 Financial assets (excluding derivatives)

In accordance with IFRS 9 “Financial instruments”, on initial recognition, financial assets are recorded at amortized cost, at fair value through other comprehensive income, or at fair value through profit of loss. For debt instruments, the classification depends on the business model applicable to the instruments in question and the characteristics of their contractual cash flows (whether they represent Solely Payments of Principal and Interest (SPPI) or not).

2.2.1 Business model

The business model represents the way in which Natixis manages its financial assets to produce cash flow and revenues. The entity must exercise judgment to determine the business model used.
The choice of business model must be made at a level which reflects the way in which groups of financial assets are managed collectively with a view to achieve a given economic objective. The business model is therefore not decided on an instrument by instrument basis, but rather at a higher level of aggregation, by portfolio.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information, for example:

- the way in which the performance of financial assets is assessed and presented to the main executive officers;
- the risks that have an impact on the business model’s performance, in particular the way in which these risks are managed;
- the way in which executive officers are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency, volume and purpose of sales.

IFRS 9 provides for three business models:

- **Hold to collect model**: in this model, financial assets are held in order to receive contractual cash flows over the life of the assets. This model, under which the concept of “holding” is relatively similar to holding to maturity, remains valid if sales are made under the following conditions:

  - the disposals are due to an increase in credit risk;
  - the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still owed;
  - other disposals may also be compatible with the “hold to collect” model’s objectives if they are infrequent (even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent).
    Natixis has established procedures requiring the reporting, prior analysis and regular monitoring of all major plans to sell financial assets held under the Hold to Collect model to ensure that the conditions required to classify assets under this business model are met at all times.

  For Natixis, the hold to collect model applies mainly to financing activities (excluding the loan syndication activity) carried out by Corporate & Investment Banking and Specialized Financial Services.

- **Hold to collect and sell model**: a mixed business model under which assets are managed with the objective of both receiving contractual cash flows and selling financial assets. In this model, financial assets are sold to achieve the purpose of the activity.

  Natixis applies the “hold to collect and sell” model primarily to portfolio management activities for securities in the liquidity reserve.

- **Other model**: a model intended for other financial assets, especially those held for trading, for which the collection of contractual cash flows is incidental.

  This business model applies to the loan syndication activity and the capital markets activities carried out by Corporate & Investment Banking.

2.2.2 The SPPI test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due.
The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.

The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubts as to whether only the time value of money is represented must therefore be analyzed. For example:

- events that would change the amount and date of the cash flows;
- the applicable interest rate features;
- prepayment and extension options.

For the borrower or lender, a contractual option permitting prepayment of financial instruments does not violate the SPPI test for contractual cash flows if the prepayment amount mainly represents the unpaid amounts of principal and interest and, if applicable, a reasonable additional compensation for the early termination of the contract.

If a clear determination cannot be made through qualitative analysis, quantitative analysis (a "benchmark test") is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset.

Basic financial assets (those that generate SPPI) are debt instruments such as fixed-rate loans, variable-rate loans without an interest rate tenor mismatch or that are not linked to a security or to a market index, and fixed-rate or variable-rate debt securities.

Any contractual option that creates risk exposure or cash-flow volatility that is not consistent with a basic lending arrangement, such as exposure to fluctuations in the price of stocks or of a market index, or the introduction of leverage, would make it impossible to categorize contractual cash flows as "SPPI".

Non-SPPI financial assets include UCITS units and convertible bonds or mandatory convertible bonds with a fixed conversion ratio.

2.2.3 Financial assets at amortized cost

Financial assets recognized at amortized cost correspond to debt instruments, in particular loans and receivables due from credit institutions and customers as well as securities carried at amortized cost such as treasury bills and bonds.

They are measured at amortized cost if they meet the following two conditions:

- the asset is held in a business model whose objective is to collect contractual cash flows; and

- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the outstanding amount due, on specific dates. In this case, the asset is considered basic and its cash flows are categorized as SPPI.

They are initially recorded at fair value plus or minus transaction costs. In the case of loans, transaction costs include fees and any expenses directly attributable to setting up the loan.

On subsequent balance sheet dates, they are measured at amortized cost using the effective interest method.
The "effective interest rate" is the rate that discounts estimated future cash flows (payments or receipts) to the value of the debt instrument at inception. This rate includes any discounts and any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield.

When loans are granted at below-market interest rates, a discount corresponding to the difference between the face value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the face value of the loan. The market rate of interest is the rate applied by the vast majority of financial institutions at any given time for instruments and counterparties with similar characteristics.

Interest accrued or received on debt instruments is recorded in income under "Interest and similar income" using the effective interest rate method. If the instruments are sold, the gain or loss is recorded in the income statement under "Net gains or losses arising from the derecognition of instruments at amortized cost".

The accounting treatment of transactions recognized at amortized cost under IFRS 9 described above is similar to the treatment previously applied under IAS 39 for transactions recorded as loans and receivables.

Specific case of loans restructured due to the debtor's financial situation

"Restructured" loans correspond to loans with modified terms under which Natixis grants a concession to borrowers facing or likely to face financial difficulties. They are a combination of a concession granted by Natixis and financial difficulties experienced by the borrower.
The modified terms of restructured loans must put the borrower in a more favorable situation (e.g. suspension of interest or principal payment, extension of term, etc.) and are confirmed by the use of amendments that modify the terms of an existing contract or by the full or partial refinancing of an existing loan.
Financial difficulties are determined by observing a number of criteria such as amounts past due for over 30 days or an at-risk rating. The restructuring of a loan does not necessarily result in the counterparty being classified in the Basel default category, as the financial difficulty is addressed before the counterparty is downgraded into the Basel default category.

For loans restructured by amending the terms of the existing contract, with no derecognition of the initial asset, as discount/premium is recorded, corresponding to the different between:

- the present value of the contractual cash flows initially expected; and
- the present value of the revised contractual cash flows discounted at the original effective interest rate.

The discount/premium is recorded in the income statement under "Provision for credit losses" taking into account the characteristics of the loan prior to the restructuring operation (non-performing loan). It is written back to net interest income in the income statement over the remaining life of the loan using a linear method.

The restructured loan is reclassified as performing based on expert opinion when no uncertainty remains as to the borrower's capacity to honor the commitment.

A loan is no longer considered as restructured once the following conditions are met:

- a period of two years has passed since the date of the restructuring;
- the loan is recognized as a performing loan at the reporting date;
- no loan is past due by more than 30 days;
- regular and material repayments (principal and interest) have been made over a period of at least one year.

For restructured loans either fully or partially converted into a substantially different asset (such as an equity instrument) or giving rise to a change of counterparty:

- the new instruments are booked at fair value;
- the difference between the book value of the derecognized loan (or portion of the loan) and the fair value of the assets received in exchange is recorded in income under the provision for credit losses;
- any provision previously recorded on the loan is adjusted and fully reversed if the loan is fully converted into a new asset.

2.2.4 Financial assets at fair value through recyclable and non-recyclable other comprehensive income

Financial assets recognized at fair value through other comprehensive income mainly correspond to debt instruments: government securities and bonds.

A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:

- the asset is held in a hold to collect business model with the objective of both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the outstanding amount due, on specific dates. In this case, the asset is considered basic and its cash flows are categorized as SPPI.

Debt instruments at fair value through other comprehensive income are initially recognized at their market value, including any transaction costs.
At the reporting date, they are measured at fair value by applying the market price to listed securities, and changes in fair value are recorded under "Gains and losses recognized directly in equity and recyclable to income".
Interest accrued or received on debt instruments is recorded in income under "Interest and similar income" using the effective interest rate method. In case of sale, changes in the fair value of debt instruments are transferred to income under "Gains or losses on financial assets at fair value through other comprehensive income".

Specific case of equity instruments

Equity instruments may be measured at fair value through other comprehensive income under an irrevocable option. This irrevocable option applies on a case-by-case basis and only to equity instruments not held for trading purposes.
At the reporting date, they are measured at fair value and changes in fair value are recorded under "Gains and losses recognized directly in equity and not recyclable to income".
Realized and unrealized gains or losses remain in equity and are never recognized in income, except for dividends which impact income. Income from the disposal of equity instruments is transferred to "Consolidated reserves". No impairment is recorded on equity instruments measured at fair value through other comprehensive income.

As a reminder, the treatment of "Available for sale assets" under IAS 39 was identical to the accounting treatment to be applied under IFRS 9 with the exception of the treatment of income from the sale of equity instruments, which was transferred from equity to income under "Gains or losses on available-for-sale financial assets" under IAS 39 and with the exception of the provisions relating to impairment.

2.2.5 Financial assets at fair value through profit or loss

Financial assets recorded in the fair value category correspond to:

- financial assets held for trading: these are debt and equity instruments acquired or originated by Natixis principally to be sold in the near term and those forming part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Guarantee deposits and the corresponding margin calls relating to securities sold under repurchase agreements and derivatives transactions recorded under liabilities in the balance sheet are also included in this item.

- financial assets designated at fair value: these are SPPI instruments not held for trading. They are designated at fair value through profit or loss on initial recognition under IFRS 9 only if this option reduces a measurement inconsistency with a related financial asset/liability in income (referred to as an accounting mismatch under IAS 39).

- financial assets at fair value through profit or loss: these are debt instruments that do not meet SPPI criteria (see Note 2.2.2), for example UCITS units, which are considered debt instruments without SPPI characteristics under IFRS 9. Non-SPPI debt instruments held for trading are presented with assets held for trading.
  Non-consolidated investments in associates for which the irrevocable option for measurement at fair value through non-recyclable other comprehensive income has not been adopted, are classified in this category (see Note 5.1.1).

Financial assets at fair value through profit and loss are measured on initial recognition at market value, with transaction costs recognized in the income statement.
The market value is reviewed at each subsequent reporting date in line with the principles outlined in Note 2.6 "Fair value of financial instruments". Changes in value, including coupons, are recorded under "Gains or losses on financial instruments at fair value through profit and loss" in the consolidated income statement, with the exception of interest accrued and due on non-SPPI financial assets, which is recorded under "Interest income".

2.2.6 Recognition date for securities transactions

Securities bought or sold are, respectively, recognized or derecognized on the settlement date, regardless of their accounting category.

Reverse transactions are also recognized on the settlement date. For repurchase and reverse repurchase transactions, a financing commitment received or given respectively is recognized between the transaction date and the settlement date when these transactions are recognized in "Liabilities" and "Loans and receivables" respectively.
When repurchase and reverse repurchase transactions are recognized in "Assets and liabilities at fair value through profit or loss", the repurchase commitment is recognized as a forward interest rate derivative.

2.3 Financial liabilities at fair value through profit or loss

These are financial liabilities held for trading (including derivatives) or classified in this category on a voluntary basis at initial recognition using the fair value option available under IFRS 9.
Guarantee deposits and the corresponding margin calls relating to securities purchased under resale agreements and derivatives transactions recorded under assets in the balance sheet are also reported as financial liabilities held for trading.

Securities valued under this irrevocable option fall into one of the following three categories:

- instruments that are part of a group of financial assets measured and managed at fair value: the option applies to liabilities managed and measured at fair value, provided the management follows a fair value risk management policy;
- instruments showing an accounting mismatch with a related financial asset/liability: applying the option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed under a single strategy;
- hybrid instruments with one or more significant, separable embedded derivatives: an embedded derivative is the component of a financial or non-financial hybrid instrument that qualifies as a derivative. The option allows the entire instrument to be measured at fair value, and therefore avoids the need to extract, recognize or separately measure the embedded derivative.

Financial liabilities in this category are carried at fair value at the reporting date and shown in the balance sheet as “Financial liabilities at fair value through profit or loss”. Changes in fair value are recognized in income for the period under “Net gains or losses on financial instruments at fair value through profit or loss”, except for changes in fair value attributable to own credit risk on financial liabilities at fair value through profit or loss, as such recognition does not create or increase an accounting mismatch. Changes in value attributable to own credit risk are recorded under “Revaluation of own credit risk on financial liabilities at fair value through profit or loss” under “Gains and losses recognized directly in other comprehensive income”.
In the event of early redemption of financial liabilities designated at fair value through profit or loss, realized fair value gains or losses attributable to own credit risk are directly transferred from “Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss” to “Consolidated reserves” under equity.

2.4 Liabilities

Debt originated by Natixis that is not classified within financial liabilities at fair value through profit or loss is measured using the amortized cost method and recognized in the balance sheet under “Due to banks”, “Customer deposits”, “Debt securities” or “Subordinated debt”.

On initial recognition, debt securities are measured at their issue price including transaction costs. They are subsequently measured at amortized cost, with issue expenses recognized over the term of the instruments used.

2.5 Impairment of assets at amortized cost and at fair value through other comprehensive income and provisions for financing and guarantee commitments

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, loan commitments and financial guarantee contracts that are not recognized at fair value through profit or loss, as well as lease receivables, are impaired or covered by a provision for expected credit losses (ECL) as of the date of initial recognition.
These financial assets will be divided into three categories depending on the increase in credit risk observed since their initial recognition. An impairment charge shall be recorded on outstanding amounts in each category, as follows:

Stage 1 (or S1)
These are performing loans for which credit risk has not increased materially since initial recognition.

Impairment or provision for credit risk on these loans is recorded in the amount of 12-month expected credit losses. Interest income on these loans is recognized through profit or loss using the effective interest rate method applied to the gross carrying amount of the instrument before impairment.

Stage 2 (or S2)

Performing loans for which credit risk has increased materially since initial recognition are transferred to Stage 2. Impairment of the provision for credit risk is determined on the basis of the instrument's expected credit losses at maturity. Interest income on these outstandings is recognized through profit or loss using the effective interest rate method applied to the gross carrying amount of the instrument before impairment.

Stage 3 (or S3)

Loans that are "impaired" as defined by IFRS 9 are transferred to this category. These are loans for which there is objective evidence of impairment loss due to an event that represents a counterparty risk occurring after the initial recognition of the instrument in question. This generally concerns, as was the case under IAS 39, receivables for which an event of default has been identified as defined in Article 178 of the EU regulation of June 26, 2013 on regulatory requirements for credit institutions. Impairment or provision for credit risk is calculated based on the instrument's lifetime expected losses on the basis of the recoverable amount of the receivable, i.e., the present value of estimated recoverable future cash flows after taking the impact of any collateral into account; Interest income is recognized through profit or loss based on the effective interest method applied to the net carrying amount of the instrument after impairment.

In addition, the standard makes a distinction between purchased or originated credit-impaired (POCI) assets, which correspond to financial assets purchased or created and already impaired for credit risk at their initial recognition and for which the entity does not expect to recover all of the contractual cash flows at the date of initial recognition. POCI are impaired based on lifetime expected losses at the reporting date immediately following initial recognition.

For operating lease or lease financing receivables – which fall within the scope of IAS 17 – Natixis has opted not to apply the simplified approach proposed by IFRS 9, which involves measuring lifetime expected credit losses so as not to have to identify the significant increase in credit risk since initial recognition.

The principles for measuring the increase in credit risk and expected credit losses applicable to most of the Group's exposures are described below.

The significant increase in credit risk is valued on an individual basis by taking into account all reasonable and justifiable information and by comparing the default risk on the financial instrument at the end of the fiscal year with the default risk on the financial instrument at the date of its initial recognition. Measuring an increase in the risk should, in most cases, lead to a downgrade to Stage 2 before the transaction is individually impaired (Stage 3).

More specifically, the change in credit risk is measured on the basis of the following criteria:

- For Large Corporates, Banks and Sovereigns loan books: an increase in credit risk is measured based on a combination of quantitative and qualitative criteria. The quantitative criterion is based on the change in rating since initial recognition. Additional qualitative criteria are used to categorize as Stage 2 any contracts included on a non-S3 watch list, undergoing adjustments due to financial hardship (forbearance) or more than 30 days past due (the assumption that payments are more than 30 days past due was therefore not refuted). Additional criteria based on the sector rating and level of country risk are also used.
- Individual Customer, Professional Customer, SME, Public Sector and Social Housing loan books:

an increase in credit risk is measured based on a combination of quantitative and qualitative criteria. The quantitative criterion is based on the measurement of the change in 12-month probability of default since initial recognition (probability of default measured as a cycle average). Additional qualitative criteria are used to categorize as Stage 2 any contracts rated at-risk, included on a watch list, undergoing adjustments due to financial hardship (forbearance) or more than 30 days past due (the assumption that payments are more than 30 days past due was therefore been refuted). Additional criteria based on the sector rating and level of country risk are also used.

For all these loan books, the ratings on which the measurement of the increase in risk is based are any available ratings produced by internal systems, as well as external ratings, particularly when an internal rating is not available.
If there is no rating on the date the loan is granted or on the reporting date, it is automatically categorized as Stage 2.
The standard provides that the credit risk of a financial instrument has not increased materially since its initial recognition if this risk is considered to be low at the end of the fiscal year. This provision is applied to certain investment grade debt securities.

Financial assets where there is objective evidence of impairment loss due to an event which represents a known counterparty risk and which occurs after their initial recognition are considered as being classified as Stage 3. Asset identification criteria are similar to those under IAS 39 and are aligned with the concept of default in prudential terms.

Accordingly, loans and receivables are categorized as Stage 3 if both of the following conditions are met:

- there is objective evidence of impairment on an individual or portfolio basis: there are “triggering events” or “loss events” identifying counterparty risk occurring after the initial recognition of the loans in question. On an individual basis, probable credit risk arises from default events defined in Article 178 of European regulation 575-2013 dated June 26, 2013 relating to prudential requirements applicable to credit institutions. Objective evidence of impairment includes any payments that are past due by at least three months, or regardless of whether any payment has been missed, the observation of financial hardship experienced by the counterparty leading to the expectation that some or all of the amounts owed may not be recovered or to the initiation of legal proceedings.

- these events are liable to lead to the recognition of incurred losses, that is, expected losses for which the probability of occurrence has become certain.

Debt instruments such as bonds or securitized transactions (ABS, CMBS, RMBS, cash CDOs) are considered impaired and are classified as Stage 3 when there is a known counterparty risk. The Group uses the same impairment indicators for debt securities classified at Stage 3 as those used for individually assessing the impairment risk on loans and receivables.
For perpetual deeply subordinated notes that meet the definition of financial liabilities within the meaning of IAS 32, particular attention is also paid if, under certain conditions, the issuer may be unable to pay the coupon or extend the issue beyond the scheduled redemption date.

Impairments for expected credit losses on Stage 3 financial assets are determined as the difference between the amortized cost and the recoverable amount of the receivable, i.e., the present value of estimated recoverable future cash flows, whether these cash flows come from the counterparty's activity or from the potential execution of guarantees. For short-term assets (maturity of less than one year), there is no discounting of future cash flows. Impairment is determined globally, without distinguishing between interest and principal. Expected credit losses arising from Stage 3 financing or guarantee commitments are taken into account through provisions recognized on the liability side of the balance sheet. Specific impairment is calculated for each receivable on the basis of the maturity schedules determined based on historic recoveries for each category of receivable.
For the purposes of measuring expected credit losses, pledged assets and other credit enhancements that form an integral part of the contractual conditions of the instrument and that the entity does not recognize separately are taken into account in the estimate of expected cash flow shortfalls.
Loans classified as Stage 3, which would not be impaired following an individual expected recovery analysis, are impaired or provisioned on the basis of a loan loss reserve ratio calibrated based on historical unexpected losses on unprovisioned loans.
Expected credit losses on Stage 1 or Stage 2 assets are calculated using the following formula:

which is the sum, discounted for each projection year, of the product of the EAD, PD and LGD parameters:

- EAD(t) (Exposure At Default): the amount of loss that the institution may be exposed to on the loan in question during year t, including accelerated amortization and credit conversion factors where necessary;
- PD(t) (Probability of Default): the probability that the counterparty will default during year t;
- LGD (Loss Given Default): the amount of unrecovered contractual cash flows after the recovery phase in the event that the counterparty defaults on the loan in question.

Natixis draws on existing concepts and mechanisms to define these inputs, and in particular on internal models developed to calculate regulatory capital requirements (capital adequacy ratios) and on projection models similar to those used in the stress test system. Certain adjustments are made to comply with the specifics of IFRS 9:

- IFRS 9 parameters therefore aim to provide an accurate estimate of losses for accounting provision purposes, whereas prudential parameters are more cautious for regulatory framework purposes. Several of the safety buffers included in the prudential parameters are therefore restated;
- The IFRS 9 parameters used to calculate provisions on loans classified as Stage 2 must enable lifetime expected credit losses to be calculated, whereas prudential parameters are defined for the purposes of defining 12-month default rates. 12-month parameters are thus projected over longer timescales.
- IFRS 9 parameters must be forward-looking and take into account the expected economic environment over the projection period, whereas prudential parameters correspond to the cycle's average estimates (for PD) or bottom-of-the-cycle estimates (for LGD and the flows expected over the lifetime of the instrument). The PD and LGD prudential parameters are therefore also adjusted based on the expected economic environment.

Parameters are adjusted to economic conditions by defining three economic scenarios over a three-year period. To ensure consistency with the budget scenario, the central scenario corresponds to the budget scenario. Two variants – an optimistic view and a pessimistic view – are also developed around this scenario based on observations of macroeconomic parameters. The variables defined in each of these scenarios mean that PD and LGD parameters can be altered and an expected credit loss can be calculated for each economic scenario. Parameters for periods longer than three years are projected on the principle of a gradual return to their long-term average. For consistency, the models used to alter the PD and LGD parameters are based on those developed in the stress test system. These economic scenarios are associated with probabilities of occurrence, ultimately making it possible to calculate an average probable loss used as the IFRS 9 impairment amount.
These scenarios are defined using the same organization and governance as that defined for the budget process, requiring an annual review based on proposals from the economic research department and approval by the Executive Management Committee. The likelihood that the scenarios will occur is reviewed on a quarterly basis by Natixis' and Groupe BPCE's Watch List and Provisions Committee, based on observed changes in the macroeconomic parameters used in the economic scenario.

The parameters thus defined allow credit losses for all rated exposures to be valued, regardless of whether they belong to a scope approved using an internal method or they are processed using the standard method for the calculation of risk weighted assets.

However, certain entities whose own fund requirements are calculated using the standardized method and whose exposures are not integrated into a ratings system have implemented a methodology for calculating provisions on performing loans based on historical loss rates calibrated specifically by the entity.

The mechanism for validating IFRS 9 parameters is fully integrated in the validation mechanism for existing models within Natixis and Groupe BPCE. As such, model validation undergoes a review process by an independent internal model validation unit. The Group Modeling Committee reviews this work and, where appropriate, issues recommendations that must be actioned by the independent validation unit. The system described above has been applied to the validation or impairment calculation models under IFRS 9.

For debt instruments recognized on the assets side of the balance sheet at amortized cost, impairments are recorded against the line on which the asset was initially shown for its net amount (regardless of whether the asset is S1, S2, S3 or POCI). Impairment charges and reversals are recorded in the income statement under “Provision for credit losses”.
For debt instruments recognized on the assets side of the balance sheet at fair value through recyclable other comprehensive income, impairments are carried on the liabilities side of the balance sheet through recyclable other comprehensive income, with a corresponding entry on the income statement under “Provision for credit losses” (irrespective of whether the asset is S1, S2, S3 or POCI).
For loan and financial guarantee commitments, provisions are recorded on the liabilities side of the balance sheet under “Provisions” (irrespective of whether the commitment is S1, S2, S3 or POCI). Changes in provisions are recognized in the income statement under “Provision for credit losses”.

2.6 Fair value of financial instruments

- **General principles**

The fair value of an instrument (asset or liability) is the price that would be received to sell an asset or paid to transfer a liability in a standard arm’s length transaction between market participants at the measurement date.

Fair value is therefore based on the exit price.

The fair value of an instrument on initial recognition is normally the transaction price, i.e. the price paid to acquire the asset or received to assume the liability.

In subsequent measurements, the estimated fair value of assets and liabilities must be based primarily on observable market data, while ensuring that all inputs used in the fair value calculation are consistent with the price that market participants would use in a transaction.

In this case, fair value consists of a mid-market price and additional valuation adjustments determined according to the instruments in question and the associated risks.

The mid-market price is obtained based on:

- the quoted price if the instrument is quoted on an active market. A financial instrument is regarded as quoted on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring transactions on an arm’s length basis on the main market or, failing that, the most advantageous market;

- valuation techniques if the market for a financial instrument is not active. The techniques used must maximize the use of relevant observable entry data and minimize the use of non-observable entry data. They may refer to observable data from recent transactions, the fair value of similar instruments, discounted cash flow analysis and option pricing models, proprietary models in the case of hybrid instruments or non-observable data when no pricing or market data are available.

Additional valuation adjustments incorporate factors related to valuation uncertainties, such as market, credit and liquidity risks in order to account, in particular, for the costs resulting from an exit transaction on the main market. Similarly, a Funding Value Adjustment (FVA) aiming to account for – through assumptions – costs associated with the funding of future cash flows of uncollateralized derivatives or imperfectly collateralized derivatives is also taken into account.

The main additional Funding Value Adjustments are as follows:

Bid/ask adjustment – Liquidity risk:
This adjustment is the difference between the bid price and the ask price corresponding with the selling costs. It reflects the cost requested by a market player in respect of the risk of acquiring a position or of selling at a price proposed by another market player.

Adjustment for model uncertainty:
This adjustment takes into account the imperfections of the valuation techniques used – in particular, the risk factors that are not considered, even when observable market inputs are available. This is the case where risks inherent to various instruments differ from those considered by the observable inputs used to value them.

Adjustment for input uncertainty:
Observing certain prices or inputs used in valuation techniques may be difficult or the price or input may be too regularly unavailable to determine the selling price. Under these circumstances, an adjustment may be necessary to reflect the probability that market participants might adopt different values for the same inputs when evaluating the financial instrument's fair value.

Value adjustment for counterparty risk (Credit Valuation Adjustment – CVA):
This adjustment applies to valuations that do not account for the counterparty's credit quality. It corresponds to the expected loss related to the risk of default by a counterparty and aims to account for the fact that Natixis cannot recover all the transactions' market value.
The method for determining the CVA is primarily based on the use of market inputs in connection with professional market practices for all counterparty segments included in this calculation. In the absence of liquid market inputs, proxies by type of counterparty, rating and geographic area are used.

Value adjustment for own credit risk (Debit Valuation Adjustment – DVA) and funding valuation adjustment (FVA):
The DVA is symmetrical to the CVA and represents the expected loss, from the counterparty's perspective, on liability valuations of derivative financial instruments. It reflects the impact of Natixis' own credit quality on the valuation of these instruments. The adjustment is made by observing credit spreads on a sample of comparable entities, taking into account the liquidity of Natixis' CDS spread over the period. The funding valuation adjustment (FVA) is taken into account in the DVA calculation.

The following criteria are used to determine whether a market is active:

- the level of activity and trend of the market (including the level of activity on the primary market);
- the length of historical data of prices observed in similar market transactions;
- scarcity of prices recovered by a service provider;
- sharp bid-ask price spread;
- steep price volatility over time or between different market participants.

Control system

The calculation of fair value is subject to control procedures aimed at verifying that fair values are determined or validated by an independent function.
Fair values determined by reference to external quoted prices or market parameters are validated by an independent unit (the Market Data Control Department). Second-level controls are carried out by the Risk Department.
On less liquid markets, other market information, primarily observable data, is used to validate the fair value of instruments.

The factors taken into account include the following:

- the origin of the external source (stock market pages, content contribution services, etc.);
- the consistency of the various sources;
- the frequency at which the data are updated;
- the representative nature of inputs based on recent market transactions.

For fair values determined using valuation models, the control system consists of the independent validation of model construction and of the inputs incorporating these models.
This is carried out under the responsibility of the Risk Department.
It involves verifying that the model is consistent with and relevant to its intended function (price setting, valuation, coverage, measurement and control of risk) and the product to which it applies, based on:

- the theoretical approach: the financial and mathematical foundations of the model;
- the application of the model: the pricing models used to generate risk and earnings data;
- the stability of the model under parametric stress;
- an assessment of the stability and consistency of the numerical methods used;
- the independent re-implementation of the model as part of algorithm validation;
- the comparative analysis of the calibration of model parameters;
- an assessment of the modeling risk, particularly the comparative analysis of the model with other valuation models, in order to ensure the adequacy of the model and the payoff (the Formula of positive or negative flows attached to the product at maturity);
- the implementation of an adjustment in respect of modeling risk to account for potential deficiencies in the model or its calibration;
- integration of the model in information systems.

The methods for determining fair value are monitored by a number of bodies including the Observability and Inputs Committee, the Valuation Committee, the Impairment Committee and the Model Validation Committee, which comprise representatives of the Risk Department, the Finance Department, and the Market Data and Valuations Control Department.

Financial assets and liabilities measured and presented at fair value are categorized based on the following scale:

- Level 1: market value is determined directly using prices quoted on active markets for identical assets and liabilities;
- Level 2: market value is determined using valuation techniques based on significant data that may be directly or indirectly observed on the markets.
- Level 3: market value is determined using unrecognized models and/or models based on non-observable market data, where they are liable to materially impact the valuation.

Financial assets and liabilities categorized according to the fair value hierarchy and a description of the key models are presented in Note 5.4.

2.7 Guarantee mechanism for the assets of the former GAPC hive-off vehicle

On November 12, 2009, an arrangement was made by BPCE to protect a portion of the portfolios of the former GAPC hive-off vehicle with retroactive effect at July 1, 2009. With this guarantee mechanism, Natixis was able to free up a significant portion of its equity allocated to segregated assets and to protect itself against the risk of loss from these portfolios subsequent to June 30, 2009. This protective arrangement is based on two mechanisms:

- a sub-participation with the characteristics of a financial guarantee, covering 85% of the face value of assets recognized in “loans and receivables” and “available-for-sale financial assets”. Under this guarantee, Natixis is protected from the very first euro in default up to 85% of the default amount;

- two Total Return Swaps (TRS), one in euros and one in US$, transferring to BPCE 85% of unrealized and realized gains and losses on the portfolio of instruments at fair value through profit or loss (cash and derivatives) since July 1, 2009. TRS are derivatives and are therefore carried at fair value on the balance sheet, with a matching entry to income. At the same time, Natixis purchases an option from BPCE which, if exercised, allows it to recover the net gains on this portfolio after a ten-year period in return for the payment of a premium estimated at €367 million. The premium is also recognized at fair value.

The amount of the premium paid in 2009 by Natixis in return for the financial guarantee amounted to €1,183 million.
Since the unrealized capital losses or write-downs on the assets covered by the guarantee have already been recorded in income, the premium was not immediately taken to income or recognized on a straight-line basis.
Instead, the premium is initially recognized on the accruals line and taken to income over the same period, in the same amount and on the same line as:

- reversals of provisions for impairment (in Provision for credit losses);
- the deferred recognition of the discount arising on October 1, 2008 on assets reclassified within “Loans and receivables” at that date pursuant to the amendment to IAS 39 and IFRS 7 published on October 13, 2008.

At June 30, 2018 (as was the case at December 31, 2017), the financial guarantee now has almost no impact in accounting and prudential terms, as the positions which it backed have almost all been sold

or closed.
The same is true of the guarantee comprising TRS and an option, with the option in the money.

2.8 Use of estimates in preparing the financial statements

In preparing its financial statements, Natixis is required to make certain estimates and assumptions based on available information that is likely to require expert judgment. These estimates and assumptions constitute sources of uncertainty which may affect the calculation of income and expenses in the income statement, the value of assets and liabilities in the balance sheet and/or certain disclosures in the notes to the financial statements. As a result, future results of certain operations may differ significantly from the estimates used in the financial statements at June 30, 2018.

Accounting estimates which require assumptions to be made are mainly used to measure the items set out below:

- **Financial instruments recorded at fair value**

The fair value of hybrid market instruments not traded on an active market is calculated using valuation techniques. Valuations produced using valuation models are adjusted, depending on the instruments in question and the associated risks, to take account of the bid and ask price for the net position, modeling risks, assumptions regarding the funding cost of future cash flows from uncollateralized or imperfectly collateralized derivatives, as well as counterparty and input risks. The fair values obtained from these methods may differ from the actual prices at which such transactions might be executed in the event of a sale on the market.
The valuation models used to price illiquid financial instruments are described in Note 5.4.

Some of the unlisted equity instruments categorized under IFRS 9 as “Financial assets at fair value through profit or loss” or “Financial assets at fair value through other comprehensive income” consist of investments in non-consolidated companies. The fair value of investments in unlisted non-consolidated companies is obtained principally by using valuation methods based on multiples or DCF (discounted cash flow). Use of these methods requires certain choices and assumptions to be made in advance (in particular, projected expected future cash flows and discount rates).

- **Impairments for expected credit losses**

The impairment model for expected credit losses is based on parameters and assumptions that affect value adjustments for losses. These parameters and assumptions are based on historical and current data and on reasonable and justifiable forecasts regarding future events or future economic conditions including estimates based on future economic scenarios. Natixis also considers the opinions of its experts when estimating and applying these parameters and assumptions.

Under IAS 39, Natixis assessed whether there was any objective evidence of impairment for loans and receivables, either on an individual basis or collectively by risk category. To identify evidence of impairment, Natixis analyzed trends in a number of objective criteria, but also relied on the judgment of its own expert teams. Similarly, Natixis may use its own expert judgment to adjust the amount of expected losses under the Basel framework, on which the amount of collective impairment is based.

- **Value of cash-generating units (CGUs)**

All goodwill is assigned to a CGU so that it may be tested for impairment. The tests conducted by Natixis consist in comparing the carrying amount of each CGU (including goodwill) with its recoverable amount. Where the recoverable amount equals the value in use, it is determined by discounting annual free cash flows to perpetuity. Use of the discounted cash flow method involves:

- estimating future cash flows. Natixis has based these estimates on forecasts included in its business units' medium-term plans spanning five years;
- projecting cash flows for the last year of the plan to perpetuity, at a rate reflecting the expected annual growth rate;
- discounting cash flows at a specific rate for each CGU.

As there was no indication of impairment at June 30, 2018, no impairment tests were performed with the exception of the Coface CGU.
Since the spot price of the Coface CGU's shares declined and its valuation is sensitive to this input, an impairment test was performed. This test did not result in the recognition of any additional impairment losses at June 30, 2018.

- **Fair value of loans and receivables at amortized cost**

The fair value of loans not quoted on an active market is determined using the discounted cash flow method. The discount rate is based on an assessment of the rates used by the institution during the period for groups of loans with similar risk characteristics. Loans have been classified into groups with similar risk characteristics based on statistical research enabling factors having an impact on credit spreads to be identified. Natixis also relies on expert judgment to refine this segmentation.

- **Insurance-related liabilities**

Insurance technical reserves are calculated using assumptions and estimates that may lead to adjustments in amounts reported over the subsequent period:

- For personal protection insurance, claims reserves are calculated by modeling claims experience;
- For life insurance, underwriting reserves are computed based on economic and financial assumptions, mortality and morbidity tables, and behavioral statistics, for example concerning surrenders;
- For general insurance, technical reserves comprise provisions for unearned premium income (calculated on an accrual basis and representing the portion of premiums issued during the period that relate to a period after the reporting date) and reserves for claims to be paid, corresponding to known and unknown claims that have occurred but not yet been settled at the reporting date;
- For credit insurance, claims reserves include an estimate of claims reported but not settled at the reporting date. In addition to the amount of claims payable, a provision is set aside for unknown claims, calculated on a statistical basis in reference to the final amount of claims to be paid following settlement of risks and any debt recovery measures. Provisions for debt recovery procedures, representing estimates of expected recoveries, are calculated by applying a terminal recovery rate to all subscription periods not yet settled.

- **Deferred profit-sharing**

The participation rate used to calculate deferred profit-sharing is determined based on payout ratios projected over the term of the medium-term plan and in line with the actual pay-out ratio for the previous fiscal year.

In the event of a deferred profit-sharing asset, a recoverability test is carried out to verify that liquidity requirements arising from an unfavorable economic environment do not force the sale of assets and generate unrealized losses. This recoverability test relies on projected future cash flows based on different economic assumptions about historical redemptions and inflows.

- **Employee benefits**

Natixis calls on independent actuaries to calculate its principal employee benefits. These commitments are determined using assumptions such as the salary growth rate, discount rates and rates of return on plan assets. These discount rates and rates of return are based on observed market rates at the end of each calculation period (e.g. the yield curve on AA Corporate bonds for discount rates). When applied to long-term benefit obligations, these rates introduce uncertainty into the valuations.

- **Deferred taxes**

As a precaution, Natixis records a net deferred tax asset linked to its ability to generate taxable income over a given period (10 years maximum), while tax loss carry forwards are deductible with no time limitation in France and the UK or over very long periods (20 years in the US for deficits prior to January 1, 2018).

To this end, Natixis prepares tax business plans based on the medium-term plans for the business lines.
Adjustments for special tax schemes are also implemented.

- **Other provisions**

Provisions recognized in the consolidated balance sheet, other than those relating to financial instruments, employee benefits and insurance policies, mainly concern provisions for litigation, restructuring, fines and penalties.
A provision is raised when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and when the amount of the obligation can be reliably estimated. In order to calculate this amount, Management is required to assess the probability of the risk occurring. Future cash flows are discounted where the impact of discounting is material.

NOTE 3 CONSOLIDATION SCOPE

3.1 Key events

On June 30, 2018, Natixis finalized the acquisition of Fenchurch Advisory Partners ("Fenchurch"), a specialist corporate finance advisory firm exclusively focused on the financial services sector.

Natixis owns 51% of the capital of Fenchurch as of June 30, 2018, exercises control over the entity within the meaning of IFRS 10, and fully consolidates the entity.
This transaction generated goodwill of €37 million as at June 30, 2018, as determined using the partial goodwill method. Now that the transaction has been completed, Natixis has put options on minority shareholders in the amount of €27.9 million.

Natixis also finalized the acquisition of the Vermilion Partners group, a specialist in cross-border transactions involving China and in advising on both inbound and outbound M&A transactions.
Natixis holds a 51% stake in Vermilion partners. Natixis exercises control over this group within the meaning of IFRS 10, and fully consolidates it.
This transaction generated goodwill of €10.5 million as at June 30, 2018, as determined using the partial goodwill method. Now that the transaction has been completed, Natixis has put options on minority shareholders valued at €14.6 million.

Natixis finalized the acquisition of Alter CE (Comitéo), a company specializing in online services for works councils.

As of June 30, 2018, Natixis holds a 70% stake in Alter CE, exercises control over the entity within the meaning of IFRS 10, and fully consolidates the entity.

This transaction generated goodwill of €18.4 million as at June 30, 2018, as determined using the partial goodwill method. Natixis also has put options on minority shareholders in the amount of €8.7 million.

Lastly, on June 26, 2018, Natixis announced the acquisition of MV Credit, a European credit specialist focused on private debt. Once the acquisition process was complete, MV Credit became an affiliate of Natixis Investment Managers, providing investors with access to a wide range of expertise in private equity, private debt, real estate and infrastructure. As the acquisition was completed on August 2, 2018, it had no impact on the consolidated financial statements at June 30, 2018.

3.2 Changes in consolidation scope since January 1, 2018

The main changes in scope since January 1, 2018 are as follows:

3.2.1 Corporate and Investment Banking

- Newly consolidated entities

  - Full consolidation of Fenchurch Partners LLP, a consulting firm specializing in mergers and acquisitions, in the second quarter of 2018. Consolidation of Natixis Alternative Holding Limited, a structure holding the acquired Fenchurch shares.

  - Full consolidation of Vermilion Partners group, a consulting firm specializing in mergers and acquisitions, in the second quarter of 2018. Full consolidation of the following five entities: Vermilion Partners (Holdings) Limited, Vermilion Partners Limited, Vermilion Partners (UK) Limited, Vermilion Partners LLP and Vermilion (Beijing) Advisory Company Limited. Consolidation of Investima 77, an entity holding Vermilion Partners shares.

- Deconsolidated entities

- Deconsolidation of Nexgen Capital Ltd as of January 1, 2018 as the percentage interest fell below eligible levels.

- Liquidation of Natixis Luxembourg Investissements in the second quarter of 2018.

▪ Changes in percentage of ownership

- In the second quarter of 2018, the interest in Natixis Partners increased from 84% to 87% following the buyout of shares from executives.

3.2.2 Asset & Wealth Management

▪ Newly consolidated entities

- Consolidation of the Mirova Global Sustainable Equity Fund in the first quarter of 2018 after the percentage interest rose above eligible levels.

▪ Changes in percentage of ownership

- The interest in DNCA Finance, DNCA Courtage, DNCA Luxembourg and DNCA Finance Milan branch increased from 72% to 80% after Société de Cadres' percentage interest in DNCA Finance rose from 6% to 9% on January 1, 2018 and some of the put options held by managers at DNCA Finance were exercised in the second quarter of 2018;

- The interest in DNCA Management increased from 42% to 71% afters some of the put options held by managers at DNCA Management were exercised in the second quarter of 2018;

- The interest in Purple Finance Clo 1 decreased from 100% to 89% after 11% of the fund's equity was sold to outside investors;

- The interest in Natixis Caspian Private Equity LLC increased from 55% to 73% following the buyout of shares from a manager who left the company in the first quarter of 2018;

- The change in the net book value of consolidated UCITS and seed money investments resulted in changes in percentage interests over the period, albeit without affecting the principle behind fund consolidation (maintenance of the percentage interest above eligible thresholds). The affected funds were: DNCA Archer Mid-Cap Europe (interest decreased from 35% to 24%) and ASG Managed Futures (interest decreased from 53% to 25%).

3.2.3 Insurance

▪ Newly consolidated entities

- Consolidation of the Allocation Pilotée Equilibre C Fund in the first quarter of 2018 after the percentage interest rose above eligible levels.

3.2.4 Specialized Financial Services

▪ Newly consolidated entities

- Acquisition of a 70% interest in Alter CE (Comitéo), a company specializing in online services for works councils, on April 18, 2018.

- Changes in percentage of ownership

- In the first quarter of 2018, the interest in Lakooz decreased from 100% to 96% following a capital increased reserved for the founders.

- In the second quarter of 2018, the interest in Payplug increased from 79% to 84% following the acquisition of an additional 5% of the capital from the founders.

- In the second quarter of 2018, the interest in Coficiné decreased from 96% to 91% after a plan allocating free shares to its manager was established.

3.2.5 Coface

- Newly consolidated entities

- Consolidation of the Coface Technologie Romania branch in the first quarter of 2018.

- Deconsolidated entities

- Disposal of Cofacrédit on June 22, 2018.

3.2.6 Corporate Center

- Newly consolidated entities

- Acquisition of BPCE Immobilier Exploitation on June 26, 2018.

- Deconsolidated entities

- Deconsolidation of Natixis Private Equity International Luxembourg after the percentage interest fell below eligible levels.

- Restructuring

- On April 3, 2018, Natixis Altair IT Shared Services merged with Natixis SA through a total transfer of assets and liabilities.

3.3 Entities held for sale

The assets and liabilities of controlled entities which Natixis intends to sell within a maximum period of 12 months, and for which it is actively seeking a buyer, are identified separately on two specific lines of the consolidated balance sheet as non-current assets and liabilities.

At December 31, 2016, Natixis had entered into a sale agreement related to one of its life insurance portfolios and securities representing these commitments. The completion of this sale was subject to approval by the ACPR (French Prudential Supervisory Authority). Securities representing insurance commitments initially recognized as “Available-for-sale financial assets” and “Financial assets and liabilities under the fair value through profit or loss option” were reclassified as “Non-current assets held for sale”. In accordance with IFRS 5, the reclassified securities were valued according to the provisions of IAS 39 and the technical provision of insurance commitments was discounted. At June 30, 2018, since Natixis had not yet obtained the above-mentioned approval, their classification under IFRS 5 was maintained as the completion of the sale was outside of Natixis’ control.

In the first half of 2018, Natixis Investment Managers started discussions regarding the disposal of its AXELTIS SA subsidiary. At June 30, 2018, Natixis Investment Managers had maintained the full consolidation of its subsidiary and, in accordance with the provisions of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, combined the assets and liabilities of that entity under two separate balance sheet line items: “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”.

In the first half of 2018, Natixis Wealth Management also began discussions regarding the disposal of its Sélection 1818 subsidiary. At June 30, 2018, Natixis Wealth Management had maintained the full consolidation of its subsidiary and, in accordance with the provisions of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, combined the assets and liabilities of that entity under two separate balance sheet line items: “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”.

NOTE 4 NOTES TO THE INCOME STATEMENT

4.1 Interest margin

"Interest and similar income" and "Interest and similar expenses" comprise interest on fixed-income securities recognized as "Financial assets at fair value through other comprehensive income" and "amortized cost", and interest on loans and receivables to and from banks and customers.
Financial assets and liabilities valued at amortized cost give rise to the recognition of interest calculated using the effective interest rate method.
This line item also includes interest on hedging derivatives.
Interest income also consists of interest on non-SPPI debt instruments not held under a trading model (classified by default as instruments at fair value through profit or loss).

In millions of euros	H1 2018		
	Income	Expenses	Net
Financial assets at amortized cost	**1,637**	**(11)**	**1,626**
Central banks	**182**	**(1)**	**181**
Securities	**32**		**32**
Loans and receivables	**1,423**	**(10)**	**1,413**
Banks	**116**		**116**
Customers	**1,139**	**(10)**	**1,129**
Finance leases	**168**		**168**
Financial assets at fair value through other comprehensive income	**45**		**45**
Securities	**45**		**45**
Loans and receivables			
Banks			
Customers			
Finance leases			
Financial assets at fair value through profit or loss	**119**		**119**
Loans and receivables	**40**		**40**
Securities	**79**		**79**
Financial liabilities at amortized cost	**11**	**(947)**	**(936)**
Due to central banks		**(63)**	**(63)**
Due to banks	11	(477)	(466)
Customer deposits		(158)	(158)
Debt securities		(205)	(205)
Subordinated debt		(44)	(44)
Other			
Other		**(28)**	**(28)**
Hedging derivatives	**194**	**(303)**	**(109)**
Total	**2,006**	**(1,289)**	**717**

At June 30, 2017

In millions of euros	H1 2017		
	Income	Expenses	Net
Central banks	**154**	**(54)**	**100**
Securities	**551**	**(224)**	**327**
Loans and receivables	**1,911**	**(838)**	**1,073**
Banks	209	(381)	**(172)**
Customers	1,469	(423)	**1,046**
Finance leases	233	(33)	**199**
Subordinated debt	**0**	**(44)**	**(44)**
Hedging instruments	**401**	**(503)**	**(102)**
Interest accrued on impaired loans and receivables (incl. restructured items)	**14**	**0**	**14**
Total	**3,031**	**(1,663)**	**1,368**

Interest income for the first half of 2017 includes interest received on insurance investments for a net income amount of +€688 million.

4.2 Net fee and commission income

The method of accounting for fees and commissions received in respect of services or financial instruments depends on the ultimate purpose of the services rendered and the method of accounting for the financial instruments to which the service relates. Fees and commissions for one-off services, such as business provider commissions, are recognized in income as soon as the service is provided. Fees and commissions for ongoing services such as guarantee commissions or management fees are recognized over the service period.
Fiduciary or similar fees and commissions are those that result in assets being held or invested on behalf of individual customers, pension schemes or other institutions. In particular, trust transactions cover Asset Management and custody activities performed on behalf of third parties.
Fees and commissions that form an integral part of the effective yield on an instrument, such as fees on financing commitments given or loan set-up fees, are recognized and amortized as an adjustment to the effective interest rate over the estimated term of the applicable loan. These fees and commissions are recognized as interest income rather than fee and commission income.

In millions of euros	H1 2018			H1 2017		
	Income	Expenses	Total	Income	Expenses	Total
Interbank transactions	**2**	**(22)**	**(19)**	1	(15)	(14)
Customer transactions	**384**	**(7)**	**377**	384	(1)	383
Securities transactions	**64**	**(87)**	**(23)**	74	(107)	(33)
Payment services	**206**	**(27)**	**178**	189	(27)	162
Financial Services	**238**	**(372)**	**(134)**	216	(372)	(156)
Fiduciary transactions(1)	**1,772**	**0**	**1,772**	1,622	0	1,623
Financing, guarantee, securities and derivative commitments	**131**	**(99)**	**32**	159	(68)	92
Other	**87**	**(599)**	**(513)**	166	(503)	(337)
Total (2)	**2,884**	**(1,213)**	**1,671**	**2,813**	**(1,094)**	**1,719**

(1) Including performance fees in the amount of €119 million, including €117 million for Europe and €2 million for North America, at June 30, 2018, versus €82 million, including €76 million for Europe and €6 million for North America, at June 30, 2017;
(2) Including net fee and commission income of –€577 million at June 30, 2018, versus -€341 million at June 30, 2017, for insurance activities, for which related income is presented as "Net income from insurance activities"

4.3 Gains and losses on financial instruments at fair value through profit or loss

This item includes gains and losses on financial assets and liabilities at fair value through profit and loss, whether held for trading, designated at fair value through profit and loss, or at fair value. This line item also includes interest on these instruments, except for those presented as interest income.
Hedging derivatives include changes in the fair value of derivatives classified as fair value hedges, excluding interest, plus the symmetrical revaluation of the items hedged. They also include the "ineffective" portion of cash flow hedges.

In millions of euros	H1 2018	H1 2017
Net gains/(losses) on financial assets and liabilities excluding hedging derivatives	**1,106**	**1,785**
Net gains/(losses) on financial assets and liabilities held for trading(2)	998	1,219
o/w derivatives not eligible for hedge accounting	*771*	*(889)*
Net gains/(losses) on financial assets at fair value through profit or loss	*(218)*	
Net gains/(losses) on financial assets and liabilities under the fair value option through profit or loss	227	582
Other	101	(15)
Hedging instruments and revaluation of hedged items	**11**	**(6)**
Ineffective portion of cash flow hedges (CFH)	(0)	1
Ineffective portion of fair value hedges (FVH)	11	(7)
Changes in fair value of fair value hedges	*(27)*	9
Changes in fair value of hedged items	*38*	(16)
Total (1)	**1,118**	**1,779**

(1) Insofar as the expenses and income presented in the income statement are classified by type and not by function, the net income of activities on financial instruments at fair value through profit and loss should be considered as a whole. The results presented above do not include the refinancing cost of these financial instruments, which is recorded in interest income or expenses.
(2) "Net gains/(losses) on financial assets and liabilities held for trading" include:

- Impairments taken against the fair value of CDS entered into with monoline insurers: a decrease of €40.3 million in cumulative impairments in H1 2018, versus a decrease of €9.6 million (income) in cumulative impairments in H1 2017 (excluding the currency impact and the impact of the BPCE guarantee), bringing cumulative impairments to €23.1 million at June 30, 2018 versus €61.3 million at June 30, 2017;
- At June 30, 2018, recognized own credit risk adjustments to derivatives (debit valuation adjustments or DVA) stood at +€12.9 million versus an expense of -€50.3 million at June 30, 2017.
  Furthermore, credit risk adjustments related to the valuation of counterparty risk (credit valuation adjustments or CVA) on financial assets amounted to -€12.7 million (expense) at June 30, 2018 versus income of +€65.9 million at June 30, 2017.
- The Funding Valuation Adjustment (FVA) used on uncollateralized derivatives or imperfectly collateralized derivatives is also recognized on this line in the amount of -€29.9 million (expense) at June 30, 2018 versus income of €24.6 million at June 30, 2017.

4.4 Gains and losses on financial assets at fair value through other comprehensive income

The table below shows net gains and losses in financial assets at fair value through other comprehensive income recognized in net income over the period. They primarily consist of:

- income on the sale of debt instruments net of the impact of hedging instruments;
- dividends on equity instruments.

In millions of euros	H1 2018
Net gains/(losses) on debt instruments	3
Net gains/(losses) on equity instruments (dividends)	8
Total	**11**

Unrealized gains and losses recognized over the period are presented in the “Statement of net income (loss) and gains and losses recorded directly in other comprehensive income”.

4.5 Net gains or losses resulting from the derecognition of financial instruments at amortized cost

This line item includes gains and losses resulting from the derecognition of debt securities and loans and receivables recognized at amortized cost, including the impact of hedging instruments.

At June 30, 2018, net gains or losses resulting from the derecognition of instruments at amortized cost include €1.7 million in gains recorded following the sale of financial assets at amortized cost and -€1.9 million in losses related to the sale of financial assets at amortized cost.

4.6 Other income and expenses

Income and expenses from other operations mainly comprise income and expenses relating to finance leases and investment property.

In millions of euros	H1 2018			H1 2017		
	Income	Expenses	Net	Income	Expenses	Net
Finance leases	156	(156)	1	167	(214)	(46)
Investment property	2	(8)	(5)	64	(21)	44
Sub-total Real Estate Activities	**159**	**(163)**	**(5)**	**232**	**(234)**	**(3)**
Insurance income and expenses						
Operating leases	57	(45)	12	46	(36)	10
Other related income and expenses(1)	155	(144)	11	155	(194)	(39)
Total	**370**	**(352)**	**19**	**201**	**(231)**	**(30)**

(1) Including an expense of €25 million recorded for a legal dispute concerning formula-based investment funds at June 30, 2017.

4.7 Operating expenses

Operating expenses mainly comprise payroll costs, including wages and salaries net of rebilled expenses, social security expenses and employee benefits such as pensions (defined benefit plans), and expenses relating to share-based payment recognized in accordance with IFRS 2.

This item also includes all administrative expenses and external services.

In millions of euros		H1 2018	H1 2017
Payroll costs	Wages and salaries[1]	(1,416)	(1,333)
	o/w share-based payments [2]	*(38)*	*(41)*
	Pensions and other long-term employee benefits	(115)	(135)
	Social security expenses	(324)	(327)
	Incentive and profit-sharing plans	(73)	(80)
	Payroll-based taxes	(75)	(78)
	Other	(3)	(5)
Total payroll costs		**(2,006)**	**(1,958)**
Other operating expenses	Taxes other than on income[3][4]	(282)	(273)
	External services	(1,008)	(985)
	Other	(18)	(29)
Total other operating expenses		**(1,309)**	**(1,287)**
Total		**(3,315)**	**(3,245)**

(1) Of which €3.7 million in respect of the Competitiveness and Employment Tax Credit at June 30, 2018 versus €4.4 million at June 30, 2017;
(2) The amount recognized in H1 2018 in respect of retention and performance plans includes an expense of -€32.6 million (versus -€34.3 million at June 30, 2017) for the portion of compensation paid in cash and indexed to the Natixis share price and an additional expense of -€4.8 million (versus -€6.8 million at June 30, 2017) for the portion of compensation settled in Natixis shares.
(3) Taxes, levies and regulatory contributions include the systemic risk tax for €16.5 million at June 30, 2018 (versus €24.3 million at June 30, 2017) and regulatory contributions mostly including the contribution to the SRF (Single Resolution Fund) for €163.7 million at June 30, 2018 (versus €121.3 million at June 30, 2017).
(4) Including the Social Security and Solidarity Contribution (C3S) for €37.1 million at June 30, 2018 (€47.6 million at June 30, 2017), including a non-recurrent additional expense of €19 million for the Insurance division linked to a partnership with CNP Assurances.

4.8 Cost of risk

This line item primarily includes income related to the recognition of credit risk as defined by IFRS 9:

- cash flows on provisions and impairments for 12-month and lifetime expected credit losses related to:
  - debt instruments recognized at amortized cost or at fair value through other comprehensive income;
  - lease receivables;
  - loan or guarantee commitments given that do not fit the definition of derivative financial instruments.
- losses on irrecoverable loans, and recoveries of loans previously recognized as losses.

It also includes any impairments recorded in respect of proven default risks associated with counterparties of OTC instruments.

In millions of euros	H1 2018				
	Charges	Net reversals	Write-offs not covered by provisions	Recoveries of bad debts written off	Net
Contingency reserves	**(151)**	**167**	**(1)**	**0**	**14**
Financing commitments: 12 month expected credit losses	(12)	11	0		(1)
Financing commitments - lifetime expected credit losses	(101)	124	0		23
Impaired financing commitments - lifetime expected credit losses	(23)	18	0		(4)
Other	(15)	13	(1)		(3)
Provisions for impairments of financial assets	**(617)**	**535**	**(19)**	**3**	**(98)**
Non-impaired financial assets - 12 month expected credit losses	(38)	29	0		(9)
Non-impaired financial assets - lifetime expected credit losses	(183)	239	0		56
Impaired financing commitments - lifetime expected credit losses	(397)	268	(19)	3	(145)
Total	**(768)**	**702**	**(20)**	**3**	**(84)**
o/w:					
Reversals of surplus impairment provisions		*702*			
Reversals of utilized impairment provisions		*154*			
	Sub-total reversals:	***856***			
Write-offs covered by provisions		*(154)*			
	Total net reversals:	***702***			

At June 30, 2017

This line item mainly reflects net risk recorded on lending transactions and any impairments recorded in respect of proven default risks associated with counterparties of OTC financial instruments.

In millions of euros	H1 2017				
	Charges	Net reversals	Write-offs not covered by provisions	Recoveries of bad debts written off	Net
Contingency reserves	**(44)**	**5**	**0**	**0**	**(40)**
Financing commitments	(26)	5			**(21)**
Other	(18)	0			**(18)**
Provisions for impairments of financial assets	**(196)**	**116**	**(21)**	**3**	**(98)**
Provision for credit losses	**(240)**	**121**	**(21)**	**3**	**(138)**
o/w					
Reversals of surplus impairment provisions		*121*			
Reversals of utilized impairment provisions		*161*			
	Sub-total reversals:	***282***			
Write-offs covered by provisions		*(161)*			
	Total net reversals:	***121***			

4.9 Gains or losses on other assets

This item comprises capital gains and losses on the disposal of property, plant and equipment and intangible assets used in operations, as well as capital gains and losses on the disposal of investments in consolidated companies.

In millions of euros	H1 2018			H1 2017		
	Investments in consolidated companies(1)	Property, plant and equipment and intangible assets(2)	TOTAL	Investments in consolidated companies(3)	Property, plant and equipment and intangible assets(4)	TOTAL
Net capital gains/(losses) on disposals	6	4	10	31	(4)	27
Total	**6**	**4**	**10**	**31**	**(4)**	**27**

(1) Including +€7.6 million related to the settlement of the previously completed disposal of a portion of the Private Equity business and -€2.2 million related to the disposal of Cofacrédit (held by Coface);
(2) Including +€4.2 million following the disposal and decommissioning of intangible assets;
(3) Including +€21.5 million on the disposal of Ellisphère and IJCOF, and +€9.9 million on the disposal of the two Caspian private equity companies;
(4) Including -€4.5 million following the decommissioning of software.

4.10 Reconciliation of the tax expense in the financial statements and the theoretical tax expense

In millions of euros	H1 2018	H1 2017
+ Net income/(loss) group share	903	768
+ Net income/(loss) attributable to non-controlling interests	118	57
+ Income tax charge	470	469
+ Impairment of goodwill	0	0
- Share in income of associates	(10)	(13)
= Consolidated net income/(loss) before tax, goodwill amortization and share in income of associates	**1,480**	**1,281**
+/- Permanent differences[1]	237	203
= Consolidated taxable income/(loss)	**1,717**	**1,484**
x Theoretical tax rate	33.33%	33.33%
= Theoretical tax charge	**(572)**	**(495)**
+ Contributions and minimum annual tax charges	(2)	(4)
+ Income taxed at reduced rates	(1)	(1)
+ Losses for the period not recognized for deferred tax purposes	(17)	(17)
+ Impact of tax consolidation	23	19
+ Differences in foreign subsidiary tax rates	88	30
+ Tax credits	18	18
+ Tax on prior periods	(1)	(13)
+ Other items[2]	(6)	(6)
= Tax charge for the period	**(470)**	**(469)**
Of which: taxes payable	(188)	(369)
deferred tax	(282)	(100)

(1) Permanent differences include the impacts of the SBT (systemic banking tax) and SRF (single resolution), both of which are non-deductible expenses;

(2) Of which: -€32.5 million in the first half of 2017 for the tax on dividends. This tax was declared unconstitutional by the French Constitutional Court in October 2017, resulting in a refund in the second half of 2017.

NOTE 5 NOTES TO THE BALANCE SHEET

5.1 Financial assets and liabilities at fair value through profit and loss

These assets and liabilities are measured at fair value at the reporting date, with changes in fair value, including interest, recognized in income under "Net gains or losses on financial instruments at fair value through profit and loss", except for:

- interest on hedging derivatives and non-SPPI instruments recorded as interest income and expenses in the income statement; and
- changes in fair value attributable to own credit risk on financial liabilities designated at fair value through profit or loss, recorded in other comprehensive income as “Revaluation of own credit risk on financial liabilities at fair value through profit or loss”.

5.1.1 Financial assets at fair value through profit or loss

The table below shows the breakdown of financial assets at fair value through profit and loss by instrument type.

In millions of euros	06.30.2018				01.01.2018			
	Financial assets held for trading	Financial assets at fair value through profit or loss (1) (2)	Financial assets under the fair value option through profit or loss (3)	Total	Financial assets held for trading	Financial assets at fair value through profit or loss (1) (2)	Financial assets under the fair value option through profit or loss (3)	Total
Note			*5.1.1.1*				*5.1.1.1*	
Securities	**52,083**	**2,983**	**0**	**55,067**	**46,491**	**2,938**	**0**	**49,429**
Debt instruments	19,633	2,181		21,814	18,457	2,109	0	20,566
Equity instruments	32,451	802		33,253	28,033	829		28,863
Reverse repos(4)	**87,673**			87,673	**92,023**			**92,023**
Loans and receivables	**4,303**	**1,908**	**0**	**6,211**	**4,422**	**2,297**	**0**	**6,719**
Banks	54	1,123	0	1,177	104	1,150	0	1,254
Customers	4,249	785	0	5,034	4,317	1,147	0	5,465
Derivative instruments not eligible for hedge accounting(4)	**59,594**	**0**	**0**	**59,594**	**60,014**	**0**	**0**	**60,014**
Security deposits paid	**17,266**	**0**	**0**	**17,266**	**17,478**	**0**	**0**	**17,478**
Total	**220,919**	**4,891**	**0**	**225,810**	**220,428**	**5,235**	**0**	**225,663**

(1) The criteria for categorizing financial assets at fair value through profit or loss if they do not meet the SPPI criteria used by Natixis are provided in Note 2.2.2;
(2) Financial instruments that must be measured at fair value through profit or loss include non-SPPI debt instruments in the amount of €2,181 million and equity instruments totaling €802 million that we have opted not to recognize in other comprehensive income;
(3) Only in the case of an accounting mismatch as defined by IFRS 9 (see Note 2.2.5);
(4) The information presented takes into account the impact of offsetting carried out in accordance with IAS 32 (see Note 5.2).

5.1.1.1 Conditions for classification of financial assets under the fair value option through profit or loss

As a reminder, at December 31, 2017, under IAS 39, financial assets were designated at fair value through profit or loss when this choice provided more pertinent information or when these instruments incorporated one or more significant and separable embedded derivatives.

The use of the fair value option was considered to provide more pertinent information in two situations:

- where there is an accounting mismatch between economically linked assets and liabilities. This arose for example in the case of an asset and a hedging derivative when the criteria for hedge accounting were not met;
- where a portfolio of financial assets and liabilities is managed and recognized at fair value as part of a documented policy of asset and liability management.

Financial assets designated at fair value through profit or loss mainly consisted of long-term structured repos indexed to a basket of equities whose risks are managed globally and dynamically. As they are managed using a model that is neither a “hold to collect” nor a “hold to collect and sell” business model, these transactions were recategorized as financial assets at fair value through profit or loss under IFRS 9.

	12.31.2017			
In millions of euros	**Carrying amount**	**Accounting mismatch**	**Managed on a fair value basis**	**Embedded derivatives**
Loans and receivables due from banks	**2,099**	2,099	0	0
Loans and receivables due from customers	**5,425**	2,303	544	2,577
Fixed-income securities	**3,134**	1,292	247	1,595
Variable-income securities	**15,530**	13,546	1,984	0
Repurchased securities	**44,695**	0	44,695	0
Total	**70,882**	**19,240**	**47,470**	**4,172**

5.1.2 Financial liabilities at fair value through profit or loss

The table below shows the breakdown of financial liabilities at fair value through profit and loss by instrument type.

	06.30.2018			01.01.2018		
In millions of euros	**Financial liabilities issued for trading**	**Financial liabilities under the fair value option through profit or loss**	**Total**	**Financial liabilities issued for trading**	**Financial liabilities under the fair value option through profit or loss**	**Total**
Note		*5.1.2.1 and 5.1.2.2*			*5.1.2.1 and 5.1.2.2*	
Securities	**24,097**	**21,895**	**45,992**	**26,090**	**20,535**	**46,625**
Debt securities	302	21,795	22,098	303	20,432	20,735
Subordinated debt	0	100	100	0	103	103
Short sales	23,795	0	23,795	25,786	0	25,786
Repurchased securities(1)	**95,383**	**0**	**95,383**	**98,593**	**0**	**98,593**
Liabilities	**4**	**4,356**	**4,360**	**64**	**3,440**	**3,504**
Due to banks	0	55	55	56	78	134
Customer deposits	4	120	125	8	9	18
Other liabilities	0	4,180	4,180	0	3,352	3,352
Derivative instruments not eligible for hedge accounting(1)	**58,787**	**0**	**58,787**	**59,600**	**0**	**59,600**
Security deposits received	**13,377**	**0**	**13,377**	**12,999**	**0**	**12,999**
Total	**191,648**	**26,251**	**217,899**	**197,346**	**23,975**	**221,321**

(1) The information presented takes into account the impact of offsetting carried out in accordance with IAS 32 (see Note 5.2).

5.1.2.1 Conditions for classification of financial liabilities under the fair value option through profit or loss

Financial liabilities are designated at fair value through profit and loss when this choice provides more pertinent information or when the instruments incorporate one or more significant and separable embedded derivatives (see Note 2.3).
The use of the fair value option is considered to provide more pertinent information in two situations:

- where there is an accounting mismatch between economically linked assets and liabilities. In particular, the fair value option is used when hedge accounting conditions are not met: in such cases, changes in the fair value of the hedged item automatically offset changes in the fair value of the hedging derivative;
- where a portfolio of financial assets and liabilities is managed and recognized at fair value as part of a documented policy of asset and liability management.

Liabilities measured at fair value through profit and loss mainly comprise issues originated and structured on behalf of customers for which risks and hedging are collectively managed. These issues include significant embedded derivatives for which changes in value are neutralized, except for those allocated to own credit risk, by those of the derivative instruments hedging them.
Under IAS 39, liabilities designated at fair value also mainly consisted of long-term structured repos indexed to a basket of equities whose risks are managed globally and dynamically. These liabilities, which follow a trading business model as defined by IFRS 9, were recategorized as financial assets at fair value through profit or loss.

In millions of euros	06.30.2018				01.01.2018			
	Carrying amount	Accounting mismatch	Managed on a fair value basis	Embedded derivatives	Carrying amount	Accounting mismatch	Managed on a fair value basis	Embedded derivatives
Due to banks	54	5	0	49	79	8	0	71
Customer deposits	120	0	0	120	9	0	0	9
Debt securities	21,796	17,288	0	4,508	20,432	16,488	0	3,944
Subordinated debt	100	0	0	100	103	0	0	103
Other liabilities	4,179	4,179	0	0	3,352	3,352	0	0
Total	**26,249**	**21,473**	**0**	**4,777**	**23,975**	**19,848**	**0**	**4,127**

Some liabilities issued and recognized at fair value through profit and loss are covered by a guarantee. The effect of this guarantee is incorporated into the fair value of the liabilities.

5.1.2.2 Financial liabilities designated under the fair value option through profit or loss and credit risk

The carrying amount of financial liabilities designated at fair value through profit or loss corresponds to their fair value shown on the balance sheet.
The amount contractually due on loans at maturity represents the principal amount outstanding at the reporting date, plus any accrued interest not yet due. The amount contractually due on securities represents their redemption value.

Financial liabilities under the fair value option for which credit risk is recognized in shareholders' equity.

In millions of euros	06.30.2018				01.01.2018			
	Carrying amount	Amount contractually due at maturity	Difference between Carrying amount and amount contractually due at maturity	Cumulative changes in the fair value of financial liabilities, designated at fair value through profit or loss, attributable to credit risk	Carrying amount	Amount contractually due at maturity	Difference between Carrying amount and amount contractually due at maturity	Cumulative changes in the fair value of financial liabilities, designated at fair value through profit or loss, attributable
Debt securities(1)	21 795	22 536	(741)	50	20 432	20 246	186	276
Subordinated debt(1)	100	100	0	(4)	103	100	2	(2)
Total	**21 895**	**22 636**	**(741)**	**46**	**20 535**	**20 347**	**188**	**275**

(1) The fair value, determined using the method described in Note 5.4, recorded in respect of internal credit risk on Natixis issues totaled €46.4 million at June 30, 2018 versus €274.8 million at December 31, 2017. Besides changes in the outstanding amount, this difference reflects changes in the Natixis spread since the close of the previous year's accounts;
(2) Balances relating to the early repayment of Natixis issues recognized in shareholders' equity over the first half of 2018 totaled €3.9 million, versus €4.5 million over the 2017 fiscal year.

Financial liabilities under the fair value option for which credit risk is recognized in net income.

In millions of euros	06.30.2018			01.01.2018			Changes in the fair value of financial liabilities, designated at fair value through profit or loss, attributable to credit risk June 30, 2018	
	Carrying amount	Amount contractually due at maturity	Difference between Carrying amount and amount contractually due at maturity	Carrying amount	Amount contractually due at maturity	Difference between Carrying amount and amount contractually due at maturity	Period	Cumulative
Due to banks	55	54	1	78	75	4		
Customer deposits	120	121	(1)	9	10	(1)		(1)
Other liabilities	4 180	4 180	0	3 352	3 352	0		0
Total	**4 355**	**4 355**	**0**	**3 440**	**3 437**	**3**		**(1)**

5.2 Offsetting financial assets and liabilities

The table below presents the amounts offset on the Natixis balance sheet meeting the criteria set out in IAS 32, as well as the impacts linked to the existence of an enforceable right of set-off under a master netting arrangement or similar agreements that do not meet the criteria set out in IAS 32 dealing with offsetting.
The gross offset amounts reflect derivatives and repurchase agreements with clearing houses for which the criteria set out in IAS 32 are met:

- For OTC derivatives, the information is presented in consideration of the effects of the currency offset between asset valuations and liability valuations of the derivatives;
- For asset switches that have similar nominal amounts and identical maturities and currencies, Natixis presents these transactions as a single financial asset or liability;
- For listed derivatives, the positions recorded under the respective asset and liability items for:
  - index options and futures options are offset by maturity and by currency;
  - equity options are offset by ISIN code and maturity date;
- As regards repurchase agreements, Natixis records on its balance sheet the net value of repurchase and reverse repurchase agreements that:
  - are entered into with the same clearing house;
  - have the same maturity date;
  - involve the same custodian;
  - are made in the same currency.

The impacts linked to the existence of an enforceable right of set-off under master netting arrangements or similar agreements correspond to derivative amounts or outstanding repos covered by master arrangements under which the net settlement criterion or the simultaneous settlement of assets and liabilities cannot be demonstrated or for which the right to set-off cannot be exercised except in the event of the default, insolvency or bankruptcy of one or more counterparties. These amounts are not offset on the balance sheet.
Guarantees received and given in the form of the securities shown in the "Financial instruments" column are recognized at fair value.

5.2.1 Financial assets offset or covered by a master netting or similar arrangement

In millions of euros	06.30.2018			12.31.2017		
	Gross amount of financial assets recognized in the balance sheet*	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet	Gross amount of financial assets recognized in the balance sheet*	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet
	(a)	(b)	(c) = (a) - (b)	(a)	(b)	(c) = (a) - (b)
Financial assets at fair value through profit or loss	**156,405**	**36,958**	**119,448**	**103,213**	**23,536**	**79,677**
Derivatives	59,082	16,098	42,984	60,723	15,071	45,652
Repurchase agreements	97,323	20,860	76,464	42,490	8,465	34,025
Other financial instruments	0	0	0			
Hedging derivatives	2,935	2,774	162	2,516	2,355	161
Loans and receivables due from banks	**700**	**700**	**0**	**3,214**	**700**	**2,514**
Repurchase agreements	700	700	0	3,214	700	2,514
Other financial instruments	0	0	0			
Customer loans and receivables	**2,037**	**0**	**2,037**	**50,819**	**5,759**	**45,060**
Repurchase agreements	2,037	0	2,037	50,819	5,759	45,060
Other financial instruments	0	0	0			
Total	**162,077**	**40,432**	**121,647**	**159,762**	**32,350**	**127,412**

(*) Gross amount of financial assets offset or covered by a master netting or similar arrangement.

In millions of euros	06.30.2018				12.31.2017			
		Amounts not offset related to (a) (d)				Amounts not offset related to (a) (d)		
	Net amount of financial assets recognized in the	Financial instruments	Guarantees received in cash	Net exposure	Net amount of financial assets recognized in the	Financial instruments	Guarantees received in cash	Net exposure
	(c)	(*)		(e) = (c) - (d)	(c)	(*)		(e) = (c) - (d)
Derivatives	43,146	30,692	9,093	3,361	45,813	32,414	9,378	4,021
Repurchase agreements	78,501	78,361	0	140	81,599	81,576	12	11
Other financial instruments	0	0	0	0				
Total	**121,647**	**109,053**	**9,093**	**3,501**	**127,412**	**113,990**	**9,390**	**4,032**

(*) Including collateral received in the form of securities.

5.2.2 Financial liabilities offset or covered by a master netting or similar arrangement

In millions of euros	06.30.2018			12.31.2017		
	Gross amount of financial liabilities recognized in the balance sheet*	Gross amount of offset financial assets	Net amount of financial liabilities recognized in the balance sheet	Gross amount of financial liabilities recognized in the balance sheet*	Gross amount of offset financial assets	Net amount of financial liabilities recognized in the balance sheet
	(a)	(b)	(c) = (a) - (b)	(a)	(b)	(c) = (a) - (b)
Financial liabilities at fair value through profit or loss	**171,979**	**36,777**	**135,202**	**97,428**	**23,310**	**74,118**
Derivatives	58,320	15,917	42,403	60,402	14,845	45,557
Repurchase agreements	113,659	20,860	92,799	37,026	8,465	28,561
Other financial instruments	0	0	0			
Hedging derivatives	3,106	2,955	151	2,744	2,581	163
Due to banks	**8,773**	**700**	**8,073**	**18,425**	**700**	**17,725**
Repurchase agreements	8,773	700	8,073	18,425	700	17,725
Other financial instruments	0	0	0			
Customer deposits	**549**	**0**	**549**	**59,391**	**5,759**	**53,632**
Repurchase agreements	549	0	549	59,391	5,759	53,632
Other financial instruments	0	0	0			
Total	**184,407**	**40,432**	**143,975**	**177,988**	**32,350**	**145,638**

(*) Gross amount of financial liabilities offset or covered by a master netting or similar arrangement.

In millions of euros	06.30.2018				12.31.2017			
		Amounts not offset related to (a) (d)				Amounts not offset related to (a) (d)		
	Net amount of financial liabilities recognized in the balance sheet	Financial instruments	Guarantees received in cash	Net exposure	Net amount of financial liabilities recognized in the balance sheet	Financial instruments	Guarantees received in cash	Net exposure
	(c)	(*)		(e) = (c) - (d)	(c)	(*)		(e) = (c) - (d)
Derivatives	42,554	30,654	9,140	2,760	45,720	32,826	9,678	3,216
Repurchase agreements	101,421	100,675	17	729	99,918	99,572	2	344
Other financial instruments	0	0	0	0				
Total	**143,975**	**131,329**	**9,157**	**3,489**	**145,638**	**132,398**	**9,680**	**3,560**

(*) Including collateral received in the form of securities.

5.3 Financial assets at fair value through other comprehensive income

This line item covers debt instruments managed under a "hold to collect and sell" business model, with cash flows that meet SPPI criteria (see Note 2.2.2), such as debt instruments held in the liquidity reserve and equity instruments that Natixis has irrevocably opted to measure at fair value through other comprehensive income.

In millions of euros	06.30.2018				01.01.2018			
	Debt instruments				Debt instruments			
	Non-impaired financial assets (1)	Impaired financial assets (2)	Equity instruments	Total	Non-impaired financial assets (1)	Impaired financial assets (2)	Equity instruments	Total
Note	*5.3.1*	*5.3.1*	*5.3.2*		*5.3.1*	*5.3.1*	*5.3.2*	
Securities	**9,819**	**4**	**67**	**9,890**	**9,905**	**6**	**71**	**9,982**
Loans and receivables								
Banks								
Customers								
Value adjustments for losses	**(1)**			**(1)**	**(1)**	**(0)**		**(1)**
Total	**9,818**	**4**	**67**	**9,889**	**9,904**	**6**	**71**	**9,981**

(1) Corresponds to unimpaired financial assets for which value adjustments are calculated based on 12-month expected credit losses (Stage 1) or lifetime expected credit losses (Stage 2);

(2) Impaired financial assets (Stage 3) are assets for which an event of default has been identified as defined in Article 178 of the EU regulation of June 26, 2013 on regulatory requirements for credit institutions.

5.3.1 Reconciliation table for financial assets at fair value through other comprehensive income recyclable to income

The tables below show, for each class of instrument, changes over the first half of 2018 in accounting items and provisions on financial assets at fair value through other comprehensive income recyclable to income.

Reconciliation table for debt securities at fair value through other comprehensive income

In millions of euros	Debt securities at 06.30.2018									
	Non-impaired assets for which 12 month expected credit losses have been estimated *(Bucket S1)*		Non-impaired assets for which lifetime expected credit losses have been estimated *(Bucket S1)*		Assets deemed to be impaired after purchase or origination *(Bucket S3)*		Purchased or originated credit-impaired assets		TOTAL	
	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses
Balance at 01.01.2018	**9,863**	**0**	**42**	**(1)**	**6**				**9,911**	**(0)**
New contracts originated or purchased	1,183								1,183	
Changes to contractual flows not resulting in derecognition										
Changes related to a change in credit risk parameters *(excluding transfers)*	125		(1)		(2)				123	
Transfers of financial assets										
Transfers to S1										
Transfers to S2										
Transfers to S3										
Contracts redeemed in full or sold during the period	(1,504)	0							(1,504)	0
Impairment *(write-off)*										
Changes related to exchange rate movements	115	(1)	(5)	0					110	(1)
Change in model										
Other changes										
Balance at 06.30.2018	**9,783**	**(0)**	**37**	**(0)**	**4**	**0**	**0**	**0**	**9,823**	**(1)**

5.3.2 Equity instruments at fair value through other comprehensive income

In millions of euros	06.30.2018				
	Fair value	Dividends recognized during the period		Derecognized during the period	
		Equity instruments held at 06.30.2018	Equity instruments derecognized during the period	Fair value at disposal date	Cumulative profit or loss at disposal date
Unlisted non-consolidated investments(1) (2)	67	8		2	1
Other equity instruments					
Total	67	8		2	1

(1) The total amount of changes in fair value recategorized as "Retained earnings" over the period that was related to disposals was not material in the first half of 2018;
(2) The amount of dividends recognized in income over the period was not material over the first half of 2018;

Available-for-sale financial assets at December 31, 2017

In millions of euros	**12.31.2017**
Loans outstanding	**18**
- Loans and receivables	18
- Accrued interest	0
Securities	**58,382**
- Fixed-income	49,209
- Variable-income(2)	8,625
- Accrued interest	549
Total available-for-sale financial assets before impairment	**58,400**
Impairment of available-for-sale assets	**(515)**
- Loans and receivables	(15)
- Fixed-income securities	(43)
- Variable-income securities(3)	(458)
Total(1)	**57,885**

(1) Of which €44,444 million for insurance activities at December 31, 2017;
(2) Including shares in UCITS;
(3) In first-half 2017, permanent impairment of variable-income securities stood at €8 million compared. This expense involved insurance portfolios for €3 million, the impact of which was neutralized given the profit-sharing mechanism.
The first-half 2017 expense can be broken down into additional impairment on securities previously impaired for €7 million including €2 million on insurance portfolios and an allowance of €1 million for newly impaired securities in accordance with the application of analysis criteria, primarily applicable to insurance portfolios.

5.4 Fair value of financial assets and liabilities carried at fair value in the balance sheet

For financial reporting purposes, the fair value of financial and non-financial instruments has been broken down in accordance with a fair value hierarchy that reflects the observability of data used to make these assessments (see Note 2.6). The three levels of the fair value hierarchy are presented below.
For derivative instruments, fair values are broken down based on the dominant risk factor, i.e., primarily interest rate risk, foreign exchange risk, credit risk and equity risk:

Assets In millions of euros	06.30.2018			
	Book value	Level 1	Level 2	Level 3
Financial assets held for trading	**161,324**	**47,481**	**110,860**	**2,985**
o/w debt instruments in the form of securities	19,632	15,134	4,361	138
o/w equity instruments	32,451	32,347	104	
o/w loans and receivables	91,976		89,129	2,847
o/w deposits paid	17,266		17,266	
Derivative instruments not eligible for hedge accounting (positive fair value)	**59,594**	**792**	**56,370**	**2,431**
o/w interest rate derivatives	38,293	3	38,169	122
o/w currency derivatives	15,320	0	13,994	1,326
o/w credit derivatives	1,095		383	711
o/w equity derivatives	4,353	470	3,611	272
o/w other	533	320	213	
Financial assets at fair value through profit or loss	**4,891**	**1,232**	**2,198**	**1,460**
o/w equity instruments	802	295	0	507
o/w debt instruments in the form of securities	2,181	937	352	892
o/w loans and receivables	1,908		1,847	61
Hedging derivatives (assets)	**349**		**349**	
o/w interest rate derivatives	349		349	
Financial assets at fair value through other comprehensive income	**9,889**	**9,602**	**220**	**67**
o/w equity instruments	67	4		63
o/w debt instruments in the form of securities	9,822	9,598	220	4
o/w loans and receivables				
Total	**236,048**	**59,108**	**169,997**	**6,944**

The fair value hierarchy for insurance business investments at June 30, 2018, are presented in Note 6.

Liabilities In millions of euros	06.30.2018			
	Book value	Level 1	Level 2	Level 3
Financial liabilities held for trading	**37,474**	**23,537**	**13,937**	
o/w securities issued for trading purposes	24,097	23,528	569	
o/w deposits received	13,377	9	13,368	
Derivative instruments not eligible for hedge accounting (negative fair value)	**58,787**	**499**	**56,357**	**1,932**
o/w interest rate derivatives	38,142		37,942	201
o/w currency derivatives	13,877	0	12,808	1,069
o/w credit derivatives	662		431	231
o/w equity derivatives	5,574	205	4,937	432
o/w other	532	294	239	
Other financial liabilities held for trading	**95,387**		**94,125**	**1,261**
Financial liabilities designated under the fair value option through profit or loss	**26,251**	**3,545**	**22,418**	**288**
o/w securities under the fair value option through profit or loss	21,895		21,608	288
o/w other financial liabilities under the fair value option through profit or loss	4,356	3,545	811	
Hedging derivatives (liabilities)	**723**		**723**	**0**
o/w interest rate derivatives	723		723	0
Total	**218,622**	**27,581**	**187,560**	**3,481**

The fair value hierarchy for insurance business investments at June 30, 2018, are presented in Note 6.

At December 31, 2017

Assets In millions of euros	At December 31, 2017 Book value	Level 1	Level 2	Level 3
Financial assets held for trading	**113,615**	**46,332**	**62,485**	**4,798**
Securities held for trading	**50,381**	**45,655**	**4,575**	**151**
o/w fixed-income securities	13,033	11,206	1,676	151
o/w variable-income securities	37,348	34,450	2,899	0
Derivative instruments not eligible for hedge accounting (positive fair value)	**60,228**	**677**	**56,566**	**2,985**
o/w interest rate derivatives	39,209	2	39,082	124
o/w currency derivatives	15,651	2	14,119	1,531
o/w credit derivatives	1,153		389	764
o/w equity derivatives	3,578	533	2,484	561
o/w other	637	140	492	5
Other financial assets held for trading	**3,006**		**1,344**	**1,662**
Financial assets designated under the fair value option through profit or loss	**70,882**	**14,438**	**53,110**	**3,334**
Securities under the fair value option through profit or loss	**18,664**	**14,417**	**1,712**	**2,535**
o/w fixed-income securities	3,134	725	598	1,811
o/w variable-income securities	15,530	13,692	1,114	724
Other financial assets under the fair value option through profit or loss	**52,219**	**22**	**51,398**	**799**
Hedging derivatives (assets)	**339**		**339**	**0**
o/w interest rate derivatives	339		339	0
Available-for-sale financial assets	**57,885**	**49,376**	**4,527**	**3,982**
Available-for-sale securities - Equity investments	**660**	**91**	**0**	**569**
Other available-for-sale securities	**57,222**	**49,285**	**4,527**	**3,410**
o/w fixed-income securities	49,704	43,491	3,217	2,997
o/w variable-income securities	7,518	5,794	1,310	414
Other available-for-sale financial assets	**3**			**3**
Total	**242,721**	**110,147**	**120,460**	**12,114**

Liabilities In millions of euros	At December 31, 2017 Book value	Level 1	Level 2	Level 3
Financial liabilities held for trading	**85,937**	**26,340**	**57,652**	**1,945**
Securities issued for trading purposes	**26,096**	**25,750**	**345**	**0**
Derivative instruments not eligible for hedge accounting (negative fair value)	**59,783**	**590**	**57,249**	**1,945**
o/w interest rate derivatives	39,099	64	38,839	197
o/w currency derivatives	14,681	1	13,508	1,172
o/w credit derivatives	793		467	326
o/w equity derivatives	4,856	395	4,210	251
o/w other	354	130	224	
Other financial liabilities held for trading	**57**		**57**	
Financial liabilities designated under the fair value option through profit or loss	**58,948**	**2,908**	**54,571**	**1,469**
Securities under the fair value option through profit or loss	20,535		20,162	373
Other financial liabilities under the fair value option through profit or loss	38,414	2,908	34,409	1,097
Hedging derivatives (liabilities)	**710**		**710**	
o/w interest rate derivatives	710		710	
Total	**145,595**	**29,248**	**112,933**	**3,414**

a) Level 1: Fair value measurement using prices quoted on liquid markets

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets.

This mainly includes securities listed on a stock exchange or traded continuously on other active markets, derivatives traded on organized markets (futures, options, etc.) whose liquidity can be demonstrated, and shares of UCITS whose NAV is determined and reported on a daily basis.

b) Level 2: Fair value measurement using observable market data

Level 2 fair value comprises instruments other than those mentioned in Level 1 fair value and instruments measured using a valuation technique incorporating inputs that are either directly observable (prices) or indirectly observable (price derivatives) through to maturity. This mainly includes:

<u>Simple instruments:</u>

Most over-the-counter derivatives, swaps, credit derivatives, forward rate agreements, caps, floors and plain vanilla options are traded in active markets, i.e. liquid markets in which trades occur regularly.
These instruments are valued using generally accepted models (discounted cash flow method, Black & Scholes model, interpolation techniques), and on the basis of directly observable inputs.
For these instruments, the extent to which models are used and the observability of inputs has been documented.

Instruments measured using level 2 inputs also include:

- securities that are less liquid than those classified as Level 1, whose fair value is determined based on external prices put forward by a reasonable number of active market makers and which are regularly observable without necessarily being directly executable (prices mainly taken from contribution and consensus databases); where these criteria are not met, the securities are classified as Level 3 fair value;
- securities not quoted on an active market whose fair value is determined based on observable market date. E.g. use of market data published by listed peer companies or the multiple method from techniques commonly used by market participants;
- Greek sovereign securities, whose fair value was recorded under Level 2 given the wide bid-ask price spread on market prices;
- shares of UCITS whose NAV is not determined and published on a daily basis, but are subject to regular reporting or offer observable data from recent transactions;
- debt issues measured at fair value through profit and loss. The valuation of the “issuer credit risk” component is based on the discounted cash-flow method, using inputs such as yield curves, revaluation spreads, etc. For each issue, this valuation represents the product of its remaining notional amount and its sensitivity, taking into account the existence of calls, and based on the difference between the revaluation spread (based on BPCE’s cash reoffer curve at June 30, 2018, as on previous reporting dates) and the average issue spread. Changes in the issuer spread are generally not material for issues with an initial maturity of less than one year.

<u>Complex instruments:</u>

Some more hybrid and/or long-maturity financial instruments are measured using a recognized model on the basis of market inputs derived from observable data such as yield curves, implied volatility layers of options, market consensus data or active over-the-counter markets.

The main models for determining the fair value of these instruments are described below by type of product:

- *Equity products:* complex products are valued using:

  - market data;
  - the “payoff”, i.e. a calculation of positive or negative cash flows attached to the product at maturity;
  - a model of changes in the underlying asset.

  The products traded may be mono-underlying, multi-underlying or hybrid (e.g. fixed income/equity) products.

  The main models used for equity products are local volatility, local volatility combined with the one-factor Hull & White (H&W1F) model, as well as the Tskew and Pskew models.

  The local volatility model treats volatility as a function of time and the price of the underlying. Its main property is that it considers the implied volatility of the option (derived from market data) relative to its exercise price.

The hybrid local volatility combined with H&W1F consists of combining the local volatility model described above with a one-factor Hull & White model, described below (see fixed-income products).

The Tskew model is a valuation model for mono and multi-underlying options. Its principle is to calibrate the distribution of the underlying asset or assets at maturity to standard option prices.

The Pskew model is similar to the Tskew model. It is used in particular for simple ratchet equity products such as capped or floored ratchet products.

- Fixed-income products: fixed-income products generally have specific characteristics which justify the choice of model. The valuation of the payoff will take into account all underlying risk factors.

  The main models used to value and manage fixed-income products are Hull & White models (one-factor and two-factor models or one-factor Hull & White stochastic volatility model), the Hunt Kennedy model and the “smiled” BGM model.

  The Hull & White models are simple pricing models for plain vanilla fixed-income products and can be calibrated easily. Products valued using these models generally contain a Bermudan-type cancellation option (i.e. one that may be exercised at certain dates set at the beginning of the contract).

  SBGM and Hunt Kennedy models are used to value fixed-income products that are sensitive to volatility smiles (i.e. implied change in volatility relative to the exercise price) and to autocorrelation (or correlation between interest rates).

- *Currency products:* currency products generally have specific characteristics which justify the choice of model.
  The main models used to value and manage currency products are local volatility and stochastic models, as well as the hybrid models combining an underlying currency model with two one-factor Hull & White models to understand fixed-income factors.

Inputs relating to all such Level 2 instruments were demonstrated to be observable and documented. From a methodology perspective, observability is based on four inseparable criteria:

- inputs are derived from external sources (primarily a recognized contributor, for example);
- they are updated periodically;
- they are representative of recent transactions;
- their characteristics are identical to the characteristics of the transaction. If necessary, a proxy may be used, provided that the relevance of such an arrangement is demonstrated and documented.

The fair value of instruments obtained using valuation models is adjusted to take account of liquidity risk (bid-ask), counterparty risk, the risk relating to the cost of funding uncollateralized or imperfectly collateralized derivatives, own credit risk (measurement of liability derivative positions), modeling risk and input risk.

The margin generated when these instruments begin trading is immediately recognized in income.

c) Level 3: Fair value measurement using non-observable market data

Level 3 comprises instruments measured using unrecognized models and/or models based on non-observable market data, where they are liable to materially impact the valuation. This mainly includes:

- unlisted shares whose fair value could not be determined using observable inputs;
- Private Equity securities not listed on an active market, measured at fair value with models commonly used by market participants, in accordance with International Private Equity Valuation (IPEV) standards, but which are sensitive to market fluctuations and whose fair value determination necessarily involves a judgment call;
- structured or representative of private placements, held by the insurance business line;
- hybrid interest rate and currency derivatives and credit derivatives that are not classified in Level 2;
- loans in the syndication process for which there is no secondary market price;
- loans in the securitization process for which fair value is determined based on an expert appraisal;
- investment property whose fair value is obtained using a multi-criteria approach based on the capitalization of rents at the market rate combined with a comparison with market transactions;
- instruments with a deferred day-one margin;

- shares of UCITS for which the fund has not published a recent NAV at the valuation date, or for which there is a lock-up period or any other constraint calling for a significant adjustment to available market prices (NAV, etc.) in respect of the low liquidity observed for such shares;
- instruments carried at fair value on the balance sheet and for which data are no longer available due to a freeze in trading in the wake of the financial crisis, which were not reclassified as “Loans and receivables” pursuant to the amendment to IAS 39 and IFRS 7 published on October 13, 2008 (see below). When there is a significant drop in trading in a given market, a valuation model is used based on the only available relevant data.

Plain vanilla derivatives are also classified as Level 3 in the fair value hierarchy when exposure is beyond the liquidity horizon determined by underlying currencies or by volatility surface (e.g., certain foreign currency options and volatility caps/floors).

In accordance with the decree of February 20, 2007, amended by the decree of November 23, 2011, relating to regulatory capital requirements applicable to credit institutions and investment firms, and in accordance with the European Capital Requirements Regulation (CRR) of June 26, 2013 on requirements resulting from Basel 3, a description of crisis simulations and ex-post controls (validation of the accuracy and consistency of internal models and modeling procedures) is provided for each model used in Section 3.7 of Chapter III, “Risk Factors, Internal Control, Risk Management and Capital Adequacy”.

Under IAS 39, day-one profit should be recognized only if it is generated by a change in the factors that market participants would consider in setting a price, i.e. only if the model and parameters input into the valuation are observable.

If the selected valuation model is not recognized by current market practices, or if one of the inputs significantly affecting the instrument’s valuation is not observable, the trading profit on the trade date cannot be recognized immediately in the income statement. It is taken to income on a straight-line basis over the life of the transaction or until the date the inputs become observable. Any losses incurred at the trade date are immediately recognized in income.

At June 30, 2018, instruments for which the recognition of day-one profit/loss has been deferred included:

- multi-underlying structured equity and index products;
- synthetic loans;
- options on funds (multi-asset and mutual funds);
- structured fixed-income products;
- securitization swaps.

For these instruments, the following table provides the main unobservable inputs as well as value ranges.

Instrument class	Main types of products comprising Level 3 within the instrument class	Valuation techniques used	Main unobservable data	Data ranges unobservable among relevant level 3 products
Credit derivative instruments	CDOs, Index tranche	Technique for estimating defaults given correlation effects and recovery modeling	Correlation curve specific to the portfolio underlying the CDO	[5%-95%] (a)
	Private Finance Initiative CDS (other than CDS on securitization assets)	Extrapolation from prices based on the recovery assumption	Recovery rate	[60%-100%]
Interest rate derivatives	Securitization swaps	Discounted cash flow expected based on the underlying portfolio's early redemption assumption	Early redemption rate	[2%-17%]
	Sticky CMS/Volatility Bond	Valuation models for interest rate options	Mean reversion parameters	[1%; 5%]
	Callable Spread Options and Corridor Callable Spread Options	Model representing several yield curve factors	Spread mean-reversion	[0%; 30%]
	Spread Lock Swap and Spread Lock Option	Bivariate normal model to understand the time value of Spread Lock options, and replication for CMS and TEC Forwards	Spread Lock curve TEC Forward Volatility and TEC/CMS correlation	Spread-Lock: [25.72 bp, +31.28 bp] TEC Vol. [12 bp, 74 bp] TEC-CMS correl.: [50%, 90%]
	Volatility cap/floor	Black & Scholes	Interest rate vol. for currencies absent from Totem or long maturities	Interest rate vol.: [4.82% to 101.36%]
Currency derivative instruments	European barrier call option, Asian call option, Vanilla digital call option, Vanilla European call option	Skew Model, Local volatility model, Black & Scholes	Forex vol. for currency pairs absent from Totem or long maturities	ATM vol.: [0.61% to 24%]
Repos and general collateral TRS	TRS and repos indexed to a basket of general collateral equities	Synthetic modeling of the underlying general collateral basket (with an estimated repo) and actuarial valuation for TRS or with a standard hybrid Equity/Fixed Income model for TRS autocall	Repo curve for general collateral baskets	General collateral repo: [-0.78 to +1.5]
Helvetix derivatives	Strip of long-term options, Strip of quanto options, Strip of digital options Options spread and digital options spread	Black & Scholes model Gaussian copula	Forex/forex correlation Long-term USD/CHF & EUR/CHF volatility	EUR/CHF correlation: [29%; 41%] Long-term volatility: [4.7%; 9.5%] USD/CHF correlation: [-76%; -68%] Long-term volatility: [3.8%; 11.8%]
Fund-based derivatives	Payoffs as Target Volatility strategy and CPPI on Mutual Funds	The approach used is a hybrid model coupling the local volatility-type multi-underlying equity model with a one-factor Heath-Jarrow-Morton (HJM1F) interest rate model	Fund data	Fund correlation - Interest rates: [0% to 25%]
Hybrid fixed income/forex derivatives	Long-term PRDC/PRDKO/TARN	Hybrid fixed income/forex options valuation model	Correlation between foreign exchange rates and interest rates as well as long-term volatility levels	AUDJPY/USDJPY correlation: [15% to 50%] Long-term volatility: [7% to 16%]
Hybrid derivative instruments Equity/Fixed Income/Forex (FX)	Long (15Y) callable range accrual note on several asset classes (equity+forex+fixed income)	Hybrid model coupling an equity diffusion, an FX diffusion and a fixed income diffusion	Correlation parameters (equity-FX, equity-fixed income, fixed income-FX)	- EQ/FX = [-21%, 51%] - EQ/IR = [27%, 41%] - FX/IR = [19%, 35%]
Hybrid fixed income/credit	Long (15Y) callable range accrual note on fixed income and credit (default event)	Hybrid model coupling a fixed income diffusion and a credit diffusion	Correlation inputs (interest rate-credit and volatility-credit)	- Fixed income/Credit correlation: [-15%, 3%] - Credit vol.: Structured by maturity ([2Y, 77.5%], [5Y, 44%], [10Y, 36%])
Equity derivatives	Multi-underlying payoffs with long maturities	Model for valuing volatility options incorporating correlation between assets	Correlation inputs	Stock/stock correlation: [14.18 to 92.39]

(a) As all transactions including this kind of data are back-to-back derivatives, this item, which justifies the level-3 classification, is fully hedged.

Natixis' policy on transfers between fair value levels

Transfers between fair value levels are reviewed and validated by ad hoc Committees of representatives of various functions, particularly Finance, Risk and Business Lines. The Committee considers various indicators of market activity and liquidity as described in the General Principles.
A review is undertaken for any instrument that ceases to meet these criteria or once again complies with the criteria. Transfers to and from Level 3 are subject to validation.

At December 31, 2017, in accordance with this procedure, certain foreign currency options, along with volatility caps and floors, were transferred to Level 3 of the fair value hierarchy depending on in their liquidity horizons, determined by underlying currencies. At December 31, 2017, the net impact on the balance sheet of foreign currency options transferred to Level 3 was €226 million in liabilities (see Note 5.4.3). The income statement was not impacted.

- **Instruments affected by the financial crisis**

a) CDS contracted with credit enhancers (monoline insurers)

Since December 31, 2015, the valuation model used to measure write-downs on CDS contracted with monoline insurers has moved more in line, in terms of method, with the adjustment made for counterparty risk (Credit Valuation Adjustment – CVA). It also takes account of the expected depreciation of exposures and the counterparty spread implied from the market data.

b) Other instruments not exposed to US housing risk measured by Natixis using a valuation model

The section below describes the underlying principles used to value assets resulting from securitization transactions for which no market prices could be identified and which were therefore measured using valuation models:

Trust Preferred Securities (TruPS) CDOs
The valuation model is based on projected future cash flows and default rates determined according to a statistical approach that deduces the default probability of banks according to their financial ratios. For other sectors, default rates are estimated considering the current ratings of assets.

Private Finance Initiative CDS (PFI CDS):
The valuation model used, for Private Finance Initiative (PFI) CDS, is based on an approach calibrated to the market prices of underlying PFI bonds and the use of a uniform collection rate.

5.4.1 Financial assets and liabilities at fair value measured using level 3 of the fair value hierarchy

Financial assets In millions of euros	Level 3 closing balance 12.31.2017 IAS 39	Reclassifications and restatements	Level 3 opening balance 01.01.2018 IFRS 9	Gains and losses recognized in the period – Income statement – On outstanding transactions at the reporting date	Gains and losses recognized in the period – Income statement – On transactions expired or redeemed at the reporting date	Gains and losses recognized in the period – Gains and losses recognized directly in equity	Transactions carried out in the period – Purchases/ Issues	Transactions carried out in the period – Sales/ Redemptions	Reclassifications in the period – From level 3	Reclassifications in the period – To level 3	Reclassifications in the period – Other reclassifications	Change in consolidation scope	Translation adjustments	Level 3 closing balance 06.30.2018
Financial assets held for trading	**151**	**2,448**	**2,598**	**51**	**665**	**0**	**4,565**	**(4,932)**	**(0)**	**0**	**(15)**	**0**	**51**	**2,985**
o/w debt instruments in the form of securities	151	(12)	139	(11)	1	0	73	(64)	(0)	0	0	0	1	138
o/w loans and receivables	0	2,460	2,460	63	665	0	4,493	(4,868)	0	0	(15)	0	50	2,847
Derivative instruments not eligible for hedge accounting (positive fair value)	**2,981**	**(11)**	**2,970**	**(464)**	**(131)**	**0**	**373**	**(201)**	**(121)**	**5**	**0**	**0**	**(0)**	**2,431**
o/w interest rate derivatives	124	(10)	114	19	3	0	1	(21)		5	0	0	0	122
o/w currency derivatives	1,527	(1)	1,525	(99)	(20)	0	66	(26)	(121)	0	0	0	0	1,326
o/w credit derivatives	764	0	764	28	(76)	0	1	(5)	(0)	0	0	0	(0)	711
o/w equity derivatives	561	(0)	561	(411)	(33)	0	305	(149)	(0)	0	0	0	0	272
o/w other	5	0	5	0	(5)	0				0	0	0	0	0
Other financial assets held for trading	**1,662**	**(1,662)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial assets at fair value through profit or loss	**0**	**1,448**	**1,448**	**8**	**15**	**(0)**	**116**	**(274)**	**(1)**	**160**	**(20)**	**5**	**2**	**1,460**
o/w equity instruments	0	1,033	1,033	(3)	10	(0)	21	(184)	(0)	(0)	(376)	5	1	507
o/w debt instruments in the form of securities	0	358	358	11	5	0	64	(62)	0	160	356	0	0	892
o/w loans and receivables	0	57	57	0		0	31	(27)	(0)	0	0	0	0	61
Financial assets designated under the fair value option through profit or loss	**1,873**	**(1,851)**	**22**	**0**	**(21)**	**0**	**0**	**(2)**	**0**	**0**	**0**	**0**	**(0)**	**0**
o/w debt instruments in the form of securities	350	(329)	21	0	(21)	0	0	0	0	0	0	0	(0)	0
o/w equity instruments	724	(724)												
o/w loans and receivables	799	(797)	2	0	0	0	0	(2)	0	0	0	0	(0)	0
Financial assets at fair value through other comprehensive income	**0**	**74**	**74**	**0**	**0**	**(7)**	**1**	**(1)**	**0**	**0**	**0**	**0**	**0**	**67**
o/w equity instruments	0	68	68	0	0	(5)	1	(1)	0	0	0	0	0	63
o/w debt instruments in the form of securities	0	6	6	0	0	(2)	0	0	0	0	0	0	0	4
o/w loans and receivables														
Available-for-sale financial assets	**427**	**(427)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
o/w equity instruments	382	(382)	0											
o/w debt instruments in the form of securities	42	(42)	0											
o/w loans and receivables	3	(3)	0											
Total financial assets recorded at fair value	**7,094**	**18**	**7,112**	**(404)**	**529**	**(7)**	**5,056**	**(5,409)**	**(122)**	**165**	**(35)**	**6**	**53**	**6,944**

Financial assets *In millions of euros*	Level 3 closing balance 12.31.2017 IAS 39	Reclassification	Level 3 opening balance 01.01.2018 IFRS 9	Gains and losses recognized in the period – Income statement – On outstanding transactions at the reporting date	Gains and losses recognized in the period – Income statement – On transactions expired or redeemed at the reporting date	Gains and losses recognized in the period – Gains and losses recognized directly in equity	Transactions carried out in the period – Purchases/ Issues	Transactions carried out in the period – Sales/ Redemptions	Reclassifications in the period – From level 3	Reclassifications in the period – To level 3	Reclassifications in the period – Other reclassifications	Change in consolidation scope	Translation adjustments	Level 3 closing balance 06.30.2018
Derivative instruments not eligible for hedge accounting (negative fair value)	**1,945**	**(11)**	**1,935**	**374**	**(290)**	**0**	**203**	**(200)**	**(91)**	**1**	**0**	**0**	**0**	**1,932**
o/w interest rate derivatives	197	(9)	187	5	2		14	(7)	0					201
o/w currency derivatives	1,172	0	1,172	(29)	(8)		27	(4)	(89)					1,069
o/w credit derivatives	326	0	326	57	(139)		47	(60)	(0)					231
o/w equity derivatives	251	(1)	250	341	(144)		115	(129)	(1)	1				432
Other financial liabilities held for trading	**0**	**1,097**	**1,097**	**61**	**(79)**	**0**	**1,200**	**(1,019)**	**0**	**0**	**0**	**0**	**0**	**1,261**
Financial liabilities under the fair value option through profit or loss	**1,469**	**(1,097)**	**373**	**(8)**	**0**	**0**	**3**	**(81)**	**0**	**0**	**0**	**0**	**0**	**288**
o/w securities under the fair value option through profit or loss	373	0	373	(8)	0		3	(81)						288
o/w other financial liabilities under the fair value option through profit or loss	1,097	(1,097)	0	0	0		0	0						0
Total financial liabilities recognized at fair value	**3,414**	**(11)**	**3,404**	**427**	**(368)**	**0**	**1,406**	**(1,299)**	**(91)**	**1**	**0**	**0**	**0**	**3,481**

At December 31, 2017

Financial assets

Financial assets In millions of euros	Level 3 opening balance 01.01.2017	Gains and losses recognized in the period – Income statement – On outstanding transactions at the reporting date	Gains and losses recognized in the period – Income statement – On transactions expired or redeemed at the reporting date	Gains and losses recognized in the period – Gains and losses recognized directly in equity	Transactions carried out in the period – Purchases/ Issues	Transactions carried out in the period – Sales/ Redemptions	Reclassifications in the period – From level 3	Reclassifications in the period – To level 3	Reclassifications in the period – Other reclassifications	Change in consolidation scope	Translation adjustments	Level 3 closing balance 12.31.2017
Financial assets at fair value through profit and loss - Trading	**4,549**	**146**	**(101)**		**6,144**	**(6,822)**	**(147)**	**1,104**	**(4)**	**3**	**(74)**	**4,798**
Fixed-income securities held for trading	**257**	**(3)**	**(1)**		**95**	**(70)**	**(122)**	**1**			**(6)**	**151**
Derivative instruments not eligible for hedge accounting (positive fair value)	**2,949**	**141**	**(123)**		**160**	**(1,218)**	**(24)**	**1,103**	**(4)**	**3**	**(1)**	**2,985**
o/w interest rate derivatives	83	109	(8)		3	(81)	(13)	35	(4)		0	124
o/w currency derivatives	995	(336)	(152)		70	(101)	(3)	1,054		3		1,531
o/w credit derivatives	861	(63)	(0)		0	(30)	(4)				(1)	764
o/w equity derivatives	1,004	431	38		86	(1,007)	(5)	14			0	561
o/w other	5	0	0		1	0	0				0	5
Other financial assets held for trading	**1,344**	**7**	**23**		**5,841**	**(5,485)**	**0**				**(67)**	**1,662**
Financial assets designated under the fair value option through profit or loss	**2,891**	**72**	**19**		**2,008**	**(1,611)**	**(0)**		**9**		**(54)**	**3,334**
Fixed-income securities under the fair value option through profit or loss	1,524	7	10		735	(467)	(0)		5		(3)	**1,811**
Variable-income securities under the fair value option through profit or loss	756	46	(15)		41	(107)	(0)		4		0	**724**
Other financial assets under the fair value option through profit or loss	611	19	24		1,233	(1,037)	0				(51)	**799**
Hedging derivatives	**0**	**(0)**			**0**							**0**
Available-for-sale financial assets	**3,962**	**1**	**94**	**187**	**324**	**(600)**	**(157)**	**143**	**17**	**21**	**(10)**	**3,982**
Available-for-sale securities - Equity investments	**879**	**(4)**	**97**	**(20)**	**40**	**(438)**		**0**	**1**	**21**	**(8)**	**569**
Other available-for-sale securities	**3,081**	**6**	**(3)**	**208**	**280**	**(161)**	**(157)**	**143**	**17**		**(2)**	**3,410**
o/w fixed-income securities	2,977	(2)	(7)	204	84	(147)	(157)	39	6		(0)	2,997
o/w variable-income securities	104	8	4	3	196	(14)	0	104	10	0	(1)	414
Other available-for-sale financial assets	**1**	**(1)**			**3**	**(1)**						**3**
Total financial assets recorded at fair value	**11,401**	**219**	**13**	**187**	**8,427**	**(8,984)**	**(304)**	**1,246**	**22**	**24**	**(138)**	**12,114**

Financial liabilities

Financial liabilities In millions of euros	Level 3 opening balance 01.01.2017	Gains and losses recognized in the period			Transactions carried out in the period		Reclassifications in the period			Change in consolidation scope	Translation adjustments	Level 3 closing balance 12.31.2017
		Income statement		Gains and losses recognized directly in equity	Purchases/ Issues	Sales/ Redemptions	From level 3	To level 3	Other reclassifications			
		On outstanding transactions at the reporting date	On transactions expired or redeemed at the reporting date									
Financial liabilities at fair value through profit and loss - Trading	**830**	**(306)**	**(13)**		**360**	**(206)**	**(55)**	**1,335**		**0**		**1,945**
Securities issued for trading purposes	0	0	0		0	0	0	0				**0**
Derivative instruments not eligible for hedge accounting (negative fair value)	**830**	**(306)**	**(13)**		**360**	**(206)**	**(55)**	**1,335**		**0**		**1,945**
o/w interest rate derivatives	197	52	(2)		5	(58)	(27)	30				197
o/w currency derivatives	54	(189)	(21)		69	(19)	(2)	1,279		0		1,172
o/w credit derivatives	424	(63)	(7)		0	(28)	(1)	0				326
o/w equity derivatives	154	(106)	18		286	(101)	(25)	25				251
Other financial liabilities held for trading	**0**											**0**
Financial liabilities under the fair value option through profit or loss	**771**	**72**	**(79)**		**1,261**	**(607)**		**51**			**(0)**	**1,469**
Securities under the fair value option through profit or loss	93	(6)	(0)		243	(8)		51			(0)	373
Other financial liabilities under the fair value option through profit or loss	678	78	(79)		1,019	(599)		0				1,097
Hedging derivatives	**0**											**0**
Total financial liabilities recognized at fair value	**1,601**	**(234)**	**(92)**		**1,621**	**(812)**	**(55)**	**1,385**		**0**	**(0)**	**3,414**

Sensitivity analysis of the fair value of financial instruments measured according to Level 3 – Assets and Liabilities

Sensitivity of the fair value of financial instruments measured using unobservable inputs was estimated at June 30, 2018. With the aid of probable assumptions, this sensitivity was used to estimate the impacts of market fluctuations in uncertain economic environments. This estimate was performed using:

- adjustments to a standardized[1] variation in unobservable inputs related to assumptions of additional valuation for fixed income, currency and equity instruments. The resulting sensitivity was €24.3 million;
- a flat variation of:
  - +/-50 basis points applied to the margin used for the discounted cash flow expected on TruPS CDOs.

i.e. a sensitivity impact representing a valuation increase of €8.1 million (reflecting an improvement in the above-mentioned inputs) or a valuation decrease of €7.7 million (reflecting a deterioration in said inputs).[2]

5.4.2 Restatement of the deferred margin on financial instruments

The deferred margin covers only financial instruments eligible for Level 3 of the hierarchy. It is calculated after determining the valuation adjustments for uncertainty as described in Note 2.6. The outstanding non-amortized amount is recognized on the balance sheet under “Financial instruments marked to market on the income statement” less the market value of the related transactions.

In millions of euros	Level 3 closing balance 12.31.2017 IAS 39	Impacts of the change	01.01.2018 IFRS 9	Margin arising on new transactions	Margin recognized during the period	Other changes	06.30.2018
Interest rate derivatives	1		1	0	0		1
Currency derivatives							0
Credit derivatives	13		13	3	(5)		12
Equity derivatives	63		63	61	(51)		73
Total	**76**	**0**	**76**	**65**	**(56)**		**85**

[1] i.e. the standard deviation of consensus prices used to measure the inputs.
[2] Impact determined before taking the BPCE guarantee into account.

5.4.3 Financial assets and liabilities at fair value: Transfer between fair value levels

Financial assets In millions of euros		06.30.2018			
	From	Level 1	Level 2	Level 2	Level 3
	To	Level 2	Level 1	Level 3	Level 2
Financial assets at fair value through profit or loss		**172**	**432**	**165**	**121**
Financial assets held for trading		**164**	**389**	**0**	**0**
o/w debt instruments in the form of securities		162	263		
o/w equity instruments		2	126		
Derivative instruments not eligible for hedge accounting (positive fair value)		**7**	**43**	**5**	**121**
o/w interest rate derivatives				5	
o/w currency derivatives					121
o/w equity derivatives		4	43		
o/w other		4			
Financial assets at fair value through profit or loss		**0**	**0**	**160**	**0**
o/w debt instruments in the form of securities				160	
Financial assets at fair value through other comprehensive income		**42**	**521**	**0**	**0**
o/w equity instruments					
o/w debt instruments in the form of securities		42	521		
o/w loans and receivables					
Total		**214**	**953**	**165**	**121**

Financial liabilities In millions of euros		06.30.2018			
	From	Level 1	Level 2	Level 2	Level 3
	To	Level 2	Level 1	Level 3	Level 2
Derivative instruments not eligible for hedge accounting (negative fair value)		**15**	**23**	**1**	**90**
o/w currency derivatives					89
o/w equity derivatives		12	22	1	1
o/w other		3	1		
Total		**15**	**23**	**1**	**90**

At December 31, 2017

In millions of euros		At December 31, 2017				
	From	Level 1	Level 2	Level 2	Level 3	Level 3
	To	Level 2	Level 1	Level 3	Level 1	Level 2
Financial assets held for trading		**413**	**333**	**1104**	**0**	**147**
Securities held for trading		399	326	1	0	122
o/w fixed-income securities		233	239	1		122
o/w variable-income securities		166	86			
Derivative instruments not eligible for hedge accounting (positive fair value)		15	8	1103	0	24
o/w interest rate derivatives				35		13
o/w currency derivatives				1054		3
o/w credit derivatives						4
o/w equity derivatives		10	7	14		5
o/w other		5	1			0
Other financial assets held for trading						
Financial assets designated under the fair value option through profit or loss		**0**	**2**	**0**	**0**	**0**
Securities under the fair value option through profit or loss		0	2	0	0	0
o/w fixed-income securities			2			0
o/w variable-income securities						0
Other financial assets under the fair value option through profit or loss						
Hedging derivatives (assets)						
Available-for-sale financial assets		**209**	**695**	**143**	**0**	**157**
Available-for-sale securities - Equity investments						
Other available-for-sale securities		209	689	143	0	157
o/w fixed-income securities		209	689	39		157
o/w variable-income securities				104		
Other available-for-sale financial assets			6			

In millions of euros	From / To	At December 31, 2017 Level 1 → Level 2	Level 2 → Level 1	Level 2 → Level 3	Level 3 → Level 2
Financial liabilities held for trading		**15**	**92**	**1,335**	**55**
Securities issued for trading purposes		7	69		
Derivative instruments not eligible for hedge accounting (negative fair value)		6	23	1,335	55
o/w interest rate derivatives				30	27
o/w currency derivatives				1,279	2
o/w credit derivatives					1
o/w equity derivatives		6	23	25	25
o/w other		2	0		
Other financial liabilities held for trading					
Financial liabilities designated under the fair value option through profit or loss		**0**	**0**	**51**	**0**
Securities under the fair value option through profit or loss				51	
Other financial liabilities under the fair value option through profit or loss					
Hedging derivatives (liabilities)					

5.5 Financial assets at amortized cost

These are SPPI financial assets held under a "hold to collect" model. The vast majority of loans granted by the Group are classified in this category.

5.5.1 Loans and receivables due from banks at amortized cost

In millions of euros	06.30.2018			01.01.2018		
	Non-impaired financial assets (1)	**Impaired financial assets (2)**	**Total**	**Non-impaired financial assets (1)**	**Impaired financial assets (2)**	**Total**
Current accounts overdrawn	**7,021**	**1**	**7,022**	**6,435**	**0**	**6,435**
Loans and receivables	**35,984**	**47**	**36,031**	**34,087**	**63**	**34,150**
Security deposits paid	**49**	**0**	**49**	**49**	**0**	**49**
Value adjustments for losses	**(4)**	**(48)**	**(52)**	**(4)**	**(61)**	**(64)**
Total	**43,050**	**0**	**43,050**	**40,567**	**2**	**40,570**

(1) Corresponds to unimpaired financial assets for which value adjustments are calculated based on 12-month expected credit losses (Stage 1) or lifetime expected credit losses (Stage 2);
(2) Impaired financial assets (Stage 3) are assets for which an event of default has been identified as defined in Article 178 of the EU regulation of June 26, 2013 on regulatory requirements for credit institutions.

The fair value of loans and receivables due from banks was €43,429 million at June 30, 2018.

At December 31, 2017

In millions of euros	12.31.2017
Outstandings	**45,358**
Performing loans	45,295
Non-performing loans	63
Provisions	**(69)**
Total net(1)	**45,289**

(1) Of which €1,296 million for insurance activities at December 31, 2017.

The fair value of loans and receivables due from banks stood at €45,851 million at December 31, 2017 (including €298 million for debt instruments categorized as loans and receivables).

Reconciliation table for loans and receivables due from banks at amortized cost

In millions of euros	Loans and receivables due from banks at amortized cost at 06.30.2018									
	Non-impaired assets for which 12 month expected credit losses have been estimated *(Bucket S1)*		Non-impaired assets for which lifetime expected credit losses have been estimated *(Bucket S1)*		Assets deemed to be impaired after purchase or origination *(Bucket S3)*		Purchased or originated credit-impaired assets		TOTAL	
	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses
Balance at 12.31.2017	**38,740**	**(0)**	**1,014**	**(3)**	**63**	**(61)**	**0**	**0**	**39,818**	**(64)**
New contracts originated or purchased	18,539	(0)	66	(1)					18,605	(1)
Changes to contractual flows not resulting in derecognition									0	0
Changes related to a change in credit risk parameters *(excluding transfers)*	45	1	4	(1)	(0)	0			49	1
Transfers of financial assets										
Transfers to S1	23	(1)	(23)	1					0	0
Transfers to S2	(3)	0	3	(0)					0	0
Transfers to S3									0	0
Contracts redeemed in full or sold during the period	(16,103)	0	(286)	0	(4)	1			(16,394)	2
Impairment *(write-off)*					(11)	12			(11)	12
Changes related to exchange rate movements	193	(0)	8	(0)	1	(1)			202	(1)
Change in model										0
Other changes									0	0
Balance at 06.30.2018 (1)	**41,434**	**(0)**	**786**	**(4)**	**48**	**(48)**	**0**	**0**	**42,269**	**(52)**

(1) Gross carrying amount excluding insurance company contributions, in the amount of €833 million at June 30, 2018.

5.5.2 Loans and receivables due from customers at amortized cost

In millions of euros	06.30.2018			01.01.2018		
	Non-impaired financial assets (1)	Impaired financial assets (2)	Total	Non-impaired financial assets (1)	Impaired financial assets (2)	Total
Repurchased securities	2,820		2,820	4,024	0	4,024
Current accounts overdrawn	4,242	58	4,300	3,796	40	3,836
Finance leases	10,788	821	11,609	10,875	609	11,484
Factoring	8,701	369	9,070	7,850	403	8,253
Other	58,738	3,031	61,770	55,514	3,325	58,839
Security deposits paid				0	0	0
Value adjustments for losses	(286)	(1,577)	(1,863)	(329)	(1,594)	(1,923)
Total	**85,003**	**2,702**	**87,706**	**81,730**	**2,782**	**84,512**

(1) Corresponds to unimpaired financial assets for which value adjustments are calculated based on 12-month expected credit losses (Stage 1) or lifetime expected credit losses (Stage 2);
(2) Impaired financial assets (Stage 3) are assets for which an event of default has been identified as defined in Article 178 of the EU regulation of June 26, 2013 on regulatory requirements for credit institutions.

The fair value of loans and receivables due from customers was €87,489 million at June 30, 2018.

In millions of euros	12.31.2017
Outstandings	**138,743**
Performing loans	134,167
Non-performing loans	4,576
Provisions	**(1,975)**
Total net(1)	**136,768**

The fair value of loans and receivables due from customers stood at €137,434 million at December 31, 2017 (including €635 million for debt securities categorized as loans and receivables).

Reconciliation table for loans and receivables due from customers at amortized cost

In millions of euros	Customer loans and receivables at amortized cost 06.30.2018									
	Non-impaired assets for which 12 month expected credit losses have been estimated *(Bucket S1)*		Non-impaired assets for which lifetime expected credit losses have been estimated *(Bucket S1)*		Assets deemed to be impaired after purchase or origination *(Bucket S3)*		Purchased or originated credit-impaired assets		TOTAL	
	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses
Balance at 12.31.2017	**36,781**	**(45)**	**45,019**	**(277)**	**3,798**	**(1,425)**	**839**	**(176)**	**86,437**	**(1,923)**
New contracts originated or purchased	10,899	(16)	2,440	(14)	9	(5)	32	(22)	13,380	(57)
Changes to contractual flows not resulting in derecognition	-	-	-	-	0	-	-	-	0	0
Changes related to a change in credit risk parameters *(excluding transfers)*	3,519	2	(4,849)	13	(163)	(63)	(81)	15	(1,574)	(33)
Transfers of financial assets	-	-	-	-	-	-	-	-		
Transfers to S1[(1)]	7,771	(6)	(7,848)	42	(12)	1	-	-	(89)	37
Transfers to S2	(1,953)	3	2,212	(12)	(36)	7	-	-	223	(2)
Transfers to S3	(142)	1	(374)	7	461	(8)	-	-	(55)	0
Contracts redeemed in full or sold during the period	(2,460)	3	(6,981)	20	(324)	36	(20)	10	(9,785)	69
Impairment *(write-off)*	-	-	-	-	(139)	122	-	-	(139)	122
Changes related to exchange rate movements	611	0	311	(1)	27	(9)	9	(1)	958	(11)
Change in model	-	-	-	-	-	-	-	-		0
Other changes	0	0	0	0	213	(65)	-	-	213	(65)
Balance at 06/30/2018	**55,026**	**(58)**	**29,930**	**(222)**	**3,834**	**(1,409)**	**779**	**(174)**	**89,569**	**(1,863)**

(1) Including the transfer from Stage 2 to Stage 1 of a (gross) amount of €4,853 million at June 30, 2018, due to the improvement over the period of the ratings of the economic sectors to which the transferred amounts are related.

5.5.3 Debt securities at amortized cost

In millions of euros	06.30.2018			01.01.2018		
	Non-impaired financial assets (1)	Impaired financial assets (2)	Total	Non-impaired financial assets (1)	Impaired financial assets (2)	Total
Debt instruments Reverse repos Security deposits paid	**1,098**	**251**	**1,350**	**841**	**259**	**1,100**
Value adjustments for losses	**(0)**	**(121)**	**(121)**	**(3)**	**(113)**	**(116)**
Total	**1,098**	**131**	**1,228**	**838**	**146**	**984**

(1) Corresponds to unimpaired financial assets for which value adjustments are calculated based on 12-month expected credit losses (Stage 1) or lifetime expected credit losses (Stage 2);
(2) Impaired financial assets (Stage 3) are assets for which an event of default has been identified as defined in Article 178 of the EU regulation of June 26, 2013 on regulatory requirements for credit institutions.

The fair value of debt securities at amortized cost was €1,236 million at June 30, 2018, compared with €1,004 million at January 1, 2018.

Reconciliation table for debt securities at amortized cost

In millions of euros	Debt securities at amortized cost at 06.30.2018									
	Non-impaired assets for which 12 month expected credit losses have been estimated *(Bucket S1)*		Non-impaired assets for which lifetime expected credit losses have been estimated *(Bucket S1)*		Assets deemed to be impaired after purchase or origination *(Bucket S3)*		Purchased or originated credit-impaired assets		TOTAL	
	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses	Gross carrying amount	Value adjustments for losses
Balance at 12.31.2017	**734**	**(0)**	**106**	**(2)**	**88**	**(96)**	**171**	**(17)**	**1,100**	**(116)**
New contracts originated or purchased	354	(0)	93						447	(0)
Changes to contractual flows not resulting in derecognition									0	0
Changes related to a change in credit risk parameters *(excluding transfers)*	(8)		1				2	(13)	(5)	(13)
Transfers of financial assets										
Transfers to S1									0	0
Transfers to S2									0	0
Transfers to S3									0	0
Contracts redeemed in full or sold during the period	(97)	0	(92)	2	(7)	6			(197)	9
Impairment *(write-off)*									0	0
Changes related to exchange rate movements	6	(0)					(2)	(0)	4	(0)
Change in model										0
Other changes									0	0
Balance at 06.30.2018	**990**	**(0)**	**108**	**(0)**	**81**	**(90)**	**171**	**(31)**	**1,350**	**(121)**

5.6 Due to banks and customer deposits

Amounts due to banks and customer deposits are presented by type of deposit (demand or term deposits). They are measured in accordance with IFRS 9 within other financial liabilities using the amortized cost method.

5.6.1 Due to banks

In millions of euros	06.30.2018	01.01.2018
Current accounts	5,442	4,116
Deposits and loans	72,740	80,658
Repurchased securities	8,773	9,648
Security deposits received	0	0
Other liabilities	102	69
Total(1)	**87,057**	**94,491**

(1) Including €3,455 million for the insurance entities at June 30, 2018, versus €3,068 million at January 1, 2018.

The fair value of amounts due to banks totaled €87,222 million at June 30, 2018, compared with €94,804 million at January 1, 2018.

5.6.2 Amounts due to customers

In millions of euros	06.30.2018	01.01.2018
Current accounts	22,329	21,333
Deposits and loans	12,883	13,902
Repurchased securities	49	50
Special savings accounts	229	213
Factoring accounts	3,030	2,347
Security deposits received	49	49
Other liabilities	831	2,921
Accrued interest	24	24
Total	**39,424**	**40,837**

The fair value of amounts due to customers was €39,423 million at June 30, 2018, compared with €40,797 million at January 1, 2018.

5.7 Debt securities

Debt securities (interest-bearing notes, interbank market securities, etc.) are broken down by type of security, excluding subordinated securities which are included within "Subordinated debt".

In millions of euros	06.30.2018	01.01.2018
Negotiable debt securities	37,681	29,531
Bonds	1,503	1,267
Other debt securities	1,860	1,776
Total(1)	**41,044**	**32,574**

(1) Including €0.580 million for the insurance entities at June 30, 2018, versus €0.467 million at December 31, 2017.

The fair value of debt securities was €41,050 million at June 30, 2018. At December 31, 2017, the fair value of these securities amounted to €32,574 million.

5.8 Subordinated debt

Subordinated debt differs from advances and bonds issued in that it is repaid after all senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated securities. Subordinated debt is valued at amortized cost.

In millions of euros	06.30.2018	01.01.2018
Dated subordinated debt[2]	3,383	3,393
Undated subordinated debt	261	261
Accrued interest	18	20
Total[1]	**3,662**	**3,674**

(1) Including €638 million for the insurance entities at June 30, 2018, versus €639 million at December 31, 2017.
(2) Subordinated debt issue agreements do not incorporate a clause providing for early redemption in the event that the covenants are not observed.

The fair value of subordinated debt was €3,981 million at June 30, 2018. At December 31, 2017, the fair value of these securities amounted to €4,067 million.

Changes in subordinated debt over the period

In millions of euros	01.01.2018	Issues	Redemptions	Translation adjustments	Changes in scope	Other	06.30.2018
Other dated subordinated debt	**3,393**	**0**	**(10)**	**0**	**0**	**0**	**3,383**
Subordinated notes	678		(10)				668
Subordinated loans	2,715						2,715
Other undated subordinated debt	**261**	**0**	**0**	**0**	**0**	**0**	**261**
Deeply subordinated notes	0						
Subordinated notes	10						10
Subordinated loans	251						251
Total	**3,654**	**0**	**(10)**	**0**	**0**	**0**	**3,644**

5.9 Accrual accounts, other assets and liabilities

This heading corresponds to technical accounts, details of which are given below:

ASSETS

In millions of euros	06.30.2018	01.01.2018
Accrual accounts[1]	**2,356**	1,848
Securities settlement accounts	**388**	308
Other items	**200**	331
Security deposits paid	**199**	100
Other miscellaneous debtors[2]	**12,918**	12,502
Other assets	**354**	177
Total	**16,416**	**15,267**

(1) Of which €758 million in contract assets at June 30, 2018;
(2) Of which €805 million in trade receivables at June 30, 2018.

LIABILITIES

In millions of euros	06.30.2018	01.01.2018
Accrual accounts[1]	**3,416**	3,146
Miscellaneous creditors	**10,075**	8,984
Securities settlement accounts	**255**	289
Security deposits received	**186**	121
Other	**1**	10
Other liabilities	**2,224**	2,614
Total	**16,158**	**15,164**

(1) Of which €306 million in contract liabilities at June 30, 2018

5.10 Goodwill

	01.01.2018	06.30.2018						
In millions of euros	Opening balance	Acquisitions during the period	Redeployment towards non-current assets held for sale	Disposals	Write-downs	Translation adjustments	Reclassification and other change	Closing balance
Asset & Wealth Management(1)	2 986	0	(30)	0	0	36	(9)	2 984
Corporate & Investment Banking(2)	77	47	0	0	0	3	0	127
Insurance	93	0	0	0	0	0	0	93
Specialized Financial Services(3)	163	18	0	0	0	0	0	181
Coface	281	0	0	0	0	(0)	0	281
Corporate Center (excluding Coface)	0	0	0	0	0	0	0	0
Total	3 601	66	(30)	0	0	39	(9)	3 667

(1) Including reclassifications to the “Financial assets held for sale” aggregate under IFRS 5: -€20.7 million for Axeltis and -€9 million for Selection 1818. In addition, a goodwill adjustment for Investors Mutual Limited (-€9.6 million) and Mirova Althélia (+€0.3 million) was made within the one-year allocation period;
(2) Including +€10.5 million in goodwill recorded on the acquisition of Vermilion and +€36.9 million on the acquisition of Fenchurch;
(3) Including +€18.4 million in goodwill recorded on the acquisition of Alter CE (Comitéo).

Goodwill on entities consolidated using the equity method amounted to €3.3 million at June 30, 2018. Certain goodwill recorded on the United States gives rise to a tax amortization over 15 years due to the difference between the book value of the goodwill and its fiscal value. This difference in treatment generated a deferred tax liability of €320.9 million as at June 30, 2018.

At December 31, 2017

	01.01.2017	12.31.2017					
In millions of euros	Opening balance	Acquisitions during the period	Disposals	Write-downs	Translation adjustments	Reclassification and other change	Closing balance
Asset & Wealth Management(1)(2)	3 073	104	0	0	(191)	0	2 986
Corporate & Investment Banking	87	0	0	0	(10)	0	77
Insurance(1)	93	0	0	0	0	0	93
Specialized Financial Services(3)	64	98	0	0	0	0	163
Coface	282	0	0	0	(1)	0	281
Corporate Center (excluding Coface)	0	0	0	0	0	0	0
Total	3 600	202	0	0	(201)	0	3 601

(1) Under the new strategic plan, New Dimension (see Note 8), and in line with the creation of the new Insurance business line, the Investment Solutions CGU was split into two separate CGUs: “Asset & Wealth Management” and “Insurance”. Goodwill associated with the entities comprising the “Asset & Wealth Management” and “Insurance” Divisions was mainly reallocated to these two new CGUs according to the entities to which they report, with each entity assigned to only one CGU;
(2) Including +€3.2 million in goodwill recorded on the acquisition of Althelia Ecosphere;
Including +€100.4 million in goodwill recorded on the acquisition of Investor Mutual Limited.

(3) Including €11.8 million in goodwill recorded on the acquisition of Lakooz by S-Money, €14.3 million on the acquisition of PayPlug and €72.3 million on the acquisition of Fintech Dalenys. These four companies specialize in new online payment methods.

Goodwill on entities consolidated using the equity method amounted to €3.2 million at December 31, 2017.
Certain goodwill recorded on the United States gives rise to a tax amortization over 15 years due to the difference between the book value of the goodwill and its fiscal value. This difference in treatment generated a deferred tax liability of €310.8 million as at December 31, 2017.

5.11 Summary of provisions

The table below does not include value adjustments for credit losses on financial assets at amortized cost (see Note 5.5) and at fair value through other comprehensive income (see Note 5.3), as well as loan and guarantee commitments given (see Note 7).

In millions of euros	01.01.2018	Increase	Reversal (utilized provisions)	Reversal (surplus provisions)	Translation adjustments	Other	06.30.2018
Provisions for impairment deducted from assets	**(44)**	**(3)**	**1**	**2**		**1**	**(42)**
write-downs of non-current assets	(44)	(3)	1	2		1	(42)
Provisions recognized in liabilities	**2,134**	**234**	**(216)**	**(134)**	**25**	**(29)**	**2,013**
Contingency reserves	**1,882**	**226**	**(216)**	**(134)**	**25**	**(29)**	**1,753**
Counterparty risks	827	151	(167)		23	(1)	833
Financing and guarantee commitments	159	136	(154)		2	(1)	142
Legal disputes	646	9	(4)		21		673
Other provisions	21	6	(9)		1	(1)	18
Impairment risks	35	2	(3)	(3)			31
Long-term investments	21			(3)			19
Real estate developments							
Other provisions	14	2	(3)				13
Employee benefit obligations	671	41	(3)	(65)	1	(27)	618
Operational risks	349	32	(43)	(66)		(1)	271
Provisions for current tax	**252**	**8**					**260**
Total	**2,177**	**236**	**(217)**	**(136)**	**25**	**(30)**	**2,055**

NOTE 6 NOTES ON INSURANCE ACTIVITIES

6.1 Consolidation of insurance entities

Natixis opted to continue applying the provisions set out in IAS 39 for insurance entities (see Note 2.1).

In accordance with ANC recommendation no. 2017-02, Natixis presents its insurance businesses separately on the balance sheet and income statement.

The “Insurance business investments” line on the assets side of the balance sheet consists of insurance business assets representative of:
- financial investments (i.e., in financial instruments) including advances to policyholders;
- financial investments in unit-linked products;
- derivative instruments:
- revaluation differences on interest rate risk-hedged portfolios.

Financial investments in securities are classified in the balance sheet under the various categories of investments defined in IAS 39.
The other balances related to the insurance business are aggregated with the balances related to the other balance sheet items by type.

On the liabilities side of the balance sheet, the “Liabilities related to insurance policies” line consists of:
- insurance companies’ technical reserves;
- insurance and reinsurance liabilities, including amounts due to policyholders;
- derivative instruments held by insurance businesses;
- shares of the revaluation on interest rate risk-hedged portfolios;
- the deferred profit-sharing liability.

The income statement line item “Net income from insurance activities” mainly covers:

- premiums written and the change in unearned premium reserves;
- investment income including income from investment properties;
- investment expenses;
- changes in fair value of investments at fair value through profit or loss, as well as gains and losses on the sale of investments, including investment property;
- impairment charges and reversals on investments at amortized cost or at fair value through other comprehensive income;
- amortization of acquisition costs;
- external expenses on policy benefits;
- income and expenses net of reinsurance transfers;

6.2 Accounting principles

6.2.1 Financial assets under IAS 39

At initial recognition, financial assets and liabilities are measured at fair value, corresponding to their acquisition price at that date. Their subsequent accounting treatment depends on their balance sheet classification. In accordance with IAS 39, financial assets are classified in one of the four categories of financial assets set out below:

Financial assets measured at fair value through profit and loss

These are instruments held for trading purposes or designated at fair value through profit or loss on initial recognition in accordance with the fair value option amendment to IAS 39 (published by the IASB in June 2005 and adopted by the European Union on November 15, 2005).

Securities held for trading purposes are those acquired by Natixis principally to be sold in the near term and those forming part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Securities valued under this option fall into one of the following three categories:

- hybrid instruments that contain one or more significant and separable embedded derivative features;
- instruments belonging to a group of financial assets valued and managed on a fair value basis;
- instruments that present an inconsistency in accounting treatment with a related financial liability.

Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that Natixis has the clear intention and ability to hold through to maturity, other than those that are designated on initial recognition as at fair value through profit or loss (fair value option) or available-for-sale, and those that meet the definition of loans and receivables.

On initial recognition, available-for-sale financial assets are measured at fair value including transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method and tested for impairment at each reporting date. Where necessary, an impairment charge is recorded in income under “Provision for credit losses”. Transactions intended to hedge interest rate risk on these securities are not permitted under IFRS.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those designated as at fair value through profit or loss or available-for-sale. This excludes assets for which the holder cannot recover the majority of the initial investment other than because of a credit deterioration, which should be classified as available-for-sale.
When they are hedged, loans and receivables also include the fair value of the hedged component of assets classified in this category (fair value hedges).

On initial recognition, loans and receivables are measured at fair value (i.e. face value) plus transaction costs and less any discount and transaction revenues. In the case of loans, transaction costs include fees and any expenses directly attributable to setting up the loan.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method and tested for impairment at each reporting date. Where necessary, an impairment charge is recorded in income under “Provision for credit losses”.

When loans are granted at below-market interest rates, a discount corresponding to the difference between the face value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the face value of the loan. The market rate of interest is the rate applied by the vast majority of financial institutions at any given time for instruments and counterparties with similar characteristics.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Securities classified in this category are initially recognized at their market value. At the reporting date, they are remeasured at their market value determined based on the market price for listed instruments.

Gains or losses arising from changes in the fair value (excluding revenues) of available-for-sale financial assets that are not hedged are recognized directly in equity under “Gains and losses recorded directly in equity”. Accrued or earned income is recognized in the income statement under “Net income from insurance activities” using the effective interest rate method. Available-for-sale financial assets are tested for impairment at each reporting date. Where there is objective evidence that an asset is impaired and a decline in the fair value has already been recognized directly in equity, the cumulative impairment loss is removed from equity and taken to income under “Provision for credit losses” (debt instruments) or “Net income from insurance activities” (equity instruments).

6.2.2 Provisions for impairments of financial assets

At the reporting date, Natixis assesses whether there is any objective evidence of individual or collective impairment for loans and receivables. To identify evidence of impairment, Natixis analyzes trends in a number of objective criteria, but also relies on the judgment of its own expert teams. Similarly, Natixis may use its expert judgment to establish the likely timing of recoveries.

Assets measures at amortized cost and available-for-sale debt instruments

A provision for impairment is set aside as soon as there is reason to believe the issuer may not be able to meet its commitments regarding the payment of principal and interest, such as a default on interest or principal payments. Securities in this category are determined on a case-by-case basis at each reporting date after the portfolios are reviewed.

Available-for-sale equity instruments

The impairment criteria for non-amortizing securities categorized as available-for-sale assets are as follows:

- automatic impairment if there are unrealized losses of more than 50% at the reporting date;
- automatic impairment if there are unrealized losses for a period of more than 24 consecutive months
- case-by-case analysis of securities presenting unrealized losses of more than 30% at the reporting date;
- case-by-case analysis of securities presenting unrealized losses for more than six consecutive months.

Identified securities give rise to an impairment charge based on their total book value so that their post-impairment value reflects the recoverable amount. The impairment charge is never reversed.
In accordance with IFRIC 10, an additional impairment charge will be recognized on investment securities for which a provision has already been made if its value has declined further at the reporting date, regardless of threshold or duration requirements.

6.2.3 Fair value of financial instruments

The general principles of fair value of financial instruments are the same as those detailed in Note 2.6.

6.2.4 Reinsurance transactions

Transfers:

Insurance transactions are recognized before reinsurance transfers. Reinsurance transfers are recognized in accordance with the terms of the different reinsurance treaties.

Acceptances:
Reinsurance acceptance policies are recognized as insurance policies.

Guarantees given or received as part of these transactions are recognized on the balance sheet (cash deposits) or off-balance sheet (securities pledged or received as collateral).
No Natixis reinsurance policies fall under the scope of IAS 39.

6.2.5 Insurance-related liabilities

Policies managed by the insurance subsidiaries of the Coface, Compagnie Européenne de Garanties et Cautions (CEGC) and Natixis Assurances sub-groups meet the definitions of insurance policies and investment contracts with a discretionary participation feature set out in IFRS 4. Accordingly, they result in the recognition of technical reserves in liabilities. These reserves are measured in accordance with French GAAP pending the entry into force of IFRS 17 dealing with technical liabilities of insurance companies.

Technical reserves for insurance policies meet the commitments of insurance companies with regard to policyholders and contract beneficiaries.

In accordance with IFRS 4, insurance technical reserves are calculated using methods stipulated by local regulations. A liability adequacy test is carried out in order to ensure that the insurance liabilities as presented in the consolidated financial statements are sufficient to cover future cash flows estimated at that date. The test is based on a stochastic or deterministic valuation model of discounted future cash flows.

Technical reserves for life-insurance policies are primarily composed of mathematical reserves corresponding to the surrender value of the contract.

Insurance offered primarily covers death, disability, work disability, dependency, damage to persons or property, health, legal protection and financial loss. Related technical reserves are calculated using specialized tables (life, experience and Bureau Commun des Assurances Collectives/BCAC tables).

Technical reserves for non-life insurance policies include reserves for unearned premium income and for claims to be paid (not discounted).

Reserves for unearned premium income are prorated separately for each insurance policy. They correspond to the portion of premium income remaining between the fiscal year-end and the premium due date.

Claims reserves include an estimate of claims reported but not settled at the reporting date. In addition to the amount of claims payable, a provision is set aside for unknown claims, calculated on a statistical basis by reference to the final amount of claims to be paid following settlement of risks and after any debt recovery measures.

Reserves also include economic hazards related to end-of-year premiums as well as a reserve for management fees.
In addition to this statistical estimation, specific reserves are recognized for major disasters based on the probability of default and of severity, estimated on a case-by-case basis.

Policy acquisition costs are expensed to the period. In particular, acquisition costs for non-life insurance policies are expensed over the acquisition period of the premiums: the portion of deferred acquisition costs is calculated pro rata to the unearned premiums at the end of the year.

Pursuant to paragraph 30 of IFRS 4, insurance policies and investment contracts with discretionary participation (life insurance) are measured using shadow accounting, which consists in recognizing the portion of unrealized gains or losses potentially attributable to policyholders as a deferred profit-sharing reserve. The deferred profit-sharing reserve thus reflects the potential entitlement of policyholders to unrealized gains for financial investments or their portion of unrealized losses. Considering the pay-out ratio in the 2018 budget and in accordance with the pay-out ratio recorded for 2017, the deferred profit-sharing rate adopted at June 30, 2018 was 89%. This is the same rate as at December 31, 2017.

In the event of net unearned losses, a deferred profit-sharing asset is recognized up to the amount for which future deferred profit-sharing of policyholders is estimated to be highly probable.

Deferred profit-sharing assets and liabilities arise mainly on:

- the revaluation of “available-for-sale financial assets” and “financial assets at fair value through profit or loss”;
- the revaluation of real estate assets held to cover insurance policies;
- the restatement in the consolidated financial statements of the capital reserve and the liquidity risk reserve.

The change in the deferred profit-sharing asset and liability is recognized:

- in equity when it relates to changes in the value of “available-for-sale assets”;
- in income when it relates to changes in the value of assets “at fair value through profit or loss” or investment property held to cover insurance policies, as well as changes in provisions for prolonged declines in value in “available-for-sale assets”.

Application of the shadow accounting mechanism resulted in the recognition of a deferred profit-sharing liability on June 30, 2018 as on December 31, 2017.

In millions of euros	**06.2018**	**12.2017**
Total net deferred profit-sharing asset	-	-
Total net deferred profit-sharing liability	2,863	3,275

In the case of deferred profit-sharing assets, a recoverability test is carried out. Deferred profit-sharing may be recovered depending on the intention and ability of companies to steer future compensation of contracts according to resources. These are sensitive to:

- changes in the equity and bond markets;
- changes in net inflows, which result from the commercial appeal of policies and the propensity of policy holders to renew their contracts;
- available reserves and own resources within companies to hold assets for a period compatible with changes in liabilities and consistent with market cycles.

Prospective analysis of the deferred profit-sharing asset’s recoverability is therefore carried out to demonstrate the ability and intention of companies to meet liquidity requirements over the remaining recoverability period without selling investments in unrealized losses. This process corresponds to a forward-looking view of future cash flows, built following regulatory and contractual conditions applied to contracts and with the help of economic scenarios based on historic probability.

6.3 Net income from insurance activities

In millions of euros	06.30.2018
Earned premiums	**7,375**
Premiums written	7,548
Change in unearned premium income	(173)
Other income from insurance businesses	**17**
Revenues from insurance businesses	**70**
Investment income (net of expenses)	**767**
Investment income	906
Investment expenses	(48)
Capital gains and losses on disposal of investments (net of reversals, write-downs and amortization)	95
Change in fair value of investments carried at fair value through profit or loss	(162)
Change in write-downs on investments	(24)
Amortization of acquisition costs	**21**
Policy benefit expenses	**(6,769)**
Income and expenses net of reinsurance transfers	**(27)**
Reinsurance transfer income	1,698
Reinsurance transfer expenses	(1,725)
Net income from insurance businesses	**1,455**

6.3.1 Transition between the presentation applicable to insurance companies and to banks

The following table shows a reconciliation between insurance companies' financial statements as presented and how they would translate into the banking format.

(in millions of euros)	06.30.2018	06.30.2018							
	Banking format	Insurance format							
		Net revenues (banking)							
	Total	Net revenues (ins.)	Other banking rev. (excl. ins. rev.)	Expenses	Gross operating income	Provision for credit losses	Tax	Other items	Net income
Premiums written	*7,491*	7,548	(57)	0	7,491				7,491
Change in unearned premium income	*(166)*	(173)	7	0	(166)				(166)
Earned premiums	7,325	7,375	(50)	0	7,325				7,325
Banking operating income	34	0	34	0	34				34
Revenues and income from other activities	84	70	14	0	84				84
Other operating income	*24*	17	(1)	8	24				24
Investment income	*942*	906	36	0	942				942
Investment expenses	*(87)*	(48)	(32)	(7)	(87)				(87)
Capital gains and losses on disposal of investments (net of reversals, write-downs and amortization)	*95*	95	0	0	95				95
Change in fair value of investments carried at fair value through profit or loss	*(162)*	(162)	0	0	(162)				(162)
Change in write-downs on investments	*(23)*	(24)	1	0	(24)				(24)
Investment income (net of expenses)	765	767	4	(7)	764				764
Policy benefit expenses	(6,778)	(6,769)	51	(60)	(6,778)				(6,778)
Reinsurance transfer income	1,688	1,698	(10)	0	1,688				1,688
Reinsurance transfer expenses	(1,704)	(1,725)	21	0	(1,704)				(1,704)
Income and expenses net of reinsurance transfers	(17)	(27)	10	0	(17)				(17)
Provision for credit losses	0	0	0	0	0				0
Banking operating expenses	(6)	0	0	(6)	(6)				(6)
Policy acquisition costs	(480)	21	(393)	(108)	(480)				(480)
Amortization of portfolio values and related items	0	0	0	0	0				0
Administrative costs	(402)	0	(223)	(180)	(403)				(403)
Other recurring operating income and expenses	(174)	0	(36)	(138)	(174)				(174)
Other operating income and expenses	(1)	0	0	2	1			(2)	(1)
OPERATING INCOME	**372**	1,456	(590)	(489)	375	0	0	(2)	373
Finance expenses	(16)	0	(16)	0	(16)		0	0	(16)
Share in income of associates	3	0	0	0	0		0	3	3
Income taxes	(115)	0	0	(1)	(1)		(115)	0	(115)
After-tax income from discontinued activities	0	0	0	0	0		0	0	0
Non-controlling interests	(37)	0	0	0	0		0	(37)	(37)
CONSOLIDATED NET INCOME	**207**	**1,455**	**(605)**	**(490)**	**357**	**0**	**(115)**	**(36)**	**207**

6.4 Insurance business investments

In millions of euros	*Notes*	06.30.2018	01.01.2018
Real estate investment	6.4.3	1,293	1,312
			-
Financial assets at fair value through profit or loss	6.4.1	24,776	22,410
Hedging derivatives		1	1
Available-for-sale financial assets	6.4.2	48,060	46,898
Loans and receivables	6.4.5	10,881	10,825
Held-to-maturity financial assets	6.4.6	1,562	1,885
Share of reinsurers and retrocessionaires in liabilities related to insurance policies and financial contracts		12,496	11,412
Receivables arising from insurance or accepted reinsurance transactions		1,544	1,425
Reinsurance receivables		77	33
Deferred acquisition costs(1)		711	699
Other			
Total		**101,401**	**96,901**

6.4.1 Financial assets at fair value through profit or loss

In millions of euros	*Notes*	06.30.2018	01.01.2018
Securities held for trading		**5,283**	**4,340**
Debt instruments in the form of securities		-	30
Equity instruments(1)		5,283	4,310
Loans and receivables		-	-
Derivative instruments not eligible for hedge accounting		**21**	**214**
Securities under the fair value option through profit or loss	*6.4.1.1*	**17,368**	**15,845**
Debt instruments in the form of securities		1,450	204
Equity instruments(1)		496	243
Unit-linked contracts		15,423	15,398
Loans and receivables under the fair value option through profit and loss		**2,104**	**2,011**
Banks		-	-
Customers		2,104	2,011
Total		**24,776**	**22,410**

(1) Including shares in UCITS.

6.4.1.1 Conditions for classification of financial assets under the fair value option through profit or loss

Financial assets are designated at fair value through profit or loss when this choice provides more pertinent information or when these instruments incorporate one or more significant and separable embedded derivatives.

The use of the fair value option is considered to provide more pertinent information in two situations:

- where there is an accounting mismatch between economically linked assets and liabilities. This arises for example in the case of an asset and a hedging derivative when the criteria for hedge accounting are not met;
- where a portfolio of financial assets and liabilities is managed and recognized at fair value as part of a documented policy of asset and liability management.

Financial assets designated at fair value through profit or loss mainly consist of financial assets representative of unit-linked policies from insurance activities.

	06.30.2018				01.01.2018			
In millions of euros	**Carrying amount**	**Accounting mismatch**	**Managed on a fair value basis**	**Embedded derivatives**	**Carrying amount**	**Accounting mismatch**	**Managed on a fair value basis**	**Embedded derivatives**
Loans and receivables due from banks	**0**	0	0	0	**0**	0	0	0
Loans and receivables due from customers	**2,104**	2,104	0	0	**2,011**	2,011	0	0
Debt instruments in the form of securities	**2,226**	854	0	1,371	**2,541**	972	0	1,569
Equity instruments	**12,091**	12,091	0	0	**13,667**	13,304	363	0
	0	0	0	0	**0**	0	0	0
Total	**16,420**	**15,049**	**0**	**1,371**	**18,220**	**16,287**	**363**	**1,569**

6.4.2 Available-for-sale financial assets

The table below shows available-for-sale financial assets by type of instrument (fixed-income securities, variable-income securities). It discloses the gross value before impairment, the amount of impairment and the carrying amount net of impairment.

In millions of euros	**06.30.2018**	**01.01.2018**
Securities	**48,273**	47,097
- Debt instruments	40,377	39,225
- Equity instruments(1)	7,444	7,401
- Accrued interest	452	472
Impairment of available-for-sale assets	**(213)**	(200)
- Debt instruments	(24)	(15)
- Equity instruments(2)	(189)	(184)
Total	**48,060**	**46,898**

(1) Including shares in UCITS;
(2) In first-half 2018, permanent impairment of variable-income securities stood at €15 million compared with €3 million at June 30, 2017. This expense was 89% offset by the profit-sharing mechanism. The first-half 2018 expense can be broken down into an additional impairment loss on previously impaired securities for €12 million (€2 million at June 30, 2017) and an allowance for newly impaired securities for €3 million (€1 million at June 30, 2017).

6.4.3 Investment property

In millions of euros	06.30.2018			01.01.2018		
	Gross value	Impairment and amortization	Net value	Gross value	Impairment and amortization	Net value
Investment property - at fair value	891	0	891	918	0	918
Investment property - at historical cost	44	(13)	31	44	(13)	31
Investment property - unit-linked	371	0	371	363	0	363
Total	**1,306**	**(13)**	**1,293**	**1,325**	**(13)**	**1,312**

The fair value of investment property, for which the valuation techniques are described in Note 5.4, is classified in Level 3 of the fair value hierarchy of IFRS 13.
Changes in fair value give rise to the symmetrical recognition of a deferred profit-sharing reserve equal to 89% of the related base amount on average at June 30, 2018. This is the same rate as at December 31, 2017 (see Note 6.2.5).

6.4.4 Fair value of financial assets and liabilities carried at fair value in the balance sheet

Financial assets and liabilities measured at fair value are categorized based on the fair value hierarchy detailed in Note 5.4.

Assets In millions of euros	06.30.2018			
	Book value	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss - Trading	**5,304**	**5,199**	**104**	**2**
Fixed-income securities held for trading	**5,283**	**5,187**	**95**	**0**
o/w debt instruments in the form of securities				
o/w equity instruments	5,283	5,187	95	
Derivatives not eligible for hedge accounting (positive fair value)	**21**	**11**	**8**	**2**
o/w interest rate derivatives	5		5	
o/w currency derivatives	11	9	3	
o/w credit derivatives				
o/w equity derivatives	4	3		2
o/w other	1		1	
Other financial assets held for trading				
Financial assets designated under the fair value option through profit or loss	**19,472**	**11,701**	**6,711**	**1,060**
o/w debt instruments in the form of securities	1,450	89	301	1,060
o/w equity instruments	496	89	407	
o/w loans and receivables	2,104		2,104	
o/w unit-linked contracts	15,423	11,523	3,900	
Available-for-sale financial assets	**48,060**	**39,428**	**5,753**	**2,879**
Available-for-sale securities - Equity investments	**240**			**240**
Other available-for-sale securities	**47,819**	**39,428**	**5,753**	**2,638**
o/w debt instruments in the form of securities	40,805	33,944	4,593	2,268
o/w equity instruments	7,015	5,484	1,161	370
o/w other available-for-sale financial assets				
Total	**72,836**	**56,327**	**12,569**	**3,940**

Financial assets at fair value measured using level 3 of the fair value hierarchy

In millions of euros	Level 3 opening balance 01.01.2018	Gains and losses recognized in the period			Transactions carried out in the period		Reclassifications in the period			Change in consolidation scope	Translation adjustments	Level 3 closing balance 06.30.2018
		Income statement		Gains and losses recognized directly in equity	Purchases/ Issues	Sales/ Redemptions	From level 3	To level 3	Other reclassifications			
		On outstanding transactions at [text clipped]	On transactions expired or redeemed at the reporting dat[text clipped]									
Financial assets at fair value through profit and loss - Trading	**1 465**	**(13)**	**(2)**	**0**	**0**	**(363)**	**(23)**	**0**	**0**	**(3)**	**0**	**1 061**
Derivative instruments not eligible for hedge accounting (positive fair value)	**4**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(3)**	**0**	**2**
o/w currency derivatives	4									(4)		0
o/w equity derivatives	0									2		2
o/w other												0
Financial assets designated under the fair value option through profit or loss	**1 461**	**(13)**	**(2)**	**0**	**0**	**(363)**	**(23)**	**0**	**0**	**0**	**0**	**1 060**
o/w debt instruments in the form of securities	**1 461**	(13)	(2)			(363)	(23)					1 060
Available-for-sale financial assets	**3 556**	**5**	**(2)**	**(11)**	**400**	**(104)**	**(1 573)**	**620**	**(13)**	**1**	**(1)**	**2 879**
Available-for-sale securities - Equity investments	**211**	**1**		**3**	**27**			**0**	**(3)**	**1**		**240**
Other available-for-sale securities	**3 345**	**4**	**(2)**	**(13)**	**373**	**(104)**	**(1 573)**	**620**	**(10)**	**0**	**(1)**	**2 638**
o/w debt instruments in the form of securities	2 955	4	(2)	(10)	360	(91)	(1 553)	606				2 268
o/w equity instruments	391			(3)	13	(14)	(20)	14	(10)		(1)	370
o/w other available-for-sale financial assets												0
Total financial assets recorded at fair value	**5 021**	**(8)**	**(4)**	**(11)**	**400**	**(467)**	**(1 596)**	**620**	**(13)**	**(2)**	**(1)**	**3 940**

Financial assets at fair value: transfer between fair value levels

		06.30.2018				
In millions of euros	**From**	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
	To	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Financial assets at fair value through profit and loss - Trading		**0**	**0**	**0**	**0**	**23**
Financial assets designated under the fair value option through profit or loss		**0**	**0**	**0**	**0**	**23**
o/w debt instruments in the form of securities						23
Available-for-sale financial assets		**726**	**19**	**620**	**0**	**1,573**
Available-for-sale securities - Equity investments						
Other available-for-sale securities		**726**	**19**	**620**	**0**	**1,573**
o/w debt instruments in the form of securities		706	19	606		1,553
o/w equity instruments		19		14		20

6.4.5 Loans and receivables

6.4.5.1 Loans and receivables due from banks

In millions of euros	**06.30.2018**	**01.01.2018**
Outstanding	**746**	**513**
Performing loans	746	513
Non-performing loans	0	0
Provisions	**0**	**0**
Total (net)	**746**	**513**

The fair value of loans and receivables due from banks was €833 million at June 30, 2018.

6.4.5.2 Customer loans and receivables

In millions of euros	**06.30.2018**	**01.01.2018**
Outstanding	**10,135**	**10,312**
Performing loans	10,135	10,312
Non-performing loans	0	0
Provisions	**0**	**0**
Total[(1)]	**10,135**	**10,312**

(1) Including €10,019 million for guarantee deposits made for the acceptance of reinsurance treaties, compared to €10,258 million at December 31, 2017.

The fair value of loans and receivables due from customers was €10,282 million at June 30, 2018.

6.4.6 Held-to-maturity financial assets

In millions of euros	06.30.2018	01.01.2018
Government securities	**1,037**	**1,083**
Gross value	1,037	1,083
Provisions	0	0
Bonds	**526**	**802**
Gross value	527	804
Provisions	-1	-2
Total	**1,562**	**1,885**

The fair value of held-to-maturity financial assets amounted to €1,813 million at June 30, 2018 (versus €2,198 million at December 31, 2017).
"Held-to-maturity financial assets" are exclusively recognized by fully-consolidated insurance companies at December 31, 2017 and December 31, 2016.

6.5 Liabilities related to insurance policies

In millions of euros	06.30.2018	01.01.2018
TECHNICAL LIABILITIES	**80,245**	**76,597**
Technical liabilities related to insurance policies	41,368	38,865
Technical liabilities related to unit-linked insurance policies	11,695	10,256
Technical liabilities related to financial contracts with a discretionary profit-sharing feature	20,151	20,227
Technical liabilities related to unit-linked insurance policies	4,168	3,974
Deferred profit-sharing liability	2,863	3,275
INSURANCE OR REINSURANCE LIABILITIES	**9,963**	**9,727**
Liabilities arising from insurance or accepted reinsurance transactions	383	488
Liabilities arising from ceded reinsurance transactions	9,580	9,239
DERIVATIVE INSTRUMENTS	**19**	**183**
Total	**90,227**	**86,507**

6.5.1 Financial liabilities at fair value through profit or loss

Information required under IFRS 7 on financial liabilities at fair value through profit or loss is presented in Note 5.1.2.

6.5.2 Due to banks and customer deposits

Information required under IFRS 7 on financial liabilities at fair value through profit or loss is presented in Notes 5.6.1 and 5.6.2.

6.5.3 Debt securities

Information required under IFRS 7 on financial liabilities at fair value through profit or loss is presented in Note 5.7.

6.5.4 Subordinated debt

Information required under IFRS 7 on financial liabilities at fair value through profit or loss is presented in Note 5.8.

NOTE 7 COMMITMENTS

7.1 Guarantee commitments

A financial guarantee is a contract that requires the issuer to compensate the holder of the contract for any loss that the holder incurs because a debtor fails to make payment when due. The exercise of these rights is subject to the occurrence of an uncertain future event.
The amounts shown represent the nominal value of the commitment undertaken:

In millions of euros	06.30.2018	01.01.2018
Guarantee commitments given		
To banks	**10,506**	**9,977**
- Confirmation of documentary credits	1,577	1,434
- Other guarantees	8,929	8,542
To customers	**20,479**	**20,297**
- Real estate guarantees	169	188
- Administrative and tax bonds	228	350
- Other bonds and endorsements given	6,394	6,478
- Other guarantees	13,687	13,281
Total commitments for guarantees given	**30,985**	**30,273**
Guarantee commitments received from banks	**16,500**	**12,446**

Guarantee commitments reconciliation table

In millions of euros	Guarantee commitments 06.30.2018									
	Non-impaired commitments for which 12 month expected credit losses have been estimated *(Bucket S1)*		Non-impaired commitments for which lifetime expected credit losses have been estimated *(Bucket S2)*		Commitments deemed to be impaired after purchase or origination *(Bucket S3)*		Purchased or originated credit-impaired commitments		TOTAL	
	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses
Balance at 12.31.2017	**16,314**	**(2)**	**10,303**	**(20)**	**103**	**(17)**	**15**	**(1)**	**26,735**	**(40)**
New off-balance sheet commitments originated or purchased	5,166	(1)	533	(1)	7	0	1	0	5,707	(2)
Changes related to a change in credit risk parameters *(excluding transfers)*	140	1	(464)	(1)	(25)	6	(1)	0	(350)	6
Transfers of guarantee commitments										
Transfers to S1[1]	1,418	(2)	(1,414)	1	(4)	0			0	(1)
Transfers to S2	(173)	0	174	0	(2)	0			(1)	0
Transfers to S3	(1)	-	(20)	0	21	0			0	0
Commitments fully ceded, called or at maturity	(1,807)	0	(3,755)	5	(16)	(14)	(10)	0	(5,588)	(9)
Changes related to exchange rate movements	520	0	84	0	1	0	0	0	605	0
Change in model		-		-		-		-		0
Other changes	0	0	0	0	0	0	-	-	0	0
Balance at 06.30.2018 [2]	**21,577**	**(4)**	**5,441**	**(16)**	**85**	**(25)**	**5**	**(1)**	**27,108**	**(46)**

(1) Including the transfer from Stage 2 to Stage 1 of a (gross) amount at June 30, 2018 of €874 million, due to the improvement over the period of the ratings of the economic sectors to which the transferred amounts are related.
(2) Gross carrying amount excluding insurance company contributions, in the amount of €3,877 million at June 30, 2018.

7.2 Financing commitments

The following financing commitments fall within the scope of IFRS 9:

- commitments qualified as financial liabilities at fair value through profit or loss if an entity has a practice of reselling or securitizing loans immediately after they are issued;
- commitments which are settled net (i.e. sold);
- commitments which result in a loan granted at below-market interest rates.

Other financing commitments falling within the scope of IAS 37

A financing commitment given is a contingent liability, defined by IAS 37 as:

- a potential obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;

  or
- a present obligation arising as a result of past events but not recognized because:
  - ✓ it is not likely that an outflow of economic benefits will be required to settle the obligation;

  or
  - ✓ the amount of the obligation cannot be measured with sufficient reliability.

In millions of euros	06.30.2018	01.01.2018
Financing commitments given		
To banks	**2,509**	**2,217**
To customers	**58,496**	**55,275**
- Documentary credits	3,434	2,771
- Other confirmed lines of credit	52,603	47,383
- Other commitments	2,459	5,121
Total financing commitments given	**61,006**	**57,492**
Financing commitments received		
- from banks	6,110	4,220
- from customers	46	29
Total financing commitments received	**6,156**	**4,249**

Financing commitments reconciliation table

In millions of euros	Financing commitments 06.30.2018									
	Non-impaired commitments for which 12 month expected credit losses have been estimated *(Bucket S1)*		Non-impaired commitments for which lifetime credit losses have been estimated *(Bucket S2)*		Commitments deemed to be impaired after purchase or origination *(Bucket S3)*		Purchased or originated credit-impaired commitments		TOTAL	
	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses	Gross exposure	Provisions for losses
Balance at 12.31.2017	**37,332**	**(23)**	**19,879**	**(81)**	**176**	**(14)**	**106**	**(2)**	**57,493**	**(120)**
New off-balance sheet commitments originated or purchased	8,069	(2)	754	(1)	17	0	1	0	8,841	(3)
Changes related to a change in credit risk parameters *(excluding transfers)*	1,927	10	(1,819)	7	(103)	3	(4)	1	1	21
Transfers of financing commitments										
Transfers to S1 (1)	6,034	(13)	(6,048)	13	(5)	0			(19)	0
Transfers to S2	(739)	1	627	(1)	(4)	0			(116)	0
Transfers to S3	(24)	0	(32)	0	56	0			0	0
Commitments fully ceded, called or at maturity	(1,152)	0	(4,584)	4	(32)	1	-	-	(5,768)	5
Changes related to exchange rate movements	422	0	150	(1)	0	0	2	0	574	(1)
Change in model		-		-		-		-		0
Other changes	0	0	0	0	0	0	-	-	0	0
Balance at 06.30.2018	**51,869**	**(27)**	**8,927**	**(60)**	**105**	**(10)**	**105**	**(1)**	**61,006**	**(98)**

(1) Including the transfer from Stage 2 to Stage 1 of a (gross) amount at June 30, 2018 of €3,964 million, due to the improvement over the period of the ratings of the economic sectors to which the transferred amounts are related.

NOTE 8 SEGMENT REPORTING

In November 2017, Natixis presented its new 2018-2020 strategic plan, “New Dimension”. New Dimension sets out three strong initiatives aimed at developing solutions offering high added value to our clients: to deepen the transformation of our business model, which we achieved under the New Frontier plan, to allocate a significant portion of our investments to digital technologies, reflecting our clear resolve to differentiate ourselves to become a benchmark in the areas where Natixis’ teams boast strong and recognized skills.

The entity has since been organized around four core businesses:

- **Asset & Wealth Management**, which includes asset management within Natixis Investment Managers and wealth management;
- **Corporate and Investment Banking**, which advises businesses, institutional investors, insurance companies, banks and public sector entities and offers them a diversified line of financing solutions as well as access to the capital markets. Its duties are threefold: to strengthen the bank’s customer orientation, to serve as a meeting place between issuers and investors and to roll out the “Originate to Distribute” model to optimize the rotation of the bank’s balance sheet via active management of the loan book;
- **Insurance**, which is Groupe BPCE’s single platform for the distribution of personal insurance and non-life insurance products;
- **Specialized Financial Services**, which combines Payments and Specialized Financing with Factoring, Leasing, Consumer Finance, Sureties & Financial Guarantees, and Film Industry Financing; and Financial Services with Employee Savings and Securities. These business lines are the key growth drivers for the retail banking business of Groupe BPCE.

Coface, Private Equity (proprietary activity retained until it is put into run-off, and portion of sponsored funds) and **Natixis Algeria** are considered non-strategic and are now grouped within the Corporate Center.

Based on this new organization, Management monitors divisional performance, draws up business plans and manages the business from an operational perspective. In accordance with IFRS 8 “Operating Segments”, this is the segmentation used by Natixis to define its operating segments.

8.1 Asset & Wealth Management

- **Asset Management**: asset management activities are combined within Natixis Investment Managers. They cover all asset categories and are carried out mainly in the US and France. These activities are performed by autonomous entities (specialized asset management companies and specialized distribution units) coordinated by a holding company that ensures the organization’s consistency by overseeing its strategic direction. These companies are thus able to focus on their core business and on achieving robust performance while retaining the option of developing their own institutional clientele and drawing on the business line’s other support functions, based on appropriate economic models. A number of these asset managers have forged a strong reputation, such as Loomis Sayles, Harris Associates, AEW, H2O, DNCA and Ostrum Asset Management.

Together, these specialized asset management companies enable the Group to provide a full range of expertise meeting demand from all customer segments. Coverage of the various customer segments is optimized by the organization of distribution around a shared platform and the business franchises developed over the long term by the asset management companies. Since the start of 2014, Private Equity companies for third party clients have been transferred to Natixis Investment Managers and a sponsoring vehicle was set up to monitor Natixis' commitments in the funds. The teams have extensive expertise in equity financing for generally unlisted, small and medium-sized enterprises in France and Europe via sponsored equity holdings. This business line covers the Private Equity segments for third party investors, such as Private Equity deals (top-line funding for mature companies), venture capital (new, innovative companies) and funds of funds.

- Wealth Management: this business line encompasses wealth management activities in France and Luxembourg, financial planning solutions, and services for Independent Wealth Management Advisors (IWMAs). Natixis Wealth Management holds a key place on the French market. The bank mainly develops its customer base from the clientele of the Caisses d'Epargne and Banque Populaire banks, and to a lesser extent from that of Natixis. Private Banking offers advisory services, financial planning and expertise, and fund management solutions.

8.2 Corporate and Investment Banking

Corporate & Investment Banking advises businesses, institutional investors, insurance companies, banks and public sector entities and offers them a diversified line of customized financing solutions as well as access to the capital markets.
Building on the technical expertise of its teams, Natixis designs tailored solutions for its customers incorporating the most recent market developments.
In 2016, its organizational structure was adapted to better support its customers, by strengthening strategic dialog, and to accelerate the implementation of the "Originate to Distribute" model. This led to the creation of new **Investment Banking** business line, whose mission is to develop strategic dialog with customers and incorporates the Acquisition & Strategic Finance, Capital & Rating Advisory, Equity Capital Markets and Strategic Equity Transactions business lines. It also includes Bond origination.

In early 2018, CIB changed the way it presents the earnings and analysis of its financing activities with the creation of three new business lines based on four key sectors defined in the New Dimension plan:

- The **"Energy & Natural Resources"** sector, which comprises Trade Finance, origination and structuring of structured commodity finance;
- The **"Real Assets"** business line which brings together origination and structuring in three sectors: Infrastructure, Aviation and Real Estate & Hospitality;
- The **"Distribution & Portfolio Management"** business line, which comprises syndication and structured and vanilla finance portfolio management.

The Equities, Fixed Income, Credit, Forex, Commodities and "Global Structured Credit and Solutions" businesses remain part of the Global Markets business line, while short-term Trade Finance and the development of the flow offering are combined under "Trade and Treasury Solutions".

8.3 Insurance

Natixis Assurances is a holding company for various operating insurance subsidiaries. In March 2014, in accordance with the plan to develop the bancassurance model, Natixis Assurances acquired PPI and casualty insurance subsidiary BPCE Assurances, which it now wholly owns. It offers a full range of individual and group life insurance, personal protection insurance, and property & casualty insurance products for the Banque Populaire and Caisse d'Epargne networks. These diversified, customized solutions are designed for retail and small business customers, farmers, companies and associations.

8.4 Specialized Financial Services

This business line combines a number of service-oriented businesses primarily serving the Caisse d'Epargne and Banque Populaire networks, as well as Natixis customers:

- **Payments**: This business line provides tools, infrastructure, and services for payments: electronic banking, issuance and collection of mass electronic transfers, check processing, service vouchers, e-commerce, etc. Under the "New Dimension" plan, Payments is designed to become a pure player on the payment segment in Europe and accelerate its digital transformation. Thus, the business line recently acquired several start-ups specializing in electronic payment and e-commerce, namely: Payplug, S Money, and Dalenys;

- **Factoring**: provides companies with credit management solutions such as financing, insurance, and collection. Natixis Factor uses the Banque Populaire and Caisse d'Epargne networks, which account for a significant portion of its business;

- **Sureties & Financial Guarantees:** this business line is operated by Compagnie Européenne de Garanties et Cautions (CEGC). It notably includes guarantees for mortgage loans granted to retail and business customers by the Caisse d'Epargne and Banque Populaire networks, along with legal guarantees and financial guarantees;

- **Consumer finance**: this Natixis business line includes a broad range of activities across the entire value chain for revolving loans (marketing, origination, administrative management, out-of-court collection, etc.) and administrative management services for personal loans. These activities are operated by Natixis Financement, which manages revolving loans granted by the Groupe BPCE networks and manages personal loans granted by the Caisses d'Epargne and by the Banque Populaire banks;

- **Leasing**: this business line provides financing solutions for real estate and non-real estate assets under finance leases or other long-term leasing arrangements;

- **Employee savings plans:** this business line offers companies an employee savings management solution (administration of employee accounts, fund administration and accounting);

- **Securities Services**: this business line offers back and middle office services for retail securities custody (account administration, back office outsourcing, office services, depositary control) for the BPCE networks and external clients;

- **Film Industry Financing**: this business line is operated via Coficiné, a subsidiary specializing in structured loans for film and audiovisual activities in France and Europe.

8.5 Corporate Center

The Corporate Center operates alongside the operating divisions. It combines Natixis' non-strategic business lines: Coface, of which the main activities are credit insurance, factoring abroad, corporate information and rating and accounts receivable, proprietary private equity activity, Natixis' stake in certain sponsored funds that is not meant to be kept within Natixis, as well as the Natixis subsidiary in Algeria.
The Corporate Center recognizes the central funding mechanisms and income from Natixis' asset and liability management. To this end, it includes all Treasury activities, including the short-term Treasury

business, which has been part of Natixis' Finance department since the start of 2017 (it was previously part of Corporate & Investment Banking).
It also records income on the bank's portfolio of equity investments not belonging to a division.
In terms of costs, the Corporate Center recognizes the bank's structural costs and the contribution to the Single Resolution Fund.

8.6 Segment reporting in the income statement

		06.30.2018						
		Asset & Wealth Management (2)	Corporate & Investment Banking	Insurance	Specialized Financial Services	Coface	Corporate Center (excluding Coface)(3)	Total
In millions of euros								
Net revenues		1,596	1,846	397	733	333	85	4,989
	2017/2018 change (1)	10%	-4%	8%	6%	15%	106%	5%
Expenses		(1,078)	(1,083)	(226)	(495)	(238)	(314)	(3,435)
	2017/2018 change (1)	4%	0%	-2%	7%	-5%	6%	2%
Gross operating income		517	763	170	238	95	(229)	1,554
	2017/2018 change (1)	27%	-8%	24%	3%	143%	-10%	12%
Provision for credit losses		(1)	(68)		(7)	(0)	(8)	(84)
	2017/2018 change (1)	-368%	-13%		-81%	-93%	-63%	-39%
Net operating income		516	695	170	231	95	(237)	1,471
	2017/2018 change (1)	26%	-8%	24%	19%	169%	-14%	17%
Associates		0	6	3		0	0	10
	2017/2018 change (1)	74%	21%	-57%		-43%	-97%	-24%
Other		(3)	3		1	(2)	11	10
	2017/2018 change (1)	-135%				-1311%	-40%	-65%
Pre-tax profit		514	704	173	232	93	(226)	1,490
	2017/2018 change (1)	23%	-7%	20%	19%	159%	-12%	15%
Net income (Group share)		292	511	118	156	23	(197)	903
	2017/2018 change (1)	28%	-2%	39%	17%	61%	-9%	18%

This information is determined based on the accounting principles applied in accordance with IFRS as adopted by the European Union at June 30, 2018;

(1) Change between June 30, 2018 and June 30, 2017.

(2) O/w for Asset Management: Net revenues: €1,522 million
Expenses: -€1,003 million
Gross operating income: €518 million
Provision for credit losses: -€4 million
Pre-tax profit: €512 million

(3) O/w for short-term treasury: Net revenues: €58 million
Expenses: -€30 million
Gross operating income: €28 million
Provision for credit losses: €0 million
Pre-tax profit: €28 million

In millions of euros	**Net revenues**	*2017/2018 change*
Asset & Wealth Management	**1,596**	**10%**
Asset Management	1,522	10%
Private Banking	74	17%
Corporate & Investment Banking	**1,846**	**-4%**
Capital markets (1)	927	-14%
Global finance & Investment banking	885	3%
Other	34	-285%
Insurance	**397**	**8%**
Specialized Financial Services	**733**	**6%**
Specialized Financing	453	4%
Payment	188	15%
Financial services	92	2%
Coface	**333**	**15%**
Corporate Center (excluding Coface)	**85**	**106%**
Total	***4,989***	***5%***

(1) Including €913 million excluding net revenues of the XVA desks, which break down into €620 million in net revenues for FICT and €293 million for Equities.

06.30.2017 - PRO FORMA							
In millions of euros	Asset & Wealth Management (1)	Corporate & Investment Banking	Insurance	Specialized Financial Services	Coface	Corporate Center (excluding Coface)(2)	Total
Net revenues	1,448	1,919	368	691	289	41	4,756
Expenses	(1,039)	(1,088)	(231)	(461)	(250)	(296)	(3,365)
Gross operating income	408	832	137	230	39	(255)	1,392
Provision for credit losses	0	(78)		(35)	(4)	(21)	(138)
Net operating income	409	754	137	195	35	(276)	1,254
Associates	0	5	7		0	0	13
Other	8				0	19	27
Pre-tax profit	417	759	144	195	36	(257)	1,294
Net income (Group share)	228	523	85	133	14	(216)	768

(1) o/w for asset management:
- Net revenues: €1,384 million
- Expenses: -€970 million
- Gross operating income: €413 million
- Provision for credit losses: €0 million
- Pre-tax profit: €422 million

(2) o/w for short-term Treasury:
- Net revenues: €71 million
- Expenses: -€33 million
- Gross operating income: €37 million
- Provision for credit losses: €0.3 million
- Pre-tax profit: €37.5 million

Breakdown of net revenues

In millions of euros	**Net revenues**
Asset & Wealth Management	**1,448**
Asset Management	1,384
Private Banking	64
Corporate & Investment Banking	**1,919**
Capital markets (1)	1,079
Global finance & Investment banking	858
Other	(18)
Insurance	**368**
Specialized Financial Services	**691**
Specialized Financing	437
Payment	164
Financial services	90
Coface	**289**
Corporate Center (excluding Coface)	**41**
Total	***4,756***

(1) Including €1,138 million excluding net revenues of the XVA desks, which break down into €758 million in net revenues for FICT and €380 million for Equities.

		06.30.2017 published						
In millions of euros		Corporate & Investment Banking	Investment Solutions (1)	Specialized Financial Services	Coface	Other financial investments	Corporate Center(2)	Total
Net revenues		**1,945**	**1,811**	**691**	**277**	**32**	**1**	**4,756**
	2016/2017 change	17%	9%	1%	-4%	-35%	-101%	11%
Expenses		**(1,082)**	**(1,266)**	**(459)**	**(265)**	**(33)**	**(261)**	**(3,365)**
	2016/2017 change	9%	8%	3%	-3%	-22%	28%	8%
Gross operating income		**864**	**545**	**232**	**13**	**(2)**	**(260)**	**1,392**
	2016/2017 change	28%	12%	-3%	-24%	-126%	-6%	21%
Provision for credit losses		**(78)**	**1**	**(35)**	**(4)**	**(6)**	**(15)**	**(138)**
	2016/2017 change	-37%	900%	20%	31%	-70%	-1025%	-22%
Net operating income		**786**	**545**	**197**	**9**	**(8)**	**(275)**	**1,254**
	2016/2017 change	43%	12%	-6%	-36%	-49%	0%	29%
Associates		**5**	**7**		**0**	**0**		**13**
	2016/2017 change	-31%	22%					-7%
Other			**8**		**0**	**22**	**(3)**	**27**
	2016/2017 change		-48%	-100%	-100%	100%	-294%	-281%
Pre-tax profit		**791**	**561**	**197**	**10**	**14**	**(278)**	**1,294**
	2016/2017 change	42%	10%	-18%	-116%	-424%	2%	33%
Net income (Group share)		**545**	**312**	**134**	**2**	**29**	**(255)**	**768**
	2016/2017 change	45%	3%	-15%	-106%	-1070%	14%	32%

(1) o/w for asset management:	Net revenues:	€1,363 million
	Expenses:	-€965 million
	Gross operating income:	€398 million
	Provision for credit losses:	€0 million
	Pre-tax profit:	€397 million
(2) o/w for short-term Treasury:	Net revenues:	€71 million
	Expenses:	-€33 million
	Gross operating income:	€38 million
	Provision for credit losses:	€0 million
	Pre-tax profit:	€38 million

Breakdown of net revenues

In millions of euros	**Net revenues(1)**	*2016/2017 change*
Corporate & Investment Banking	**1,945**	16.6%
Capital markets(1)	1,090	19.3%
Global finance & Investment banking	872	13.5%
Other	(18)	26.2%
Investment Solutions	**1,811**	9.3%
Asset Management	1,363	9.2%
Insurance	364	12.9%
Private Banking	64	-5.5%
Other	20	10.7%
Specialized Financial Services	**691**	1.0%
Specialized Financing	437	2.6%
Financial services	254	-1.6%
Coface	**277**	-4.1%
Other financial investments	**32**	-34.7%
Corporate Center	**1**	-102.7%
Total	**4,756**	**11%**

(1) Including €1,138 million excluding net revenues of the XVA desks, which break down into €758 million in net revenues for FICT and €380 million for Equities.

NOTE 9 RISK MANAGEMENT

9.1 Capital adequacy

The information on capital adequacy required under IAS 1 is presented in section 3.4 of Chapter III, “Risk Management and Capital Adequacy”.

9.2 Credit risk and counterparty risk

The information on risk management required under IFRS 7, with the exception of the disclosures given below, is presented in section 3.5 of Chapter III, “Risk Management and Capital Adequacy.”

9.3 Market risk, overall interest rate risk, liquidity risk and structural foreign exchange risk

The disclosures on the management of market risk, overall interest rate risk, liquidity risk and structural foreign exchange risk required under IFRS 7 are presented in Sections 3.7 and 3.9 of Chapter III, “Risk and Capital Adequacy”.

9.4 Risk related to insurance activities

The information on risk management related to insurance activities required under IFRS 7 is presented in section 3.12 of Chapter III, “Risk Management and Capital Adequacy”.

NOTE 10 OTHER INFORMATION

10.1 Equity instruments issued

10.1.1 Share capital

Ordinary shares	Number of shares	Par value	Capital in euros
At January 1	3,137,360,238	1.60	5,019,776,381
Capital increase	945,549	1.60	1,512,878
At December 31	**3,138,305,787**		**5,021,289,259**

2,561,025 treasury shares at June 30, 2018, and 1,431,936 shares at December 31, 2017.

10.1.2 Calculation of earnings per share

	06.30.2018	06.30.2017
Earnings/(loss) per share		
Net earnings/(loss) attributable to the Group (in millions of euros)	903	768
Net income/(loss) attributable to shareholders (in millions of euros)(1)	853	721
Average number of ordinary shares issued and outstanding over the period	3,137,992,345	3,137,262,388
Average number of treasury shares issued and outstanding over the period	1,777,656	1,703,772
Average number of shares used to calculate earnings/(loss) per share	3,136,214,689	3,135,558,616
Earnings/(loss) per share (in euros)	**0.27**	**0.23**
Diluted earnings/(loss) per share		
Net earnings/(loss) attributable to the Group (in millions of euros)	903	768
Net income/(loss) attributable to shareholders (in millions of euros)(1)	853	721
Average number of ordinary shares issued and outstanding over the period	3,137,992,345	3,137,262,388
Average number of treasury shares issued and outstanding over the period	1,777,656	1,703,772
Number of potential dilutive shares resulting from stock option and free share plans (2)	8,536,570	6,199,777
Average number of shares used to calculate diluted earnings/(loss) per share	3,144,751,259	3,141,758,393
Diluted earnings/(loss) per share (in euros)	**0.27**	**0.23**

(1) The difference between net earnings/(loss) attributable to the Group and net income/(loss) attributable to shareholders corresponds to the interest generated on deeply subordinated notes and on preference shares, i.e. -€50 million in the first half of 2018 and -€47 million in the first half of 2017.
(2) This number of shares refers to the shares granted under the 2016, 2017 and 2018 performance share plans (PAGA), the 2016, 2017 and 2018 Long Term Incentive Plans (LTIP) and the 2018 Incentive Plan for Payment segment.

10.2 Other equity instruments issued

Undated deeply subordinated notes and preference shares

In accordance with IAS 32, issued financial instruments are classified as debt or equity depending on whether or not they incorporate a contractual obligation to deliver cash to the holder.

Since December 31, 2009, issues of perpetual deeply subordinated notes and preference shares have been recognized as equity instruments issued in accordance with a clause concerning dividend

payments which has become discretionary, and have been booked to “Consolidated reserves” in the consolidated balance sheet.
The conversion of these debt instruments into equity instruments had generated a gain of €418 million recognized in income on June 30, 2009.
Issues after June 30, 2009 were always classified as equity given the discretionary nature of their interest.

Deeply subordinated notes amounted to €1,978 million, compared with €2,231 million at December 31, 2017, a decrease of €253 million corresponding to redemptions during the first half of 2018 of deeply subordinated notes issued in 2008.
Note that the gross amount of exchange rate fluctuations in deeply subordinated notes in foreign currencies recorded in income at June 30, 2018 amounted to +€27 million, or +€19 million after tax, compared with -€60 million at June 30, 2017, or -€39 million after tax.

10.3 IFRIC 21

The interpretation of IFRIC 21 “Levies”, applicable since January 1, 2015, aims to clarify the date used for the accounting recognition of levies in the financial statements. This interpretation includes:

- the recognition of a full provision as of the first quarter for taxes calculated based on obligating events arising at January 1 - these taxes were previously recorded progressively on a quarterly basis. This mainly applies to the tax on systemic banking risks and the contribution to the single resolution fund; and
- for revenue-based taxes payable during the following fiscal year, the recognition of the full amount of taxes at January 1 of the year in which the tax is payable - these taxes were previously recorded pro rata to revenues for the period. This mainly concerns the Social Security and Solidarity Contribution (C3S).

As at June 30, 2018, the impact of the new accounting treatment on net income (group share) amounted to €101 million compared with €89 million at June 30, 2017.

10.4 Related parties

10.4.1 Relationships among the group’s consolidated companies

The main transactions between Natixis and related parties (BPCE and its subsidiaries, the Banque Populaire banks, the Caisses d’Epargne and all financial investments accounted for by the equity method) are detailed below:

In millions of euros	06.30.2018			06.30.2017			12.31.2017		
	BPCE	Banque Populaire group	Caisse d'Epargne group	BPCE	Banque Populaire group	Caisse d'Epargne group	BPCE	Banque Populaire group	Caisse d'Epargne group
ASSETS									
Financial assets at fair value through profit or loss	18,492	2,993	4,321	14,925	3,445	5,187	17,755	2,967	4,444
Financial assets at fair value through other comprehensive income									
Available-for-sale financial assets				634	185	4	563	120	42
Debt instruments at amortized cost	56	96							
Loans and receivables due from banks and similar items at amortized cost	32,304	471	138						
Customer loans and receivables at amortized cost	10,049	60							
Loans and receivables due from banks				21,135	445	107	29,046	381	86
Customer loans and receivables				10,644	163	0	10,280	165	0
Held-to-maturity financial assets									
Insurance business investments	962	140	268						
LIABILITIES									
Financial liabilities at fair value through profit or loss	5,966	1,895	3,521	5,811	781	740	5,225	731	698
Deposits and loans due to banks and similar items	59,622	2,228	702						
Deposits and loans due to customers	289	177	7						
Due to banks				66,111	797	849	68,816	2,323	839
Customer deposits				345	8		264	52	11
Debt securities		3							
Subordinated debt	2,314	0		2,355			2,314		
Insurance-related liabilities	14	5	98						
Shareholders' equity (Group share)	1,837			1,379			1,823		
INCOME									
Interest and similar income	43	26	1	93	10	3	213	19	3
Interest and similar expenses	(296)	(2)	(8)	(270)	(4)	(11)	(512)	(12)	(18)
Net fee and commission income	(4)	(170)	(80)	8	(149)	(43)	6	(353)	(130)
Net gains or losses on financial instruments at fair value through profit or loss	121	74	230	(199)	(49)	(158)	(215)	(28)	(29)
Net gains or losses on available-for-sale financial assets									2
Net gains or losses on financial assets at fair value through other comprehensive income									
Net gains or losses resulting from the derecognition of financial assets at amortized cost									
Net gains or losses on financial assets at amortized cost reclassified as financial assets at fair value through profit or loss									
Net gains or losses on financial assets at fair value through other comprehensive income reclassified as financial assets at fair value through profit or loss									
Net income from insurance activities	9	1	(11)						
Income and expenses from other activities	(14)	7	10	1	5	(5)	(34)	13	14
Operating expenses	(40)	1	(11)	(29)	1	(3)	(64)	2	(25)
COMMITMENTS									
Total commitments for guarantees given	9,856	33	81	3,222	45	55	9,372	21	68
Total guarantee commitments received	10,053	2,800	2,679	8,133	2,398	2,188	5,651	2,710	2,530

Relations with associates and joint ventures are not material.

NOTE 11 POST-CLOSING EVENTS

On July 1, 2018, Natixis signed a long-term partnership agreement with ODDO BHF aimed at creating a major player on equity brokerage and equity capital markets in Continental Europe.
This partnership includes the transfer of Natixis' equity brokerage and equity research activities in France to ODDO BHF, the combination of both players' equity capital markets activities in France within Natixis and the acquisition by Natixis of a 4.5% equity interest in ODDO BHF.

On July 11, 2018, Natixis Investment Managers announced the signature of an agreement to acquire a minority stake in US management company WCM Investment Management (WCM). Natixis Investment Managers will thus become WCM’s exclusive third-party distributor. This acquisition is expected to close by the end of 2018, subject to customary regulatory approvals.

5.2 Statutory Auditors' report on 2018 interim financial information

PricewaterhouseCoopers Audit	DELOITTE & ASSOCIES
63, Rue de Villiers, 92208 Neuilly-sur-Seine Cedex	6, place de la Pyramide, 92908 Paris La Défense Cedex

Statutory Auditors' report
on the Half-yearly Financial Information
for the period January 1 to June 30, 2018.

To the Shareholders,
Natixis S.A.
30, avenue Pierre Mendès-France
75013 Paris

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed consolidated interim financial statements of Natixis SA, for the period January 1 to June 30, 2018;
- the verification of the information contained in the interim management report.

These condensed consolidated interim financial statements were prepared under the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less extensive in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with IFRS standard IAS 34, as adopted by the European Union, applicable to interim financial information.

Without prejudice to the conclusion expressed above, we draw your attention to Notes 1 and 2, which explain the requirements and changes to accounting principles pursuant to IFRS 9 "Financial Instruments" and its impacts in terms of the reclassifications and assessments completed since this standard was adopted on January 1, 2018.

II - Specific verification

We have also verified the information presented in the interim management report in respect of the condensed consolidated interim financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed consolidated interim financial statements.

French original signed in Neuilly-sur-Seine and Paris-La-Défense, on August 3, 2018,

PricewaterhouseCoopers Audit	**DELOITTE & ASSOCIES**
Emmanuel Benoist	Charlotte Vandeputte
	Jean-Marc Mickeler

V SECTION 7: LEGAL INFORMATION

7.1 Natixis by-laws

NATIXIS

A joint stock company (société anonyme) with a Board of Directors with share capital of €5,040,461,747.20.
Registered office: 30 avenue Pierre Mendès France – 75013 Paris
542 044 524 RCS PARIS

BYLAWS

Article 19 of the bylaws pertaining to statutory auditors was amended by the Combined General Shareholders' Meeting of Natixis on May 23, 2018 to reflect the new wording of Article L. 823-1 of the French Commercial Code (as amended by Act no. 2016-1691 of December 9, 2016, known as the "Sapin II" Act).

This article is now written as follows:

"Article 19 – Statutory Auditors

One or several primary Statutory Auditors and, if applicable, one or several substitute Statutory Auditors, are appointed by the General Shareholders' Meeting in accordance with the law. They are vested with the duties and powers conferred upon them by the laws in force."

Article 3 of the bylaws was amended, following the Chief Executive Officer's decision on July 27, 2018 recognizing Natixis' capital increase for a total amount of €19,172,488 through the issuance of 11,982,805 new shares each with a par value of €1.60, with an issue premium of €40,765,502.61, subsequent to the Mauve 2018 capital increase reserved for employees, decided by the Board of Directors on November 7, 2017, as voted with the authorization of the Combined General Shareholders' Meeting on May 23, 2017 (resolution 20).

This article is now written as follows:

"Article 3 – Share capital

The share capital has been set at €5,040,461,747.20 divided into 3,150,288,592 fully paid-up shares of €1.60 each."

7.3 Distribution of share capital and voting rights

Distribution of share capital at July 31, 2018

At July 31, 2018, Natixis' main shareholders were as follows:

	% capital	% voting rights
BPCE	70.70%	70.76%
Employee shareholding[(a)]	2.63%	2.63%
Treasury stock	0.08%	0.00%
Free float	26.59%	26.61%

(a) of which 1.20% held through capital increases reserved for employees.
of which 0.75% held under the BPCE Actions Natixis employee share ownership plan, including bearers of Groupe BPCE shares.
of which 0.68% held outside of employee savings plans by employees and former employees.

As far as Natixis is aware, there are no shareholders, other than those listed in the above table, who own more than 5% of the capital or voting rights.

7.3.4 Employee shareholding

Free share awards:

In accordance with the provisions of Articles L.225-197-1 et seq. of the French Commercial Code:

- the Natixis Board of Directors, at its meeting on May 23, 2018 (by virtue of the authorization granted by the Combined General Shareholders' Meeting of May 24, 2016, resolution 19), decided to award 58,024 performance shares to the members of the Natixis Senior Management Committee (excluding the Chief Executive Officer) and 11,661 performance shares to the Chief Executive Officer of Natixis.

- The Natixis Board of Directors, at its meeting on August 2, 2018 (by virtue of the authorization granted by the Combined General Shareholders' Meeting of May 24, 2016, resolution 19), decided to grant 13,605 performance shares to the Chief Executive Officer of Natixis.

Issues of share capital reserved for employees of companies enrolled in the Natixis' employee savings plans:

In a ruling made on July 27, 2018, the Chief Executive Officer of Natixis recognized Natixis' capital increase for a total of €19,172,488 through the issuance of 11,982,805 new shares each with a par value of €1.60, with an issue premium of €40,765,502.61, and the bylaws were amended accordingly.

VI SECTION 8: ADDITIONAL INFORMATION

8.1 Statement by the person responsible for this update of the 2016 Registration Document

“I hereby declare that, to the best of my knowledge after having taken all reasonable measure to this end, the information contained in this registration document update is true and accurate, and contains no omissions liable to impair its significance.

To the best of my knowledge, the condensed financial statements for the past half-year were prepared in accordance with applicable accounting standards, and proude a true and fair image of the assets and liabilities, financial position and earnings of the company and the consolidated group, and the attached half-year management report accurately reflects the key events in the first half and their impact on the financial statements, the major related party transactions and a description of the major risks and uncertainties in the second half.

I have obtained a letter from the Statutory Auditors certifying the completion of their work, in which they indicate that they have examined the information on the financial position and the financial statements given in this update and have read the whole of the update. "

Paris, France, August 8, 2018

François Riahi

Chief Executive Officer of Natixis

8.2 Documents available to the public

Copies of this document are available free of charge at the registered office of Natixis, 30 avenue Pierre Mendès France, 75013 Paris. This document may also be consulted on the websites of the French Financial Supervisory Authority (www.amf-france.org) and of Natixis (www.natixis.com).

8.3 Cross-reference table of registration document

In order to make this document more easily readable, the following cross-reference table outlines the main headings required by Annex 1 of EC regulation no. 809/2004 of April 29, 2004, implementing the so-called "Prospectus" directive.

	Heading	2017 Registration document page number	Update of August 8, 2018
1.	**Persons responsible**	476	194
2.	**Statutory Auditors**	321	205
3.	**Selected financial information**		
3.1.	Selected historical financial information regarding the issuer for each financial year	12-13	
3.2	Selected historical financial information for interim periods	NA	
4.	**Risk factors**	101 to 108	49
5.	**Information about the issuer**		
5.1.	History and development of the Company	8 to 11	
5.2.	Investments	178 to 182; 315	
6.	**Business overview**		
6.1.	Main activities	14 to 29	
6.2.	Main markets	293 to 299	
6.3.	Exceptional events	NA	
6.4.	Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	169	
6.5.	The basis for any statements made by the issuer regarding its competitive position	14 to 29	
7.	**Organizational structure**		
7.1.	Brief description of the Group	11 to 13	
7.2.	List of significant subsidiaries	217 to 221; 323 to 337	
8.	**Property, plant and equipment**		
8.1.	Existing or planned material tangible fixed assets	238 to 240	
8.2.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	392 to 419	
9.	**Income and Financial position**		
9.1.	Financial position	100 to 108: 118 to 146; 151 to 162; 178 to 192	49 à 57 ; 74 à 93
9.2.	Operating results	12; 183-184; 196	82-83 ; 95
10.	**Treasury and Capital resources**		
10.1.	Information concerning the issuer's capital resources	118 to 126; 198-199	
10.2.	Sources and amounts of the issuer's cash flows	200-201	
10.3.	Information on the issuer's borrowing conditions and funding structure	151 to 155	
10.4.	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the issuer's operations	NA	
10.5.	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2. and 8.1	154-155; 195	62-63 ; 97-98
11.	**Research and development, patents and licenses**	169	
12.	**Trend information**	14 to 29; 100 to 108; 315	
13.	**Profit forecasts or estimates**	NA	
14.	**Administrative, management, and supervisory bodies and**		

	Heading	2017 Registration document page number	Update of August 8, 2018
	executive management		
14.1.	Administrative bodies	36 to 84	38 à 48
14.2.	Administrative, management, and supervisory bodies and executive management conflicts of interest	83	
15.	**Remuneration and benefits**		
15.1.	Amount of remuneration and benefits in kind	84 to 98	
15.2.	Total amounts paid accrued by the issuer to provide pension, retirement or similar benefits	317 to 321	
16.	**Administrative and management bodies practices**		
16.1.	Date of expiration of current terms of office	38 to 63	
16.2.	Service contracts with members of the administrative bodies	84	
16.3.	Information about the issuer’s Audit Committee and Compensation Committee	74-75; 78-79	45
16.4.	Statement as whether or not the issuer complies with the corporate governance regime	66	
17.	**Employees**		
17.1.	Number of employees	420	
17.2.	Directors’ shareholdings and stock options	94; 448-449	
17.3.	Arrangements for involving employees in the issuer’s capital	243	
18.	**Major shareholders**		
18.1.	Shareholders owning more than 5% of the share capital or voting rights	450	192
18.2.	Different voting rights of the aforementioned shareholders	452	
18.3.	Control of the issuer	452	
18.4.	Arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in its control	453	
19.	**Related-party transactions**	NA	
20.	**Financial information concerning the issuer’s assets and liabilities, financial position and profits and losses**		
20.1.	Historical financial information	194 to 337; 344 à 381	94 à 189
20.2.	Pro forma financial information	12-13; 295 à 300	181 à 184
20.3.	Financial statements	194 to 337; 344 to 381	94 à 189
20.4.	Auditing of historical annual financial information	338 to 343; 382 to 386	190-191
20.5.	Age of latest financial information	338 to 343; 382 to 386	190-191
20.6.	Interim financial and other information	NA	
20.7.	Dividend policy	30; 444; 454	
20.8.	Legal and arbitration procedures	167 to 169	66 à 68
20.9.	Significant changes in the issuer’s financial or commercial situation	190	
21.	**Additional information**		
21.1.	Share capital	371; 450 to 452	192
21.2.	Memorandum and by-laws	440 to 444	192
22.	**Material contracts**	NA	
23.	**Third party information and statement by experts and declarations of any interest**	NA	
24.	**Documents available to the public**	477	194
25.	**Information on holdings**	323 to 329	

8.4 Cross-reference table for the half-year financial report

In application of Article 212-13 of the AMF's (French Financial Markets Authority) General Regulations, the present update contains the information of the Interim Financial Report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-4 of the AMF's General Regulations.

8.5 Cross-reference table between articles of the CRR, Basel Committee/ EBA tables and statements, and the Pillar III report

CRR Article	Basel Committee/ EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of registration document	Page of Pillar III report update	Page of registration document update
Risk governance and management						
Article 435 (1)	(EBA) EU OVA - Bank risk management approach	2.1 Governance & 2.2 Risk management organization	12-13	113-114		
		2.4 Risk appetite	14-15	114-115		
		2.7 Stress tests	27	117		
Article 435 (1)	(EBA) CRA - General information about credit risk	5.1. Credit risk control organization	58	127		
		5.2. Credit policy	58-59	127		
Article 435 (1)	(EBA) CCRA - Qualitative disclosure related to counterparty credit risk	6.1. Counterparty risk management	84	128		
Article 435 (1)	(EBA) MRA - Qualitative disclosure requirements related to market risk	8.1. Market risk management	100	140		
Linkages between financial statements and regulatory exposures						
Article 436 (b)	EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	Table 1	31	119-120		
Article 436 (b)	EU LI3 - Differences between consolidation scopes (entity by entity)	Table 2	33			
Article 436 (b)	EU LIA – Explanations of differences between accounting and regulatory exposure amounts	3.2 Prudential consolidation scope	31 to 35	118 to 120		
Macro-prudential supervisory measures						
Article 458	(BCBS March 2016) CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer	Table 6	45		10	
Leverage ratio						
Article 451	(BCBS March 2016) LR1 – Comparison of accounting exposures and leverage exposures	Table 55	115	157	43	64
	(BCBS March 2016) LR2 – Leverage ratio	Appendix 3	160			
Capital requirements						
Article 438 (c) (f)	(EBA) EU OV1 - Overview of RWA	Table 11	53		16	
Article 438 last paragraph	(EBA) EU CR10 - IRB - Specialized lending and equities	Table 32	81		27	
Art. 438 (c), (d), (e) and (f)	NX01 - EAD, RWA and EFP by approach and by Basel exposure class	Table 10	52	135-136	14-15	54-55
Art. 442 (c)	NX03 - Exposures and EAD and by Basel exposure class	Table 12	54	136		
Art. 442 (d), (e) and (f)	NX05 - EAD by geography and by exposure class	Table 13	55	137	17	56
Art. 444 (a), (b) and (c)	NX11BIS - EAD by exposure class and by agency – Standardized approach	Table 14	56			
Art. 453 (d)	NX17 - Secured exposure by rating and by type of guarantor	Table 15	56			

CRR Article	Basel Committee/ EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of registration document	Page of Pillar III report update	Page of registration document update
Credit risk						
Article 442 (a) and (b)	CRBA - Additional disclosure related to the credit quality of assets		59	134 227 to 247		
Article 442 (c), (g) and (h)	(EBA) EU CR1 - Credit quality of assets	Table 18	64		20	
Article 453 (a) (e)	(EBA) EU CRC - Qualitative disclosure requirements related to credit risk mitigation techniques	5.5. Credit risk mitigation techniques	60-61	133		
Article 453 (f) and (g)	(EBA) EU CR3 - Credit risk mitigation techniques – Overview	Table 16	62		18	
Article 442 (c)	(EBA) EU CRB-B - Total and average net amount of exposures	Table 19	65			
Article 442 (d)	(EBA) EU CRB-C - Geographical breakdown of exposures	Table 20	66			
Article 442 (e)	(EBA) EU CRB-D - Concentration of exposures by industry or counterparty type	Table 21	67			
Article 442 (f)	(EBA) EU CRB-E - Maturity of exposures	Table 22	68			
Credit risk – Standardized approach						
Article 444 (a) (d)	(EBA) EU CRD - Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk	5.6. Credit risk: standardized approach	69	129		
Article 453 (f) and (g	(EBA) EU CR4 - Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	Table 24	71		21	
Article 444 (e)	(EBA) EU CR5 - EAD by asset class and risk weight	Table 25	71		22	
Credit risk – IRB						
Article 452 (a) (c)	(EBA) EU CRE - Qualitative disclosures related to IRB models	5.7. Credit risk: internal ratings-based approach	72 to 76	128 to 132		
Article 452 (e)(h) and (j)	(EBA) EU CR6 - IRB – Credit risk exposures by portfolio and PD range	Table 31	77 to 80		23 to 26	
Article 453 (g)	(EBA) EU CR7 - Internal rating – Effect on RWA of credit derivatives used as CRM techniques	Table 17	63		19	
Article 92 (3) and 438 (d)	(EBA) EU CR8 - RWA flow statements of credit risk exposures under IRB	Table 30	77		23	
Art. 452 (j)	NX16 - Average weighted PD and average weighted LGD by geography	Table 27	73			

CRR Article	Basel Committee/ EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of registration document	Page of Pillar III report update	Page of registration document update
Counterparty risk						
Article 439 (e), (f) and (i)	(EBA) EU CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach	Table 36	85		29	
Article 439 (e) and (f)	(EBA) EU CCR2 - Credit valuation adjustment (CVA) capital charge	Table 41	91			
Article 444 (e)	(EBA) EU CCR3 - Standardized approach of CCR exposures by regulatory portfolio and risk weight	Table 37	86		30	
Article 452 (e)	(EBA) EU CCR4 - CCR exposures by portfolio and PD scale	Table 38	87 to 89		31 to 33	
	(EBA) EU CCR6 - Credit derivative exposures	Table 39	89		33	
Article 439 (e) and (f)	(EBA) EU CCR8 - Exposures to CCPs	Table 40	90		34	
Securitization						
Article 449	(BCBS) SECA – Qualitative disclosure requirements related to securitization exposures	7.2. Management of risks related to securitization transactions	94-95	139		
	(BCBS) SEC1 - Securitization exposures in the banking book	Table 43	96		35	
	(BCBS) SEC2 - Securitization exposures in the trading book	Table 44	96		35	
	(BCBS) SEC3 - Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	Table 48	98		37	
	(BCBS) SEC4 - Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as investor	Table 49	98		37	
Art. 449 (k)	NX33BIS - Banking book EAD by agency	Table 42	95			

CRR Article	Basel Committee/ EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of registration document	Page of Pillar III report update	Page of registration document update
Market risk						
Art. 445	(EBA) EU MR1 - Market risk own funds requirements	Table 50	104		38	
Article 105 and Article 455 (c)	(EBA) EU MRB A - Qualitative disclosures for banks using the Internal Models Approach (IMA)	8.3 Methodology for measuring market risk	102-103	140 to 142		
Article 455 (a) and (b)	(EBA) EU MRB B - Qualitative disclosures for banks using the Internal Models Approach (IMA)	8.3 Methodology for measuring market risk	102-103	140 to 142		
Article 455 (e)	(EBA) EU MR2 – A - Market risk under internal models approach	Table 53	105		39	
Article 455 (d)	(EBA) EU MR3 – VaR, Stressed VaR and IRC on the regulatory scope	Table 51	104		38	
Article 455 (g)	(EBA) EU MR4 – Backtesting on the regulatory scope	Table 52	105	145	39	
Operational risk						
Article 446	(BCBS) ORA – General qualitative data on operational risk management	10. Operational risk	124 to 127	147 to 150		
	(BCBS) OR1 – Change in operational losses	Table 61	126			
	(BCBS) OR3 – Change in operational losses declared in 2017 - Corep approach	Table 62	126			
Interest rate risk (IRRBB)						
Article 448	(BCBS) Table A – IRRBB management policies and objectives	9.4. Management of structural interest rate risk	117	158		
	(BCBS) Table B – NII sensitivity	Table 58 (IRRBB – Table B)	118	159		
Remuneration						
Article 450	(BCBS) REMA – Remuneration policy	First update of the Pillar III report				

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	Table 30 (EU CR8): RWA flow statements of credit risk exposures under IRB	77		23	
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At-risk exposures	Table 63: Exposure to monoline insurers	140	174	48	72
	Table 64: European RMBS	140	174	48	72
	Table 65: CMBS	140	175	49	72
	Table 66: Exposures to countries subject to a rescue plan	141	175	49	73
Appendices	Appendix 1: Transition from the accounting balance sheet to the regulatory balance sheet at December 31, 2017	150-151		54-55	
	Appendix 2: Issuance of capital instruments at December 31, 2017	152 to 159			
	Appendix 3: Leverage ratio (LR2)	160		56	

8.7 Persons responsible for auditing the financial statements

Persons responsible for auditing the financial statements

Principal Statutory Auditors

- Deloitte & Associés (represented by signatory partners Charlotte Vandeputte and Jean-Marc Mickeler) - 6, place de la Pyramide - 92908 Paris La Défense cedex;
- PriceWaterhouseCoopers Audit (represented by signatory partners Agnès Hussherr and Patrice Morot), 63, rue de Villiers – 92208 Neuilly-sur-Seine Cedex;

Deloitte & Associés, PriceWaterhouseCoopers Audit and Mazars are registered as Statutory Auditors with the « Compagnie Régionale des Commissaires aux Comptes of Versailles » and under the supervision of the « Haut Conseil du Commissariat aux Comptes ».

30, avenue Pierre Mendès France
75013 Paris
Tél. : +33 1 58 32 30 00
www.natixis.com