Public limited company (Société anonyme) with a share capital of €5,044,925,571.20
Registered office: 30 avenue Pierre Mendès France, 75013 Paris
542 044 524 Paris Trade Registry

UNIVERSAL REGISTRATION DOCUMENT
AND HALF-YEAR FINANCIAL REPORT FOR 2019

This Universal Registration Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) as the competent authority designated under EU Regulation 2017/1129 without prior approval in accordance with Article 9 of said regulation.

The Universal Registration Document of Natixis may be used for the purposes of a public offer of securities or admission of securities for trade on a regulated market if supplemented by a securities note and, where applicable, a summary of all amendments to the Universal Registration Document. All these are approved by the AMF in accordance with EU Regulation 2017/1129.

The English language 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, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

NATIXIS
BEYOND BANKING

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UNIVERSAL REGISTRATION DOCUMENT AND HALF-YEAR FINANCIAL REPORT 2019

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The 2018 NatixisRegistrationDocument is available on the website of the French Financial Markets Authority (www.amf-francRegistration.org.com) and on the Natixis website (www.natixis.com).

Under the terms of Annex I of Delegated Regulated 2019/980, the following items are included by reference: the pages mentioned in the cross-reference table below relative to 2018 Registration Document D.19-0154 filed with the French Financial Markets Authority on March 15, 2019.

The information is available on the following link:
https://www.natixis.com/natixis/jcms/ala_5519/en/annual-financial-reports

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In accordance with European Regulation 2017/1129 pertaining to the publication of prospectuses and with Delegated Regulation 2019/980 pertaining to the information contained in prospectuses, the pages mentioned in the above cross-reference table of the Registration Document and Financial Report filed with the AMF on March 15, 2019 under number D.19-0154 are incorporated by reference in this Universal Registration Document

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I PRESS RELEASES SUBSEQUENT TO THE SUBMISSION OF THE 2018 REGISTRATION DOCUMENT ON MARCH 15, 2019

– Press releases on Natixis current events

- Press release April 12, 2019

Diane de Saint Victor appointed Independent Director at Natixis. Henri Proglio appointed Non-Voting Director at Natixis

The Natixis Board of Directors met on April 4 and appointed as Independent Director, Diane de Saint Victor, Company Secretary & General Counsel and member of the Executive Committee of ABB Ltd Group. She replaces Henri Proglio, Chairman of SAS Henri Proglio Consulting, who was appointed Non-Voting Director at the same board meeting.

Diane de Saint Victor is a trained lawyer. She began her career in 1977 as Counsel at Lyon-Caen & Thiriez before joining Thales and then General Electric in France and the US. She held various legal positions at these companies. In 1993, she moved to Honeywell International where she was Vice President & General Counsel Europe and then International in various countries for ten years. From 2004 to 2006, she was Senior Vice President and General Counsel of EADS / Airbus Group in France. Since 2007, Diane has served as Company Secretary, General Counsel and member of the Executive Committee of ABB Ltd Group at the Company headquarters in Zürich (Switzerland). From 2013 to 2017, Diane was Non-Executive Director at Barclays.

Henri Proglio was CEO of EDF from 2009 to 2014 and has been Honorary Chairman since 2015. He is currently Chairman of SAS Henri Proglio Consulting. Henri Proglio was an Independent Director at Natixis between 2006 and 2018 and remains on the Natixis Board of Directors as a Non-Voting Director.

- Press release May 9, 2019

Natixis Investment Managers and Fiera Capital Form Strategic Partnership

FIERA CAPITAL'S PREMIER INDEPENDENT CANADIAN DISTRIBUTION PLATFORM TO BE ENHANCED WITH ACCESS TO NATIXIS' GLOBAL ACTIVE INVESTMENT STRATEGIES

- Long-term agreement establishes Fiera Capital as Natixis' preferred distributor in Canada
- Natixis to acquire an 11.0% stake in Fiera Capital for C$128.16 million
- Fiera Capital intends to repurchase for cancellation 2.45 million Fiera Class A Shares from National Bank of Canada
- Natixis Investment Managers CEO Jean Raby to join Board of Fiera Capital

Fiera Capital Corporation ("Fiera Capital") (TSX: FSZ) and Natixis Investment Managers ("Natixis") today announced they have entered into a long-term strategic partnership that will establish Fiera Capital as Natixis' preferred Canadian distribution platform, giving Fiera Capital's clients access to Natixis' wide range of highly active investment strategies. As part of the agreement, Natixis has strengthened its commitment to the Canadian market through the acquisition of an 11.0% stake in Fiera Capital (limited impact on Natixis' CET1 ratio), and Natixis Investments Managers' CEO, Jean Raby, will join Fiera Capital's board of directors.

The partnership between Fiera Capital and Natixis includes:

- the acquisition by Natixis of a total of 10.68 million Class A subordinate voting shares of Fiera Capital (the "Fiera Class A Shares") from a wholly-owned subsidiary of National Bank of Canada ("NBC"), and DJM Capital, an entity controlled by Jean-Guy Desjardins ("DJM Capital"), for a total consideration of C$128.16 million ("Natixis Share Acquisition");

- a long-term distribution agreement under the terms of which Fiera Capital will become Natixis' preferred Canadian distributor for its investment strategies and products, and Natixis is able to offer its international clients complementary Fiera Capital investment strategies through its Dynamic Solutions platform;
- a purchase agreement pursuant to which Fiera Capital will acquire Natixis' Canadian operations (the "Natixis Canada Transaction").

Fiera Capital also intends to repurchase for cancellation 2.45 million Fiera Class A Shares from a wholly-owned subsidiary of NBC for a total consideration of C$29.40 million (the "Share Repurchase"). Closing and settlement of the Natixis Share Acquisition and of the Share Repurchase is expected to occur concurrently on May 9, 2019.

"This partnership with Natixis will further strengthen Fiera Capital's global leadership position as we continue to execute on our 2022 strategic plan to become one of the top 100 asset managers in the world," said Jean-Guy Desjardins, Chairman and CEO, Fiera Capital. "We are excited to offer Natixis' highly rated active global investment strategies to our Canadian client base and to establish a long-term partnership with a global player with C$1.2 trillion AUM and a presence in 38 countries."

"We are pleased to expand our commitment to the Canadian market by establishing this long-term partnership with one of its premier asset managers, Fiera Capital," said Jean Raby, CEO of Natixis Investment Managers. "Fiera Capital has an experienced team, a strong track record and a leading distribution network in Canada, and this partnership will enable both firms to better serve our clients by offering a broader range of active investment strategies."

"Our relationship with Fiera remains strong, and Fiera continues to be a key provider of asset management services to us. We recently agreed to extend that relationship for a further three-year period. We look forward to continuing to work with their management team," said Louis Vachon, CEO, National Bank of Canada.

"The long-term distribution agreement with Natixis marks a major milestone for Fiera Capital and is a testament to our leadership in Canada and our growing presence worldwide. Furthermore, our distribution agreement will provide Fiera Capital clients with an expanded suite of investment strategies and offers the potential for international growth through Natixis' Dynamic Solutions offering," said Vincent Duhamel, Global President and COO, Fiera Capital.

- **Press release May 9, 2019**

Natixis to expand its global M&A advisory network through strategic investment in Azure Capital

Natixis and Azure Capital ("Azure") announce today that they have entered into an agreement under which Natixis will invest in a majority stake of Azure. The investment is expected to be completed by the end of the second quarter of 2019. Azure will continue to be managed by its current leadership team.

Established in 2004, Azure Capital is one of Western Australia's leading boutique M&A advisory firms, with a track record advising prominent domestic and international companies. It is focused on the sectors of energy & natural resources – notably mining, mining services and oil & gas – and infrastructure. Counting 28 employees, including 8 partners, Azure has one of the largest teams of corporate finance professionals covering the Western Australian market. Its senior team has extensive experience across a wide range of industries, transaction types and sizes.

Natixis has had a presence in Australia since 2007 and counts energy & natural resources and infrastructure among its key areas of expertise in the country. These are two of the four sectors in which Natixis aims under its 2018-20 strategic plan, New Dimension, to become the "go-to" bank for its clients by enhancing its advisory capabilities to complement its longstanding financing expertise. As part of this strategy, Natixis has established a global network of M&A partners, of which Azure will become the seventh member following the completion of the investment. The partnership will allow Azure to draw on Natixis' resources and global presence to drive its development and enhance its offering to clients.

Adrian Arundell, Joint Managing Partner, Azure Capital said: “We are pleased to welcome Natixis as a strategic partner to Azure Capital. Its values, and its business focus on deep sector and advisory expertise, are a unique fit with our own. The opportunity to become part of this multi-boutique global network whilst retaining our independence and autonomy is a powerful proposition for our clients and staff.”

Simon Price, Joint Managing Partner, Azure capital said: “Azure Capital is excited to be joining Natixis’ global network of M&A boutique advisers. The six existing members are all leading advisers in their relevant geographies and fields providing us with significant exposure to global opportunities. The partnership also provides strong domestic opportunities for our clients with Azure Capital planning to open an office in Sydney in the next few months.”

François Riahi, Chief Executive Officer of Natixis, said: “I am delighted to welcome Azure Capital into our global M&A network, which now spans Europe, the Americas and Asia Pacific. Our unique M&A model is designed to combine the strength of Natixis with the entrepreneurship of our boutiques and is an important pillar in our strategy of enhancing the diversification, specialization and agility of our business for the benefits of our clients.”

Marc Vincent, Global Head of Corporate & Investment Banking, Natixis, said: “Our investment in Azure Capital complements our already thriving business in Australia and allows us to enhance our offer to our clients with interests in the country. It also marks an important sectorial and geographical addition to our existing global M&A network, increasing the web of connections and ideas that Natixis and its partners can develop for clients globally.”

- **Press release May 28, 2019**

Daniel de Beaurepaire appointed member of the Natixis Board of Directors

Daniel de Beaurepaire, chairman of the Steering & Supervisory Board at Caisse d'Epargne Île-de-France, was appointed as a member of the Natixis Board of Directors during the Natixis shareholders meeting held today, 28 May 2019, replacing Philippe Sueur.

Daniel de Beaurepaire started his career in 1978 at audit firm Deloitte, where he was appointed partner in 1985. In 1996 he joined audit firm International Audit Company and became chairman in 2005, then accounting firm GEA Conseil where he became co-manager. In 2010, he also became co-manager of accounting and audit firm GEA Finances. Daniel de Beaurepaire was chairman of Locale d’Epargne PME Professionnels from 2009 to 2012, then director at Locale Epargne Economie sociale et d’Entreprise from 2013 to 2014.

In 2015 he was appointed chairman of Société Locale d'Epargne Paris Ouest as well as member of the Caisse d'Epargne Île-de-France Steering & Supervisory Board. In April 2017 he was appointed chairman of the Caisse d'Epargne Île-de-France Steering & Supervisory Board.

Daniel de Beaurepaire is a graduate of ESC Rouen and is a certified chartered accountant and auditor.

- **Press release June 4, 2019**

Groupe BPCE and La Banque Postale enter into discussions aimed at deepening and expanding their business partnership

In the context of the creation of a major state-owned alliance in the bancassurance sector, Groupe BPCE and La Banque Postale have agreed on the principles of an enhanced business partnership.

This partnership would have various aspects, including the contemplated combination of the mainly insurance-related euro fixed-income management activities, of Ostrum AM and LBPAM, within a shared platform that would be controlled by Natixis IM with a balanced governance structure, notably guaranteeing the pooling of IT tools and the rights of each party with respect to these IT tools. All LBPAM's assets would continue to be managed in line with its SRI standards. La Banque Postale would continue to hold a majority controlling stake in LBPAM.

The contemplated combination follows on from the partnership between BPCE and LBP regarding real-estate asset management implemented in 2016 through the combination of Ciloger and AEW. The contemplated combination would enable the creation of a European leader with the objective of maintaining 100% of socially responsible investing (SRI), with more than €400 billion of assets under management for the benefit of major institutional clients, among which CNP Assurances would be one of the most important.

In order to strengthen the multiple partnership structure of CNP, which is key to BPCE and LBP, BPCE is contemplating extending, effective as of January 1st 2020, the expiration date of the current agreements entered into in 2015 between BPCE/Natixis and CNP (borrowers insurance (ADE), collective savings and health products, among others) and to postpone it from December 31st 2022, its current date, to December 31st 2030, along with the agreement of CNP to anticipate as from January 1st 2020 the changing of ADE coinsurance allocation to 50-50%.

Concomitantly with the implementation of the combination between CNP Assurances and LBP, BPCE and LBP would enter into a new shareholders' agreement in their capacity as stable shareholders of CNP Assurances. BPCE would remain represented in the Board of Directors of CNP Assurances and in various Board Committees, in line with its current participation in CNP Assurances governance bodies.

BPCE, Natixis, LBP and CNP will pursue their discussions in the following weeks on the various aspects of this enhanced partnership project in order to stabilize the main terms and conditions that will be publicly released in due time after presentation to the relevant governance bodies of the entities involved in this project. The information and consultation procedures of the relevant employee representative bodies would be completed before entering into any binding agreement regarding this project.

- **Press release June 20, 2019**

Natixis statement

Information has been published in the press concerning some of the investments of H2O Asset Management, one of the affiliates of Natixis Investment Managers.
This information, which has been transparently disclosed by H2O, has led to the suspension of the rating of one of the funds of H2O by Morningstar, which noted the risk of a potential conflict of interest which is groundless. These elements have absolutely no impact on the liquidity and performance of H2O's funds.
H2O will communicate shortly in detail to address all the questions raised by the publication of these elements.

- **Press release June 24, 2019**

Natixis supports the measures announced by H2O Asset Management and confirms the principles of its multi-affiliates model

Following the information released on 20th June 2019 by Natixis and H2O Asset Management and the statements of H2O Asset Management made earlier today, Natixis today provides the following additional information.

1. **Natixis supports the measures announced by H2O Asset Management relating to the following topics:**

Intrinsic liquidity of securities

Regarding the intrinsic liquidity of securities that have been considered as illiquid, H2O AM teams have continued to adopt the required measures in order to fully ensure their valuation in regards of their condition of liquidity.

The relevant assets are private debt securities relating to a wide variety of companies, none of which are currently in a default situation. However, considering the current environment, the H2O AM teams have decided to record these securities at their transactional value in case of an immediate total sale rather than recording them at their standard market value, it being specified that their transactional value has been determined with valuations obtained this Sunday from international banks which are independent from Natixis. Such securities represent a total exposure for H2O funds of less than 2% of the outstanding amounts under these funds (source H2O AM). This will enable remaining clients and new investors to retrieve the long-term value of their securities.

The liquidity of the securities is ensured and will allow to face potential additional withdrawals, if some clients decide to partially sell their funds due to a concern about the media coverage associated with these securities. In addition, the long-term performance drivers of H2O funds, which have been proven over numerous years to the benefit of our clients, remain unaffected as they are not related to this type of investment (see detailed press release of H2O AM dated 20 June 2019).

Removal of entrance fees

H2O AM has announced the removal until further notice of all the entrance fees that had been implemented several months ago in all their funds.

Additionally, H2O AM has announced the implementation, in 2017, of swing pricing rules with a view to protecting the security holders remaining in the funds from the payment of fees incurred by investor exits. Such fees will therefore be borne by those investors requesting the buyback of their securities.

2. Natixis confirms the principles of its multi-affiliates model for asset management

Natixis' asset management model relies on 25 management companies, all of which are independent from each other, autonomous in their investment policy and rely on talented investment managers. Natixis Investment Managers provides a global distribution platform for the benefit of all its affiliates and, in particular, monitors the control and compliance functions.
In the context of restoring confidence in H2O Asset Management, Natixis has also decided to bring forward the periodic audit performed on this affiliate, by implementing it as of 21 June 2019. By way of reminder, the General Inspection of the bank performs an audit of all the affiliates of Natixis Investment Managers on a regular basis.

As of 31 March 2019, the assets under management by our 25 affiliates are equal to 855 billion euros. The differences in the management approach of each of these affiliates enable to offer a wide range of products in order to satisfy a customer base which is diverse in terms of geography and risk appetite.

As of 31 March 2019, H2O Asset Management has approximately 31 billion euros of assets under management for a wide customer base. Natixis has 20 million euros of seed money from Atlantera funds and a commitment of 25 million euros from a fund which is in the process of being constituted. H2O Asset Management represents approximately 3.7% of the assets managed by Natixis Investment Managers and its contribution to the net group income of Natixis reached 5% in 2017, 11% in 2018 and 6% in the first quarter of 2019 (excluding IFRIC 21 impact). It is reminded that the contribution for 2018 included approximately 420 million euros of performance fees, corresponding to 13% of the 2018 asset management revenues, versus a long-term average of approximately 7% which is used as a basis for Natixis New Dimension targets.

- **Press release July 22, 2019**

Natixis statement regarding Coface

Natixis states that, as previously indicated, its investment in Coface is financial in nature and not strategic. In this context, Natixis regularly explores options for its holding in this asset. Nonetheless, there is currently no discussion underway likely to give rise to the submission of an offer for this holding.

- **Press release July 26, 2019**

The discussions between Groupe BPCE and La Banque Postale, aiming at deepening and expanding their business partnership, have reached a new milestone

Following the announcement of 4 June, Groupe BPCE and La Banque Postale continued their discussions making a significant step forward by setting the main principles of the expanded business partnership between the two groups.

Combination of the asset management activities

The main principles of the contemplated combination of the Ostrum AM and La Banque Postale Asset Management (LBPAM) have now been agreed.

The contemplated combination aims at creating a European asset manager focused on insurance-related euro fixed-income management activities, with the ambition to be 100% compliant with socially responsible investing (SRI) principles. The asset management activities contributed by LBPAM would continue to be carried out in line with its own SRI standards. The combined entity, which will benefit from a cutting-edge technology and operating platform, will be able to offer quality services to the two groups' large long-term insurance partners as well as third-party insurance clients. With more than €400bn assets under management, it would become one of the largest European players.

This long-term partnership would be organised around a joint venture with a balanced governance structure, in which Natixis Investment Managers will be a majority shareholder along with LBPAM, which itself will remain majority-owned by La Banque Postale.

Natixis Investment Managers and La Banque Postale Asset Management will pursue their discussions further. The objective is to reach a binding agreement in Q1 2020, after completion of the information and consultation procedures with the staff representative bodies of the respective entities. The completion of the transaction is subject to the usual condition's precedent to this type of transaction, notably obtaining the regulatory authorisations of the competent authorities, expected by first half 2020.

Agreements with CNP Assurances

Groupe BPCE and CNP Assurances have agreed to extend, as of 1 January 2020, the agreements entered into in 2015 between BPCE/Natixis and CNP Assurances (ADE, collective savings and health products, in particular) from 31 December 2022 to 31 December 2030.

Also starting from 1 January 2020, the change in the ADE (credit insurance) coinsurance allocation to 50-50% between Natixis Assurances (ABP Vie and ABP Prévoyance) and CNP Assurances would become effective.

This project to extend the historical agreements, which would support the multistakeholder model of CNP Assurances, was presented to the Board of Directors of CNP Assurances on this day and was positively received. The aim is to sign the respective amendments by the end of 2019.

Shareholders’ agreement concerning CNP Assurances

Concomitantly with the combination of CNP Assurances and La Banque Postale scheduled for Q1 2020 and following the termination on 26 June by La Banque Postale of the current shareholders’ agreement relating to CNP Assurances that expires next 31 December, BPCE and La Banque Postale would enter into a new shareholders’ agreement in their capacity as shareholders of CNP Assurances, holding respective stakes of 16.11% and 62.13%. This new shareholders’ agreement would be in force until end-2030.

BPCE would thus remain represented in the Board of Directors of CNP Assurances and its specific committees.

– **Press release of August 1st, 2019 – Natixis 2Q19 Results**

2Q19 results

A well-balanced business model to navigate the current environment

Reported net income at €346m in 2Q19 and €1.1bn in 1H19

Financial strength with a Basel 3 fully-loaded CET1 ratio[1] at 11.5%, well above our 2020 target (11%)

STRENGTH OF A DIVERSIFIED BUSINESS MODEL

2Q19 UNDERLYING NET REVENUES[2] AT €2.3BN, STABLE VS. A RECORD 2Q18

AWM: Strong net revenue growth and positive net inflows in the US notably

Strength of our active asset management model with underlying net revenues[2] up +11% YoY in 2Q19 (+4% in 1H19)
in part driven by high levels of performance fees that reached €138m this quarter (€171m in 1H19)

Demonstration of the strength of the multiboutique model with €(2)bn net outflows on LT products despite €(6)bn net outflows at H_2O. More than +€3bn net inflows on LT products across other affiliates, of which +€2bn in the US

The average fee rate remains in line with the New Dimension target at ~30bps

Strong AuM growth of +5% over the quarter to reach €898bn, including WCM

Projected partnership between Ostrum AM and LBP AM to create a key player in life insurance asset management

CIB: Revenue diversification and tight cost control to create value despite an elevated cost of risk due to a large single file

Underlying net revenues[2] down YoY in 2Q19 with a high base effect in Global finance. Resilience of Global markets activities with revenues up QoQ and FIC-T also up YoY. Growth from IB/M&A and our *Green & Sustainable Hub*

Strict cost control, down -7% YoY at constant exchange rate in 2Q19

Cost of risk elevated this quarter driven by a large single file

Underlying RoE[2] at 9.3% in 2Q19 and 11.7% with a normalized cost of risk of 30bps

Insurance: Sustained growth and profitability

Underlying net revenues[2] up +7% YoY with a positive jaws effect both in 2Q19 and 1H19

Underlying RoE[2] >30% in 1H19, in line with the New Dimension 2020 target

Payments: Continued growth dynamic

Underlying net revenues[2] up +10% YoY with a positive jaws effect both in 2Q19 and 1H19

Increase in business volumes from Dalenys & PayPlug, up more than +20%

SUSTAINABLE VALUE CREATION AND FINANCIAL STRENGTH

Organic capital creation of 38bps in 2Q19. **Basel 3 FL CET1 ratio[1]** at 11.5% as at June 30, 2019, well above our 2020 target (11%)

Underlying net income[2] at €363m in 2Q19 and €555m in 1H19, despite an elevated cost of risk (63bps in 2Q19 and 43bps in 1H19)

Underlying RoTE[2] at 9.6% in 2Q19 and 10.8% with a normalized cost of risk of 30bps

Underlying RoTE[2] adjusted[3] at 12.8% over New Dimension as at June 30, 2019

FOCUS ON THE IMPLEMENTATION OF OUR 2020 AMBITIONS

François Riahi, Natixis Chief Executive Officer, said: "*Natixis recorded solid results across all its businesses in the second quarter of 2019. Our diversified and balanced business model proves, once again, its worth in an uncertain economic environment. In Asset & Wealth Management our multi-boutique model demonstrated its robustness. Revenues and assets under management both continued to rise despite outflows at H_2O and with net flows in the United States turning back positive. We also announced our ambition to create a 100% SRI-compliant European leader in insurance-related fixed income asset management with La Banque Postale. In Corporate & Investment Banking, we enjoyed sustained performances, including in our capital markets activities despite a less favorable environment than last year to which we notably adapt through tighter cost control. In Insurance and Payments, we continued to combine strong growth with a positive jaws effect. We further bolstered our capital position with our CET1 standing at 11.5%, above our 2020 objective*."

Figures restated as communicated on April 11, 2019 following the disposal of the retail banking activities. See page 13 for the reconciliation of the restated figures with the accounting view [1] See note on methodology [2] Excluding exceptional items. Excluding exceptional items and excluding IFRIC 21 for cost/income, RoE and RoTE (see note on methodology) [3] Adjusting for the non-recurring impact on 4Q18 revenues from Asian equity derivatives and a 30bps normalized cost of risk in 2Q19, net of tax

2Q19 RESULTS

On August 1, 2019, the Board of Directors examined Natixis' second quarter 2019 results.

€m	2Q19 reported	2Q18 restated	2Q19 o/w underlying	2Q18 o/w underlying	2Q19 vs. 2Q18 restated	2Q19 vs. 2Q18 underlying
Net revenues	**2,282**	**2,360**	**2,297**	**2,305**	*(3)%*	*0%*
o/w businesses	*2,091*	*2,106*	*2,091*	*2,106*	*(1)%*	*(1)%*
Expenses	(1,577)	(1,528)	(1,566)	(1,514)	*3%*	*3%*
Gross operating income	**705**	**832**	**730**	**791**	*(15)%*	*(8)%*
Provision for credit losses	(110)	(41)	(110)	(41)		
Net operating income	**595**	**791**	**620**	**750**	*(25)%*	*(17)%*
Associates and other items	7	7	7	7		
Pre-tax profit	**602**	**798**	**627**	**757**	*(25)%*	*(17)%*
Income tax	(164)	(234)	(172)	(220)		
Minority interests	(92)	(57)	(93)	(56)		
Net income - group share	**346**	**507**	**363**	**481**	*(32)%*	*(25)%*

Natixis' underlying net revenues are stable vs. a historically high 2Q18 with AWM up +11%, Payments up +10% YoY and Insurance up +7% YoY. Within CIB, Investment banking/M&A up +5% YoY and good resilience for Global markets (-5% YoY excl. CVA/DVA), offsetting Global finance evolution set against a 2Q18 historically high performance.

Underlying expenses are well under control and up +1% YoY at constant exchange rate, in part reflecting the strong top-line performance across AWM, Insurance and Payments. CIB costs down -7% YoY at constant exchange rate. **The underlying cost/income ratio**[1] is at 70.5%, up +250bps vs. 2Q18.

The underlying loan loss provisioning increased above its normalized level this quarter, mainly driven by a large single file in France. Expressed in basis points of loans outstanding (excluding credit institutions), **the businesses' underlying cost of risk** worked out to 63bps in 2Q19 vs. a normalized level of ~30bps.

Underlying tax rate at ~28% in 2Q19. YoY increase in minority interests on the back of a higher performance from some European AM affiliates and Coface.

Net income (group share), adjusted for IFRIC 21 and excluding exceptional items reached €315m in 2Q19. Accounting for exceptional items (-€17m net of tax in 2Q19) and IFRIC 21 impact (+€47m in 2Q19), the reported net income (group share) in 2Q19 is at €346m.

Businesses' underlying RoE[1] reached 12.6% in 2Q19 and 13.9% under a normalized[2] cost of risk.

Natixis' underlying RoTE[1] reached 9.6% in 2Q19 excl. IFRIC 21 and 10.8% under a normalized[2] cost of risk.

[1] See note on methodology. Excluding exceptional items and excluding IFRIC 21 [2] Normalizing the 2Q19 cost of risk at 30bps

1H19 RESULTS[1]

€m	1H19 restated	1H18 restated	1H19 o/w underlying	1H18 o/w underlying	*1H19 vs. 1H18 restated*	*1H19 vs. 1H18 underlying*
Net revenues	**4,414**	**4,553**	**4,410**	**4,526**	***(3)%***	***(3)%***
o/w businesses	*3,992*	*4,146*	*3,992*	*4,146*	*(4)%*	*(4)%*
Expenses	(3,297)	(3,202)	(3,269)	(3,173)	*3%*	*3%*
Gross operating income	**1,117**	**1,350**	**1,141**	**1,353**	***(17)%***	***(16)%***
Provision for credit losses	(141)	(77)	(141)	(77)		
Net operating income	**976**	**1,273**	**1,000**	**1,276**	***(23)%***	***(22)%***
Associates and other items	692	20	9	20		
Pre-tax profit	**1,668**	**1,293**	**1,009**	**1,295**	***29%***	***(22)%***
Income tax	(379)	(409)	(308)	(410)		
Minority interests	(178)	(117)	(145)	(117)		
Net income - group share	**1,110**	**767**	**555**	**769**	***45%***	***(28)%***

Natixis' underlying net revenues are higher or stable vs. 1H18 for the vast majority of the businesses with Payments up +10% YoY, Insurance up +7% YoY, AWM up +4% YoY and IB/M&A up +6% YoY. 1H19 revenue evolution to be put in the context of a historically high 1H18, in particular 1Q18 for Global markets and 2Q18 for Global finance.

Underlying expenses are well under control and up +1% YoY at constant exchange rate reflecting solid revenue growth across most businesses, investments being made (e.g. strategic projects, support functions) and the increase in the SRF contribution. CIB costs down -3% YoY at constant exchange rate. **The underlying cost/income ratio**[2] is at 71.7%, up +390bps vs. 1H18.

The underlying loan loss provisioning almost doubled vs. 1H18 on the back of a large single file impact in 2Q19 and is thus not representative of the normalized cost of risk. Expressed in basis points of loans outstanding (excluding credit institutions), **the businesses' underlying cost of risk** worked out to 43bps in 1H19.

Underlying tax rate at ~31% in 1H19 due to the non-deductibility of the SRF contribution in 1Q. Guidance maintained at <30% for 2019.

Net income (group share), adjusted for IFRIC 21 and excluding exceptional items reached €650m in 1H19. Accounting for exceptional items (+€555m net of tax in 1H19) and IFRIC 21 impact (-€95m in 1H19), the reported net income (group share) in 1H19 is at €1,110m.

Businesses' underlying RoE[2] reached 12.5% in 1H19 and 12.9% under a normalized cost of risk[3].

Natixis' underlying RoTE[2] reached 9.9% in 1H19 excl. IFRIC 21 and 10.3% under a normalized cost of risk[3].

[1] Figures restated as communicated on April 11, 2019 following the disposal of the retail banking activities. See page 13 for the reconciliation of the restated figures with the accounting view [2] See note on methodology. Excluding exceptional items and excluding IFRIC 21 [3] Normalizing the 1H19 cost of risk at 30bps

2Q19 & 1H19 RESULTS
Exceptional items

€m		2Q19	2Q18	1H19	1H18
Exchange rate fluctuations on DSN in currencies *(Net revenues)*	*Corporate center*	(15)	55	4	27
Transformation & Business Efficiency Investment costs (*Expenses*)	*Business lines & Corporate center*	(10)	(18)	(26)	(30)
Fit to Win investments & restructuring expenses *(Expenses)*	*Corporate center*	(1)	4	(1)	1
Disposal of subsidiary in Brazil *(Gain or loss on other assets)*	*CIB*	0	0	(15)	0
Capital gain - Disposal of retail activities *(Gain or loss on other assets)*	*Corporate center*	0	0	697	0
Total impact on income tax		8	(14)	(71)	1
Total impact on minority interests		0	(1)	(33)	(1)
Total impact on net income (gs)		**(17)**	**25**	**555**	**(2)**

€586m positive net impact from the disposal of the retail banking activities in 1Q19: €697m capital gain minus €78m income tax minus €33m minority interests

TRANSFORMATION & BUSINESS EFFICIENCY
Investment costs by reporting line

€m	2Q19	2Q18	1H19	1H18
AWM	(0)	(1)	(5)	(1)
CIB	(3)	(3)	(6)	(4)
Insurance	(2)	(1)	(2)	(1)
Payments	(0)	(1)	(0)	(1)
Financial Investments	0	0	0	0
Corporate center	(5)	(13)	(13)	(23)
Impact on expenses	**(10)**	**(18)**	**(26)**	**(30)**

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p4)

Asset & Wealth Management

€m	2Q19	2Q18	2Q19 vs. 2Q18	1H19	1H18	1H19 vs. 1H18	1H19 vs. 1H18 constant FX
Net revenues	**932**	**842**	***11%***	**1,705**	**1,641**	***4%***	***0%***
o/w Asset Management[1]	*900*	*805*	*12%*	*1,642*	*1,567*	*5%*	*1%*
o/w Wealth management	*32*	*37*	*(12)%*	*63*	*74*	*(14)%*	*(14)%*
Expenses	(605)	(568)	*7%*	(1,158)	(1,116)	*4%*	*0%*
Gross operating income	**327**	**274**	***19%***	**547**	**525**	***4%***	***1%***
Provision for credit losses	(2)	(1)		(1)	(1)		
Associates and other items	(2)	(2)		(4)	(2)		
Pre-tax profit	**323**	**270**	***20%***	**542**	**521**	***4%***	
Cost/income ratio[2]	*65.1%*	*67.7%*	*-2.6pp*	*67.8%*	*67.8%*	*-0.0pp*	
RoE after tax[2]	15.0%	15.2%	*-0.2pp*	13.5%	14.6%	*-1.1pp*	

Underlying net revenues from Asset & Wealth Management (AWM) are up +11% YoY in 2Q19 on a high 2Q18. Net revenues growth even excluding performance fees, illustrating the resilience of our active multi-boutique model. **Asset management** (excl. Employee savings plan) underlying net revenues excl. performance fees down -4% YoY in North America (€384m) and up + 9% in Europe (€208m) in 2Q19 (-5% at €756m and +11% at €378m in 1H19 for North America and Europe respectively). **Wealth management** net revenues are down -€5m YoY in 2Q19 mainly due to the perimeter effect from the disposal of Selection 1818 finalized in 4Q18.

The Asset management overall fee rate excluding performance fees is at 30bps in 2Q19, flat QoQ and in line with the New Dimension target. In Europe, 16.5bps (+0.5bps QoQ) and 28.6bps excl. Life Insurance General Accounts (+1.1bps QoQ). In North America, 38bps (flat QoQ). **Performance fees** reached €138m in 2Q19 and €171m in 1H19 (~11% of AM revenues vs. ~13% FY18) mainly driven by H2O and AEW.

Asset management net inflows on LT products reached >€3bn in 2Q19 excluding H2O illustrating the diversity of the multi-boutique model with, notably, a rebound in the US. H2O AuM at €26bn as at end-June, above its end-June 2018 level. H2O fund flows have normalized quickly - positive net inflows in July. In Europe, ~€1bn net inflows on LT products (excl. H2O) in 2Q19 mainly driven by Fixed income, ESG and Real asset strategies. Net outflows on money market funds (~€4bn) in part driven by corporates' semester-end. In North America, ~€2bn net inflows on LT products in 2Q19 primarily driven by Fixed income and *growth* Equity strategies. Good momentum for Loomis.

Asset management AuM reached €898bn as at June 30, 2019 and are up +5% QoQ. Positive FX and perimeter effect of €27bn (mainly driven by the acquisition of a stake in WCM) and positive market effect of +€22bn in 2Q19. **Wealth management AuM** reached €30.0bn as at June 30, 2019 including Massena Partners (acquisition finalized end of June) and with €0.3bn positive net inflows.

Underlying expenses up +3% YoY at constant exchange rate in 2Q19 reflecting investments being made in new initiatives and digitalization as well as MIFID 2 impact.

The underlying RoE[2] reached 15.0% in 2Q19 and 13.5% in 1H19.

[1] Asset management including Private equity and Employee savings plan [2] See note on methodology. Excluding exceptional items and excluding IFRIC 21

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p4)

Corporate & Investment Banking

€m	2Q19	2Q18	2Q19 vs. 2Q18	1H19	1H18	1H19 vs. 1H18	1H19 vs. 1H18 constant FX
Net revenues	**847**	**976**	***(13)%***	**1,654**	**1,920**	***(14)%***	***(16)%***
Net revenues excl. CVA/DVA/Other	*844*	*922*	*(9)%*	*1,644*	*1,872*	*(12)%*	*(15)%*
Expenses	(520)	(548)	*(5)%*	(1,099)	(1,113)	*(1)%*	*(3)%*
Gross operating income	**327**	**428**	***(24)%***	**554**	**807**	***(31)%***	***(34)%***
Provision for credit losses	(104)	(37)		(134)	(68)		
Associates and other items	3	3		6	9		
Pre-tax profit	**225**	**393**	***(43)%***	**426**	**748**	***(43)%***	
Cost/income ratio[1]	*62.4%*	*56.9%*	*+5.5pp*	*65.5%*	*57.2%*	*+8.3pp*	
RoE after tax[1]	*9.3%*	*17.3%*	*-8.0pp*	*9.5%*	*17.2%*	*-7.7pp*	

Underlying net revenues are down high-single digit in 2Q19 excl. CVA/DVA and Other. Revenue evolution largely driven by a high base effect for Global finance activities with a historically high 2Q18. Continued growth in Investment banking/M&A and resilient Global markets in 2Q19 with solid performances across the Americas and EMEA (excl. France) platforms. Increased revenue diversification and robust pipeline built up for 2H19 especially on our key sectors and Investment banking/M&A.

Global markets net revenues excl. CVA/DVA significantly up QoQ in 2Q19 and slightly down YoY. 1H19 revenue evolution reflecting a high base, especially in 1Q18. **FICT** net revenues up +2% YoY in 2Q19 with maintained high selectivity on profitable deals. Continued good performance in Credit especially in the US and revenues picking up in Rates, despite challenging market conditions and the lack of jumbo transactions. Less favorable environment for FX, notably due to the lack of volatility on major currencies. **Equity** net revenues excluding cash equity down -16% YoY in 2Q19 (high 2Q18) with a solid recovery post 4Q18 and remaining close to 1Q19 levels. Increased diversification while continuing to bring innovative solutions to address clients' needs. **Global finance** net revenues down YoY due to the base effect from a historically high 2Q18, especially on Aviation and US Real estate. Sustained 2Q19 activity in Energy & Natural Resources as well as in Europe Real estate. **Robust new loan production**, up +36% QoQ although down YoY (base effect). Solid origination levels for Europe Real estate and ASF. **Distribution rate on Real Assets** at ~62% in 1H19. **Investment banking and M&A** net revenues up +5% YoY in 2Q19 (+6% in 1H19), in part driven by *Green & Sustainable* initiatives and including a good performance both in ECM and DCM. Sustained M&A activity in 2Q19 with a good contribution from PJ Solomon in the US. **Proportion of revenues generated from service fees** at ~38% in 2Q19 and ~40% in 1H19[2].

Underlying expenses are well under control and down -7% YoY at constant exchange rate in 2Q19 reflecting lower variable costs and ongoing efforts to improve efficiency despite investments being made to develop our sectorial approach as well as control functions.

Underlying cost of risk above its normalized level of ~30bps due to a large single file in France in 2Q19.

Underlying RoE[1] of 9.3% in 2Q19 and 9.5% in 1H19. Normalizing for the cost of risk[3], the 2Q19 RoE would have reached 11.7% (10.4% in 1H19). **RWA** are well under control, down -1% QoQ. **Acquisition of Azure Capital Limited** in Australia finalized in June to complement the international network of M&A boutiques and already bringing new mandates.

[1] See note on methodology. Excluding exceptional items and excluding IFRIC 21 [2] ENR, Real Assets, ASF [3] Normalizing the cost of risk at 30bps

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p4)

Insurance

€m	2Q19	2Q18	*2Q19 vs. 2Q18*	1H19	1H18	*1H19 vs. 1H18*
Net revenues	**207**	**193**	***7%***	**425**	**397**	***7%***
Expenses	(114)	(107)	*6%*	(239)	(225)	*6%*
Gross operating income	**93**	85	***9%***	**186**	**171**	***9%***
Provision for credit losses	0	0		0	0	
Associates and other items	5	0		5	3	
Pre-tax profit	**98**	**86**	***15%***	**192**	**175**	***10%***
Cost/income ratio[1]	*56.9%*	*58.1%*	*-1.2pp*	*54.2%*	*54.4%*	*-0.2pp*
RoE after tax[1]	*27.7%*	*25.2%*	*+2.5pp*	*30.4%*	*29.1%*	*+1.3pp*

Banking view

Underlying net revenues up +7% YoY both in 2Q19 and 1H19 with growth across the board.

Underlying expenses up +6% YoY both in 2Q19 and 1H19, translating into a positive jaws effect and an **underlying cost/income ratio[1]** improvement, in line with the 2020 target of ~54%.

Underlying gross operating income up +9% YoY both in 2Q19 and 1H19.

Underlying RoE[1] continued progression, above 30% in 1H19 which is the target set for New Dimension by 2020

Insurance view

Global turnover[2] reached €3.3bn in 2Q19, up +10% YoY (+2% in 1H19 at €6.7bn).

Life and Personal protection: €2.9bn earned premiums[2] in 2Q19, up +11% YoY.

- **Total AuM[2]** at €65.0bn as at end-June 2019, up +3% QoQ and +8% YTD, driven by €1.6bn of net inflows[2] in 2Q19 (€3.4bn YTD).
- **Unit-linked AuM[2]** at €15.9bn as at end-June 2019, up +5% QoQ and +13% YTD, driven by €0.6bn of net inflows[2] both in 1Q19 and 2Q19 (36% of total net inflows). UL products accounted for 29% of gross inflows in 2Q19, above the French market[3].
- **Personal protection**: earned premiums up +22% YoY in 2Q19 at €0.3bn (+12% in 1H19 at €0.5bn).

P&C: €0.4bn earned premiums in 2Q19, up +7% YoY (+5% in 1H19 at €0.8bn). **The combined ratio** reaches 90.5% in 2Q19 (-1.5pp YoY) and 91.5% in 1H19 (-0.6pp YoY).

The non-life equipment rate at the end of June is at 26.5% (+0.5pp QoQ) for *Banques Populaires* and at 29.5% (+0.4pp QoQ) for *Caisses d'Epargne.*

[1] See note on methodology. Excluding exceptional items and excluding IFRIC 21 [2] Excluding reinsurance agreement with CNP [3] Source: FFA

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p4)

Payments

€m	2Q19	2Q18	*2Q19 vs. 2Q18*	1H19	1H18	*1H19 vs. 1H18*
Net revenues	**105**	**95**	***10%***	**208**	**188**	***10%***
Expenses	(94)	(87)	*8%*	(181)	(166)	*9%*
Gross operating income	**11**	**8**	***33%***	**27**	**22**	***21%***
Provision for credit losses	(1)	(0)		(1)	(0)	
Associates and other items	0	1		0	1	
Pre-tax profit	**10**	**9**	***17%***	**26**	**23**	***15%***
Cost/income ratio[1]	*89.8%*	*91.6%*	*-1.8pp*	*87.0%*	*88.1%*	*-1.1pp*
RoE after tax[1]	*7.2%*	*7.9%*	*-0.7pp*	*9.8%*	*10.6%*	*-0.8pp*

Underlying net revenues are up +10% YoY both in 2Q19 and 1H19. 40% of 1H19 revenues realized with direct clients (+3pp vs. 1H18).

Payment Processing & Services: Steady +4% YoY revenue growth in Natixis Payments' historical activities in 2Q19 (+5% in 1H19). Number of card transactions processed up +9% YoY in 2Q19.

Merchant Solutions: Solid business volumes generated by Dalenys (medium/large corp.) and PayPlug (SME), up +22% YoY in 2Q19 (+24% in 1H19). Successful delivery of a fully-integrated "*mobility as a service"* (MAAS) solution for the SNCF Group simplifying payment services associated with all types of travel.

Prepaid & Issuing Solutions: Robust growth in 2Q19 driven by meal vouchers (+7% YoY) and the contribution of our *Benefits & Rewards* activity (Titres Cadeaux and Comitéo). Number of mobile payments more than x2.6 vs. 2Q18. Launch of *Xpollens* in partnership with Visa, the first end-to-end "Payments in a box" offer integrating a full range of innovative payment solutions, from payment cards to instant payments through account management.

[1] *See note on methodology. Excluding exceptional items and excluding IFRIC 21*

Unless specified otherwise, the following comments and data refer to underlying results, i.e. excluding exceptional items (see detail p4)

Financial Investments

€m	2Q19	2Q18	*2Q19 vs. 2Q18*	1H19	1H18	*1H19 vs. 1H18*
Net revenues	**196**	**174**	***13%***	**389**	**364**	***7%***
Coface	*181*	*156*	*16%*	*356*	*333*	*7%*
Other	*15*	*18*	*(18)%*	*33*	*31*	*6%*
Expenses	(140)	(129)	*9%*	(273)	(257)	*6%*
Gross operating income	**56**	**45**	***23%***	**116**	**107**	***8%***
Provision for credit losses	(4)	1		(6)	(5)	
Associates and other items	5	3		5	6	*(5)%*
Pre-tax profit	**57**	**50**	***15%***	**115**	**108**	***6%***

The net combined ratio of Coface[1] reached 77.5% in 2Q19 vs. 81.5% in 2Q18 (76.0% 1H19 vs. 77.0% 1H18) with a cost ratio moving from 35.0% to 32.2% (from 33.8% 1H18 to 32.0% 1H19) and a loss ratio moving from 46.6% to 45.3% (from 43.2% 1H18 to 44.0% 1H19).

Corporate Center

€m	2Q19	2Q18	*2Q19 vs. 2Q18*	1H19	1H18	*1H19 vs. 1H18*
Net revenues	**9**	**25**		**28**	**16**	
Expenses	(93)	(74)	*25%*	(318)	(296)	*7%*
SRF	*0*	*(0)*		*(170)*	*(160)*	*6%*
Other	*(93)*	*(74)*	*26%*	*(148)*	*(136)*	*9%*
Gross operating income	**(83)**	**(49)**	***69%***	**(290)**	**(280)**	***3%***
Provision for credit losses	1	(4)		1	(3)	
Associates and other items	(5)	2		(3)	4	
Pre-tax profit	**(87)**	**(51)**	***72%***	**(292)**	**(280)**	***4%***

Underlying net revenues from the Corporate Center of €9m in 2Q19 vs. €25m in 2Q18 (various positive elements impacting 2Q18).

Underlying expenses excluding SRF contribution up +€19m YoY in 2Q19 mainly due to severances and real estate management.

Underlying pre-tax profit contribution broadly unchanged YoY in 1H19 excl. SRF.

[1] *Reported ratios, net of reinsurance*

FINANCIAL STRUCTURE

Basel 3 fully-loaded ratios[1]

Natixis' **Basel 3 fully-loaded CET1 ratio** worked out to 11.5% as at June 30, 2019.

- **Basel 3 fully-loaded CET1 capital** amounted to €11.1bn
- **Basel 3 fully-loaded RWA** amounted to €96.9bn

Based on a Basel 3 fully-loaded CET1 ratio of 11.6% as at March 31, 2019, the respective 2Q19 impacts were as follows:

- Irrevocable Payment Commitment deduction from capital (IPC): -12bps
- 2Q19 strategic operations (WCM, IM, Fiera Capital, Massena Partners, Azure Capital): -16bps
- 2Q19 results: +36bps
- 2Q19 ordinary dividends: -20bps
- 2Q19 RWA and other effects: +2bps

Basel 3 regulatory ratios[1]

As at June 30, 2019, Natixis' **Basel 3 regulatory capital ratios stood at 10.6% for the CET1, 12.8% for the Tier 1 and 15.2% for the total capital ratio**.

- **Core Tier 1 capital** stood at €10.3bn and **Tier 1 capital** at €12.4bn
- Natixis' **RWA** totaled €96.9bn, breakdown as follows:
  - Credit risk: €65.6bn
  - Counterparty risk: €6.6bn
  - CVA risk: €1.8bn
  - Market risk: €9.6bn
  - Operational risk: €13.3bn

Book value per share

Equity capital (group share) totaled €18.6bn as at June 30, 2019, of which €2.0bn 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 **€5.24** as at June 30, 2019 based on 3,150,059,450 shares excluding treasury shares (the total number of shares being 3,153,078,482). The tangible book value per share (after deducting goodwill and intangible assets) was **€3.96**.

Leverage ratio[1]

The leverage ratio worked out to 4.35% as at June 30, 2019.

Overall capital adequacy ratio

As at June 30, 2019, the financial conglomerate's excess capital was estimated at around €3.5bn (based on own funds including current financial year's earnings).

[1] *See note on methodology*

APPENDICES

Note on methodology:

The results at 30/06/2019 were examined by the board of directors at their meeting on 01/08/2019.
Figures at 30/06/2019 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

Changes in Natixis' account presentation following the disposal of the retail banking activities to BPCE S.A.

- Employee savings plan is reallocated to Asset & Wealth Management
- Film industry financing is reallocated to Corporate & Investment Banking
- Insurance is not impacted
- Payments becomes a standalone business line
- Financial Investments are isolated and include Coface, Natixis Algeria and the private equity runoff activities. The Corporate Center is refocused on Natixis' holding and ALM functions and carries the Single Resolution Fund contribution within its expenses

Additional impacts on the quarterly series from the disposal of the retail banking activities to BPCE S.A.

- New support function services provided by Natixis to the activities sold (TSA / SLA), as well as the cancellation of services or analytical items that have been made obsolete following such a disposal are factored in
- The reclassification as Net revenues of the residual IT and logistic services that continue to be provided to the activities sold. Such services now being provided to entities that do not fall under Natixis' scope of consolidation anymore, they have been reclassified as Net revenues instead of expense deductions
- The implementation of introductory fees between the Natixis CIB Coverage and the entities sold

In order to ensure comparability between the 2018 and 2019 quarterly series, these impacts have been simulated retroactively as of January 1st, 2018, even though they only impact the published financial statements as of their implementation date in 2019. These items essentially impact the Corporate Center and more marginally the CIB. The others business lines are unimpacted

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%.

Note on Natixis' RoE and RoTE calculation: Calculations based on quarter-end balance sheet in 1Q19 to reflect the disposal of the retail banking activities. The €586m net capital gain is not annualized

Net book value: calculated by taking shareholders' equity group share (minus distribution of dividends proposed by the Board of Directors and submitted to the approval of the General Shareholders' Meeting on May 28, 2019), restated for hybrids and capital gains on reclassification of hybrids as equity instruments. Net tangible book value is adjusted for goodwill relating to equity affiliates, restated goodwill and intangible assets as follows:

€m	30/06/2019
Goodwill	3,863
Restatement for Coface minority interests	(162)
Restatement for AWM deferred tax liability & others	(334)
Restated goodwill	**3,367**

€m	30/06/2019
Intangible assets	697
Restatement for Coface minority interest & others	(48)
Restated intangible assets	**649**

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.

Regulatory (phased-in) capital and ratios: 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% pay-out[1])

Fully-loaded capital and ratios: 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% pay-out[1])

Leverage ratio: based on delegated act rules, without phase-in (presentation including 1H19 earnings and accrued dividend[1]) 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 4. 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 1H19 takes 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

[1] *Pay-out ratio based on reported net income group share minus DSN interest expenses on preferred shares after tax and excluding the €586m net capital gain from the disposal of the retail banking activities*

Natixis - Consolidated P&L (restated)

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	2Q19 vs. 2Q18	1H18	1H19	1H19 vs. 1H18
Net revenues	**2,193**	**2,360**	**2,156**	**2,040**	**2,132**	**2,282**	**(3)%**	**4,553**	**4,414**	**(3)%**
Expenses	(1,675)	(1,528)	(1,499)	(1,656)	(1,720)	(1,577)	3%	(3,202)	(3,297)	3%
Gross operating income	**518**	**832**	**658**	**383**	**412**	**705**	**(15)%**	**1,350**	**1,117**	**(17)%**
Provision for credit losses	(36)	(41)	(93)	(23)	(31)	(110)		(77)	(141)	
Associates	7	3	6	13	3	8		10	11	
Gain or loss on other assets	6	4	(0)	44	682	(2)		10	681	
Change in value of goodwill	0	0	0	0	0	0		0	0	
Pre-tax profit	**495**	**798**	**570**	**418**	**1,066**	**602**	**(25)%**	**1,293**	**1,668**	**29%**
Tax	(175)	(234)	(154)	(110)	(215)	(164)		(409)	(379)	
Minority interests	(60)	(57)	(59)	(127)	(86)	(92)		(117)	(178)	
Net income (group share)	**260**	**507**	**358**	**181**	**764**	**346**	**(32)%**	**767**	**1,110**	**45%**

Figures restated as communicated on April 11, 2019 following the disposal of the retail banking activities. See below for the reconciliation of the restated figures with the accounting view

Natixis - Reconciliation between management and accounting figures

1H18

€m	1H18 underlying	Exceptional items	1H18 restated	Contribution from perimeter sold	1H18 reported
Net revenues	**4,526**	**27**	**4,553**	**437**	**4,989**
Expenses	(3,173)	(29)	(3,202)	(233)	(3,435)
Gross operating income	**1,353**	**(2)**	**1,350**	**204**	**1,554**
Provision for credit losses	(77)		(77)	(7)	(84)
Associates	10		10	0	10
Gain or loss on other assets	10		10	0	10
Pre-tax profit	**1,295**	**(2)**	**1,293**	**197**	**1,490**
Tax	(410)	1	(409)	(61)	(470)
Minority interests	(117)	(1)	(117)	0	(118)
Net income (group share)	**769**	**(2)**	**767**	**136**	**903**

1H19

€m	1H19 underlying	Exceptional items	1H19 restated	Residual contribution from perimeter sold	1H19 reported
Net revenues	**4,410**	**4**	**4,414**	**22**	**4,436**
Expenses	(3,269)	(28)	(3,297)	(22)	(3,319)
Gross operating income	**1,141**	**(24)**	**1,117**	**0**	**1,117**
Provision for credit losses	(141)		(141)	0	(141)
Associates	11		11	0	11
Gain or loss on other assets	2	682	681	0	681
Pre-tax profit	**1,009**	**659**	**1,668**	**0**	**1,668**
Tax	(308)	(71)	(379)	0	(379)
Minority interests	(145)	(33)	(178)	0	(178)
Net income (group share)	**555**	**555**	**1,110**	**0**	**1,110**

Post-release comment on the following table in the August 1, 2019 press release:
The corporate earnings press release published on August 1, 2019 contained a typo on the "Non-Controlling Interests" line (-78) of Column "H1 2019 reported", which has been corrected in the table above: "Non-Controlling Interests H1 2019 (-178)", with no impact on "Net income (Group share)".

Natixis - IFRS 9 Balance sheet

Assets (€bn)	30/06/2019	31/03/2019
Cash and balances with central banks	17.8	20.3
Financial assets at fair value through profit and loss[1]	218.1	219.3
Financial assets at fair value through Equity	11.5	11.1
Loans and receivables[1]	124.9	119.2
Debt instruments at amortized cost	1.8	1.5
Insurance assets	106.9	104.3
Non-current assets held for sale	0.0	0.0
Accruals and other assets	16.4	15.9
Investments in associates	0.7	0.7
Tangible and intangible assets	2.2	2.3
Goodwill	3.9	3.8
Total	**504.3**	**498.4**

Liabilities and equity (€bn)	30/06/2019	31/03/2019
Due to central banks	0.0	0.0
Financial liabilities at fair value through profit and loss[1]	217.8	211.9
Customer deposits and deposits from financial institutions[1]	97.5	101.8
Debt securities	48.5	45.7
Liabilities associated with non-current assets held for sale	0.0	0.0
Accruals and other liabilities	18.5	17.8
Insurance liabilities	96.5	93.4
Contingency reserves	1.7	1.7
Subordinated debt	4.0	4.0
Equity attributable to equity holders of the parent	18.6	20.8
Minority interests	1.2	1.4
Total	**504.3**	**498.4**

[1] *Including deposit and margin call*

Natixis - 2Q19 P&L by business line

€m	AWM	CIB	Insurance	Payments	Financial investments	Corporate Center	2Q19 restated
Net revenues	**932**	**847**	**207**	**105**	**196**	**(5)**	**2,282**
Expenses	(605)	(523)	(116)	(94)	(141)	(98)	(1,577)
Gross operating income	**327**	**324**	**92**	**11**	**55**	**(103)**	**705**
Provision for credit losses	(2)	(104)	0	(1)	(4)	1	(110)
Net operating income	**325**	**219**	**92**	**10**	**51**	**(102)**	**595**
Associates and other items	(2)	3	5	0	5	(5)	7
Pre-tax profit	**323**	**223**	**96**	**10**	**56**	**(107)**	**602**
						Tax	(164)
						Minority interests	(92)
						Net income (gs)	**346**

Asset & Wealth Management

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	*2Q19 vs. 2Q18*	1H18	1H19	*1H19 vs. 1H18*
Net revenues	**799**	**842**	**841**	**1,032**	**773**	**932**	*11%*	**1,641**	**1,705**	*4%*
Asset Management[1]	*762*	*805*	*805*	*998*	*742*	*900*	*12%*	*1,567*	*1,642*	*5%*
Wealth management	*37*	*37*	*36*	*34*	*31*	*32*	*(12)%*	*74*	*63*	*(14)%*
Expenses	(548)	(569)	(584)	(642)	(558)	(605)	*6%*	(1,117)	(1,163)	*4%*
Gross operating income	**251**	**273**	**257**	**389**	**216**	**327**	*20%*	**524**	**542**	*3%*
Provision for credit losses	(0)	(1)	(1)	0	1	(2)		(1)	(1)	
Net operating income	**251**	**272**	**256**	**390**	**216**	**325**	*20%*	**523**	**541**	*4%*
Associates	0	0	0	2	0	0		0	0	
Other items	(0)	(3)	(2)	41	(2)	(2)		(3)	(4)	
Pre-tax profit	**251**	**269**	**255**	**433**	**214**	**323**	*20%*	**520**	**537**	*3%*
Cost/Income ratio	68.6%	67.6%	69.4%	62.3%	72.1%	64.9%		68.1%	68.2%	
Cost/Income ratio excl. IFRIC 21	68.1%	67.7%	69.6%	62.4%	71.6%	65.1%		67.9%	68.0%	
RWA (Basel 3 - in €bn)	11.7	11.8	12.5	12.3	12.5	13.7	*16%*	11.8	13.7	*16%*
Normative capital allocation (Basel 3)	4,143	4,065	4,150	4,363	4,364	4,407	*8%*	4,104	4,385	*7%*
RoE after tax (Basel 3)[2]	13.7%	15.2%	13.9%	19.6%	11.5%	15.1%		14.4%	13.3%	
RoE after tax (Basel 3) excl. IFRIC 21[2]	14.0%	15.1%	13.8%	19.5%	11.8%	15.0%		14.5%	13.4%	

[1] *Asset management including Private equity and Employee savings plan*
[2] *Normative capital allocation methodology based on 10.5% of the average RWA-including goodwill and intangibles*

Corporate & Investment Banking

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	2Q19 vs. 2Q18	1H18	1H19	1H19 vs. 1H18
Net revenues	**944**	**976**	**828**	**518**	**807**	**847**	*(13)%*	**1,920**	**1,654**	*(14)%*
Global markets	***527***	***457***	***334***	***14***	***366***	***419***	***(8)%***	***984***	***785***	***(20)%***
FIC-T	*378*	*299*	*252*	*231*	*251*	*304*	*2%*	*677*	*554*	*(18)%*
Equity	*148*	*145*	*97*	*(219)*	*125*	*117*	*(19)%*	*293*	*242*	*(17)%*
Equity excl. cash	143	140	97	(219)	125	117	*(16)%*	283	242	*(15)%*
Cash equity	5	4	(0)	(0)	0	0		9	0	
CVA/DVA desk	*1*	*13*	*(15)*	*2*	*(9)*	*(3)*		*14*	*(12)*	
Global finance[1]	***341***	***394***	***341***	***362***	***337***	***333***	***(15)%***	***735***	***670***	***(9)%***
Investment banking[2]	***82***	***85***	***78***	***126***	***87***	***90***	***5%***	***167***	***177***	***6%***
Other	***(7)***	***41***	***74***	***16***	***16***	***6***		***34***	***22***	
Expenses	(566)	(551)	(525)	(559)	(582)	(523)	*(5)%*	(1,117)	(1,105)	*(1)%*
Gross operating income	**378**	**425**	**302**	**(41)**	**225**	**324**	*(24)%*	**803**	**549**	*(32)%*
Provision for credit losses	(31)	(37)	(98)	(9)	(30)	(104)		(68)	(134)	
Net operating income	**347**	**388**	**204**	**(50)**	**195**	**219**	*(43)%*	**735**	**414**	*(44)%*
Associates	4	3	3	3	2	3		6	6	
Other items	3	0	(0)	0	(15)	0		3	(15)	
Pre-tax profit	**353**	**391**	**207**	**(47)**	**183**	**222**	*(43)%*	**744**	**405**	*(46)%*
Cost/Income ratio	60.0%	56.4%	63.5%	107.9%	72.2%	61.8%		58.2%	66.8%	
Cost/Income ratio excl. IFRIC 21	57.7%	57.2%	64.4%	109.4%	69.1%	62.7%		57.4%	65.9%	
RWA (Basel 3 - in €bn)	59.7	61.7	61.2	61.1	62.0	61.1	*(1)%*	61.7	61.1	*(1)%*
Normative capital allocation (Basel 3)	6,435	6,416	6,676	6,631	6,634	6,740	*5%*	6,426	6,687	*4%*
RoE after tax (Basel 3)[3]	16.0%	17.6%	9.0%	NR	7.6%	9.6%		16.8%	8.6%	
RoE after tax (Basel 3) excl. IFRIC 21[3]	17.0%	17.2%	8.7%	NR	8.6%	9.2%		17.1%	8.9%	

[1] Including Film industry financing [2] Including M&A [3] Normative capital allocation methodology based on 10.5% of the average RWA-including goodwill and intangibles

Insurance

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	2Q19 vs. 2Q18	1H18	1H19	1H19 vs. 1H18
Net revenues	**204**	**193**	**192**	**201**	**218**	**207**	*7%*	**397**	**425**	*7%*
Expenses	(118)	(108)	(103)	(118)	(125)	(116)	*7%*	(226)	(241)	*6%*
Gross operating income	**86**	**85**	**89**	**83**	**93**	**92**	*8%*	**170**	**184**	*8%*
Provision for credit losses	0	0	0	0	0	0		0	0	
Net operating income	**86**	**85**	**89**	**83**	**93**	**92**	*8%*	**170**	**184**	*8%*
Associates	3	0	3	9	0	5		3	5	
Other items	0	0	(0)	0	0	(0)		0	(0)	
Pre-tax profit	**89**	**85**	**92**	**91**	**93**	**96**	*14%*	**173**	**189**	*9%*
Cost/Income ratio	58.0%	56.1%	53.8%	58.9%	57.5%	55.8%		57.1%	56.7%	
Cost/Income ratio excl. IFRIC 21	51.1%	58.5%	56.2%	61.2%	51.7%	57.8%		54.7%	54.7%	
RWA (Basel 3 - in €bn)	7.3	7.0	7.1	7.3	8.0	7.9	*13%*	7.0	7.9	*13%*
Normative capital allocation (Basel 3)	853	868	828	841	858	942	*8%*	861	900	*5%*
RoE after tax (Basel 3)[1]	28.6%	26.4%	30.3%	30.7%	29.4%	28.4%		27.5%	28.8%	
RoE after tax (Basel 3) excl. IFRIC 21[1]	33.0%	24.9%	28.8%	29.2%	33.3%	27.2%		28.9%	30.1%	

[1] *Normative capital allocation methodology based on 10.5% of the average RWA-including goodwill and intangibles*

Payments

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	*2Q19 vs. 2Q18*	1H18	1H19	*1H19 vs. 1H18*
Net revenues	**93**	**95**	**96**	**105**	**103**	**105**	*10%*	**188**	**208**	*10%*
Expenses	(79)	(88)	(84)	(90)	(88)	(94)	*7%*	(167)	(181)	*8%*
Gross operating income	**14**	**7**	**12**	**15**	**16**	**11**	*46%*	**21**	**27**	*25%*
Provision for credit losses	(0)	(0)	0	(2)	(0)	(1)		(0)	(1)	
Net operating income	**14**	**7**	**12**	**13**	**16**	**10**	*40%*	**21**	**26**	*23%*
Associates	0	0	0	0	0	0		0	0	
Other items	0	1	0	0	0	0		1	0	
Pre-tax profit	**14**	**8**	**12**	**13**	**16**	**10**	*28%*	**22**	**26**	*19%*
Cost/Income ratio	85.2%	92.2%	87.6%	85.7%	84.8%	89.6%		88.7%	87.2%	
Cost/Income ratio excl. IFRIC21	84.5%	92.4%	87.9%	85.9%	84.1%	89.8%		88.5%	87.0%	
RWA (Basel 3 - in €bn)	1.0	1.2	1.0	1.1	1.1	1.2	*(1)%*	1.2	1.2	*(1)%*
Normative capital allocation (Basel 3)	295	300	352	332	356	373	*25%*	297	365	*23%*
RoE after tax (Basel 3)[1]	12.8%	7.4%	9.6%	10.1%	12.0%	7.3%		10.1%	9.6%	
RoE after tax (Basel 3) excl. IFRIC 21[1]	13.4%	7.2%	9.4%	9.9%	12.5%	7.1%		10.3%	9.7%	

Standalone EBITDA calculation

Figures excluding exceptional items

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	1H18	1H19
Net revenues	**93**	**95**	**96**	**105**	**103**	**105**	**188**	**208**
Expenses	(79)	(87)	(85)	(90)	(88)	(94)	(166)	(181)
Gross operating income - Natixis reported excl. exceptional items	**14**	**8**	**11**	**15**	**16**	**11**	**22**	**27**
Analytical adjustments to net revenues	(1)	(1)	(2)	(1)	(1)	(1)	(3)	(3)
Structure charge adjustments to expenses	5	5	5	5	6	5	10	11
Gross operating income - standalone view	**18**	**12**	**14**	**19**	**20**	**15**	**29**	**35**
Depreciation, amortization and impairment on property, plant and equipment and intangible assets	3	4	4	5	4	4	7	8
EBITDA - standalone view	**21**	**16**	**18**	**24**	**24**	**19**	**36**	**43**

EBITDA = Net revenues (-) Operating expenses. Standalone view excluding analytical items and structure charges

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

Financial investments

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	2Q19 vs. 2Q18	1H18	1H19	1H19 vs. 1H18
Net revenues	**190**	**174**	**197**	**181**	**193**	**196**	***13%***	**364**	**389**	***7%***
Coface	*177*	*156*	*180*	*165*	*175*	*181*	*16%*	*333*	*356*	*7%*
Other	*13*	*18*	*17*	*16*	*18*	*15*	*(18)%*	*31*	*33*	*6%*
Expenses	(130)	(125)	(131)	(140)	(133)	(141)	*13%*	(255)	(275)	*8%*
Gross operating income	**59**	**49**	**66**	**41**	**60**	**55**	***11%***	**109**	**115**	***6%***
Provision for credit losses	(6)	1	1	3	(2)	(4)		(5)	(6)	
Net operating income	**54**	**50**	**67**	**44**	**58**	**51**	***1%***	**104**	**108**	***4%***
Associates	0	0	0	0	0	0		0	0	
Other items	2	3	0	0	0	5		5	5	
Pre-tax profit	**56**	**53**	**67**	**44**	**58**	**56**	***5%***	**109**	**114**	***4%***
RWA (Basel 3 - in €bn)	5.3	5.6	5.5	5.6	5.7	5.7	*2%*	5.6	5.7	*2%*

Corporate Center

€m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	2Q19 vs. 2Q18	1H18	1H19	1H19 vs. 1H18
Net revenues	**(37)**	**79**	**3**	**3**	**37**	**(5)**		**42**	**32**	
Expenses	(232)	(87)	(71)	(107)	(234)	(98)	*12%*	(319)	(331)	*4%*
SRF	*(160)*	*(0)*	*(0)*	*0*	*(170)*	*0*		*(160)*	*(170)*	*6%*
Other	*(73)*	*(86)*	*(71)*	*(107)*	*(64)*	*(98)*	*13%*	*(159)*	*(162)*	*2%*
Gross operating income	**(269)**	**(7)**	**(68)**	**(104)**	**(196)**	**(103)**		**(277)**	**(299)**	
Provision for credit losses	1	(4)	4	(15)	0	1		(3)	1	
Net operating income	**(269)**	**(11)**	**(63)**	**(118)**	**(196)**	**(102)**		**(280)**	**(298)**	
Associates	0	0	0	0	0	0		0	0	
Other items	1	2	2	3	699	(5)		4	694	
Pre-tax profit	**(268)**	**(9)**	**(62)**	**(115)**	**503**	**(107)**		**(276)**	**396**	
RWA (Basel 3 - in €bn)	9.0	9.4	8.7	7.8	7.0	7.3	*(22)%*	9.4	7.3	*(22)%*

2Q19 results: from data excluding non-operating items to reported data

€m	2Q19 underlying	Exchange rate fluctuations on DSN in currencies	Transformation & Business Efficiency investment costs	Fit to Win investments & restructuring expenses	2Q19 reported
Net revenues	**2,297**	**(15)**			**2,282**
Expenses	(1,566)		(10)	(1)	(1,577)
Gross operating income	**730**	**(15)**	**(10)**	**(1)**	**705**
Provision for credit losses	(110)				(110)
Associates	8				8
Gain or loss on other assets	(2)				(2)
Pre-tax profit	**627**	**(15)**	**(10)**	**(1)**	**602**
Tax	(172)	5	3	0	(164)
Minority interests	(93)			0	(92)
Net income (group share)	**363**	**(10)**	**(7)**	**(0)**	**346**

1H19 results: from data excluding non-operating items to restated data

€m	1H19 underlying	Exchange rate fluctuations on DSN in currencies	Transformation & Business Efficiency investment costs	Fit to Win investments & restructuring expenses	Liquidation of a holding structure	Capital gain - Disposal of retail banking activities	1H19 restated
Net revenues	**4,410**	**4**					**4,414**
Expenses	(3,269)		(26)	(1)			(3,297)
Gross operating income	**1,141**	**4**	**(26)**	**(1)**	**0**	**0**	**1,117**
Provision for credit losses	(141)						(141)
Associates	11						11
Gain or loss on other assets	(2)				(15)	697	681
Pre-tax profit	**1,009**	**4**	**(26)**	**(1)**	**(15)**	**697**	**1,668**
Tax	(308)	(1)	8	0		(78)	(379)
Minority interests	(145)			0		(33)	(178)
Net income (group share)	**555**	**3**	**(18)**	**(0)**	**(15)**	**586**	**1,110**

Figures restated as communicated on April 11, 2019 following the disposal of the retail banking activities. See page 13 for the reconciliation of the restated figures with the accounting view

Natixis - 2Q19 capital & Basel 3 financial structure

See note on methodology - Irrevocable Payment Commitment (IPC) deduction disclosed as part of the ratio as of 2Q19

Fully-loaded

€bn	30/06/2019
Shareholder's Equity	**18.6**
Hybrid securities[2]	(2.1)
Goodwill & intangibles	(3.8)
Deferred tax assets	(0.7)
Dividend provision	(0.3)
Other deductions	(0.5)
CET1 capital	**11.1**
CET1 ratio	**11.5%**
Additional Tier 1 capital	1.8
Tier 1 capital	**12.9**
Tier 1 ratio	**13.3%**
Tier 2 capital	2.3
Total capital	**15.1**
Total capital ratio	**15.6%**
Risk-weighted assets	**96.9**

Regulatory

€bn	30/06/2019
Fully-loaded CET1 capital	**11.1**
Current financial year's earnings	(1.1)
Current financial year's accrued dividend	0.3
CET1 capital	**10.3**
CET1 ratio	**10.6%**
Additional Tier 1 capital	2.1
Tier 1 capital	**12.4**
Tier 1 ratio	**12.8%**
Tier 2 capital	2.3
Total capital	**14.7**
Total capital ratio	**15.2%**
Risk-weighted assets	**96.9**

IFRIC 21 effects by business line

€m	Effect in Expenses							
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	1H18	1H19
AWM	(4)	1	1	1	(4)	1	(3)	(3)
CIB	(22)	7	7	7	(24)	8	(15)	(16)
Insurance	(14)	5	5	5	(13)	4	(9)	(8)
Payments	(1)	0	0	0	(1)	0	0	0
Financial investments	0	0	0	0	0	0	0	0
Corporate center	(119)	40	40	40	(119)	40	(80)	(79)
Total Natixis	**(160)**	**53**	**53**	**53**	**(161)**	**54**	**(107)**	**(107)**

Historical figures restated for the disposal of the retail banking activities

Normative capital allocation and RWA breakdown - 30/06/2019

€bn	RWA EoP	% of total	Goodwill & intangibles 1H19	Capital allocation 1H19	RoE after tax 1H19
AWM	13.7	16%	3.1	4.4	13.3%
CIB	61.1	73%	0.2	6.7	8.6%
Insurance	7.9	9%	0.1	0.9	28.8%
Payments	1.2	1%	0.2	0.4	9.6%
Total (excl. Corp. center and Financial invmts)	**83.9**	**100%**	**3.6**	**12.3**	

RWA breakdown (€bn)	30/06/2019
Credit risk	**65.6**
Internal approach	*54.5*
Standard approach	*11.1*
Counterparty risk	**6.6**
Internal approach	*5.7*
Standard approach	*1.0*
Market risk	**9.6**
Internal approach	*4.1*
Standard approach	*5.4*
CVA	**1.8**
Operational risk - *Standard approach*	**13.3**
Total RWA	**96.9**

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	30/06/2019
Tier 1 capital[1]	**13.2**
Total prudential balance sheet	399.0
Adjustment on derivatives	(48.4)
Adjustment on repos[2]	(29.8)
Other exposures to affiliates	(47.7)
Off balance sheet commitments	36.4
Regulatory adjustments	(5.2)
Total leverage exposure	**304.4**
Leverage ratio	**4.35%**

[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 at June 30, 2019

€bn	30/06/2019
Shareholders' equity (group share)	**18.6**
Deduction of hybrid capital instruments	(2.0)
Deduction of gain on hybrid instruments	(0.1)
Distribution	
Net book value	**16.5**
Restated intangible assets[1]	(0.6)
Restated goodwill[1]	(3.4)
Net tangible book value[2]	**12.5**
€	
Net book value per share	**5.24**
Net tangible book value per share	**3.96**

1H19 Earnings per share

€m	30/06/2019
Net income (gs)	1,110
DSN interest expenses on preferred shares after tax	(45)
Net income attributable to shareholders	**1,065**
Earnings per share (€)	**0.34**

Number of shares as at June 30, 2019

	30/06/2019
Average number of shares over the period, excluding treasury shares	3,149,759,007
Number of shares, excluding treasury shares, EoP	3,150,059,450
Number of treasury shares, EoP	3,019,032

Net income attributable to shareholders

€m	2Q19	1H19
Net income (gs)	346	1,110
DSN interest expenses on preferred shares after tax	(22)	(45)
RoE & RoTE numerator	**324**	**1,065**

[1] *See note on methodology* [2] *Net tangible book value = Book value – goodwill - intangible assets*

RoTE[1]

€m	30/06/2019
Shareholders' equity (group share)	18,621
DSN deduction	(2,122)
Dividend provision	(288)
Intangible assets	(649)
Goodwill	(3,367)
RoTE Equity end of period	12,195
Average RoTE equity (2Q19)	12,202
2Q19 RoTE annualized with no IFRIC 21 adjustment	**10.6%**
IFRIC 21 impact	(47)
2Q19 RoTE annualized excl. IFRIC 21	**9.1%**
Average RoTE equity (1H19)	12,205
1H19 RoTE annualized excl. IFRIC 21	**13.4%**

RoE[1]

€m	30/06/2019
Shareholders' equity (group share)	18,621
DSN deduction	(2,122)
Dividend provision	(288)
Unrealized/deferred gains and losses in equity (OCI)	(513)
RoE Equity end of period	15,697
Average RoE equity (2Q19)	15,722
2Q19 RoE annualized with no IFRIC 21 adjustment	**8.3%**
IFRIC 21 impact	(47)
2Q19 RoE annualized excl. IFRIC 21	**7.0%**
Average RoE equity (1H19)	15,735
1H19 RoE annualized excl. IFRIC 21	**10.4%**

Doubtful loans[2]

€bn	**31/03/2019** Under IFRS 9	**30/06/2019** Under IFRS 9
Provisionable commitments[3]	1.7	1.7
Provisionable commitments / Gross debt	1.5%	1.4%
Stock of provisions[4]	1.3	1.3
Stock of provisions / Provisionable commitments	76%	75%

[1]See note on methodology. Returns based on quarter-end balance sheet to reflect the disposal of the retail banking activities. The €586m net capital gain is not annualized [2] On-balance sheet, excluding repos, net of collateral [3] Net commitments [4] Specific and portfolio-based provisions

II SECTION 1: PRESENTATION OF NATIXIS

1.1 Presentation of the business lines

In a press release on September 12, 2018, Natixis announced a plan to sell its retail banking businesses to BPCE SA (Factoring, Sureties and Guarantees, Leasing, Consumer Finance, and Securities Services).

Following the disposal of the retail banking businesses to BPCE S.A., finalized on March 31, 2019, the business lines are presented as follows:

Natixis is an international financial institution specialized in asset and wealth management, corporate and investment banking, insurance and payments. A subsidiary of Groupe BPCE and second biggest bank in France through its Banque Populaire and Caisse d'Epargne networks, Natixis has close to 16,000 employees in 38 countries. It supports and advises its own client base of businesses, financial institutions and institutional investors, as well as the clients of the Groupe BPCE networks.

ASSET & WEALTH MANAGEMENT

ASSET MANAGEMENT

More than 20 specialized investment managers globally committed to a highly active, conviction-led investment style: Specialized Fixed Income, Distinctive Equities, Money Market, Multi-Asset Solutions, Innovative Alternatives, Insurance Solutions, ESG Investments

WEALTH MANAGEMENT

Financial Investment Management - Wealth Management Advisory - Corporate Advisory - Life Insurance under French and Luxembourg law - Loans - Private Equity -Real Estate Investments

EMPLOYEE SAVINGS SCHEMES

INSURANCE

A full range of solutions for Caisse d'Epargne and Banque Populaire clients

- **Life & Personal Protection Insurance**: individual life insurance - savings - transfer of assets - retirement - death insurance - long-term care insurance - borrower's insurance
- **Property & Casualty Insurance:** car insurance - home insurance - home and leisure accidents insurance - health insurance - legal protection insurance - means of payment insurance

CORPORATE & INVESTMENT BANKING

Investment Banking and Mergers & Acquisitions (M&A) - Financing - Capital Markets - Trade and Treasury Solutions - Film Industry Financing - Coverage

Expertise on 4 strategic sectors

- Energy & Natural Resources
- Infrastructure
- Aviation
- Real Estate & Hospitality

PAYMENTS

Solutions across the whole value chain

- **Issuing :** card, mobile and wearables – gift card – meal voucher – online pot
- **Acquiring:** instore, e-commerce, omnichannel and marketplace payment – card readers and smartPOS
- **Processing :** card, credit transfer, direct debit, instant payment operations - open payment - API
- **Payment fraud management**

1.2 History and links with BPCE

1.2.2 Financial solidarity mechanism with BPCE

Including Natixis, all the institutions affiliated with the central institution of Groupe BPCE benefit from a guarantee and solidarity mechanism the purpose of which, according to Articles L. 511-31 and L. 512-107-6 of the French Monetary and Financial Code, is to guarantee the liquidity and capital adequacy of all affiliated institutions, and to organize financial support within the Group.

This financial support is based on legislative provisions imposing a legal solidarity mechanism by which the central institution is required to restore the liquidity or solidarity of affiliates in difficulty, and/or all affiliates of the group, by providing, as necessary, the total capacity and regulatory capital of all contributing affiliates. As a result of this fully-engaged legal solidarity mechanism, one or several affiliates cannot be placed in court-ordered liquidation nor be concerned by the resolution measures within the meaning of Directive 2014/59 EU, unless this is the case for all the affiliates.

Thus, should Natixis encounter financial difficulty, (i) BPCE would firstly provide support using its own regulatory capital in accordance with its duty as a shareholder; (ii) should this prove insufficient, it would use the mutual guarantee fund created by BPCE which, at December 31, 2018 totaled €362.6 million in assets provided jointly by the Banque Populaire and Caisse d'Epargne networks, and which is increased through an annual contribution (subject to the amounts which would be used in the event of a call for funds); (iii) if BPCE's regulatory capital and this mutual guarantee fund should prove insufficient, BPCE would call on (in equal proportions) both the Banque Populaire and Caisse d'Epargne networks' own guarantee funds of €900 million in total and; finally (iv) if recourse to BPCE's regulatory capital and these three guarantee funds should prove insufficient, additional sums would be requested from all the Banque Populaire and Caisse d'Epargne banks.

In the event of court-ordered liquidation concerning all the affiliates, the external creditors of all the affiliates are managed in respect of their ranking and in the order of hierarchy in an identical fashion and irrespective of their association with any given affiliated entity. Consequently, holders of AT1 capital and of other pari passu securities would be more affected than holders of T2 capital of and other pari passu securities, who would be more affected than holders of senior non-preferred external debt, who, in turn, would be more affected than holders of senior preferred external debt. In the event of resolution, identical write-down and/or conversion rates would be applied to the debts and credits of the same ranking and irrespective of their association to any given affiliated entity, and in the order of the hierarchy set out above.

Only the entities not concerned by court-ordered liquidation nor resolution measures and which do not contribute to the Group solidarity mechanism, as is the case of Natixis, are excluded from contributing to the bail-in of other failing affiliates.

It should be noted that the guarantee funds referred to above consist of a Groupe BPCE internal guarantee mechanism activated at the initiative of the BPCE Executive Board or the competent authority dealing with banking crises which may request that it be used if deemed necessary.

OTHER INFORMATION

Long-term ratings (as of August 6, 2019)

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

2019/2020 financial calendar

November 7, 2019 After market close (subject to modification)	2019 Third Quarter Results
February 6, 2020 After market close (subject to modification)	2019 Annual Results
May 6, 2020 After market close (subject to modification)	2020 First Quarter Results
May 20, 2020	General Shareholders' Meeting (approving the 2019 financial statements)

2.1 Governance of Natixis as of August 1, 2019

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: 153,649	**Chairman of the Board of Directors** First appointed: Co-opted by the Board of Directors on June 1, 2018 and ratified at the AGM of May 28, 2019 Term expires: 2023 AGM [(e)] **Member - Strategic Committee** First appointed: Board Meeting of June 1, 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 August 28, 2009 and ratified at the AGM of May 27, 2010 Term expires: 2023 AGM [(e)] **Member – Audit Committee** First appointed: Board meeting of December 21, 2017 (effective as of January 1, 2018) **Member - Risk Committee** First appointed: Board meeting of December 21, 2017 (effective as of January 1, 2018) **Member - Strategic Committee** First appointed: Board meeting of December 21, 2017 (effective as of January 1, 2018)	Member of the BPCE Management Board Member of the Groupe BPCE Management Board in charge of Human Resources 50 avenue Pierre Mendès France 75201 Paris Cedex 13
Daniel de Beaurepaire Born September 23, 1950 Nationality: French Natixis shares held: [acquisition in progress]	**Director** First appointed: AGM of May 28, 2019 Term expires: 2023 AGM [(e)] **Member of the Appointments Committee** First appointed: Board Meeting of May 28, 2019 **Member - Strategic Committee** First appointed: Board Meeting of May 28, 2019	Chairman of the Steering and Supervisory Board of Caisse d'Epargne Île-de-France 26-28 rue Neuve Tolbiac 75013 Paris
Thierry Cahn Born September 25, 1956 Nationality: French Natixis shares held: 1,000	**Director** First appointed: Co-opted by the Board of Directors on January 28, 2013 and ratified at the AGM of May 21, 2013 Term expires: 2022 AGM [(d)] **Member of the Appointments Committee** First appointed: Board Meeting of February 9, 2017 **Member - Strategic Committee** First appointed: Board Meeting of January 28, 2013	Chairman of the Board of Directors of Banque Populaire Alsace Lorraine Champagne Immeuble Le W 1A place de Haguenau – CS10401 67001 Strasbourg Cedex

Member's first and last name	Main position within the company [a]	Main position outside the company
Alain Condaminas Born April 6, 1957 Nationality: French Natixis shares held: 1,000	**Director** First appointed: AGM of May 29, 2012 Term expires: 2020 AGM [b] **Member - Compensation Committee** First appointed: Board Meeting of May 29, 2012 **Member - Strategic Committee** First appointed: Board Meeting of May 29, 2012	Chief Executive Officer of Banque Populaire Occitane 33-43 avenue Georges Pompidou 31135 Balma Cedex
Bernard Dupouy Born September 19, 1955 Nationality: French Natixis shares held: 1,000	**Director** First appointed: Co-opted by the Board of Directors on January 8, 2017 and ratified at the AGM of May 23, 2018 Term expires: 2023 AGM [e] **Member - Compensation Committee** First appointed: Board Meeting of May 28, 2019 **Member – Strategic Committee** First appointed: Board Meeting of August, 1, 2017	Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique 10 quai des Queyries 33072 Bordeaux Cedex
Nicole Etchegoïnberry Born December 17, 1956 Nationality: French Natixis shares held: [acquisition in progress]	**Director** First appointed: Co-opted by the Board of Directors on December 20, 2018 and ratified at the AGM of May 28, 2019 Term expires: 2020 AGM [b] **Member of the Appointments Committee** First appointed: Board Meeting of December 20, 2018 **Member - Risk Committee** First appointed: Board Meeting of December 20, 2018 **Member – Strategic Committee** First appointed: Board Meeting of December 20, 2018	Chairwoman of the Management Board of Caisse d'Epargne Languedoc-Roussillon 12 rue de Maison Rouge – CS10620 45146 Saint-Jean-de-la-Ruelle
Sylvie Garcelon Born April 14, 1965 Nationality: French Natixis shares held: 1,000	**Director** First appointed: Co-opted by the Board of Directors on October 2, 2016 and ratified at the AGM of May 24, 2016 Term expires: 2020 AGM [b] **Member – Audit Committee** First appointed: Board Meeting of October 2, 2016 **Member - Strategic Committee** First appointed: Board Meeting of October 2, 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 June 12, 1963 Nationality: French Natixis shares held: 1,000	**Independent Director** First appointed: Co-opted by the Board of Directors on February 18, 2015 and ratified at the AGM of May 19, 2015 Term expires: 2022 AGM [d]	Dean and Managing Director of Web School Factory, Managing Director of the Innovation Factory 59 rue Nationale 75013 Paris

Member's first and last name	Main position within the company [(a)]	Main position outside the company
	Chairwoman of the Strategic Committee First appointed: Board Meeting of February 18, 2015 **Member - Compensation Committee** First appointed: Board Meeting of February 18, 2015 **Member of the Appointments Committee** First appointed: Board Meeting of February 18, 2015	
Françoise Lemalle Born January 15, 1965 Nationality: French Natixis shares held: 1,000	**Director** First appointed: Co-opted by the Board of Directors on July 30, 2015 and ratified at the AGM of May 24, 2016 Term expires: 2022 AGM[(d)] **Member – Audit Committee** First appointed: Board Meeting of February 9, 2017 **Member – Strategic Committee** First appointed: Board Meeting of July 30, 2015	Chairwoman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur (CECAZ) 455 promenade des Anglais BP 3297 06205 Nice Cedex 03
Bernard Oppetit Born August 5, 1956 Nationality: French Natixis shares held: 1,000	**Independent Director** First appointed: Co-opted by the Board of Directors on November 12, 2009 and ratified at the AGM of May 27, 2010 Term expires: 2022 AGM [(d)] **Chairman - Risk Committee** First appointed: Board Meeting of December 17, 2014 **Member – Audit Committee** First appointed: Board Meeting of December 17, 2009 **Member - Strategic Committee** First appointed: Board Meeting of May 11, 2011	Chairman of Centaurus Capital Limited 53 Davies Street London W1K 5JH England
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 December 12, 2016 and ratified at the AGM of May 23, 2017 Term expires: 2023 AGM [(e)] **Chairwoman – Audit Committee** First appointed: Board Meeting of December 14, 2016 **Member - Risk Committee** First appointed: Board Meeting of December 14, 2016 **Member - Strategic Committee** First appointed: Board Meeting of December 14, 2016	Member of the Board of Directors of Banque PSA Finance (since February 22, 2019) 19 rue Ginoux 75015 Paris
Christophe Pinault Born November 26, 1961 Nationality: French	**Director** First appointed: Co-opted by the Board of Directors on December 20, 2018 and ratified at the AGM of May 28, 2019	Chairman of the Management Board of Caisse d'Epargne et de Prévoyance Bretagne Pays de Loire 15 avenue de la Jeunesse – CS30327

Member's first and last name	Main position within the company [(a)]	Main position outside the company
Natixis shares held: 1,093	Term expires: 2023 AGM [(e)] **Member - Compensation Committee** First appointed: Board Meeting of December 20, 2018 **Member - Risk Committee** First appointed: Board Meeting of December 20, 2018 **Member - Strategic Committee** First appointed: Board Meeting of December 20, 2018	44703 Orvault Cedex
Diane de Saint Victor Born February 20, 1955 Nationality: French Natixis shares held: [acquisition in progress]	Independent Director First appointed: Board Meeting of April 4, 2019 and ratified at the AGM of May 28, 2019 Term expires: 2023 AGM [(e)] **Chairwoman - Appointments Committee** First appointed: Board Meeting of April 4, 2019 **Member - Compensation Committee** First appointed: Board Meeting of April 4, 2019 **Member - Strategic Committee** First appointed: Board Meeting of April 4, 2019	Company Secretary, General Counsel and member of the Executive Committee of ABB Affolternstrasse 44 CH-8050 Zurich, Switzerland
Nicolas de Tavernost Born August 22, 1950 Nationality: French Natixis shares held: 1,000	**Independent Director** First appointed: AGM of July 31, 2013 Term expires: 2021 AGM [(c)] **Chairman - Compensation Committee** First appointed: Board Meeting of August 6, 2013 **Member of the Appointments Committee** First appointed: Board Meeting of December 17, 2014 **Member - Strategic Committee** First appointed: Board Meeting of August 6, 2013	Chairman of the Groupe M6 Management Board 89 avenue Charles de Gaulle 92575 Neuilly sur Seine Cedex
Henri Proglio Born June 29, 1949 Nationality: French Natixis shares held: 1,000	**Non-Voting Director:** First appointed: Board Meeting of April 4, 2019 and ratified at the AGM of May 28, 2019 Term expires: 2023 AGM [(e)] **Member - Compensation Committee** First appointed: Board Meeting of April 30, 2009 **Member - Strategic Committee** First appointed: Board Meeting of May 11, 2011	Chairman of Henri Proglio Consulting SAS 151 boulevard Haussmann 75008 Paris

(a) A brief resume for each Natixis corporate officer and the list of corporate offices they held in 2018 as well as previous years are provided in paragraph 2.2 of the Natixis 2018 Registration Document.
(b) AGM held to approve the financial statements for fiscal year 2019.
(c) AGM held to approve the financial statements for fiscal year 2020.
(d) AGM held to approve the financial statements for fiscal year 2021.
(e) AGM held to approve the financial statements for fiscal year 2022.

NATIXIS
BEYOND BANKING

2.1.2 SENIOR MANAGEMENT COMMITTEE AND EXECUTIVE COMMITTEE

2.1.2.1. Senior management as of August 1, 2019

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 April 27, 2018 (effective as of January 6, 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 Natixis 2018 Registration Document.

2.1.2.2. Senior Management Committee and Executive Committee

■ **MEMBERS OF THE SENIOR MANAGEMENT COMMITTEE (SMC) AS OF AUGUST 1, 2017**

François Riahi Chief Executive Officer Chairman of the Committee	**Nathalie Bricker** Finance	**Pierre Debray** Risks	**Anne Lebel** Human Resources
Jean-François Lequoy Insurance	**André-Jean Olivier** Corporate Secretariat	**Jean Raby** Asset & Wealth Management	**Véronique Sani** Operations and Information Systems
Pierre-Antoine Vacheron Payments	**Marc Vincent** Corporate & Investment Banking		

■ **MEMBERS OF THE EXECUTIVE COMMITTEE (EXCO) AT AUGUST 1, 2019**

François Riahi Chief Executive Officer	**Stéphane About** Corporate & Investment Banking – EMEA – excl. France	**Patrick Artus** Chief Economist	**Luc Barnaud** Digital & Technology Officer
Beverly Bearden Asset & Wealth Management – Natixis Investment Managers and Human Resources	**Olivier Bilal** Asset & Wealth Management – Natixis Investment Managers - International Sales and Marketing	**Nathalie Bricker** Finance	**Nathalie Broutèle** Insurance - Non-life insurance
Alain Bruneau Corporate Secretariat - Compliance	**Anne-Christine Champion** Corporate & Investment Banking – Distribution and finance portfolio management	**Fouad Chéhady** Transformation & Business Efficiency	**Frédéric Chenot** Payments – Coordination of the BPCE networks
Georges-Eric de La Brunière Asset & Wealth Management – Natixis Asset Management	**Guillaume de Saint-Seine** Corporate & Investment Banking – Coverage	**Pierre Debray** Risks	**Anne-Cécile Delas** Corporate & Investment Banking – Trade & Treasury Solutions
Olivier Delay Corporate & Investment Banking – Americas	**Sophie Didelot** Risks – Entreprise Risk Management	**Matthieu Duncan** Asset & Wealth Management – Ostrum Asset Management	**Christophe Eglizeau** Asset & Wealth Management – Natixis Interépargne
Dominique Fraisse Corporate & Investment Banking – Energy and Natural Resources	**Luc François** Corporate & Investment Banking – Global Markets	**Alain Gallois** Corporate & Investment Banking – Asia-Pacific	**Benoît Gausseron** Communications
David Giunta Asset & Wealth Management – Natixis Investment Managers - United States and Canada	**Stéphane Honig** Strategy	**Hervé Housse** General Inspection	**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	**Cyril Marie** Asset & Wealth Management - Finance – Natixis Investment Managers	**Chloé Mayenobe** Payments – Growth and Development	**Teresa Mora Grenier** Finance – Financial Oversight

André-Jean Olivier Corporate Secretariat	**Jean Raby** Asset & Wealth Management	**Isabelle Reux-Brown** Corporate & Investment Banking – Distribution & Portfolio Management	**Véronique Sani** Operations and Information Systems
Cécile Tricon-Bossard Human Resources	**Pierre-Antoine Vacheron** Payment operations	**Richard Vinadier** Finance – Accountancy and ratios	**Marc Vincent** Corporate & Investment Banking (CIB)

2.2 Additional information on the directors' positions at August 1, 2019

Daniel de Beaurepaire
Chairman of the Steering and Supervisory Board of Caisse d'Epargne Île-de-France

Born September 23, 1950

Nationality: French

Natixis shares held:

(acquisition in progress)

Address: 26-28 rue Neuve Tolbiac

75013 Paris

Director

First appointed: AGM of May 28, 2019

Term expires: 2023 AGM

Member – Appointments Committee

First appointed: Board Meeting of May 28, 2019

Member – Strategic Committee

First appointed: Board Meeting of May 28, 2019

A graduate of ESC Rouen and a certified chartered accountant and auditor, Daniel de Beaurepaire began his career in 1978 at audit firm Deloitte, where he was appointed partner in 1985 and left in 1995.

In 1996 he has been with International Audit Company and became chairman in 2005, then joined accounting firm GEA Conseil where he became co-manager in the same year.

He became co-manager of the audit firm GEA Finances in 2010 until June 2018.

From 2009 to 2012 Daniel de Beaurepaire was chairman of International Audit Company, then director at Locale Epargne Economie sociale et d'Entreprise from 2013 to 2014.

In 2015 he was appointed chairman of Société Locale d'Epargne Paris Ouest

and became member of the Caisse d'Epargne Île-de-France Steering and Supervisory Board in April 2015 which he has chaired since April 2017.

Key supervisory skills: expertise in internal control, audit, accounting, and extensive knowledge of the banking business.

Other offices held in 2018 and 2019:

Within Groupe BPCE

› Chairman of the Steering and Supervisory Board of Caisse d'Epargne Île-de-France *(from 26/04/2017)*

› Director of SA Compagnie Européenne de Garanties et Cautions *(since 10/07/2018)*

› Director *(since 16/01/2015)* then Chairman of the company Société Locale d'Epargne Paris Ouest *(since 26/04/2017)*

Outside Groupe BPCE

› Co-manager of GEA Finances *(until 28/06/2018)*

› Co-manager of GEA Conseils *(since 2011)*

› Chairman of SAS International Audit Company *(since 19/01/2005)*

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

2014	2015	2016	2017
› Director of Société Locale d'Epargne Economie Sociale et Entreprises *(from 2013 to 2014)*			

Diane de Saint Victor

Company Secretary, General Counsel and member of the Executive Committee of ABB

Born February 20, 1955

Nationality: French

Natixis shares held: (acquisition in progress)

Address: Affolternstrasse 44
CH-8050 Zurich, Switzerland

Independent Director

First appointed: Co-opted by the Board of Directors on April 4, 2019 and ratified at the AGM of May 28, 2019

Term expires: 2023 AGM

Chairman – Appointments Committee

First appointed: Board Meeting of April 4, 2019

Member – Compensation Committee

First appointed: Board Meeting of April 4, 2019

Member – Strategic Committee

First appointed: Board Meeting of April 4, 2019

A trained lawyer holding an advanced degree in corporate law and in international relations, Diane de Saint Victor started her career as a lawyer in 1977 before joining Thales in 1987 as Counsel. From 1988 to 1993 she was Associate General Counsel at General Electric in the healthcare arm, and then abroad.

In 1993 she joined Honeywell International where for 10 years she held the positions of Vice President & General Counsel in various departments in France and Belgium.

From 2004 to 2006 she was Senior Vice President and Company Secretary of EADS in France.

Since 2007, Diane de Saint Victor has served as Executive Director, Company Secretary and member of the Executive Committee of ABB.

Key advisory skills: in-depth understanding of legal and governance matters, in-depth knowledge of industry in France and internationally.

Other offices held in 2018 and 2019:

Within the ABB group[(1)]

› Company Secretary, General Counsel and member of the Executive Committee of ABB *(since 2007)*

› Vice Chair of the Board of Directors of ABB Asea Brown Boveri Ltd *(since 2007)*

Outside the ABB group

› Member of the United States Chamber of Commerce in France *(from 2017 to June 2019)*

› Director and member of the Appointments Committee and member of the Audit Committee of Altran Technologies [(1)] *(since May 15, 2019)*

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

2014	2015	2016	2017
Director at Barclays Bank PLC & Barclays Bank PLC[(2)] *(since 2013)*			►*(until 2017)*

(1) Listed company.

(2) Company outside Groupe BPCE.

Henri Proglio

Chairman of Henri Proglio Consulting SAS

Born June 29, 1949

Nationality: French

Natixis shares held: 1,000

Address:

151 boulevard Haussmann

75008 Paris

Non-Voting Director:

First appointed: Co-opted by the Board of Directors on April 4, 2019 and ratified at the AGM of May 28, 2019

Term expires: 2023 AGM

A graduate of HEC Paris, Henri Proglio began his career in 1972 at the Générale des Eaux group (now Veolia Environnement), where he held various Senior Management positions. In 1990, he was appointed Chairman and CEO of CGEA, a subsidiary specialized in waste management and transport. In 2000, he became Chairman of Vivendi Environnement (Veolia Environnement), and, in 2003, Chairman and Chief Executive Officer.

In 2005 he was also named Chairman of the School Council of his alma mater, HEC.

From 2009 to November 22, 2014, Henri Proglio was Chairman and Chief Executive Officer of EDF. He has been Honorary Chairman of EDF since 2015.

From November 17, 2006 to April 30, 2009, Henri Proglio was a member of the Supervisory Board of Natixis, and then member of the Board from April 30, 2009 to April 4, 2019.

Key advisory skills: A nationally and internationally renowned industrialist, with expertise in large corporations and strategic issues.

Other offices held in 2018:

Chairman of Henri Proglio Consulting SAS (since 09/01/2015)
Honorary Chairman of EDF (since 2015)
Member of the Board of: Dassault Aviation[1] (since 2008), ABR Management Russia (since 2014), Akkuyu Nuclear JSC (Turkey) (since 2015), Atalian (since 01/09/2017), FCC (since 27/02/2015)

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

2014	2015	2016	2017
› Chairman and CEO of EDF(1) (2) (from 25/11/09 to 22/11/2014) › Member of the Board of FCC (1) (2) Spain (from 27/05/2010 to 22/09/2014) › Member of the High Commission for Transparency and Information on Safety in Nuclear Facilities (from 25/11/2009 to 22/11/2014) › Member of the National Commission for Sectors of Vital Importance (2) (from 08/12/2009 to 17/02/2014) › Member of the Committee for Atomic Energy (2) (from 25/11/2009 to 22/11/2014) › Chairman of EDF Energy Holdings Ltd (2) (from			►*(until 2017)*

08/03/2010 to 22/11/2014) › Member of the Board of Edison (2), then Chairman of the Board of Directors (from 24/04/2012 to 25/11/2014) › Member of the Board of: › EDF International SAS (2) (from 06/12/2010 to 25/11/2014), EDF Energies Nouvelles (2) (from 21/09/2011 to 25/11/2014) › Member of the Board of South Stream Transport BV (2) (from 13/11/2012 to 26/11/2014) › Vice-Chairman of the Eurelectric association (2) (Belgium) (from 03/06/2013 to 25/11/2014) › Member of the Board of Dalkia (2) (from 25/07/2014 to 22/11/2014) › Member of the Board of Thales (2) (since 23/12/2014)	› (until 13/05/2015) › Member of the Board of Fennovoima Ltd (2) (Finland) (from March 2015 to November 2015)

(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 made to the Board of Directors in 2018 and since January 1, 2019 that are likely to have a material impact on the Company's governance are as follows:

- On April 4, 2019, the Natixis Board of Directors:

- co-opted with immediate effect Diane de Saint Victor as a Director to replace Henri Proglio, who resigned, for the remainder of his term of office, terminating at the end of the Natixis General Shareholders' Meeting convened in 2019 to approve the financial statements for the year ending on December 31, 2018, and appointed his successor member and Chairwoman of the Appointments Committee and member of the Compensation Committee. Diane de Saint Victor is also member as of right of the Strategic Committee; and

- appointed Henri Proglio as non-voting director for a duration of four (4) years, terminating at the end of the Natixis General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022, and member of the Compensation Committee and Strategic Committee.

- On May 28, 2019, the Combined Shareholders' Meeting of Natixis:

- ratified the co-opting of Laurent Mignon as director which took place during the meeting of the Board on June 1, 2018, to replace François Pérol for the remainder of his term of office, terminating at the end of the General Shareholders' Meeting convened in 2019 to approve the financial statements for the year ending on December 31, 2018,
- ratified the co-opting of Nicole Etchegoïnberry as director which took place during the meeting of the Board of Directors on December 20, 2018, to replace Stéphanie Paix for the remainder of her term of office, terminating at the end of the General Shareholders' Meeting convened in 2020 to approve the financial statements for the year ending on December 31, 2019;
- ratified the co-opting of Christophe Pinault as director which took place during the meeting of the Board of Directors on December 20, 2018, to replace Alain Denizot for the remainder of his term of office, terminating at the end General Shareholders' Meeting convened in 2019 to approve the financial statements for the year ending on December 31, 2018;
- ratified the co-opting of Diane de Saint Victor as director which took place during the meeting of the Board of Directors on April 4, 2019, to replace Henri Proglio for the remainder of his term of office, terminating at end of the General Shareholders' Meeting convened in 2019 to approve the financial statements for the year ending on December 31, 2018;
- ratified the co-opting of Henri Proglio as a non-voting director which took place during the Board of Directors on April 4, 2019, for a duration of four (4) years, terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022;
- reappointed Laurent Mignon as director for a term of four (4) years, terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022;
- reappointed BPCE as director for a term of four (4) years, terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022;
- reappointed Bernard Dupouy as director for a term of four (4) years, terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022;

- reappointed Catherine Pariset as director for a term of four (4) years, terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022;
- reappointed Christophe Pinault as director for a term of four (4) years, terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022;
- reappointed Diane de Saint Victor as director for a term of four (4) years, terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the year ending on December 31, 2022;
- appointed Daniel de Beaurepaire as director, replacing Philippe Sueur, whose term of office expires at the end of the 2019 General Shareholders' Meeting, for a period of four (4) years terminating at the end of the General Shareholders' Meeting convened in 2023 to approve the financial statements for the fiscal year ended December 31, 2022.

2.3.2 Special Committees: offshoots of the Board of Directors

Following the General Shareholders' Meeting on May 28, 2019 during which Laurent Mignon, BPCE, Bernard Dupouy, Catherine Pariset, Christophe Pinault and Diane de Saint Victor were reappointed as director for a term of four (4) years, the Board of Directors:

- reappointed the company BPCE and its representative Catherine Halberstadt as member of the Audit Committee and member of the Risk Committee;
- reappointed Catherine Pariset as Chairwoman and member of the Audit Committee and member of the Risk Committee;
- reappointed Christophe Pinault as member of the Risk Committee and member of the Compensation Committee;
- reappointed Diane de Saint Victor as Chairwoman and member of the Appointments Committee and member of the Appointments Committee;
- appointed Bernard Dupouy as a member of the Compensation Committee; and
- appointed Daniel de Beaurepaire as a member of the Appointments Committee.

In addition, in their capacity as directors, Laurent Mignon, the company BPCE, Bernard Dupouy, Catherine Pariset, Christophe Pinault, Diane de Saint Victor and Daniel de Beaurepaire are members as of right of the Strategic Committee.

2.3.3 Senior Management

2.3.3.1 Organization

The executive management of Natixis is provided by two executive managers: François Riahi, Chief Executive Officer, Gils Berrous, Senior Advisor, and Marc Vincent, Head of Corporate & Investment Banking.
The Chief Executive Officer set up a Senior Management Committee (SMC), which he chairs. It consists of the heads of Natixis' main businesses (Asset & Wealth Management, Corporate & Investment Banking, Insurance) and support functions.
At August 1, 2019, its members were: Nathalie Bricker (Finance), Pierre Debray (Risks), Anne Lebel (Human Resources), Jean-François Lequoy (Insurance), André-Jean Olivier (Corporate Secretary), Jean Raby (Asset & Wealth Management), Véronique Sani (Operations and Information Systems), Pierre-Antoine Vacheron (Payment Activities) et Marc Vincent (Corporate & Investment Banking).

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

The General Shareholders' Meeting on May 28, 2019 approved (refer to the minutes of the Combined General Shareholders' Meeting of May 28, 2019) the policies and rules established for determining compensation and benefits of any kind for corporate officers, as set out in section 2.4 of the 2018 Natixis Registration Document.

REGULATORY RATIOS

CET1 Ratio phased-in
11.5%

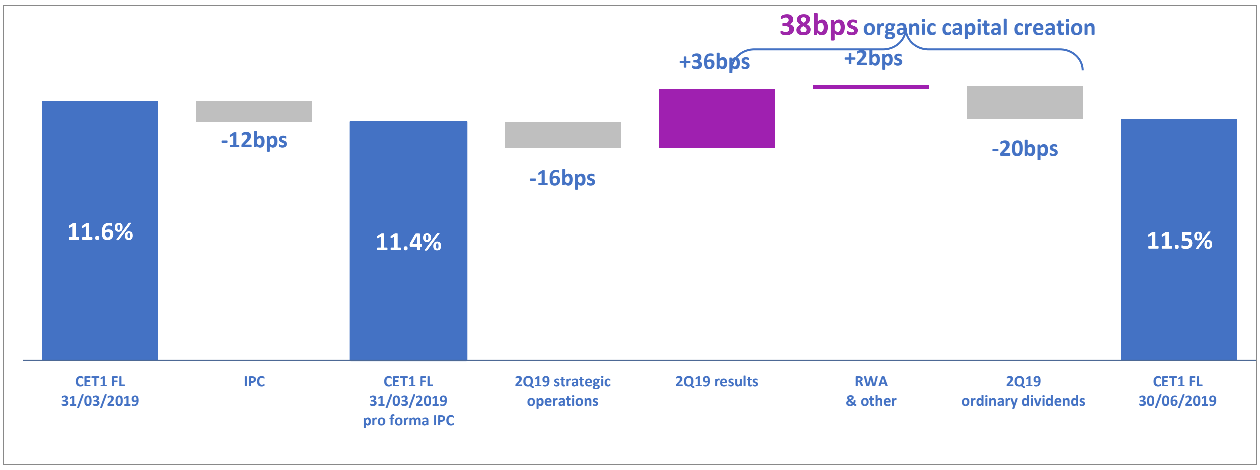
CET1 Ratio Fully loaded
10.6%

Leverage Ratio
4.35 %*

LCR
177%

** Leverage ratio including the profit and the dividend. See section [3.3.2.1] Table LR2 for more details.*

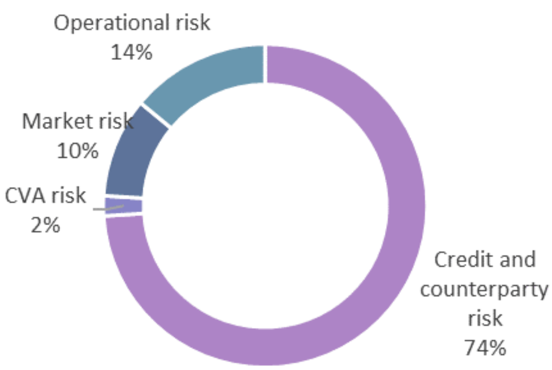
FINANCIAL STRUCTURE



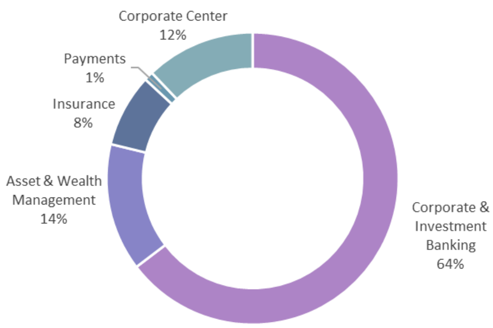
IPC: Irrevocable payment Commitment

RISK-WEIGHTED ASSET

Capital requirement by risk type



Capital requirement by business line



3.1 RISK FACTORS

There were no significant changes in the risk factors applicable to Natixis compared to the description given in the Natixis 2018 Registration Document (Chapter 3, pg. 109 to 115).

3.2 RISK MANAGEMENT

3.2.3 Credit and counterparty risks

3.2.3.10 Quantitative information

- **EAD, RWA AND CAPITAL REQUIREMENTS BY BASEL APPROACH AND EXPOSURE CLASS (NX01)**

(in millions of euros)	30/06/2019 EAD	30/06/2019 RWA	30/06/2019 OFR	31/12/2018 EAD	31/12/2018 RWA	31/12/2018 OFR
Credit Risk						
Internal approach	**156,277**	**54,453**	**4,356**	**154,895**	**55,647**	**4,452**
Equity exposures	5,230	16,345	1,308	5,269	16,257	1,301
Governments and central banks	40,291	414	33	36,350	531	42
Other items				754	204	16
Retail				692	181	15
Corporates	94,559	34,832	2,787	97,358	35,711	2,857
Institutions	9,688	1,388	111	8,388	1,376	110
Securitization	6,509	1,473	118	6,084	1,387	111
Standardized approach	**70,746**	**11,115**	**889**	**65,642**	**20,999**	**1,680**
Governments and central banks	4,150	1,260	101	4,469	1,525	122
Other items	6,623	5,650	452	8,144	6,872	550
Retail	648	467	37	2,377	1,716	137
Corporates	2,482	1,690	135	8,569	6,693	535
Institutions	53,364	681	55	36,011	824	66
Exposures in default	138	199	16	580	782	63
Exposures secured by mortgages on immovable property	222	90	7	1,195	559	45
Exposures to institutions and corporates with a short-term credit assessment	121	67	5	643	413	33
Securitization	2,998	1,012	81	3,654	1,615	129
Sub-total credit risk	***227,023***	***65,568***	***5,245***	***220,537***	***76,646***	***6,132***
Counterparty risk						
Internal approach	**34,922**	**5,665**	**453**	**33,571**	**5,012**	**401**
Governments and central banks	5,335	100	8	7,584	193	16
Corporates	16,445	4,182	335	14,762	3,362	269
Institutions	12,717	1,335	107	10,813	1,417	113
Securitization	426	48	4	412	40	3
Standardized approach	**18,518**	**715**	**57**	**19,829**	**742**	**59**
Governments and central banks	1,505	282	23	1,073	214	17

Retail	1	1		1		
Corporates	53	51	4	94	88	7
Institutions	16,858	334	27	18,517	349	28
Exposures in default	1	2		2	2	
Exposures to institutions and corporates with a short-term credit assessment	55	38	3	124	85	7
Securitization	44	6	1	18	4	
CCP default fund exposure	**314**	**266**	**21**	**273**	**185**	**15**
Sub-total counterparty risk	***53,755***	***6,646***	***532***	***53,673***	***5,939***	***475***
Market risk						
Internal approach		**4,124**	**330**		**4,444**	**355**
Standardized approach		**5,466**	**437**		**5,185**	**415**
Equity risk		585	47		612	49
Foreign exchange risk		2,523	202		2,436	195
Commodities risk		726	58		612	49
Interest rate risk		1,632	131		1,525	122
Sub-total market risk		***9,591***	***767***		***9,629***	***770***
CVA	**8,853**	**1,772**	**142**	**7,168**	**1,661**	**133**
Settlement-delivery risk		**1**			**5**	
Operational risk (standardized approach)		**13,313**	**1,065**		**15,345**	**1,228**
TOTAL		**96,891**	**7,751**		**109,225**	**8,738**

- EAD BY GEOGRAPHIC AREA AND BY BASEL EXPOSURE CLASS (NX05)

(in millions of euros)

Category of exposure	France	Europe*	North America	Other	Total
Corporates	**34,148**	**33,329**	**20,151**	**25,912**	**113,539**
Other than SMEs and SF	28,928	26,782	16,141	21,092	92,944
Specialized Financing (SF)	4,097	6,148	3,872	4,498	18,615
SME	1,123	399	138	321	1,981
Institutions	**64,777**	**12,832**	**9,011**	**6,323**	**92,942**
Governments and central banks	**29,888**	**7,853**	**8,036**	**5,504**	**51,280**
Governments and central banks	28,590	6,280	7,969	5,481	48,320
International Organizations		1,032			1,032
Multilateral Development Banks					
Regional governments or local authorities	429	107			536
Public sector entities	869	433	68	23	1,393
Securitization	**4,691**	**885**	**3,984**	**417**	**9,977**
Other items	**5,770**	**352**	**454**	**47**	**6,623**
Share	**3,773**	**764**	**599**	**94**	**5,230**
Retail	**502**	**36**		**111**	**649**
Other than SMEs	351	17		4	373
SME	151	19		106	276
Exposures secured by mortgages on immovable property	**219**			**2**	**222**
Exposures to institutions and corporates with a short-term credit assessment	**7**	**57**	**13**	**100**	**177**
Exposures in default	**83**			**56**	**139**
Collective investment undertakings					
Total 30/06/2019	**143,857**	**56,109**	**42,247**	**38,565**	**280,778**
TOTAL 31/12/2018	**133,634**	**57,761**	**42,582**	**40,233**	**274,210**

* *Europe = European Union + Europe (outside EU).*

- EAD BY INTERNAL RATING (S&P EQUIVALENT) (NX12)

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	30/06/2019 (*)	31/12/2018 (*)
Investment Grade	AAA	0.2%	0.2%
	AA+	4.6%	5.7%
	AA	15.2%	12.4%
	AA-	11.5%	12.3%
	A+	6.3%	5.3%
	A	11.9%	12.0%
	A-	9.8%	9.5%
	BBB+	7.0%	7.1%
	BBB	8.2%	8.2%
	BBB-	8.1%	7.9%
Investment Grade		**82.9%**	**80.6%**
Non-Investment Grade	BB+	4.5%	5.0%
	BB	3.8%	4.7%
	BB-	2.8%	3.2%
	B+	1.7%	2.2%
	B	0.9%	0.9%
	B-	0.3%	0.3%
	CCC+	0.1%	0.1%
	CCC	0.1%	0.1%
	CCC-		
	CC		
	C		
Non-Investment Grade		**14.1%**	**16.5%**
Of which unrated	**Of which unrated**	**1.4%**	**1.3%**
Default	**D**	**1.6%**	**1.6%**
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).*

3.2.5 Market risk

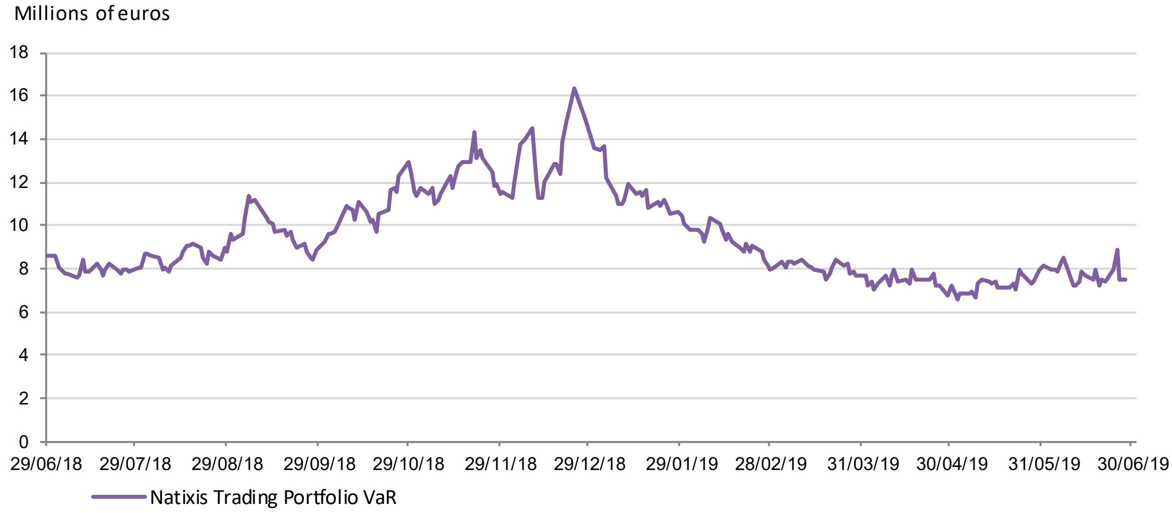
3.2.5.4 Market risk management quantitative disclosure

Change in Natixis VaR

The VaR level for Natixis' trading portfolios averaged €9.5 million. It peaked at €16.4 million on December 24, 2018 and bottomed out at €6.6 million on May 2, 2019, standing at €7.5 million at June 28, 2019.

The following chart shows the VaR trading history between June 29, 2018 and June 28, 2019 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 – (99% VaR, 1 day):

(in millions of euros)

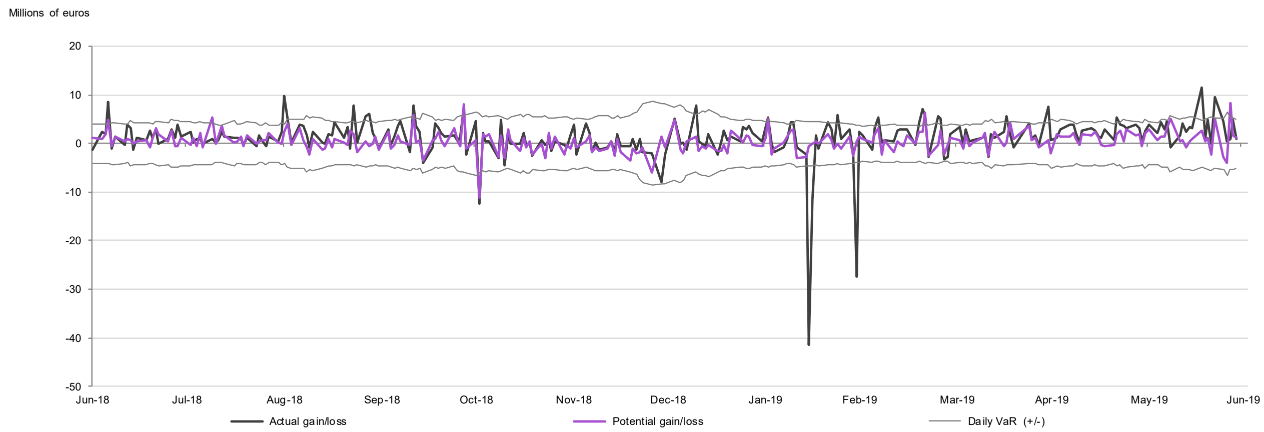
Natixis trading book	VaR at 28/06/2019
Natixis	**7.5**
Corporate & Investment Banking	**7.4**
o/w:	
Global Markets	7.2
Equity Markets	2.9
Commodities	0.7
Fixed Income	3.2
Global Securities Financing	6.0
XVA	4.2
Other run-off activities	1.7

- 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:



There were four backtesting exceptions over the period.

The backtesting exception, recorded on October 30, 2018, was mainly due to strong variations of several risk factors (equity and foreign exchange volatility, equity correlation) combined to remarking regarding Asia Equity Solutions desk. This loss amounted to -€12.2 million in profit and loss.

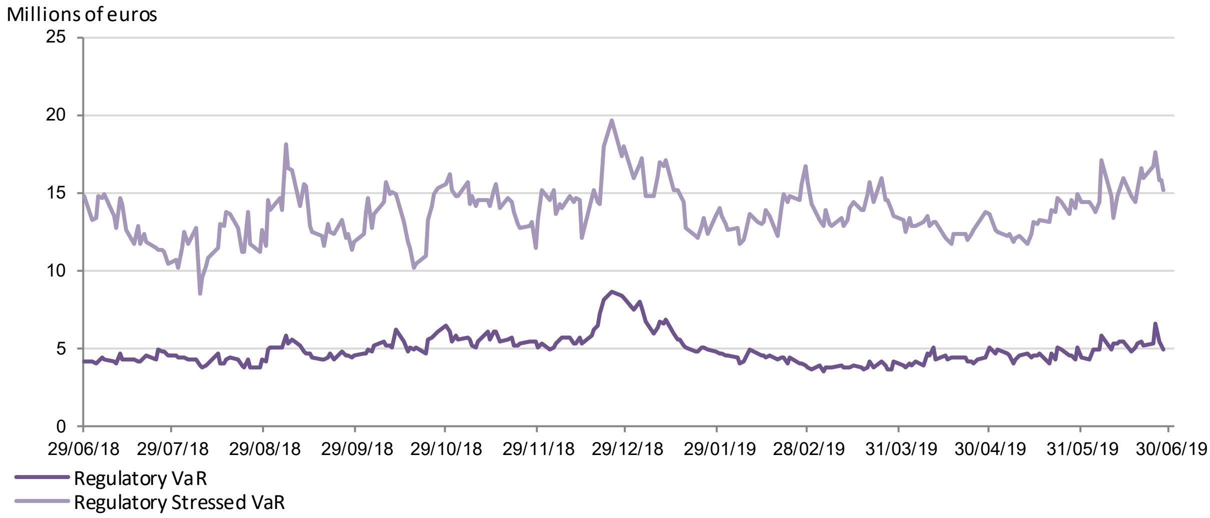
Three exceptions were recorded in the first half of 2019 on February 12, 13 and 27. They are related to the implementation in Asia of a hedging program to guard the equity derivatives portfolio against negative market effects.

The losses recorded on these three dates (€42.2 million on February 12, €13 million on February 13, and €28.4 million on February 27) had no impact on income statement of the first half year.

- NATIXIS REGULATORY STRESSED VAR

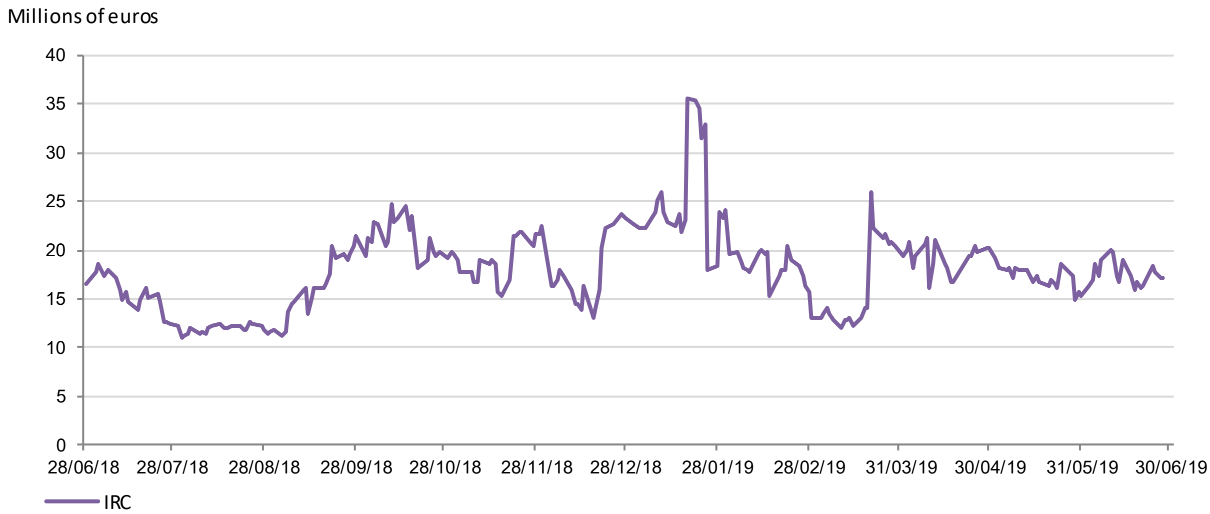
Natixis' regulatory stressed VaR averaged €13.7 million. It peaked at €19.7 million on December 24, 2018, and bottomed out at €8.5 million on August 7, 2018, and stood at €15.2 million at June 28, 2019.

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



- IRC INDICATOR

This indicator covers the regulatory scope. Natixis' IRC level averaged €17.9 million. It peaked at €35.6 million on January 18, 2019, and bottomed out at €10.9 million on July 31, 2018, and stood at €17 million at June 28, 2019.

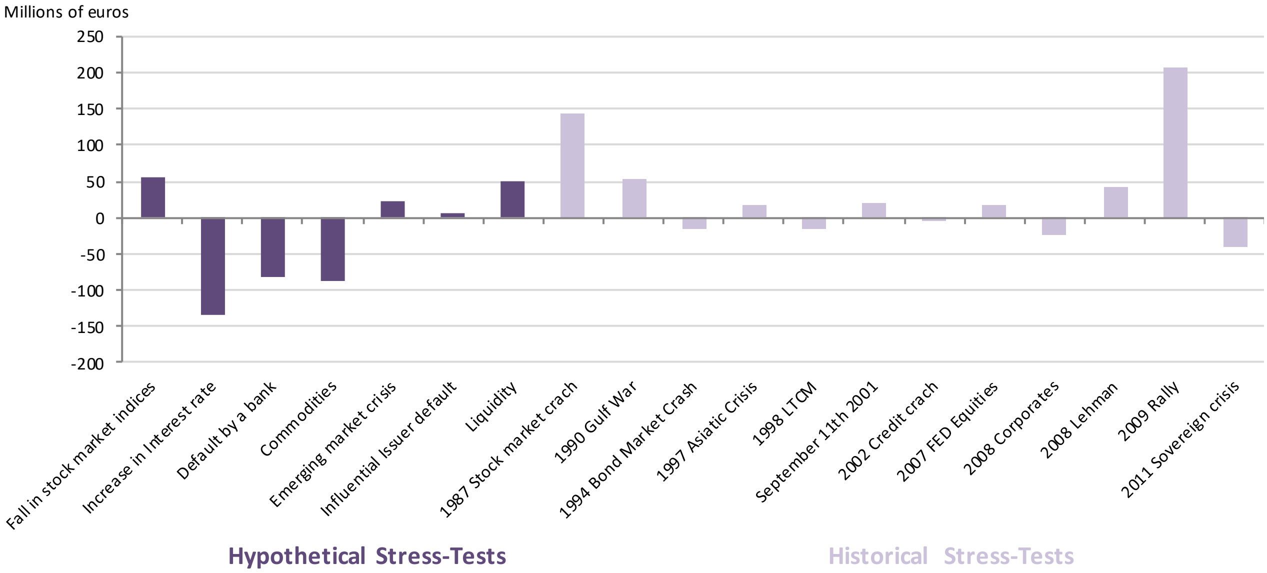


Stress test results for the Natixis scope

Overall stress test levels at June 28, 2019 reached an average level of +€12 million versus +€53 million at June 29, 2018.

The hypothetical test simulating an increase in interest rates gave the maximum loss (-€135 million at June 28, 2019).

- **OVERALL STRESS TESTS AT JUNE 28, 2019**



3.2.7 Balance sheet management

3.2.7.2 Management of liquidity and funding risk

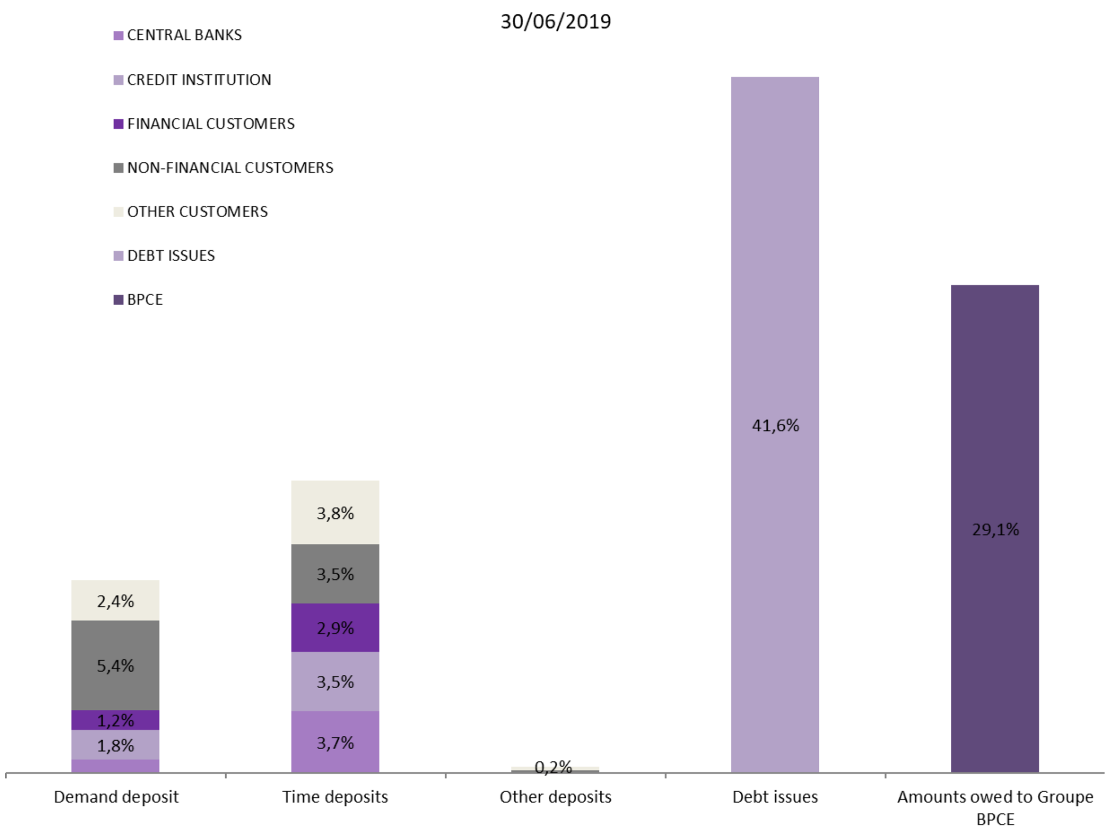
Funding principles and structure

As with most other banks, Natixis operated in highly favorable liquidity conditions, both in terms of volume and price, that provided ample leeway to cover its needs and manage its constraints. Accordingly, Natixis' financing structure remained stable in the first half of 2019. It was nevertheless affected by:

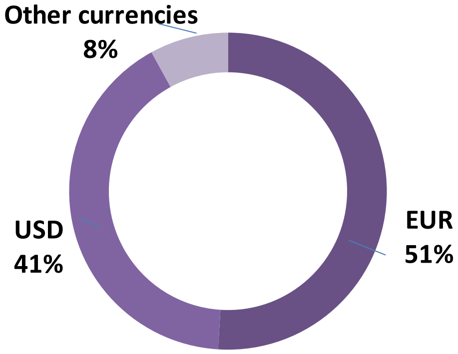
- An increase in the US dollar resource contribution, namely from the US platform, that resulted from excess US dollar liquidity, the inversion of swap rates and expectations of lower interest rates,
- Reduced activity on structured private placements attributable to a market environment dominated by the decline in long-term rates, liquidity spreads and implicit volatility,
- A decrease in corporate customer deposit inflows in France via the specialized professional fund Ostrum Natinvest following the implementation of the European Money Market Fund reform in January this year.

- **WEIGHT OF GROSS ON-BALANCE SHEET FUNDING SOURCES BY MAJOR CATEGORY OF VEHICLE AND/OR BY CUSTOMER SEGMENT AT JUNE 30, 2019**

Sources: Management data



- **BREAKDOWN OF GROSS FUNDING STRUCTURE BY CURRENCY, AT CURRENT USD EXCHANGE RATES - AT JUNE 30, 2019**



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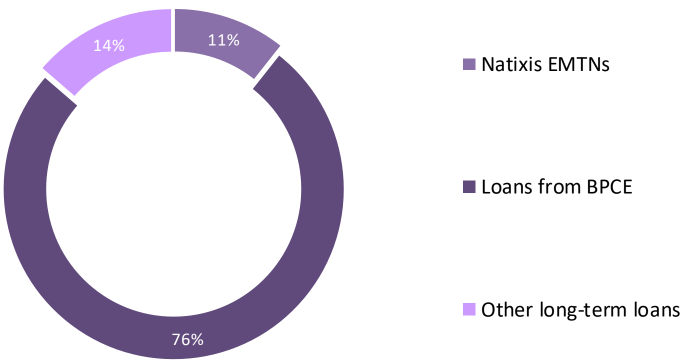
- **NET MLT FUNDING PROGRAM AT JUNE 30, 2019**



Highlights of the Bank's funding

<u>Short-term funding</u>

In the first half of the year the concerns weighing on global growth were confirmed as market activity slowed down in Asia and Europe, while the US held firm on the back of a persistently dynamic labor market. Investment growth was buffeted by Brexit uncertainties, developments in global trade agreements and tensions between the US and Iran. The main central banks factored in this phenomenon to downwardly revise their inflation and growth forecasts, and have started to consider loosening monetary policies. The Fed and the ECB may cut interest rates in the second half of the year and revive their asset purchase programs. The ECB also unveiled the details of its new TLTRO (Targeted Longer-Term Refinancing Operations) program which should maintain very high volumes of excess liquidity in the euro zone until March 2023 at least.

The Money Market Fund reform in Europe that came into effect at the end of January 2019 did not have a massive impact on the short-term bank debt market owing to the adequate preparation of asset management firms. It nevertheless requires funds to hold bigger liquid asset reserves and can explain the slightly reduced appetite for the longer maturities (6 to 12 months) of the money market curve.

In Asia, Natixis benefited from additional resources through its issuance programs. These new investors came on board for a total amount of €2.5 billion for durations ranging from five to six months. In the US, strong prime money market fund inflows drove demand for bank stocks, allowing Natixis to capitalize on the abundant liquidity in this sector of the market. The inverted curve at play in the US today favors the short end, which offers higher yields that those observed over the long term.

▬ Natixis' short-term issuance program outstandings

(in millions of euros or euro equivalents)	**Certificates of deposit**	**Commercial Papers**
Program ceiling *	45,000	25,181
Outstandings at 30/06/2019	29,200	12,873

** For certificate of deposit, NEU CP program ceiling only*

Long-term funding

The US-China trade dispute featured prominently in the first half of 2019. After the US raised tariffs on over $250 billion worth of imports from China, and the Chinese government hit back with additional levies on $110 billion US products, the conflict escalated to the point of legitimizing fears of a global growth slowdown.
Recent macro-economic data point to a decline in activity: at 49.4, the China manufacturing PMI (Purchasing Managers' Index) indicates that activity has contracted; industrial output in the euro zone was down -0.6% in April; and second-quarter growth in the US is expected at +1.9% (the Atlanta Fed's forecast) versus +3.1% in the first quarter. Soft inflation (1.2% in the euro zone in June, 1.5% in the US in May) and the accommodative tone adopted by central banks pushed long rates lower. Accordingly, the yield on the French 10-year OAT moved into negative territory, reaching -0.01% at end-June.
The credit market performed well over the period in a highly liquid market (Investment Grade fund inflows) where investors search for yield. The spread of French bank 5-year € senior preferred debt tightened further by -15/-20 bp over the period to trade at an average of E3M+45 bp.
Against this market backdrop, Natixis raised a euro-equivalent amount of €8.9 billion under the medium- and long-term refinancing program in the first half of 2019, €4.6 billion of which with BPCE, the sole long-term issuer in the public issues segment.

▬ Issues and outstandings of Natixis' medium- and long-term debt issuance programs

(in millions of euros or euro equivalents)	**EMTN**	**NEU MTN**	**USMTN**	**Bond issues**
Issues at 30/06/2019	1,726	340	2	2,203
Outstandings at 30/06/2019	16,065	686	205	11,067

3.2.7.4 Overall interest rate risk

Quantitative disclosures

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 28, 2019 would lead to a variation of -€749 million in the economic value of the portfolios included in the scope of this shock.

The interest rate gap indicator set below factors in all fixed-rate positions until the next fixing date of Natixis' banking portfolio on the basis of a consolidated scope. A positive gap (respectively negative) at a given maturity means that the bank has a fixed-rate borrower position (respectively lender).

- **INTEREST RATE GAP AT JUNE 30, 2019**

Maturity *(in millions of euros)*	**1 year**	**3 years**	**5 years**	**7 years**
Interest rate gap	64	(583)	(405)	10

Given the nature of the Group activities hosted by Natixis, most of the assets and liabilities of which bear floating rates, Natixis' overall interest rate risk remains marginal, as shown by the interest rate gap set above. This risk is mainly linked to differences in interbank rate fixing dates. Accordingly, the banking book's EVE sensitivity, calculated at the outset, therefore totaled ±€23 million at end-June 2019 for an instant interest rate shock of ±200 bp.

3.2.9 LEGAL RISKS

3.2.9.1 Legal and arbitration proceedings

Madoff fraud

Outstanding assets exposed to the Madoff affair as expressed in euros were estimated at €543 million at June 30, 2019 and were fully provisioned for at that 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, notably in terms of legal procedures. 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 vindicated the Commercial Court's prior ruling that primary insurers were liable to cover the losses incurred by Natixis due to the Madoff fraud, up to the amount for which the bank was insured. On September 19, 2018, the Court of Cassation subsequently annulled the judgment under appeal and referred the case back to the Paris Court of Appeal with a differently constituted bench. The case was heard on June 11, 2019 and the Court announced its decision for September 24, 2019.

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 the case on a preliminary basis, or prior to any ruling on the merits, 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. In September 2017, the Second Circuit Court granted the BMIS liquidator and the defendants the right to appeal the bankruptcy court's ruling on the grounds of extraterritoriality directly through the Second Circuit, thereby avoiding the need to file an intermediary appeal with the district court. In February 2019, the Court of Appeals for the Second Circuit overturned the bankruptcy court's extraterritoriality ruling. Natixis is examining the possibility of appealing this decision. The case is ongoing.

Furthermore, the liquidators of Fairfield Sentry Limited and Fairfield Sigma Limited have initiated a large number of 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 filed joint responses in May and June 2017. In August 2018, the bankruptcy court ruled on a motion to dismiss filed by the defendants (requesting that the case be dismissed on a preliminary basis and prior to any ruling on the merits). The judge only gave a ruling on one of the merits (that of personal jurisdiction), having fund that the latter was missing from the claim made against the defendants. In December 2018, the judge ruled on the motion to dismiss, rejecting the claims brought by liquidators founded on common law (unjust enrichment, money had and received, mistaken payment and constructive trust) as well as contractual claims. However, it overturned the motion to dismiss in respect of claims founded on British Virgin Islands' law, while reserving the right to file a plea for the application of the Section 546(e) Safe Harbor provision. The judge is waiting for the defendants to submit their pleas in respect of the applicability of this safe harbor provision.

Criminal complaint coordinated by ADAM

In March 2009, the Paris public prosecutor's office (Parquet de Paris) launched a preliminary investigation into a complaint filed by Natixis minority shareholders and coordinated by the Association de Défense des Actionnaires Minoritaires (ADAM – Association for the Defense of Minority Shareholders). As the plaintiffs have initiated civil proceedings, a judicial investigation opened in 2010. On February 14, 2017, Natixis came under investigation for false and misleading information on account of two messages sent in the second half of 2007, at the beginning of the subprime crisis.

After judicial investigation, a committal for trial was ordered on June 28, 2019.

The committal concerns only one of the messages, disseminated on November 25, 2007, explaining the risks to which Natixis was exposed at the time as a result of the subprime crisis. The second message was dismissed.
Maintaining that no offense was committed, Natixis will present its defense, and the Criminal Court will render its judgment.

MMR claim

In 2007, Ixis Corporate & Investment Bank (the predecessor of Natixis) issued EMTNs (Euro Medium Term Notes) indexed to a fund that invested in the Bernard Madoff Investment Securities fund. Renstone Investments Ltd (the apparent predecessor of MMR Investment Ltd) is alleged to have subscribed, via a financial intermediary acting as the placement agent, for these bonds in the amount of $50 million.

In April 2012, MMR Investment Ltd filed a joint claim against Natixis and the financial intermediary before the Commercial Court of Paris, claiming not to have received the bonds, despite having paid the subscription price to the financial intermediary. The claim mainly concerns the reimbursement of the subscription price of the bonds and, and as an alternative, the annulment of the subscription on the grounds of defect in consent. On February 6, 2017, the Commercial Court of Paris dismissed all of MMR Investment Ltd's claims, decision confirmed by the Court of Appeal of Paris on October 22, 2018. MMR Investment Ltd submitted an appeal. The case is ongoing.

Union Mutualiste Retraite

In June 2013, Union Mutualiste Retraite (UMR) filed three complaints against AEW S.A. (formerly 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 €149 million.

On October 25, 2016, the Commercial Court of Paris ordered the two insurance schemes involved to honor, in respect of AEW S.A., 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 S.A. Several of the insurers concerned appealed this decision.

On June 26, 2018, the Paris Court of Appeal ordered a stay of proceedings opposing AEW S.A. and its insurers, until a final ruling is issued on the case opposing UMR and AEW S.A., currently before the

Commercial Court of Paris. The matter of the insurance cover provided by the insurers, as established by the Commercial Court of Paris ruling of October 25, 2016, and the coverage of AEW S.A.'s legal fees, were not challenged by the Paris Court of Appeal.

The proceedings opposing UMR and AEW S.A. are ongoing and the case will be argued before the Commercial Court of Paris on September 23, 2019.

Competition Authority / Natixis Intertitres and Natixis

On October 9, 2015, a participant in the restaurant voucher sector lodged a complaint with the Competition Authority to contest sector practices with respect to the issuance and acceptance of restaurant vouchers. The complaint targeted several French companies operating in the restaurant voucher sector, including Natixis Intertitres and Natixis as parent company of the former.

Based on our counsel, we believe we can submit convincing evidence against the allegations.

The hearing before the college of the Competition Authority will take place in 2019 and the decision should be rendered before the end of the 2019 calendar year.

Given its broad discretionary powers, and in virtue of the principles of individualization and proportionality, the Competition Authority can determine the financial sanctions on a case-by-case basis. Given the difficulty of assessing the degree to which the Competition Authority will consider our arguments for defense, and in light of the multiple factors contributing, if applicable, to the determination of a fine, no provision was made at June 30, 2019 for this proceeding.

In all events, the decision of the Competition Authority may be taken to the Paris Court of Appeal, a possibility that would be further assessed with the help of our legal counsel.

Bucephalus Capital Limited / Darius Capital Partners

On June 7, 2019, the company Bucephalus Capital Limited (a UK law firm), together with other firms, brought claims against Darius Capital Partners (a French law firm and 60%-held subsidiary of Natixis Investment Managers) before the Paris Commercial Court, to contest the breach of various contractual obligations, particularly with respect to a framework agreement dated September 5, 2013 setting out their contractual relations and various subsequent agreements. Bucephalus Capital Limited claims a total of €178,487,500.

Darius Capital Partners consider these claims to be unfounded and will defend itself vigorously.

3.2.10 Other risks

3.2.10.1 Risks related to insurance activities

Natixis Assurances

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

- the personal insurance business, focused on developing portfolios of life insurance and endowment policies for investment and retirement purposes, as well as personal protection insurance portfolios;
- the non-life insurance business, focused on developing portfolios for auto and multi-risk home insurance, personal accident insurance, legal protection, healthcare and property & casualty insurance.

Given the predominance of the Investment Solutions activity, the main risks to which Natixis Assurances 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: €56.6 billion on the main fund balance sheet). The Company is exposed to asset impairment risk (fall in the equity or real estate market, widening spreads, interest rate hikes) as well as the risk of lower interest rates which would generate insufficient income to meet its guaranteed principal and returns. To deal with this risk, BPCE Vie has only sold policies with a minimum guaranteed return in recent years: more than 95% of the policies have a zero minimum guaranteed return. The minimum guaranteed return averages 0.14%.

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, 2019, 65.9 % of the fixed-income portfolio is invested in securities rated higher than A-.

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 prioritize inflows in unit-linked policies, measures have been taken, such as the creation of unit-linked 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: to ensure that the premiums paid by the policyholders match 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 auto 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 storms or civil liability claims.

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 that are subject to a financial rating by at least one of the three internationally recognized rating agencies, and that 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 a risk management framework to ensure the effective management of its operations and processes.

Given its listing on the stock market, the main risk factors and uncertainties to which the Group is exposed are set out in detail under paragraph 5 “Chairman’s report on corporate governance, internal risk control and risk management procedures” published on March 21, 2017, and in Chapter 5 “Main risk factors and their management within the Group” of the Coface Group registration document, filed with the AMF on April 3, 2019 under number D.19-0261.

In first-half 2019, following on from the action taken to reduce corporate risks in 2016 in certain sensitive geographic areas and in business sectors deemed to be risky, the Group is implementing its risk management framework in accordance with the established management principles.

3.2.11 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, 2019.

− EXPOSURE TO MONOLINE INSURERS

Value adjustments decrease by €4 million during half-year 2019 (excluding the effect of the BPCE guarantee) to €19 million at June 30, 2019, versus €23 million at December 31, 2018.

	Data at 30/06/2019			Data at 31/12/2018		
(in millions of euros)	**Notional amount**	**Prevalue adjustment exposure**	**Value adjustments**	**Notional amount**	**Prevalue adjustment exposure**	**Value adjustments**
Other risks	1,201	160	(19)	1,202	176	(23)
TOTAL	**1,201**	**160**	**(19)**	**1,202**	**176**	**(23)**

(in millions of euros)	**30/06/2019**	**31/12/2018**
Prevalue adjustment exposure	160	176
Value adjustments	(19)	(23)
RESIDUAL EXPOSURE	**141**	**153**
Discount *(in %)*	12%	13%

− EUROPEAN RMBS

Net exposure to UK RMBS

UK RMBS *(in millions of euros)*	**Net exposure at 31/12/2018**	**Change in value in H1 2019**	**Other changes**	**Net exposure at 30/06/2019**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**	**NR**
Trading book	25	-	63	88	4	8			-	-	-	-	76
TOTAL	**25**	**-**	**63**	**88**	**4**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**76**

Net exposure to Spanish RMBS

Spanish RMBS *(in millions of euros)*	**Net exposure at 31/12/2018**	**Change in value in H1 2019**	**Other changes**	**Net exposure at 30/06/2019**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**CC**	**NR**
Trading book	24	-	(13)	11	-	1	-	-	2	-	-	-	8
TOTAL	**24**	**0**	**(13)**	**11**	**-**	**1**	**-**	**-**	**2**	**-**	**-**	**-**	**8**

− CMBS

CMBS *(in millions of euros)*	**Net exposure as at 31/12/2018**	**Change in value in H1 2019**	**Other changes**	**Net exposure at 30/06/2019**
Trading book	26	-	1	27
Loans and receivables portfolio	198	-	20	218
Portfolio of financial assets at fair value through profit or loss	49		12	61
TOTAL	**273**	**-**	**33**	**306**

Breakdown by rating	**% breakdown**
AAA	50%
AA	14%
A	6%
BBB	7%

BB	3%
B	1%
NR	19%
TOTAL	**100%**

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

– EXPOSURES TO COUNTRIES RECEIVING FINANCIAL ASSISTANCE

At June 30, 2019, exposures to sovereign risk in countries receiving financial aid or facing uncertainties (political, currency, etc.) were as follows:

	30/06/2019 (1)				**31/12/2018 (1)**			
(in millions of euros)	**Sovereign securities**	**Derivatives (2)**	**Other**	**Total**	**Sovereign securities**	**Derivatives (2)**	**Other**	**Total**
Spain*	1,232	3	0	1,235	1,250	(1)	4	1,253
Greece*	5	0		5	2	1		3
Ireland*	191	3		194	203	8		210
Portugal*	363			363	212			212
Russia	2	0	27	29	2	(1)	9	10
Ukraine				0	1			1
Venezuela			42	42			46	46
TOTAL	**1,793**	**6**	**69**	**1,868**	**1,670**	**7**	**59**	**1,736**

** Countries receiving financial aid from the European Union.*

(1) Excluding corporates.

(2) Including credit derivatives.

At June 30, 2019, exposure to non-government risk, in particular Greece and countries facing uncertainties (political, currency, etc.), directly held by Natixis stood as follows:

	Gross exposure at June 30, 2019 (1)			**Total gross exposure**	**Expected credit losses (2)**	**Net exposure**	**Gross exposure at December 31, 2018 (1)**			**Total gross exposure**	**Provisions**	**Net exposure**
(in millions of euros)	**Bank**	**Asset financing and structured transactions (3)**	**Corporate**				**Bank**	**Asset financing and structured transactions (3)**	**Corporate**			
Greece*	681	24	115	**820**	(6)	**814**	546	105	62	713	(9)	704
Russia	172	443	625	**1,241**	(1)	**1,240**	77	409	397	883	(1)	882
Ukraine	0	89	0	**89**	0	**89**	0	129	0	129	1	130
TOTAL	**853**	**557**	**740**	**2,150**	**(7)**	**2,143**	**623**	**643**	**459**	**1,725**	**(9)**	**1,716**

** Countries receiving financial aid from the European Union.*

(1) Gross exposure: gross carrying amount on the balance sheet at June 30, 2019 and December 31, 2018.

(2) Credit losses expected at one year and credit losses expected at maturity.

(3) Exposure corresponds mainly to the “shipping finance” sector amounting to €25 million at June 30, 2019 versus €29 million at December 31, 2018.

3.3 BASEL 3 PILLAR III DISCLOSURES

3.3.1 Capital management and capital adequacy

3.3.1.3 Composition of capital

- **TRANSITION FROM SHAREHOLDER'S EQUITY TO PRUDENTIAL CAPITAL AFTER APPLYING PHASE-IN ARRANGEMENTS**

In millions of euros	31/12/2018	30/06/2019
Shareholders' equity		
Capital	5,040	5,045
Issue premium	4,251	4,251
Retained earnings	6,447	5,497
Treasury shares	-27	-74
Other, including items of comprehensive income	650	813
Other instruments to be reclassified as Additional Tier 1 capital	1,978	1,978
Income/(loss) for the year	1,577	1,110
Total shareholders' equity - Group share	**19,916**	**18,621**
Reclassification as Additional Tier 1 capital	-1,978	-1,978
Translation adjustments	-6	-10
Restatement of dividend forecast (dividend for previous year)	0	0
Prudential filters after phase-arrangements		
Own credit risk: Gain on reclassification of hybrid securities	-144	-144
Own credit risk: liabilities and derivatives net of deferred taxes	-109	43
Prudent valuation adjustment	-383	-361
Unrealized gains and losses	105	6
Total prudential filters	**-531**	**-456**
Deductions after phase-in arrangements		
Dividend proposed for current year and related expenses	-944	0
Goodwill		
Amount as per accounting base	-3,437	-3,489
Amount of related deferred tax liabilities	336	338
Amount included in value of investments in associates	-228	-216
Intangible assets		
Amount as per accounting base	-580	-469
Non-controlling interests		
Amount as per accounting base	241	132
Prudential adjustment including phase-in arrangements	-241	-132
Deferred tax assets (tax loss carry-forwards)		
Amount as per accounting base	-1,354	-1,212
o/w portion not including tax loss carry-forwards and impact of netting	706	484
Prudential adjustment including phase-in arrangements	130	0
Shortfall of provisions to expected losses	0	0
Investments in the share capital of financial sector entities	0	0
Other prudential adjustments including phase-in arrangements	**-77**	**-1,337**
Total deductions	**-5,449**	**-5,900**
Total Common Equity Tier 1 (CET1)	**11,951**	**10,276**
Hybrid capital instruments		
Amount as per accounting base		
Other equity instruments	1,978	1,978
Residual gain on reclassification as equity	144	144
Nominal value adjustment during the period	22	27
Early redemption through exercise of call option	0	0
Leveling due at the grandfathering limit	0	0
Total hybrid instruments	2,145	2,149
Deductions	-22	-22
Other prudential adjustments including phase-in arrangements	0	0
Total additional Tier 1 capital	**2,123**	**2,127**
Total Tier 1 capital	14,074	12,403
Subordinated debt instruments		
Amount as per accounting base	3,372	3,371
Regulatory adjustment	-241	-303
Transfer of grandfathering leveling on hybrid capital instruments	0	0

Total Tier 2 instruments	3,131	3,068
Surplus of provisions to expected losses	34	27
Deductions	-761	-760
Other prudential adjustments including phase-in arrangements	0	0
Total Tier 2 capital	**2,403**	**2,335**
Total regulatory capital	**16,477**	**14,738**

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

– GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES USED IN THE COUNTERCYCLICAL BUFFER (CCYB1)

(in millions of euros)

Breakdown by country	Countercyclical capital buffer rate	Value of exposures and/or RWA used to determine the CCyB		CCyB rate specific to Natixis	CCyB requirement specific to Natixis
		Value of exposures	RWA		
CZ – CZECH REPUBLIC	1.3%				
GB - UNITED KINGDOM	1.0%	6,086	2,450		
HK – HONG KONG	2.5%	2,561	670		
IS - ICELAND	1.8%	3	4		
LT - LITHUANIA	1.0%	58	3		
NO - NORWAY	2.0%	323	123		
SE - SWEDEN	2.0%	371	200		
SK - SLOVAKIA	1.3%	11			
DK - DENMARK	0.5%	329	250		
Sub-total		**9,743**	**3,701**		
Other countries with a 0% risk weight		175,700	64,233		
Total 30/06/2019		**185,443**	**67,934**	**0.0722%**	**70**
Total 31/12/2018		**190,783**	**77,603**	**0.0638%**	**70**

– PRUDENTIAL VALUATION ADJUSTMENTS (PV1)

(in millions of euros)	Equity exposures	Interest rates	Forex	Credit	Commodities	Total	o/w: o/w: in trading portfolio	o/w: in bank portfolio
Uncertainty with respect to liquidation o/w:	171	21	3	15		212	197	15
Average value	39	5		5		50	42	8
Cost of liquidation	64	16	3	7		90	89	
Concentration						72	65	6
Early termination								
Model risk	31	5		1		38	23	14
Operational risk	10	2		1		14	14	
Investment and financing costs						8	8	
Unearned credit spreads						15	15	
Future administrative expenses	6	61	2	6		75	45	30
Other								
Total adjustments						**361**	**302**	**59**

– NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS

(in millions of euros)

	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	2,783
Total RWA	**9,759**

– CHANGES IN PRUDENTIAL CAPITAL AFTER APPLYING PHASE-IN ARRANGEMENTS FOR THE PERIOD

(in millions of euros)	H1 2019	o/w impact of the disposal of the SFS division to BPCE
Common Equity Tier 1 (CET1)		
Amount at start of period	**11,951**	
New instruments issued (including issue premiums)	4	
Instruments redeemed	0	
Retained earnings from previous periods	-1,586	-1,509
Net income/(loss) for the period	1,110	586
Gross dividend proposed	0	
Dividend payout in new shares	0	
Changes in other comprehensive income		
Translation adjustments	50	
Available-for-sale assets (Insurance)	163	-70
Cash flow hedging reserve	99	106
Other	-148	
Other	-1,231	
Non-controlling interests	0	
Filters and deductions not subject to the phase-in arrangements		
Goodwill and intangible assets	75	154
Own credit risk	152	
Other comprehensive income CFH	-99	-106
Prudent valuation adjustment	22	
Other items	-30	
Other, including prudential adjustments and phase-in arrangements		
Deferred tax assets that rely on future earnings (excluding temporary differences)	-79	-96
Deductions in respect of breaches of capital thresholds	0	
Other	-47	
Impact of phase-in arrangements	-130	
o/w impact of changes in phase-in rate	-130	
o/w impact of change in basis subject to phase-in arrangements	0	
Amount of Common Equity Tier 1 (CET1) at end of period	**10,276**	**-935**
Additional Tier 1 (AT1) capital		
Amount at start of period	**2,123**	
New eligible instruments issued	0	
Redemptions during the period	0	
Other, including prudential adjustments and phase-in arrangements	4	
o/w impact of changes in phase-in rate	0	
o/w other impact of changes in base	4	
Amount of Additional Tier 1 (AT1) capital at end of period	**2,127**	
Tier 1 (Tier1) capital	12,403	-935
Tier 2 (Tier2) capital		
Amount at start of period	2,403	
New eligible instruments issued	0	
Redemptions during the period	0	
Other, including prudential adjustments and phase-in arrangements	-68	-19
o/w impact of changes in phase-in rate	0	
o/w other impact of changes in base	-68	-19
Amount of Tier 2 capital at end of period	**2,335**	**-19**
Total regulatory capital	**14,738**	**-954**

In first-half 2019, during which BPCE acquired the retail banking entities, the following changes in Basel 3/CRR regulatory capital post phase-in arrangements were recorded:

Common Equity Tier 1 (CET1) totaled €10.3 billion at June 30, 2019, down -€1.7 billion over the period.

Common Equity Tier 1 includes neither the profit of the first half of 2019 nor the corresponding expected dividends.

The -€1.3 billion decrease in accounting shareholders' equity (Group share) was mostly attributable to the dividend payout of -€0.9 billion in the period in respect of the 2018 fiscal year and the special dividend payout of -€1.5 billion following the disposal of the retail banking entities to BPCE, the impact of which was offset by the first half-year profit of +€1.1 billion (including a capital gain of €0.6 billion for the aforementioned disposal).

CET1 capital included an increase in prudential deductions relating to goodwill (integration of new entities) largely offset by the reduction in intangible assets following the disposal of the retail banking entities to BPCE, i.e. a net impact of +€0.1 billion.

It was also affected by the end of the deferred taxes phasing-in period, the impact of which totaled -€0.1 billion, and by the deduction of irrevocable payment commitments to the Single Resolution Fund.

CET1 capital remained stable over the period.

CET2 capital fell -€0.1 billion to €2.3 billion, due in large part to the impact of the prudential haircut.

At €96.9 billion, risk-weighted assets were down -€12.3 billion over the period. This variation was mainly attributable to the deconsolidation of the Specialized Financial Services entities.

- **RISK-WEIGHTED ASSETS AT JUNE 30, 2019**

(in billions of euros)	Credit risk	CVA	Market risk	Operational risk	Total RWA
BASEL 3 AT 31/12/2018	**82.6**	**1.7**	**9.6**	**15.3**	**109.2**
Changes in exchange rates	0.1				0.1
Changes in business activity	2.0	0.1	(0.1)		2.0
Improvement in risk parameters	0.4		0.1		0.6
Acquisitions and disposals of financial investments	(12.7)			(2.0)	(14.7)
Impact of guarantees	(0.2)				(0.2)
BASEL 3 AT 30/06/2019	**72.2**	**1.8**	**9.6**	**13.3**	**96.9**

At €96.9 billion, risk-weighted assets were down -€12.3 billion over the period.

The -€10.4 billion decrease in credit risk in 2018 was primarily due to the following factors:

- -€12.7 billion for the disposal of the retail banking entities to BPCE;
- An increase in outstandings (+€2.0 billion), €1.1 billion of which follows the application of IFRS 16 on January 1, 2019;
- The impact of risk inputs (+€0.4 billion), mainly due to changes in weighting parameters and exposure maturities.

The +€0.1 billion increase in the risk of credit spread volatility is mostly attributable to changes in risk exposure.

Market risk was stable over the period and stood at €9.6 billion at June 30, 2019.

Operational risk was down -€2.0 billion following the deconsolidation of Natixis' retail banking entities following their disposal to BPCE in the first quarter of 2019.

– BASEL 3 RWA BY MAIN NATIXIS BUSINESS LINE (NX02)

(in millions of euros)		Basel 3 RWA at 30/12/2019		
Business line	**TOTAL**	**Credit[a]**	**Market[b]**	**Operational**
Corporate and Investment Banking [c]	61,090	44,887	8,941	7,262
Asset & Wealth Management	13,844	8,939		4,905
Insurance	7,898	7,898		
Payment	1,190	390		800
Corporate Center	12,869	10,101	2,423	345
Total 30/06/2019	**96,891**	**72,215**	**11,364**	**13,313**
Total 31/12/2018	**110,697**	**84,985**	**10,928**	**14,784**

(a) Including counterparty risk.

(b) Including settlement-delivery risk of €1,772 million in CVA RWA.

(c) Including Treasury & Collateral Management.

3.3.2 Other regulatory ratios

3.3.2.1 Leverage ratio

– COMPARISON OF ACCOUNTING EXPOSURES AND LEVERAGE EXPOSURES (LR1)

Category	30/06/2019	31/12/2018
Total consolidated assets reported in the financial statements	504,260	495,496
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(105,272)	(100,864)
(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”)		
Adjustments for derivative financial instruments	(32,984)	(26,969)
Adjustment for securities financing transactions (repurchase transactions and other types of collateralized loans)	(18,624)	(17,774)
Adjustment for off-balance sheet items (i.e. conversion of off-balance sheet exposures to credit equivalent amounts)	38,276	39,614
Other adjustments	(19,097)	(16,539)
Leverage ratio exposure	**366,560**	**372,964**
o/w exposure related to affiliates	**61,956**	**38,808**
Excluding exposure related to affiliates	**304,604**	**334,156**

– LEVERAGE RATIO (LR2)

(in millions of euros)

Provisions governing the leverage ratio	30/06/2019	31/12/2018
On-balance sheet exposures		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	245,241	238,045
(Asset amounts deducted in determining Tier 1 capital)	(5,198)	(4,941)
Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	240,043	233,104
Derivative exposures		
Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	7,997	6,686
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	20,614	21,353
Exposure determined under Original Exposure Method		
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(14,139)	(11,597)
(Exempted CCP leg of client-cleared trade exposures)		
Adjusted effective notional amount of written credit derivatives	9,714	11,238
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(6,824)	(8,766)
Total derivative exposures (sum of lines 4 to 10)	17,361	18,914
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	89,263	99,107
(Netted amounts of cash payables and cash receivables of gross SFT assets)	(23,686)	(23,939)
Counterparty credit risk exposure for SFT assets	5,062	6,164
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of regulation (EU) No. 575/2013		
Agent transaction exposures		
(Exempted CCP leg of client-cleared SFT exposure)		
Total securities financing transaction exposures (sum of lines 12 to 15a)	70,639	81,332
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	79,911	95,529
(Adjustments for conversion to credit equivalent amounts)	(41,635)	(55,914)
Other off-balance sheet exposures (sum of lines 17 and 18)	38,276	39,614
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off-balance sheet)		
(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of regulation (EU) No. 575/2013 (on and off balance sheet))		
(Exposures exempted in accordance with Article 429 (14) of regulation (EU) No. 575/2013 (on and off balance sheet))		
Capital and total exposures		
Tier-1 capital	12,403	14,074
Total leverage ratio exposures (sum of lines 3, 11, 16 and 19)	366,320	372,964
Leverage ratio		
Leverage ratio	3.4%	3.8%
Choice on phase-in arrangements and amount of derecognized fiduciary items		

Choice on phase-in arrangements for the definition of the capital measure		
Amount of derecognized fiduciary items in accordance with Article 429(11) of regulation (EU) NO 575/2013		
Exposure related to affiliates	**61,956**	**38,808**
Leverage ratio excluding exposure related to affiliates	**4.1%**	**4.2%**

** The leverage ratio including profit and dividend totals 4.35%.*

3.3.2.2 Oversight of the leverage ratio

Accordingly, Natixis established:

- under the authority of the GAP committee chaired by the Chief Executive Officer (see section 3.2.7.1 on page 147 of the 2018 Registration Document), a governance for managing and monitoring excessive leverage risk, and for overseeing and coordinating management delegated to the Financial Management Department, as well as a calculation of the ratio performed by an independent function (the Accounting and Ratios Department);
- a specific risk policy for excessive leverage risk, in keeping with the strategic plan;
- an overall limit and an alert threshold applied to Natixis quarterly leverage ratio called “Financial Communication” (excluding from the denominator transactions with BPCE S.A. and affiliates, and including in the numerator accumulated net income excluding distribution) by the GAP committee and approved by the Risk Committee.

The management of this ratio and compliance with the limit does not warrant any particular comment; the objectives were met for the positions of end-March and end-June 2019.

3.3.2.3 Large exposures ratio

Large exposures ratio

Regulations on the monitoring of large exposures were revised in 2014 and are now part of the CRR. They aim to prevent an excessive concentration of risks for sets of counterparties that are related in such a way that if one encountered financial problems, the others would also be likely to experience funding or repayment problems. The standard is based on a standing obligation: all risks associated with a single counterparty may not exceed 10% of the bank's total capital.

3.3.3 Breakdown and changes in risk-weighted assets

3.3.3.1 Credit and counterparty risks

– **RWA OVERVIEW (EU OV1)**

(in millions of euros)	RWA		OFR
	30/06/2019	31/12/2018	30/06/2019
Credit risk (excluding CCR)	*61,918*	*71,894*	*4,953*
o/w the standardized approach	10,103	19,383	808
Of which the foundation IRB (F-IRB) approach	2,617	3,193	209
Of which the advanced IRB (A-IRB) approach	34,018	34,810	2,721
o/w equity IRB under the simple risk-weighted approach or the IMA	15,180	14,507	1,214
Counterparty risk	*8,364*	*7,556*	*669*
o/w mark to market	1,629	1,678	130
o/w original exposure			
o/w the standardized approach			
o/w internal model method (IMM)	3,162	2,338	253
o/w risk exposure amount for contributions to the default fund of a CCP	266	185	21
o/w CVA	1,772	1,661	142
	1,535	1,694	123
Settlement risk	*1*	*5*	
Securitization exposures in the banking book (after the cap)	*2,539*	*3,045*	*203*
o/w IRB approach	1,261	1,202	101
o/w IRB supervisory formula approach (SFA)	260	224	21
o/w internal assessment approach (IAA)			
o/w the standardized approach	1,018	1,619	81
Market risk	*9,591*	*9,629*	*767*
o/w the standardized approach	5,466	5,185	437
o/w IMA	4,124	4,444	330
Large exposures			
Operational risk	*13,313*	*15,345*	*1,065*
o/w basic indicator approach			
o/w standardized approach	13,313	15,345	1,065
o/w advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	*1,165*	*1,750*	*93*
Floor adjustment			
Total	**96,891**	**109,225**	**7,751**

3.3.3.2 Credit risks

– CREDIT RISK MITIGATION TECHNIQUES (CR3)

	a	b	c	d	e	f	g
(in millions of euros)	**Exposures unsecured – Carrying amount**	**Exposures secured by collateral**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
IRB Approach							
Central governments or central banks	37,353			3,357	3,275		
Institutions	9,980	21	20	598	481		
Corporates	76,189	29,966	26,192	11,680	7,955	1,201	1,201
o/w SME	1,399	295	242	129	2		
o/w Specialized Lending	499	18,076	16,661	217			
Retail							
Secured by real estate property							
o/w SME							
o/w Non-SME							
Qualifying Revolving							
o/w Other Retail							
o/w SME							
o/w Non-SME							
Equity	5,230						
Other items							
Sub-total IRB 30/06/2019	**128,752**	**29,987**	**26,212**	**15,635**	**11,710**	**1,201**	**1,201**
Sub-total IRB 31/12/2018	**123,244**	**37,351**	**33,758**	**14,878**	**11,299**	**1,202**	**1,202**
Standardized Approach							
Governments and central banks	2,650			51	51		
Regional governments or local authorities	259						
Public sector entities	696			4	2		
Multilateral Development Banks							
International Organizations	628						
Institutions	56,014			2,189	2,189		
Corporates	2,911	694	673	32	13		
o/w SME	204	86	85	19			
Retail	384	902	623	6			
o/w SME	230	253	188	6			
Secured by mortgages on immovable property		227	227				
o/w SME		136	136				
Exposures in default	134	12	7				
Exposures to institutions and corporates with a short-term credit assessment	153			1	1		
Collective investment undertakings							
Equity exposures							
Other items	6,623						

Sub-total SA 30/06/2019	**70,451**	**1,834**	**1,529**	**2,284**	**2,256**		
Sub-total SA 31/12/2018	**67,768**	**3,246**	**2,624**	**10,487**	**9,622**		
TOTAL 30/06/2019	**199,203**	**31,821**	**27,741**	**17,919**	**13,966**	**1,201**	**1,201**
TOTAL 31/12/2018	**191,011**	**40,598**	**36,382**	**25,366**	**20,921**	**1,202**	**1,202**

– IRB – INTERNAL RATING – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES (CR7)

(in millions of euros)	Pre-credit derivatives RWA	RWA
Exposures under Foundation IRB	***2,617***	***2,617***
Central governments and central banks	149	149
Institutions	89	89
Corporates – SME	395	395
Corporates – Specialized Lending		
Corporates – Other	1,984	1,984
Exposures under Advanced IRB	***41,596***	***34,018***
Central governments and central banks	265	265
Institutions	1,300	1,300
Corporates – SME	1,266	1,266
Corporates – Specialized Lending	4,146	4,146
Corporates – Other	34,619	27,041
Retail – Secured by real estate SME		
Retail – Secured by real estate non-SME		
Retail – Qualifying revolving		
Retail – SME		
Other retail exposures		
Equity IRB	***16,345***	***16,345***
Other assets		
Total at 30/06/2019	**60,557**	**52,980**
Total at 31/12/2018	**61,844**	**54,261**

– CREDIT QUALITY OF ASSETS (CR1)

(in millions of euros)	A Defaulted exposures	b Non-defaulted exposures	c Allowances/ impairments	d Net values (a+b-c)
IRB approach				
Central governments or central banks	48	40,712	50	40,710
Institutions	27	10,616	44	10,599
Corporates	2,823	118,273	1,818	119,278
o/w SME	*87*	*1,769*	*32*	*1,824*
o/w Specialized Lending	*343*	*18,608*	*159*	*18,791*
Retail				
Secured by real estate property				
o/w SME				
o/w Non-SME				
o/w Qualifying revolving				
o/w Other Retail				
o/w SME				
o/w Non-SME				
Equity	5	5,225		5,230
Other items				
Sub-total IRB 30/06/2019	**2,904**	**174,826**	**1,912**	**175,818**
Sub-total IRB 31/12/2018	2,848	175,818	1,990	176,675
Standardized Approach				
Governments and central banks		2,700		2,700
Regional governments or local authorities		263	4	259
Public sector entities		701		700
Multilateral Development Banks				
International Organizations		628		628
Institutions		58,203		58,203
Corporates		3,647	10	3,637
o/w SME		*318*	*9*	*309*
Retail		1,304	13	1,291
o/w SME		*492*	*4*	*488*
Secured by mortgages on immovable property		227		227
o/w SME		*136*		*136*
Exposures in default	275		129	146
Items associated with particularly high risk				
Covered Bonds				
Exposures to institutions and corporates with a short-term credit assessment		154		154
Collective investment undertakings				
Equity exposures				
Other items		6,623		6,623
Sub-total SA 30/06/2019	**275**	**74,450**	**156**	**74,569**
Sub-total SA 31/12/2018	960	81,003	462	81,501
TOTAL 30/06/2019	**3,179**	**249,275**	**2,068**	**250,387**
TOTAL 31/12/2018	3,808	256,820	2,452	258,176

– **SA – CR EXPOSURE AND CRM EFFECTS (EU CR4)**

(in millions of euros)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet EAD	Off-balance sheet EAD	RWA	RWA density
Central governments or central banks	2,671	30	2,671	6	1,166	44%
Regional governments or local authorities	262		258		40	15%
Public sector entities	471	230	471	115	55	9%
Multilateral Development Banks						
International Organizations	628		628			
Institutions (*)	47,982	10,220	47,982	5,382	681	1%
Corporates	2,182	1,465	2,094	388	1,690	68%
Retail	1,196	108	618	30	467	72%
Secured by mortgages on immovable property	217	10	217	5	90	41%
Exposures in default	272	4	136	2	199	144%
Items associated with particularly high risk						
Covered Bonds						
Exposures to institutions and corporates with a short-term credit assessment	113	42	113	8	67	55%
Collective investments undertakings (CIU)						
Equity exposures						
Other items	6,623		6,623		5,650	85%
Total 30/06/2019	**62,617**	**12,108**	**61,812**	**5,935**	**10,103**	**15%**
(*): o/w exposures related to affiliates	***94%***	***100%***	***94%***	***100%***		
Total 31/12/2018	**57,166**	**24,797**	**56,001**	**5,988**	**19,383**	**31%**
(*): o/w exposures related to affiliates	***91%***	***100%***	***91%***	***100%***		

– SA – EXPOSURES (EAD) BY ASSET CLASSES AND RISK WEIGHTS (CR5)

(in millions of euros)

Exposure classes	Risk Weight																Total	*Of which unrated (*)*
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other	Deducted		
Central governments or central banks	2,205									9		463					2,677	*944*
Regional governments or local authorities	61				198												259	*198*
Public sector entities	349				217		15			3							586	*350*
Multilateral Development Banks																		
International Organizations	628																628	*628*
Institutions	50,449	2,055			254		33			573							53,364	*53,127*
Corporates	476				13	322	69	229		1,357	15						2,482	*2,400*
Retail									648								648	*645*
Secured by mortgages on immovable property						140	82										222	*222*
Exposures in default										15	122						138	*138*
Items associated with particularly high risk																		
Covered Bonds																		
Exposures to institutions and corporates with a short-term credit assessment					45		51			11	14						121	
Collective investment undertakings																		
Equity exposures																		
Other items	329									4,891					1,402		6,623	*6,619*
Total (30/06/2019)	**54,498**	**2,055**			**728**	**462**	**250**	**229**	**648**	**6,861**	**151**	**463**			**1,402**		**67,748**	***65,272***
Total (31/12/2018)	**37,192**	**1,594**	**1**	**41**	**1,386**	**485**	**3,770**	**197**	**2,378**	**11,994**	**620**	**509**			**1,823**		**61,989**	***54,506***

- **RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURE UNDER THE IRB APPROACH (CR8)**

(in millions of euros)	RWA	OFR
RWA 31/12/2018	**54,260**	**4,341**
Asset size	1,694	136
Asset quality	414	33
Model updates	254	20
Methodology and policy		
Acquisitions and disposals	- 2,807	- 225
Foreign exchange movements	67	5
Guarantees	- 249	- 20
Other	- 654	- 52
RWA 30/06/2019	**52,980**	**4,238**

– **IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE (CR6)**

PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF (%)	EAD	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (days)	RWA	RWA density (%)	EL	Provisions
F-IRB												
Central governments or central banks												
0.00 to <0.15	5			5	0.0%	1	45%	19				
0.15 to <0.25												
0.25 to <0.50	230			230	0.4%	2	45%	3	149	65%		
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10 to <100												
100.00 (default)												
Sub-total Central governments or central banks	***235***			***235***	***0.0%***	***3***	***45%***	***3***	***149***	***63%***		
Institutions												
0.00 to <0.15	33	10	50%	39	0.0%	14	45%	79	8	21%		
0.15 to <0.25	43	2	50%	44	0.2%	6	45%	543	25	57%		
0.25 to <0.50			50%		0.3%	2	45%	223		78%		
0.50 to <0.75		195	75%	146	0.5%	7	11%	809	36	25%		
0.75 to <2.50		86	75%	64	0.8%	7	11%	2,156	19	29%		
2.50 to <10.00												
10 to <100												
100.00 (default)												
Sub-total Institutions	***77***	***293***	***74%***	***293***	***0.5%***	***36***	***21%***	***968***	***89***	***30%***		***1***
Corporates												
0.00 to <0.15	4,510	5	20%	4,511	0.1%	15	61%	119	1,267	28%	2	
0.15 to <0.25	43			43	0.2%	5	45%	130	18	43%		
0.25 to <0.50	29	2	20%	30	0.3%	6	45%	721	17	59%		
0.50 to <0.75					0.6%	1	45%	894		82%		
0.75 to <2.50	221	45	21%	230	1.6%	147	44%	544	234	101%	2	
2.50 to <10.00	480	76	23%	497	3.7%	203	44%	222	650	131%	8	
10 to <100	87	33	41%	100	12.4%	171	44%	818	191	191%	5	
100.00 (default)	71	1	22%	71	100.0%	38	45%	1,682			32	
Subtotal Corporates	***5,441***	***162***	***26%***	***5,484***	***2.0%***	***586***	***58%***	***183***	***2,379***	***43%***	***50***	***64***
Corporates – SME												
0.00 to <0.15	40			40	0.1%	3	75%	125	10	25%		
0.15 to <0.25	18			18	0.2%	3	45%	136	8	43%		
0.25 to <0.50												
0.50 to <0.75					0.6%	1	45%	894		82%		
0.75 to <2.50	87	32	21%	94	1.8%	105	43%	441	87	92%	1	
2.50 to <10.00	159	46	25%	171	4.6%	155	44%	361	208	122%	3	
10 to <100	46	18	22%	50	12.6%	134	44%	478	82	166%	3	
100.00 (default)	13	1	22%	13	100.0%	37	45%	1,005			6	
Sub-total Corporates - SME	***362***	***98***	***23%***	***385***	***7.5%***	***438***	***47%***	***383***	***395***	***103%***	***13***	***3***
Corporates - Other												
0.00 to <0.15	4,471	5	20%	4,472	0.1%	12	61%	119	1,258	28%	2	
0.15 to <0.25	25			25	0.2%	2	45%	125	11	43%		

0.25 to <0.50	29	2	20%	30	0.3%	6	45%	721	17	59%		
0.50 to <0.75												
0.75 to <2.50	133	13	22%	136	1.5%	42	45%	615	147	108%	1	
2.50 to <10.00	321	30	20%	327	3.2%	48	45%	150	442	135%	5	
10 to <100	41	15	63%	51	12.1%	37	45%	1,152	109	215%	3	
100.00 (default)	59			59	100.0%	1	45%	1,830			26	
Sub-total Corporates - Other	***5,079***	***65***	***31%***	***5,099***	***1.6%***	***148***	***59%***	***168***	***1,984***	***39%***	***37***	***61***
Equity exposures	5,072	158	100%	5,230		489		189	16,345	313%	81	
Sub-total Equity	***5,072***	***158***	***100%***	***5,230***		***489***		***189***	***16,345***	***313%***	***81***	
F-IRB (excl. equity)												
0.00 to <0.15	4,549	15	41%	4,555	0.1%	30	61%	119	1,276	28%	2	
0.15 to <0.25	86	2	50%	87	0.2%	11	45%	340	43	50%		
0.25 to <0.50	259	2	22%	260	0.4%	10	45%	85	167	64%		
0.50 to <0.75		195	75%	146	0.5%	8	11%	809	36	25%		
0.75 to <2.50	221	131	56%	295	1.5%	154	37%	895	253	86%	2	
2.50 to <10.00	480	76	23%	497	3.7%	203	44%	222	650	131%	8	
10 to <100	87	33	41%	100	12.4%	171	44%	818	191	191%	5	
100.00 (default)	71	1	22%	71	100.0%	38	45%	1,682			32	
Total IRB-F (excl. equity)	***5,753***	***455***	***57%***	***6,011***	***1.9%***	***625***	***56%***	***214***	***2,617***	***44%***	***50***	***65***
A-IRB												
PD scale												
Central governments or central banks												
0.00 to <0.15	39,187	1,118	60%	39,855	0.0%	211	8%	696	136			
0.15 to <0.25	39			39	0.2%	6	37%	608	10	26%		
0.25 to <0.50	39	14	100%	54	0.4%	10	30%	1,912	27	50%		
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00	50	29	34%	59	3.2%	18	47%	2,010	89	150%	1	
10 to <100	1			1	20.9%	3	57%	2,302	3	343%		
100.00 (default)	48			48	100.0%	7	104%	1,162			48	
Sub-total Central governments or central banks	***39,364***	***1,161***	***60%***	***40,056***	***0.1%***	***255***	***8%***	***700***	***265***	***1%***	***49***	***50***
Institutions												
0.00 to <0.15	7,181	1,328	65%	8,041	0.0%	336	19%	321	423	5%	1	
0.15 to <0.25	563	118	68%	643	0.2%	57	28%	234	147	23%		
0.25 to <0.50	249	158	68%	356	0.3%	31	30%	594	130	36%		
0.50 to <0.75	63	70	21%	78	0.5%	32	65%	89	67	86%		
0.75 to <2.50	19	247	27%	85	1.4%	63	60%	642	147	172%	1	
2.50 to <10.00	140	110	22%	164	2.9%	121	72%	647	386	235%	4	
10 to <100												
100.00 (default)	27			27	100.0%	7	86%	541			27	
Sub-total Institutions	***8,242***	***2,031***	***57%***	***9,395***	***0.4%***	***647***	***22%***	***333***	***1,300***	***14%***	***33***	***43***
Corporates												
0.00 to <0.15	18,086	22,802	54%	30,411	0.1%	904	29%	1,059	4,205	14%	4	
0.15 to <0.25	4,728	5,482	62%	8,103	0.2%	249	27%	1,071	2,133	26%	4	
0.25 to <0.50	7,224	9,248	55%	12,280	0.3%	511	24%	1,037	3,799	31%	9	
0.50 to <0.75	8,443	7,470	54%	12,504	0.5%	476	23%	1,096	4,780	38%	15	
0.75 to <2.50	11,226	8,992	53%	15,960	1.3%	966	23%	1,299	8,457	53%	46	
2.50 to <10.00	4,161	3,941	57%	6,395	4.3%	918	29%	1,113	6,046	95%	77	
10 to <100	531	408	61%	781	14.2%	353	25%	929	967	124%	28	
100.00 (default)	2,571	180	39%	2,641	100.0%	269	35%	729	2,066	78%	1,489	

Subtotal Corporates	***56,969***	***58,524***	***55%***	***89,076***	***3.8%***	***4,646***	***26%***	***1,098***	***32,453***	***36%***	***1,672***	***1,754***
Corporates – SME												
0.00 to <0.15		39	61%	24	0.0%	12	39%	737	3	14%		
0.15 to <0.25	2			2	0.2%	10	24%	1,714	1	28%		
0.25 to <0.50	30	46	87%	70	0.4%	35	37%	1,154	37	53%		
0.50 to <0.75	93	113	97%	203	0.6%	37	27%	945	91	45%		
0.75 to <2.50	353	106	91%	450	1.5%	134	41%	1,112	421	93%	3	
2.50 to <10.00	416	78	96%	491	5.0%	195	33%	1,317	551	112%	8	
10 to <100	29	16	34%	35	12.2%	85	43%	177	72	206%	2	
100.00 (default)	62	11	81%	71	100.0%	68	40%	1,044	90	127%	22	
Sub-total Corporates - SME	***986***	***410***	***88%***	***1,346***	***8.0%***	***576***	***36%***	***1,130***	***1,266***	***94%***	***35***	***29***
Corporates – Specialized Lending												
0.00 to <0.15	776	595	87%	1,294	0.1%	61	10%	2,314	88	7%		
0.15 to <0.25	586	764	83%	1,222	0.2%	37	8%	1,756	115	9%		
0.25 to <0.50	1,685	1,338	79%	2,741	0.3%	188	9%	1,761	374	14%	1	
0.50 to <0.75	2,516	1,925	71%	3,886	0.5%	183	9%	1,915	746	19%	2	
0.75 to <2.50	4,694	2,959	61%	6,508	1.3%	331	13%	1,891	2,173	33%	11	
2.50 to <10.00	525	246	56%	661	3.3%	47	18%	1,794	378	57%	4	
10 to <100												
100.00 (default)	342	1	68%	343	100.0%	19	45%	1,027	273	80%	112	
Sub-total Corporates – Specialized Lending	***11,124***	***7,827***	***71%***	***16,656***	***2.9%***	***866***	***12%***	***1,876***	***4,146***	***25%***	***130***	***159***
Corporates - Other												
0.00 to <0.15	17,310	22,168	53%	29,092	0.1%	831	30%	1,003	4,114	14%	4	
0.15 to <0.25	4,140	4,718	58%	6,879	0.2%	202	30%	949	2,018	29%	4	
0.25 to <0.50	5,509	7,864	50%	9,469	0.3%	288	29%	826	3,388	36%	9	
0.50 to <0.75	5,834	5,432	48%	8,415	0.5%	256	29%	722	3,943	47%	13	
0.75 to <2.50	6,179	5,927	48%	9,002	1.3%	501	29%	881	5,864	65%	32	
2.50 to <10.00	3,220	3,617	56%	5,243	4.4%	676	30%	1,008	5,117	98%	65	
10 to <100	501	392	62%	746	14.3%	268	24%	964	895	120%	26	
100.00 (default)	2,167	168	36%	2,227	100.0%	182	34%	673	1,703	76%	1,354	
Sub-total Corporates - Other	***44,860***	***50,286***	***52%***	***71,074***	***3.9%***	***3,204***	***30%***	***915***	***27,041***	***38%***	***1,507***	***1,565***
Retail												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10 to <100												
100.00 (default)												
Sub-total Retail												
Retail – qualifying revolving												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10 to <100												
100.00 (default)												

Sub-total Retail – qualifying revolving												
Retail - SME												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10 to <100												
100.00 (default)												
Sub-total Retail - SME												
Retail – Residential mortgage exposures												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10 to <100												
100.00 (default)												
Sub-total Retail – Residential mortgage exposures												
Other retail exposures												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10 to <100												
100.00 (default)												
Sub-total – Other retail exposures												
Equity exposures												
Sub-total Equity												
A-IRB												
0.00 to <0.15	64,454	25,249	55%	78,306	0.0%	1,451	17%	798	4,764	6%	5	
0.15 to <0.25	5,330	5,600	62%	8,785	0.2%	312	27%	1,007	2,291	26%	4	
0.25 to <0.50	7,512	9,420	55%	12,690	0.3%	552	25%	1,028	3,956	31%	10	
0.50 to <0.75	8,506	7,540	54%	12,582	0.5%	508	23%	1,090	4,847	39%	15	
0.75 to <2.50	11,245	9,239	52%	16,046	1.3%	1,029	23%	1,296	8,604	54%	46	
2.50 to <10.00	4,351	4,080	56%	6,619	4.3%	1,057	30%	1,109	6,520	99%	81	
10 to <100	531	408	61%	782	14.2%	356	25%	930	970	124%	28	
100.00 (default)	2,647	180	39%	2,717	100.0%	283	37%	735	2,066	76%	1,564	
Total A-IRB	***104,575***	***61,716***	***55%***	***138,526***	***2.5%***	***5,548***	***21%***	***931***	***34,018***	***25%***	***1,754***	***1,847***
PD scale												
Total												
0.00 to <0.15	69,002	25,264	55%	82,861	0.0%	1,481	20%	761	6,040	7%	7	
0.15 to <0.25	5,416	5,602	62%	8,872	0.2%	323	27%	1,001	2,334	26%	4	
0.25 to <0.50	7,772	9,422	55%	12,950	0.3%	562	25%	1,009	4,123	32%	10	

0.50 to <0.75	8,507	7,735	55%	12,728	0.5%	516	23%	1,087	4,884	38%	16	
0.75 to <2.50	11,465	9,370	52%	16,341	1.3%	1,183	23%	1,288	8,857	54%	48	
2.50 to <10.00	4,831	4,156	55%	7,116	4.2%	1,260	31%	1,047	7,171	101%	89	
10 to <100	618	441	60%	882	14.0%	527	27%	917	1,161	132%	33	
100.00 (default)	2,718	181	39%	2,788	100.0%	321	37%	759	2,066	74%	1,596	
Total 30/06/2019*	***110,328***	***62,172***	***55%***	***144,538***	***2.5%***	***6,173***	***22%***	***901***	***36,635***	***25%***	***1,804***	***1,912***

* Total excluding other assets and specialized lending slotting criteria.

– IRB – SPECIALIZED LENDING AND EQUITIES UNDER THE SIMPLE RISK WEIGHT METHOD (EXCLUDING IMPACT OF THRESHOLDS) (CR10)

CR10 table - Specialized Lending

(in millions of euros)

Regulatory categories	Residual maturity	On-balance sheet exposure	Off-balance sheet exposure	Total risk weight	EAD	RWA	EL
Category 1	Equal to or more than 2.5 years			50			
Category 2	Equal to or more than 2.5 years			70			
Category 4	Equal to or more than 2.5 years			90			
Total 30/06/2019		**0**			**0**	**0**	
Total 31/12/2018		**15**			**15**	**12**	

CR10 Table - Equities

(in millions of euros)

Equities under the simple risk-weighted approach	On-balance sheet exposure	Off-balance sheet exposure	Total risk weight	EAD	RWA	OFR
Private equity exposures	610	158	190	768	1,459	117
Exchange-traded equity exposures	1,330		290	1,330	3,857	309
Other equity exposures	2,666		370	2,666	9,863	789
Total 30/06/2019	**4,606**	**158**		**4,764**	**15,180**	**1,214**
Total 31/12/2018	**4,399**	**170**		**4,569**	**14,507**	**1,161**

− EAD BY TYPE AND NATURE OF EXPOSURE (EXCLUDING IMPACT OF THRESHOLDS) (NX24)

(in millions of euros)

Type and nature of exposure	Equities	Mutual fund investments	Investments	Total 30/06/2019	Total 31/12/2018
Private Equity held in sufficiently diversified portfolios	768			768	769
Other equity exposures	239	21	2,406	2,666	2,532
Listed equities	155	505	670	1,330	1,268
Equity – standardized approach					
Total	**1,162**	**526**	**3,076**	**4,764**	**4,569**

− RWA BY WEIGHTING (EXCLUDING IMPACT OF THRESHOLDS) (NX25)

(in millions of euros)

Type and nature of exposure	IRB approach	Standardized approach	Total 30/06/2019	Total 31/12/2018
Private Equity held in sufficiently diversified portfolios	1,459		1,459	1,461
Other equity exposures	9,863		9,863	9,368
Listed equities	3,857		3,857	3,678
Equity – standardized approach				
Total	**15,180**		**15,180**	**14,507**

3.3.3.3 Counterparty risks

– **ANALYSIS OF EXPOSURE USING COUNTERPARTY CREDIT RISK APPROACH (CCR1)**

(in millions of euros)	Notional	Replacement cost	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
Mark to market		730	4,787			5,517	1,406
Original Exposure							
Standardized approach							
Internal Model Method (for derivatives and SFTs)				10,105	1.4	14,148	3,154
Securities Financing Transactions							
Derivatives & Long Settlement Transaction							
From Contractual Cross Product Netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (SFTs)						18,408	1,462
VaR for SFTs							
Total 30/06/2019							***6,021***

– SA – CCR EAD BY REGULATORY PORTFOLIO AND RISK WEIGHT (CCR3)

(in millions of euros)

Exposure classes	Risk Weight											Total EAD	Of which unrated (*)
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other		
Central governments or central banks	18											18	18
Regional governments or local authorities	10				267							277	151
Public sector entities	227				249	304			27			807	246
Multilateral Development Banks													
International Organizations	403											403	403
Banks*	1,972	14,696			187	1			2			16,858	16,856
Corporates	1				1				51			53	52
Retail								1				1	1
Secured by mortgages on immovable property													
Exposures in default										1		1	
Items associated with particularly high risk													
Covered Bonds													
Exposures to institutions and corporates with a short-term credit assessment					7	23			25			55	
Collective Investment undertakings (CIU)													
Equity exposures													
Other items													
Total 30/06/2019	**2,631**	**14,696**			**711**	**328**		**1**	**106**	**2**		**18,474**	**17,728**
Total 31/12/2018	**2,855**	**15,938**			**575**	**279**		**1**	**161**	**3**		**19,811**	**19,178**

** Of which 69% exposure to affiliates*

– NI – CCR EXPOSURES BY PORTFOLIO AND PD SCALE (CCR4)

(in millions of euros)

PD scale	EAD	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (days)	RWA	RWA density (%)
F-IRB							
Institutions							
0.00 to <0.15	159		21	45%	28	16	10%
0.15 to <0.25		0.2%	1	45%	2,454		57%
0.25 to <0.50		0.3%	3	45%	837		78%
0.50 to <0.75							
0.75 to <2.50							
2.50 to <10.00	8	2.7%	3	45%	5	11	130%
10.00 to <100.00							
100.00 (default)							
Sub-total	**168**	**0.2%**	**28**	**45%**	**27**	**27**	**16%**
Corporates							
0.00 to <0.15	1,203	0.1%	50	45%	159	193	16%
0.15 to <0.25	12	0.2%	3	45%	54	3	25%
0.25 to <0.50	6	0.3%	3	45%	3,304	4	58%
0.50 to <0.75	35	0.5%	3	45%	33	18	51%
0.75 to <2.50							
2.50 to <10.00	1	2.7%	1	45%	5	1	106%
10.00 to <100.00							
100.00 (default)							
Sub-total	**1,256**	**0.1%**	**60**	**45%**	**170**	**218**	**17%**
Total F-IRB							
0.00 to <0.15	1,363	0.1%	73	45%	146	209	15%
0.15 to <0.25	12	0.2%	4	45%	57	3	25%
0.25 to <0.50	6	0.3%	6	45%	3,295	4	58%
0.50 to <0.75	35	0.5%	3	45%	33	18	51%
0.75 to <2.50							
2.50 to <10.00	9	2.7%	4	45%	5	11	129%
10.00 to <100.00							
100.00 (default)							
Sub-total F-IRB	**1,425**	**0.1%**	**90**	**45%**	**155**	**244**	**17%**

PD scale							
A-IRB							
Central governments or central banks							
0.00 to <0.15	5,254		61	13%	542	18	0%
0.15 to <0.25	32	0.2%	2	37%	31	6	20%
0.25 to <0.50	4	0.4%	1	47%	818	3	78%
0.50 to <0.75							
0.75 to <2.50							
2.50 to <10.00	44	3.2%	2	47%	1,416	73	164%
10.00 to <100.00							
100.00 (default)							
Sub-total	**5,333**		**66**	**14%**	**547**	**100**	**2%**
Institutions							
0.00 to <0.15	11,261		379	18%	440	678	6%

0.15 to <0.25	801	0.2%	91	28%	912	255	32%
0.25 to <0.50	206	0.3%	59	31%	497	75	37%
0.50 to <0.75	158	0.5%	49	36%	970	111	71%
0.75 to <2.50	66	1.2%	36	68%	447	93	142%
2.50 to <10.00	58	3.0%	61	58%	502	96	165%
10.00 to <100.00							
100.00 (default)			1				
Sub-total	**12,550**	**0.1%**	**676**	**19%**	**478**	**1,309**	**10%**
Corporates							
0.00 to <0.15	8,609		725	33%	432	808	9%
0.15 to <0.25	1,397	0.2%	189	31%	1,175	389	28%
0.25 to <0.50	1,439	0.3%	261	30%	1,209	464	32%
0.50 to <0.75	1,149	0.5%	351	25%	1,851	449	39%
0.75 to <2.50	1,825	1.3%	681	26%	1,319	1,002	55%
2.50 to <10.00	605	3.9%	635	31%	1,212	556	92%
10.00 to <100.00	114	12.4%	443	35%	2,708	204	179%
100.00 (default)	50	100.0%	41	37%	1,362	93	186%
Sub-total	**15,188**	**0.8%**	**3,326**	**31%**	**839**	**3,965**	**26%**
Corporates – SME							
0.00 to <0.15	1		1	44%	1,596		21%
0.15 to <0.25		0.2%	5	44%	295		29%
0.25 to <0.50	6	0.4%	9	44%	1,477	3	54%
0.50 to <0.75	1	0.6%	23	44%	1,096	1	66%
0.75 to <2.50	18	1.4%	96	43%	1,422	17	92%
2.50 to <10.00	17	3.7%	118	43%	2,409	24	140%
10.00 to <100.00	14	11.8%	106	44%	3,191	30	218%
100.00 (default)	1	100.0%	9	44%	2,624	1	53%
Sub-total	**59**	**6.5%**	**367**	**43%**	**2,146**	**76**	**128%**
Corporates – Specialized Lending							
0.00 to <0.15	106	0.1%	19	14%	3,287	13	12%
0.15 to <0.25	174	0.2%	26	12%	3,234	25	14%
0.25 to <0.50	329	0.3%	74	16%	3,065	84	25%
0.50 to <0.75	540	0.5%	130	14%	3,300	148	27%
0.75 to <2.50	648	1.3%	163	17%	2,765	288	44%
2.50 to <10.00	144	3.5%	22	19%	2,599	92	64%
10.00 to <100.00							
100.00 (default)	12	100.0%	3	49%	3,532	23	198%
Sub-total	**1,954**	**1.5%**	**437**	**16%**	**3,026**	**672**	**34%**
Corporates - Other							
0.00 to <0.15	8,502		705	33%	396	794	9%
0.15 to <0.25	1,222	0.2%	158	33%	881	364	30%
0.25 to <0.50	1,103	0.3%	178	34%	654	377	34%
0.50 to <0.75	608	0.5%	198	34%	565	300	49%
0.75 to <2.50	1,159	1.2%	422	32%	508	698	60%
2.50 to <10.00	444	4.0%	495	34%	718	441	99%
10.00 to <100.00	100	12.5%	337	34%	2,641	174	173%
100.00 (default)	37	100.0%	29	34%	633	69	187%
Sub-total	**13,176**	**0.7%**	**2,522**	**33%**	**509**	**3,217**	**24%**
Total A-IRB							
0.00 to <0.15	25,124		1,165	22%	459	1,503	6%
0.15 to <0.25	2,229	0.2%	282	30%	1,064	650	29%
0.25 to <0.50	1,648	0.3%	321	30%	1,120	542	33%
0.50 to <0.75	1,307	0.5%	400	26%	1,744	560	43%
0.75 to <2.50	1,891	1.2%	717	28%	1,288	1,096	58%
2.50 to <10.00	708	3.8%	698	34%	1,166	724	102%

10.00 to <100.00	114	12.4%	443	35%	2,708	204	179%
100.00 (default)	50	100.0%	42	37%	1,362	93	186%
Sub-total A-IRB	**33,071**	**0.4%**	**4,068**	**24%**	**655**	**5,373**	**16%**

PD scale							
Total							
0.00 to <0.15	26,487		1,238	23%	443	1,712	7%
0.15 to <0.25	2,242	0.2%	286	30%	1,059	653	29%
0.25 to <0.50	1,654	0.3%	327	30%	1,128	546	33%
0.50 to <0.75	1,342	0.5%	403	27%	1,700	578	43%
0.75 to <2.50	1,891	1.2%	717	28%	1,288	1,096	58%
2.50 to <10.00	716	3.8%	702	34%	1,152	736	103%
10.00 to <100.00	114	12.4%	443	35%	2,708	204	179%
100.00 (default)	50	100.0%	42	37%	1,362	93	186%
Total 30/06/2019	**34,497**	**0.4%**	**4,158**	**25%**	**634**	**5,617**	**16%**

- **CREDIT DERIVATIVES EXPOSURES (CCR6)**

	30/06/2019	
(in millions of euros)	**Protection bought**	**Protection sold**
Notional		
Single-name credit default swaps	5,241	4,789
Credit-linked notes		
Total return swaps	44	1,736
CDO		
Index credit default swaps	1,787	1,377
Other credit derivatives	2,205	920
Total notional	**9,277**	**8,822**
Fair values		
Positive fair value (asset)	19	76
Negative fair value (liability)	- 166	- 159

- **RWA FLOW STATEMENTS OF CCR EXPOSURES UNDER INTERNAL MODEL METHOD (EU CCR7)**

(in millions of euros)	**RWA amounts**	**Capital requirements**
RWAs as at the end of the previous reporting period (31/12/2018)	2,338	187
Asset size	227	18
Credit quality of counterparties	201	16
Model updates (IMM only)	-4	0
Methodology and policy (IMM only)		
Acquisitions and disposals		
Foreign exchange movements		
Other	401	32
RWAs as at the end of the current reporting period (30/06/2019)	***3,162***	***253***

– EXPOSURES TO CCPS (CCR8)

(in millions of euros)	EAD post CRM	RWA
Exposures to QCCPs (total)		508
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	11,202	227
(i) OTC derivatives	1,173	23
(ii) Exchange-traded derivatives	6,489	130
(iii) SFTs	3,540	73
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin	3,706	78
Prefunded default fund contributions	314	266
Exposures to non-QCCPs (total)		
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions:		

– CAPITAL REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENTS (EU CCR2)

(in millions of euros)	EAD post-CRM techniques	RWA
Total portfolios subject to the advanced method	5,305	1,198
(i) VaR component (including the 3×multiplier)		145
(ii) Stressed VaR component (including the 3×multiplier)		1,053
All portfolios subject to the standardized method	3,548	574
Based on Original Exposure Method		
Total subject to the CVA capital charge 30/06/2019	**8,853**	**1,772**
Total subject to the CVA capital charge 31/12/2018	***7,168***	***1,661***

3.3.3.4 Securitization

– SECURITIZATION EXPOSURES IN THE BANKING BOOK (SEC1)

(in millions of euros)	Bank acting as originator			Bank acting as sponsor			Bank acting as investor		
	Traditional	Synthetic	**Sub-total**	Traditional	Synthetic	**Sub-total**	Traditional	Synthetic	**Sub-total**
SPV with risk transfer									
RMBS				24		24	570		570
Consumer ABS				1,135		1,135	364		364
Consumer loans	31		31	317		317	3		3
Re-securitization									
Total Retail	**31**		**31**	**1,476**		**1,476**	**937**		**937**
Corporate loans		2,270	2,270						
ABS				513		513	107		107
ABCP				2,113		2,113			
CDO	18		18	1,976		1,976	146		146
CMBS	230		230	98		98	22		22
Other							41		41
Re-securitization							1		1
Wholesale (total) - of which:	**247**	**2,270**	**2,518**	**4,699**		**4,699**	**317**		**317**
TOTAL unconsolidated SPV	**278**	**2,270**	**2,548**	**6,175**		**6,175**	**1,254**		**1,254**
Consolidated SPV									
Consumer loans (Retail)									
Corporate loans (Wholesale)	2,600		2,600						
Total consolidated SPV	**2,600**		**2,600**						

– SECURITIZATION EXPOSURES IN THE TRADING BOOK (SEC2)

(in millions of euros)	Bank acting as originator			Bank acting as sponsor			Bank acting as investor		
	Traditional	Synthetic	**Sub-total**	Traditional	Synthetic	**Sub-total**	Traditional	Synthetic	**Sub-total**
RMBS							104		104
Consumer ABS							110		110
Consumer loans									
Re-securitization									
Retail (total)							**214**		**214**
Corporate loans									
ABS									
CDO							58		58
CMBS									
Other							186		186
Re-securitization							1		1
Wholesale (total)							**245**		**245**

– EAD AND RWA ACCORDING TO NATIXIS' ROLE IN THE BANKING BOOK (NX31-A)

(in millions of euros)	EAD	RWA	OFR
Investor	**1,254**	**449**	**36**
Balance sheet	775	391	31
Off-balance sheet	479	59	5
Originator	**2,548**	**664**	**53**
Balance sheet	2,548	664	53
Sponsor	**6,175**	**1,426**	**114**
Balance sheet	1,783	331	26
Off-balance sheet	4,391	1,095	88
Total 30/06/2019	**9,977**	**2,539**	**203**
Total 31/12/2018	**10,167**	**3,045**	**244**

– EAD ACCORDING TO NATIXIS' ROLE IN THE SECURITIZATION TRADING BOOK (NX31-B)

(in millions of euros)		6/30/2019	
Role	EAD	RWA	OFR
Investor	459	267	21
Originator			
Sponsor			
Total at 30/06/2019	**459**	**267**	**21**
Total at 31/12/2018	**202**	**196**	**16**

– SECURITIZATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS ORIGINATOR OR AS SPONSOR (SEC3)

The approaches arising from the new framework for securitization (applied to transactions originated since January 1, 2019) are excluded from this table pending the definition of a new format by the supervisory authority.

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				OFR			
(in millions of euros)	<= 20%	> 20% to 50%	> 50% to 100%	> 100% to 1,250%	= 1,250%	IRB RBA (including IAA)	IRB SFA	SA	1,250%	IRB RBA (including IAA)	IRB SFA	SA	1,250%	IRB RBA (including IAA)	IRB SFA	SA	1,250%
Traditional securitization	***2,544***	***1,204***	***171***	***17***	***22***	***2,221***	***26***	***1,692***	***19***	***405***	***26***	***680***	***239***	***32***	***2***	***54***	***19***
o/w securitization	2,544	1,204	171	17	22	2,221	26	1,692	19	405	26	680	239	32	2	54	19
o/w retail underlying	407	864	2	3	1	498	9	771		122	4	379	3	10		30	
o/w wholesale	2,137	340	170	14	21	1,723	18	921	19	282	22	301	237	23	2	24	19
o/w re-securitization																	
o/w senior																	
o/w non-senior																	
Synthetic securitization	***2,270***						***2,270***				***235***				***19***		
o/w securitization	2,270						2,270				235				19		
o/w retail underlying																	
o/w wholesale	2,270						2,270				235				19		
o/w re-securitization																	
o/w senior																	
o/w non-senior																	
Total exposures	***4,814***	***1,204***	***171***	***17***	***22***	***2,221***	***2,296***	***1,692***	***19***	***405***	***260***	***680***	***239***	***32***	***21***	***54***	***19***

– SECURITIZATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR (SEC4)

The approaches arising from the new framework for securitization (applied to transactions originated since January 1, 2019) are excluded from this table pending the definition of a new format by the supervisory authority.

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				OFR			
(in millions of euros)	<= 20%	> 20% to 50%	> 50% to 100%	> 100% to 1,250%	= 1,250%	IRB RBA (including IAA)	IRB SFA	SA	1,250%	IRB RBA (including IAA)	IRB SFA	SA	1,250%	IRB RBA (including IAA)	IRB SFA	SA	1,250%
Traditional securitization	*637*	*233*	*106*		*9*	*688*		*292*	*5*	*210*		*81*	*72*	*17*		*6*	*6*
o/w securitization	637	233	106		8	688		292	5	210		81	65	17		6	5
o/w retail underlying	587	135	1		4	434		292		85		81	5	7		6	
o/w wholesale	50	98	106		5	253			4	125			59	10			5
o/w re-securitization					1				1				7				1
o/w senior debt					1				1				7				1
o/w non-senior																	
Synthetic securitization																	
o/w securitization																	
o/w retail underlying																	
o/w wholesale																	
o/w re-securitization																	
o/w senior																	
o/w non-senior																	
Total exposures	***637***	***233***	***106***		***9***	***688***		***292***	***5***	***210***		***81***	***72***	***17***		***6***	***6***

3.3.3.5 Market risk

B – Detailed quantitative disclosures

– MARKET RISK UNDER THE STANDARDIZED APPROACH (EU MR1)

(in millions of euros)

Nature of risk	RWA	OFR
SA	**4,783**	**383**
Interest rate risk (general and specific)	1,187	95
Equity risk (general and specific)	453	36
Foreign exchange risk	2,472	198
Commodity risk	670	54
Options	**417**	**33**
Simplified approach		
Delta-plus method	172	14
Scenario approach	245	20
Securitization	**239**	**19**
Total (30/06/2019)	**5,438**	**435**
Total (31/12/2018)	**5,185**	**415**

VAR, STRESSED VAR AND IRC WITHIN THE REGULATORY SCOPE (MR3)

(in millions of euros) – Period from June 29, 2018 to June 28, 2019	
VaR (10 day 99%)	
Maximum value	27.3
Average value	15.4
Minimum value	11.3
Value at end of period	15.7
Stressed VaR (10 day 99%)	
Maximum value	62.2
Average value	43.4
Minimum value	27.0
Value at end of period	48.1
Incremental Risk Charge (99.9%)	
Maximum value	35.6
Average value	17.9
Minimum value	10.9
Value at end of period	17.0

BACKTESTING WITHIN THE REGULATORY SCOPE (MR4)

Backtesting is presented in Section 3.2.5.4 “Market risk management quantitative disclosure”.

− MARKET RISK UNDER THE IMA (EU MR2-A)

(in millions of euros)	RWA	OFR
Value at risk (Maximum of both values a and b)	**966**	**77**
Previous day’s VaR (Article 365 (1))	203	16
Average of the daily VaR (Article 365 (1)) of the CRR on each of the preceding 60 business days x multiplication factor (in line with Article 366)	966	77
Stressed VaR (SVaR)	**2,792**	**223**
Latest SVaR (Article 365 (2))	614	49
Average of the daily SVaR (Article 365 (2)) of the CRR during the preceding 60 business days x multiplication factor (Article 366)	2,792	223
Additional default and migration risk	**366**	**29**
Most recent IRC value (incremental default and migration risks calculated in accordance with Section 3 of Articles 370/371)	366	29
Average of the IRC number over the preceding 12 weeks	331	27
Additional default risk on the correlation portfolio		
Most recent risk number for the correlation trading portfolio (Article 377)		
Average of the risk number for the correlation trading portfolio over the preceding 12 weeks		
8% of the own funds requirement in the standardized approach on the most recent risk number for the correlation trading portfolio (Article 338 (4))		
Total 30/06/2019	**4,124**	**330**
Total 31/12/2018	**4,444**	**356**

3.3.3.6 Overall interest rate risk

The measurement of interest rate risk is presented in “Risk management—Overall interest rate risks”.

3.3.5 LIQUIDITY REQUIREMENT COVERAGE RATIO

B – Reserves and operational management of ratios

Operational liquidity reserves

From an operational standpoint, Natixis has two liquidity reserves that contribute to Groupe BPCE’s reserves:

- a reserve of liquid assets eligible for central bank collateralized refinancing operations to secure intra-day settlements; this relatively stable reserve is made up of central bank loans and securities, and is located in Paris (about €4 billion in the 3G Pool at end-June 2019) and New York (over $2 billion at the FRB discount window at end-June 2019); These amounts, which do not include the surplus liquidity deposited every night at the deposit facility, are stable over time;
- a liquidity reserve established in advance to meet a liquidity crisis similar to the one simulated by the LCR; the amount of this reserve ranges from €20 billion to €30 billion and is mainly reinvested with the ECB and the US Federal Reserve. Since 2015, a portion of assets in this reserve has been under “dedicated” management in special portfolios, with an allocation strategy focused on the list of financial instruments considered as Level 1 and Level 2 HQLA as defined by LCR regulations in force. The liquidity of the portfolios (mainly subject to delegated management by Natixis Ostrum and managed directly under a Natixis mandate since 2017) and the assets reinvested with central banks ensure the reserve can be mobilized immediately if needed.

Monitoring of rating trigger clauses

They are covered under the LCR management policy and were estimated at a euro-equivalent amount of €2 billion at June 30, 2019.

3.3.6 Compensation policy

Information on the policies and practices on pay granted to members of the executive body and persons whose professional activities have a material impact on the corporate risk profile were the subject of a report published on the Natixis website (Compensation policy) prior to the Annual General Shareholders’ Meeting.

3.3.7 CROSS-REFERENCE TABLE

– 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	Page of 2018 Registration Document	Page of Universal Registration Document
Article 435 (a)	(EBA) EU OVA – Bank risk management approach	116-124	
Article 435 (a)	(EBA) CRA – General information about credit risk	124-131	
Article 435 (a)	(EBA) CCRA – Qualitative disclosure related to counterparty credit risk	125	
Article 435 (a)	(EBA) MRA – Qualitative disclosure requirements related to market risk	135-138	
Article 436 (b)	EU LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	167-168	
Article 436 (b)	EU LI3 – Differences between consolidation scopes (entity by entity)	169-170	
Article 436 (b)	EU LIA – Explanations of differences between accounting and regulatory exposure amounts	166 to 170	
Article 458	(BCBS March 2016) CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer	177	76
	(BCBS March 2016) LR1 – Comparison of accounting exposures and leverage exposures	180	79
Article 451	(BCBS March 2016) LR2 – Leverage ratio	181	80
Article 438 (c) (f)	(EBA) EU OV1 – Overview of RWA	182	82
Article 438 last paragraph	(EBA) EU CR10 – IRB – Specialized lending and equities under the simple risk-weighted approach	198	93
Art. 438 (c), (d), (e) et (f)	NX01 – EAD, RWA and EFP by approach and by Basel exposure class	132	57
Art. 442 (c)	NX03 – Exposures and EAD and by Basel exposure class	133	
Art. 442 (d), (e) et (f)	NX05 – EAD by geography and by exposure class	133	59
Art. 444 (a), (b) et (c)	NX11BIS – EAD by exposure class and by agency – Standardized approach	183	
Art. 453 (d)	NX17 – Secured exposure by rating and by type of guarantor	183	
Article 442 (a) and (b)	CRBA – Additional disclosure related to the credit quality of assets	131; 277 to 296	
Article 442 (c), (g) and (h)	(EBA) EU CR1 – Credit quality of assets	186	85
Article 453 (a) (e)	(EBA) EU CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	129-130	
Article 453 (f) and (g)	(EBA) EU CR3 – Credit risk mitigation techniques – Overview	184	83
Article 442 (c)	(EBA) EU CRB-B – Total and average net amount of exposures	187	
Article 442 (d)	(EBA) EU CRB-C – Geographical breakdown of exposures	188	
Article 442 (e)	(EBA) EU CRB-D – Concentration of exposures by industry or counterparty type	189	
Article 442(f)	(EBA) EU CRB-E – Maturity of exposures	190	
Article 444 (a) (d)	(EBA) EU CRD – Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk	126-127	
Article 453 (f) and (g)	(EBA) EU CR4 – Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	193	86
Article 444 (e)	(EBA) EU CR5 – EAD by asset class and risk weight	193	87
Article 452 (a) (c)	(EBA) EU CRE – Qualitative disclosures related to IRB models	126-129	
Article 452 (e)(h) and (j)	(EBA) EU CR6 – IRB – Credit risk exposures by portfolio and PD range	196 to 199	89
Article 453 (g)	(EBA) EU CR7 – Internal rating – Effect on RWA of credit derivatives used as CRM techniques	185	84
		195	88
Article 92 (3) and 438	(EBA) EU CR8 – RWA flow statements of credit risk exposures under IRB		
(d)	(EBA) EU CCR7 – RWA flow statements of CCR exposures under the IMM	204	100
Art. 452 (j)	NX16 – Average weighted PD and average weighted LGD by geography	195	
Article 439 (e), (f) and (i)	(EBA) EU CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach	201	95
Article 439 (e) and (f)	(EBA) EU CCR2 – Credit valuation adjustment (CVA) capital charge	205	101
Article 444 (e)	(EBA) EU CCR3 – Standardized approach of CCR exposures by regulatory portfolio and risk weight	201	96
Article 452 (e)	(EBA) EU CCR4 – CCR exposures by portfolio and PD scale	202 to 204	97
Article 439 (g) and (h)	(EBA) EU CCR6 – Credit derivative exposures	204	100
Article 439 (e) and (f)	(EBA) EU CCR8 – Exposures to CCPs	205	101
	(BCBS) SECA – Qualitative disclosure requirements related to securitization exposures	135	
	(BCBS) SEC1 – Securitization exposures in the banking book	206	102
	(BCBS) SEC2 – Securitization exposures in the trading book	207	102
Article 449	(BCBS) SEC3 – Securitization exposures in the banking book and associated regulatory capital	208	104

CRR Article	Basel Committee/EBA tables and statements	Page of 2018 Registration Document	Page of Universal Registration Document
	requirements – bank acting as originator or as sponsor		
	(BCBS) SEC4 – Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as investor	208	105
Art. 449 (k)	NX33BIS – Banking book EAD by agency	206	
Art. 445	(EBA) EU MR1 – Market risk own funds requirements	209	105
Article 105 and article 455 (c)	(EBA) EU MRB A – Qualitative disclosures for banks using the Internal Models Approach (IMA)	136-137	106
Article 455 (a) and (b)	(EBA) EU MRB B – Qualitative disclosures for banks using the Internal Models Approach (IMA)	136-137	
Article 455 (e)	(EBA) EU MR2 – A – Market risk under internal models approach	210	106
Article 455 (d)	(EBA) EU MR3 – IMA values for trading portfolios	209	106
Article 455 (g)	(EBA) EU MR4 – Comparison of VaR estimates with gains/losses	140	
Article 446	(BCBS) ORA – General qualitative data on operational risk management	142	
	(BCBS) Table A – IRRBB management policies and objectives	151-152	
Article 448	(BCBS) Table B – NII sensitivity	152	
Article 49 (1) and 4	(EBA) EU INS1 – Non-deducted holdings in insurance undertakings	178	77
Article 4	(BCBS) REMA – Remuneration policy	214	107
Article 377 (6) and article 105	(BCBS) PV1 – Prudential valuation adjustments	177	76

3.3.7 TABLE INDEX

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	Detailed exposures under Roll-Out plan (EU CRE-E)	195	
	Indicative correspondences between internal ratings based on expert judgment and external agency ratings (corporates, banks, specialized financing institutions)	126	
	PD and LGD by geographic area (NX16)	195	
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V SECTION 4: OVERVIEW OF THE FISCAL YEAR

4.1 Significant events of the first half of 2019

4.1.1 Macroeconomic context

In first-half 2019, the behavior of economic agents and investors was affected by geopolitical uncertainty: trade war, Brexit, the magnitude of the slowdown in China, European elections and the rise of populism, and the Iran-US crisis. Starting with Europe, the Brexit date was repeatedly pushed back, with the next deadline set at October 31, 2019. While the delays gave exposed businesses respite, the European elections results and the stepping down of Theresa May on June 7, 2019 increased the likelihood that the UK will leave the European Union without a deal.

Since the start of the year, the macroeconomic environment has deteriorated on the back of slower growth and decelerating inflation.

While first-quarter GDP figures highlighted the resistance of activity in the US (upturn in year-on-year GDP growth at 3.2%), the euro zone (settling at 1.2%) and China (settling at 6.4%), global GDP growth numbers showed a slight downturn (3.4% in Q1 versus 3.5% at end-2018), mainly due to the poor economic performance coming out of Latin America. Monthly indicators also suggested a less positive trend in the second quarter. Economic sentiment, especially in industrial sectors, declined. In May, the global PMI index (Purchasing Managers' Index) fell below 50 to 49.8 in manufacturing due to a sharp slowdown in industrial output and lackluster global exports.

Services, however, remained relatively robust, and after a period of decline, consumer confidence showed signs of recovery, which should have a positive impact on household spending especially since the inflation levels observed since the start of the year contributed to stronger buying power.

Central banks (ECB, Fed, BoJ, etc.) responded to below-target inflation and external risks by taking a resolutely accommodative stance. In March 2019, the ECB announced several measures in line with its accommodative policy, such as new TLTRO operations and the postponement of the first key interest rate hike to 2020. There were also several announcements at its June meeting, with more details on the TLTRO III and a further postponement of the key interest rate hike. Mario Draghi also reaffirmed the ECB's capacity to adjust all of its instruments in order to ensure inflation moves towards its target. For its part, the Fed announced that from March it would maintain the status quo on interest rates and ended its tightening bias. In June, the Federal Open Market Committee clearly identified the threats weighing on the US economy (chronically weak inflation, uncertainties surrounding global growth, especially in light of the trade war, decline in investments), and the federal funds rate at end-June is expected to be cut by 50 basis points by the end of the year. The recent decision by the Fed to lower its interest rates at the end of July (-0.25 basis point) - the first since 2008 - confirmed this trend.

In the markets uncertainty reached fever pitch, resulting in bouts of optimism (higher market appetite for riskier assets) alternating with bouts of pessimism (more interest in safe-haven investments). The first months of the year were characterized by a moderate risk approach (low equity and exchange rate volatility) before making a temporary comeback to that of risk aversion. The intervention of central banks nevertheless had a decisive and positive impact on investor behavior and asset performance: the S&P500 and the Euro Stoxx 50 posted similar increases of 18.3% and 19.8% respectively in the first half of the year (+19% for the CAC40), while emerging markets (MSCI EM) closed at 9.1%. The dollar (DXY index) eventually fell back to its level at the start of the year after alternating between upward and downward phases. Interest rates fell 67 bp to 2% at end-June for US 10-year rates, and 60 bp to -0.32% for the 10-year Bund.

Having slowed throughout 2018, French growth stabilized at 1.2% year-on-year in the first quarter. While the "gilets jaunes" movement initially weighed on confidence, its impact gradually subsided and the latest data point to a sharp rebound. The agreed social measures combined with lower inflation led to an increase in household buying power, particularly in low-income households. For their part, businesses will enjoy significant tax breaks this year thanks to the combined savings of the CICE (competitiveness and employment tax credit) relative to 2018, and to the first year of the long-term decrease in employer social security contributions for low wages.

4.1.2 Key events for Natixis' business lines

In the first half of 2019 the disposal of Natixis' retail banking activities (Factoring, Sureties and Financial Guarantees, Leasing, Consumer Financing and Securities Services) to BPCE S.A. was finalized on March 31, 2019.

Natixis also continued the roll-out of its New Dimension strategic plan aimed at enhancing its value-added solutions for its clients.

Asset & Wealth Management saw a number of major developments in the **Asset Management** business in the first half of 2019.

The following events, projects and initiatives took place in the course of Natixis IM's development:

- Launch of Thematics Asset Management in March 2019;
- Acquisition of a 24.9% minority stake in US asset management firm WCM Investment Management (WCM) in April 2019, making Natixis Investment Managers WCM's main external distributor (barring specific exclusions). This long-term partnership gives Natixis Investment Managers the opportunity to offer WCM's investment strategies to international investors, and enable WCM to continue to grow and create new opportunities for its clients and staff while preserving its culture and investment process;
- Acquisition of an 11% stake in Fiera Capital, the leading publicly-traded independent distribution platform in Canada, which gives its clients access to the global active strategies of Natixis Investment Manager. Under this long-term agreement, Fiera Capital becomes the exclusive distributor of Natixis Investment Managers in Canada, thereby giving Fiera Capital's clients access to Natixis Investment Managers' wide array of active investment strategies;
- The appointment of Harald Walkate as Head of CSR and ESG;
- Launch of Ostrum AM's offering in real estate asset private debt with:
  - The launch of the private debt management business in Asia by hiring a team of experts based in Hong Kong and Singapore in order to expand the offering to institutional investors. As part of its development ambitions in the region, Ostrum AM created a subsidiary in Hong Kong: Ostrum Asset Management (Hong Kong) Limited,
  - Launch of the private debt management initiative in the US with the appointment of Brian T. Yorke, who joined the company on June 12, 2019, as US Head of Structured Debt and Loan Credit Management. The new business will be run by its subsidiary Ostrum Asset Management U.S., LLC (Ostrum AM US), whose headquarters are in New York;
- Announcement of plans to form Vauban Infrastructure Partners, a new affiliate specialized in infrastructure investment, through the transfer of Mirova's current infrastructure team to a new specialized subsidiary;
- Announcement by Groupe BPCE and La Banque Postale to deepen and expand their business partnership, entailing the merger of the mainly insurance-related euro fixed-income management activities of Ostrum AM and LBPAM, within a shared platform that would be controlled by Natixis IM with a balanced governance structure, in particular guaranteeing the pooling of IT tools and the rights-of-use of each party with respect to these IT tools.

Natixis IM earned the following distinctions in the first half of 2019:

- Dan Fuss of Loomis Sayles and co-manager of Loomis Sayles Bond Fund was named Outstanding Portfolio Manager at the 2019 US Morningstar Awards for Investing Excellence;
- Kathryn Kaminski of AlphaSimplex was one of 10 to receive a "Top Women in Asset Management" award from Money Management Executive for her contribution to the asset management sector;
- At the Lipper Fund Awards Natixis and its subsidiaries were recognized in several categories and countries (UK, Germany, Switzerland, US, Austria and Taiwan);
- Investment & Pensions Europe (IPE). Natixis Investment Managers was ranked 16th out of the top 400 asset managers in 2019 by AuM and country of main headquarters at December 31, 2018.

The highlights in the development of **Natixis Wealth Management** in the first half of the year were the following:

- Launch of the One Bank project to streamline and enhance the operations of the Wealth Management business in France and Luxembourg;
- Finalization of the acquisition of Massena Partners in Luxembourg on June 28, 2019, an entity with €2.3 billion of assets under management and 28 employees.
- Véga Investment Manager's signing of the UN-PRI (United Nations Principles for Responsible Investment) in May 2019.

In the first half of 2019, assets under management in **Employee Savings Plans** continued to increase to €29.8 billion, up almost 12% since the start of the year after the rebound in markets and net inflows of nearly €1 billion.
The collective pension plan (PERCO) continued its ascent with a 16% increase in assets under management since the start of the year, an increase in net inflows (+17% year-on-year) and an ever-increasing number of investors (+5% since the start of the year), illustrating the contribution of retirement savings plans in driving the growth of the employee savings plan market.
Sales in the Groupe BPCE distribution networks remained brisk with a 32% increase in new contracts, attributable to the elimination/decrease of the "forfait social" (employee social charge) in companies with less than 250 employees.
The final adoption of the PACT law on May 23, 2019 created new challenges for the development of employee savings as well as collective and individual retirement savings, and Natixis Interépargne is actively preparing for these.

At June 30, 2019, **Corporate & Investment Banking** posted high business volumes across its businesses, despite tough market conditions. Of note, it bolstered its status as a benchmark in green finance through its client offering of innovative and value-adding solutions.

Internationally, it pursued the growth of its business franchises and revenues.

The Asia Pacific platform extended its network of M&A boutiques (see below), while expanding its franchise in the infrastructure sector by financing its first offshore wind farm (WPD Offshore), which is also its first infrastructure financing project in Taiwan. As part of its DANA (Diversity @Natixis Asia) program, the platform ran two initiatives: the APAC Banking School, for the sharing of knowledge between senior and junior staff in the bank; and Début 2.0, a program aimed at reintegrating banking professionals into the job market.
The Americas platform delivered a strong performance in all its business sectors. It continued to expand its range of solutions and strengthen its expertise in structured finance, acquisition finance and capital markets. It sold its banking license in Brazil where it now has a representation office.
Despite an uncertain market climate, the EMEA platform enjoyed strong business volumes in the Real Assets sector, particularly in energy and real estate infrastructure projects through the distribution

of its assets to a variety of investors and partners. The loan solutions business on the capital markets also recovered.

In **Capital Markets**, Natixis enhanced its client-facing “solutions” approach by adapting its sales structure. It consolidated its long-standing reputation with institutional investors, insurance companies, mutual insurers and supranational agencies, while strengthening its offering to hedge fund, pension fund, and asset management company clients through its dedicated sales force. Natixis received numerous awards in the first half of the year in recognition of its expertise and market knowledge. These included three distinctions from SRP Europe (Best Proprietary Index Provider, Best Issuance Platform and Best Insurance Deal).

In **Equity Derivatives**, Natixis continued to diversify by developing “tactical” solutions for institutional investors, strategies uncorrelated from equity market trends, and even hybrid solutions drawing on a strategy based on interest rates and dividends. On the distribution side, a number of sales campaigns were run in France and Belgium to launch the first offers in indexed green bonds whose indices support the energy transition.

In **fixed income**, the financial advisory and engineering team created bespoke solutions for its clients, in particular structures that enable growth in a persistently low interest rate environment and amid macro-economic uncertainties. Natixis was recognized by Mtn-I 2019 for its international expertise, particularly in SRI solutions and the Green OAT Repack Europe.
In Global Structured Credit and Solutions, Natixis co-managed the OneMain Direct Auto Receivables Trust 2019-1 deal as bookrunner alongside Barclays and Deutsche Bank.

The three business lines **Real Assets** (Aviation, Infrastructure, Real Estate & Hospitality), **Energy and Natural Resources** and **Distribution and Portfolio Management** generated robust activity in both origination and distribution.

The **Aviation** maintained its strong momentum thanks to innovative structures, particularly in securitization: Natixis helped Stratos with its maiden bond issue (ABS) backed by a portfolio of 15 aircraft, via an innovative structure that links Japanese Operating Lease and ABS.

The **Infrastructure** sector maintained its dedication to renewable energy via numerous emblematic transactions around the world: sole arranger for Beleolico Srl for the first offshore wind farm in Italy and the Mediterranean; finalization of financing as arranger and technical bank of phase IV of the world’s biggest hybrid solar farm, Mohammed bin Rashid Al Maktoum in Dubai; arranger for Enel Green Power Mexico for the biggest solar portfolio in Mexico; sole green loan coordinating bank for the El Llano solar project in Mexico; financing of the Kiamal solar farm in Australia; and financing of the Yunlin offshore wind farm in Taiwan.
Natixis also renewed its dedicated environmental action by acting as co-bookrunner for the Rabigh 3 project in Saudi Arabia, and as financial advisor and debt arranger for the construction of a tramway in the city of Liège, Belgium.

The **Real Estate & Hospitality** sector further expanded internationally and diversified its offering. Natixis notably arranged the financing of a €507 million mortgage for the acquisition by Swiss Life AM of a portfolio of high-end offices in Paris, after advising the insurer of this €1.7 billion transaction. This landmark deal illustrates the success of the bank's sector-based model, as well as its ability to offer its clients a full spectrum of expertise.

The **Global Energy & Commodities** sector assisted its commodity producing, transforming and trading clients in their development and financing transactions. Natixis continued its digital initiatives: the Komgo digital platform, developed in partnership with banks and business, issued its first stand-by letter of credit using blockchain.

Now focused on trade finance and cash management, **Trade & Treasury Solutions** (TTS) went from strength to strength in both France and abroad.

In trade finance, the business helped the CIB's corporate and institutional clients manage working capital needs using increasingly sophisticated solutions. The platforms of all the geographies delivered robust growth, and in particular the Americas platform.
In Treasury Solutions, TTS stood out for the superb quality of its services, including in complex transactions such as cash flow management for acquisitions. TTS actively uses digital innovation in both of its activities. For instance, it launched the MyTrackedTransfer service to ensure the end-to-end traceability of international transfers.

In **Investment Banking**, **Strategic and Acquisition Finance** maintained its activity despite a highly competitive market. Natixis was ranked No. 5 bookrunner by volume of sponsored loans in Europe (source: Refinitiv/Thomson Reuters).

In leveraged buyout financing in France, Natixis financed Mirova's majority stake in Proxiserve and the Spanish investment fund Asterion Industrial Partners, also acting as physical bookrunner, underwriter, facility agent and sole rating advisor, while Natixis Partners acted as M&A advisor. In the US, Natixis co-arranged the financing of First Reserve for its acquisition of Weir Group PLC's flow control department, thus demonstrating the bank's arrangement and distribution capacity for mid-caps.
In the Euro PP market, Natixis acted as arranger for Sopra Steria's debt issue (€250 million) and was ranked No. 1 bookrunner by volume at June 30, 2019 (source: Dealogic).

On the equity capital markets, Natixis acted as global coordinator, lead manager and associate bookrunner for the biggest capital increase in France this year for Tikehau Capital (€715 million) and as associate bookrunner in that of Voltalia (€376 million). Both operations were led by Natixis in cooperation with ODDO BHF.
Natixis also led several emblematic deals, such as the Oceanes convertible bond issues of Air France-KLM (€500 million) and Orpea (€500 million), confirming its expertise in this area, from origination, structuring to placement.
Further afield, Natixis acted as associate bookrunner for Genfit's initial public offering on the Nasdaq (€155 million) and of Arabian Centres on the Tadawul ─ the first IPO by Natixis in Saudi Arabia.
Natixis is a recognized player in equity capital markets and was ranked No. 1 bookrunner in the first half of 2019 by volume and by number of transactions (excluding ABBs) *(source: Bloomberg)*.

On the primary bond market, in the context of a vibrant debt market, Natixis expanded its growth and consolidated its status as a market leader by executing several landmark deals. Of note, it won The Banker magazine's 2019 Deal of the Year award for the Danone social bond issue.
In the financial institutions and insurance company market, Natixis acted as joint lead manager for the Tier 2 subordinated bond (€500 million) of Ageas, and for VUB BANKA in the covered bonds segment (€500 million).
And acting as bookrunner, Natixis offered UniCredit an innovative 5-year call structure for its senior preferred bond issue (€1.25 billion). In Asia, Natixis led Mizuho's bond issues (€750 million).
In the sovereigns, supranationals and agencies market, Natixis also led the debt issues of Slovak Republic (€1 billion) and the European Investment Bank (€3 billion).

Natixis was actively involved with clients in the real estate, energy and aviation sectors with dollar, euro and hybrid debt issues. In the Euro PP market, Natixis arranged Sopra Steria's debt issue (€250 million) and was ranked No. 1 bookrunner by volume at June 30, 2019 (source: Dealogic).
Natixis renewed its involvement in green financing through its role in the debt issues of La Banque Postale (€750 million), Engie (€1.5 billion), RATP (€500 million) and the World Bank (€1.5 billion).

Natixis strengthened its advisory business in **mergers and acquisitions** by making a strengthening investment in Azure Capital in May 2019. This Australian boutique specialized in infrastructure, energy and natural resources rounds out Natixis' international network.

Several large-scale deals took place over the period. In France, Natixis advised Swiss Life for its acquisition of a portfolio of 28 prime assets from Terreis for €1.7 billion. In the UK, Fenchurch Advisory advised on the sale of Legal & General Group's general insurance business to Allianz UK.

In Asia Pacific, Vermilion Partners advised C. Banner International Holdings Limited on the disposal of Hamleys Global Holdings. Natixis also advised the shareholders of APM Monaco on the sale of 30% of their shares in a consortium led by TPG.
In Europe, Natixis Partners and Natixis Partners Espana ranked No. 1 private equity advisor by number of deals in France (source: Magazine des Affaires) and Spain (source: TRR) respectively. Fenchurch Advisory's M&A advisory for FIGs also placed the business in the lead in the UK by number of deals (source: Mergermarket). In France and by number of deals, Natixis and Natixis Partners jointly ranked No. 3 for mid-caps (source: Agefi League Table) and No. 8 for large-caps (source: Mergermarket).

Within the Insurance division, the personal insurance business launched a new personal protection insurance line in the Banque Populaire networks in the second quarter of 2019. User-friendly, digital and competitive, the Family Insurance and Funeral Cover offering had a very positive start with a sharp increase in new policies and higher guaranteed payouts, to better meet client requirements.

As part of its business partnership with La Banque Postale, in June 2019 Groupe BPCE announced that it is contemplating extending, effective as of January 1, 2020, the expiration date of the current agreements entered into in 2015 between BPCE/Natixis and CNP Assurances (borrowers' insurance, collective savings and health products, among others) and to postpone it from December 31, 2022, its current date, to December 31, 2030. With the agreement of CNP Assurances, the changing of borrowers' coinsurance allocation to 50-50% should be effective as of January 1, 2020.

Groupe BPCE's ambition to become a fully-fledged *bancassureur* and create a distinct **non-life insurance** business model for individual and business customers within Natixis Assurances was realized after it was agreed, in May 2019, to renew the partnership with Covéa from January 1, 2020. The partnership covers professional liability insurance for Caisse d'Epargne and Banque Populaire clients. As of this date, Natixis Assurances will handle all new non-life insurance business from Banque Populaire individual customers together with those of Caisse d'Epargne (#INNOVE2020 program).

In addition, under the Purple#Care strategic project aimed at transforming and digitizing claims management in order to improve customer satisfaction, the new solution was rolled out to Homeowner and GAV products in June 2019. Another highlight of the period was the completion of the APS platform deployment to the Banque Populaire banks (#Pop'Timiz project to pool middle- and back-office activities between the Banque Populaire and Caisse d'Epargne banks in non-life insurance).

In the first half of 2019, the **Payments** division maintained its buoyancy and further expanded its offering by growing its involvement in issuances.

At Money 20/20 Europe, Natixis Payments and Visa announced the launch of their new Xpollens offering - a white-label "payments in a box" solution. The solution enables fintechs, retailers and businesses to seamlessly integrate a complete range of payment services - from issuing cards, to instant payments to account administration - in less than 100 days. By removing the burden of having to deal with the complexities of issuing and managing means of payment, clients can now focus on their user experience as well as the commercial opportunities arising from the implementation of the DSP2 directive.
At the moment, Xpollens is available to fintechs as a pilot. Two of them, Coinscrap from Spain and Linxo from France, were selected in early 2019 to develop these services in collaboration with Natixis Payments and Visa.

Natixis Payments, a lead player in retail, launched the first module of its "tap to pay" solution at the Women's Football World Cup, in partnership with Visa.
This mobile payment offering continues to be a hit with the networks' customers, as shown by the number of transactions which more than doubled (x2.5) between first-half 2018 and first-half 2019.

This development of the business lines went hand-in-hand with **strict financial management**:

- **liquidity** needs remained contained over the first half of 2019 and posted a limited increase of 1% year-on-year;

- the consumption of Basel 3 **RWA** was stable year-on-year at €96.9 billion.

4.2 Management report at June 30, 2019

For the purposes of comparability, the management report as a whole has been restated for the disposal of the retail banking activities to BPCE S.A.

4.2.1 Consolidated results

Natixis				
(in millions of euros)	**6M 2019**	**6M 2018 pro forma**	**Change 2019/2018**	
			Current	**Constant**
Net revenues	**4,414**	**4,553**	**-3.0%**	**-5.4%**
o/w business lines	*3,992*	*4,146*	*-3.7%*	*-6.3%*
Banking operating expenses	-3,297	-3,202	2.9%	0.6%
Gross operating income	**1,117**	**1,350**	**-17.3%**	**-19.6%**
Provision for credit losses	-141	-77	83.5%	
Operating results	**976**	**1,273**	**-23.4%**	
Associates	11	10	12.1%	
Gains or losses on other assets	678	10		
Change in the value of goodwill	3	0		
Pre-tax profit	**1,668**	**1,293**	**29.0%**	
Income taxes	-379	-409	-7.3%	
Non-controlling interests	-178	-117	52.0%	
Net income (Group share)	**1,110**	**767**	**44.8%**	
Cost/income ratio	74.7%	70.3%		
ROE	9.8%	10.7%		
ROTE	12.7%	13.7%		

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

NET REVENUES

Natixis' **net revenues** stood at €4,414 million at June 30, 2019, down 5.4% versus the first half of 2018 at constant exchange rates.

At €3,992 million, **net revenues generated by the business lines** were down 6.3% at constant exchange rates versus the first half of 2018. The different divisions posted stable or increased revenues with the exception of the Corporate & Investment Banking division whose net revenues were hard hit by a more difficult market context. Asset & Wealth Management net revenues were stable at constant exchange rates. Corporate & Investment Banking net revenues were down 16% at constant exchange rates. The Insurance and Payments divisions were up 7% and 10% respectively.

Financial Investments net revenues at €389 million in first half 2019, up 7% compared to first-half 2018, €356 million of which relative to Coface.

The **Corporate Center's** net revenues totaled €32 million in the first half of 2019. They include +€4 million for the return of foreign-currency DSNs to the historic exchange rate, versus +€27 million in the first half of 2018.

OPERATING EXPENSES AND HEADCOUNT

Recurring expenses totaled €3,297 million, a very small increase of 0.6% at constant exchange rates compared to the first half of 2018. Asset & Wealth Management expenses were stable at constant exchange rates. CIB expenses came down 3% at constant exchange rates, while those of the Insurance and Payments divisions rose 6% and 8.5% respectively. Financial Investments expenses were up 7.5%. Corporate Center expenses were up 2% to €331 million in 2019 compared to €319 million in the first half of 2018. They include the contribution of €170 million to the Single Resolution Fund contribution.

Headcount at the end of the period stood at 19,376 FTE, up 3% year-on-year, with a 3% increase for the business lines, a 1% decrease for Financial Investments and 6.5% growth for the Corporate Center with the strengthening of the control functions and the expansion of the IT teams in Porto.

GROSS OPERATING INCOME

Gross operating income stood at €1,117 million in the first half of 2019, down 19.6% at constant exchange rates versus the same period in 2018.

PRE-TAX PROFIT

At €141 million in first-half 2019, **provision for credit losses** was up sharply compared to first-half 2018 where it totaled €77 million. The provision for credit losses of core businesses as a percentage of assets amounted to 43 basis points in first-half 2019 versus 24 basis points in first-half 2018.

Revenues from **Associates** climbed to €11 million in first-half 2019 versus €10 million in first-half 2018.

Gains or losses on other assets totaled €678 million in first-half 2019, of which €697 million was attributable to the disposal of the retail banking activities to BPCE S.A. in the first half of the year, versus €10 million in first-half 2018.

Change in the value of goodwill reached €3 million in first-half 2019.

Accordingly, **pre-tax profit** amounted to €1,668 in first-half 2019 versus €1,293 in first-half 2018.

RECURRING NET INCOME (GROUP SHARE)

The recurring **tax** expenses came to €379 million in first-half 2019, with an effective tax rate of 22.9%.

After incorporating -€178 million in **non-controlling interests**, **recurring net income (group share)** amounted to €1,110 million - a steep increase on the first half of 2018 attributable to the exceptional capital gain from the sale of the retail banking activities to BPCE S.A.

Consolidated management ROE after tax (excluding non-recurring items and excluding the IFRIC 21 impact) came to 7.7% in the first half of 2019, giving an accounting ROE of 9.8%.
Consolidated management ROTE after tax (excluding non-recurring items and excluding the IFRIC 21 impact) came to 9.9% in 2019, giving an accounting ROTE of 12.7%.

4.2.2 Analysis by Natixis main business line

4.2.2.1 Asset & Wealth Management

AWM				
(in millions of euros)	6M 2019	6M 2018 pro forma	Change 2019/2018 Current	Constant
Net revenues	**1,705**	**1,641**	**3.9%**	**0.1%**
Asset Management	*1,595*	*1,522*	*4.8%*	*0.7%*
Wealth Management	*63*	*74*	*-14.3%*	*-14.3%*
Employee Savings Plans	*47*	*45*	*2.9%*	*2.9%*
Operating expenses	-1,163	-1,117	4.1%	0.1%
Gross operating income	**542**	**524**	**3.5%**	**0.0%**
Provision for credit losses	-1	-1	-12.3%	
Pre-tax profit	**537**	**520**	**3.3%**	
Cost/income ratio	68.2%	68.1%		
Equity (Average)	4,385	4,104		
ROE	13.3%	14.4%		

Recurring expenses of the AWM division increased 3.9% compared to the first half of 2018 to €1.7 billion (stable at constant exchange rates).

Expenses increased at a similar rate of 4.1% (stable at constant exchange rates), totaling €1.2 billion.

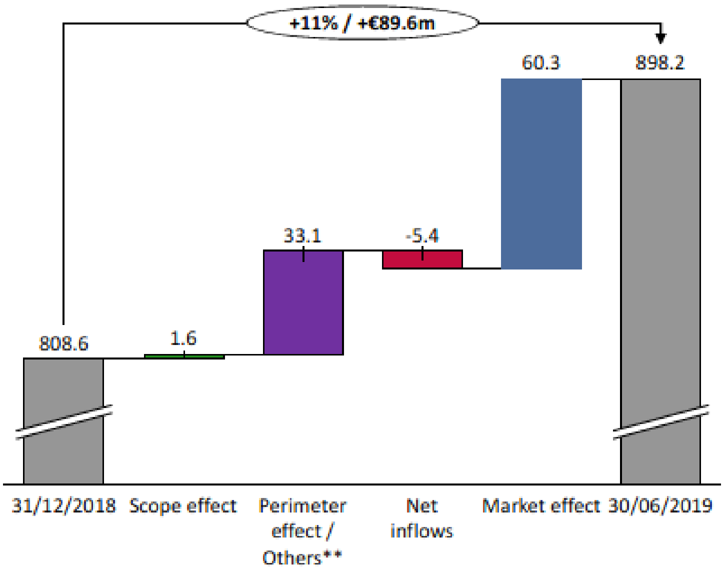
Gross operating income rose 3.5% (stable at constant exchange rates) to €542.4 million.

At 13.3%, the division’s ROE was down 1.1 points from June 30, 2018.

A – Asset Management

ASSETS UNDER MANAGEMENT at end-June 2019 stood at €898.2 billion, up €89.6 billion (11%) compared to December 31, 2018 (+€88.0 billion, + 11% at constant exchange rates), driven by a highly favorable market and scope effect that more than offset net outflows over the period.

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



(*) 2019 scope effect: mainly attributable to the acquisition of stake in the asset management company WCM in Q2 2019 (+€30.4 billion) for NIM US.

The business line recorded net inflows of €5.4 billion over the period, €5.9 billion of which in long-term products:

- In Europe, net outflows totaled €4.3 billion, penalized in large part by H2O (mainly its debt and diversified products) and DNCA (mainly its diversified products).
- In the US, net outflows totaled €1.1 billion, mainly attributable to Harris Associates (equity and diversified products) and partially offset by Loomis (bond and equity products) and WCM (equity products).
- Dynamic Solutions outflows totaled €440 million, mainly concerning equity and structured products, and were partially offset by money market and life insurance products.
- Net inflows from by Private Equity firms came to nearly €512 million made on alternative products.

The distribution platforms of NIM International Distribution and NIM US Distribution posted long-term net outflows of €6.6 billion over the period (€1.4 billion and €5.2 billion respectively).

At €843.6 billion, average assets under management at June 30, 2019, decreased (1.4%) compared to last year at constant EUR exchange rates. The rate of return on AuM was down 5% to 29.7 points compared to June 30, 2018 (31.3 points).
At end-June 2019, AuM can be broken down as predominantly bond products (28.2%), followed by equity products (27.9%) and life insurance (20.4%).

At €1,595.3 million at June 30, 2019, net revenues were up 4.8% compared to June 30, 2018 (i.e. +0.7% at constant exchange rates), driven by the sharp increase in performance fees, mainly with H2O in Europe, financial products thanks to the positive valuation impact of the seed money portfolio, and the integration of WCM and Fiera. These increases were partially offset by fees on AuM which declined chiefly in the US following the drop in average AuM (also affected by redemptions executed at the end of 2018) and in the commission rate over the period.

Expenses stood at €1,046.8 million, up 4.4% compared to June 30, 2018 (stable at constant exchange rates), with the continuation of investment in IT in particular.

B- Wealth Management

In first-half 2019, **Wealth Management's net inflows** of €403 million was mostly driven by the business in France and internationally, as well as by the dynamic of B2B private management business from the networks.

Assets under management came to €30.0 billion (including Massena Partners AuM of €2.3 billion), down 8% year-on-year due to a punitive scope effect of €6.2 billion resulting from the disposal of Sélection 1818 at end-2018. Restated for these scope effects (Sélection 1818 and Massena Partners), AuM increased 8% compared to the first half of 2018.
In parallel, **outstanding loans** were up 6% to €2.0 billion.

In first-half 2019, **the business line's net revenues totaled €63.4 million**, down 14.3% (-€10.6 million) compared to 2018. Restated for the Sélection 1818 scope effect, the decrease would be 4%. This decrease is mainly attributable to a decrease in fees on structured products and in transaction fees (after a very strong start to 2018), partially offset by the solid net interest income and other fees.

Expenses stood at €76.6 million, representing growth of 1.8% compared to 2018. Restated for the Sélection 1818 scope effect and non-recurring expenses linked to the operational excellence transformation program (significant severance pay recorded in 2019), expenses would be up a limited 1% compared to the first half of 2018.

C- Employee Savings Plans

Assets under management at end-June 2019 totaled €29.8 billion, representing an increase of €3.2 billion or 12% compared to December 31, 2018, on the back of a very favorable market effect (+€2.3 billion) and net placements of €893 million.

Average assets under management in first-half 2019 totaled €28.1 billion, representing growth of 4% compared to first-half 2018.

At **€46.7 million in first-half 2019, net revenues** climbed 2.9% compared to the first half of 2018 on the back of account administration fees in particular.
Expenses stood at €39.6 million, up 2.3% compared to June 30, 2018, mostly on account of higher fixed payroll costs and IT costs.

4.2.2.2 Natixis Corporate & Investment Banking

CIB & TCM

(in millions of euros)	6M 2019	6M 2018 pro forma	Change 2019/2018 Current	Constant
Net revenues	**1,654**	**1,920**	**-13.9%**	**-16.1%**
Global Markets	785	984	-20.2%	-21.6%
Fixed Income	554	677	-18.1%	-19.6%
Equity	242	293	-17.3%	-18.7%
Desk XVA	-12	14	-183.9%	-183.9%
Financing	670	735	-8.8%	-12.4%
Investment Banking	177	167	5.7%	3.8%
Other items	22	34	-35.1%	-36.5%
Operating expenses	-1,105	-1,117	-1.1%	-3.1%
Gross operating income	**549**	**803**	**-31.7%**	**-34.0%**
Provision for credit losses	-134	-68	98.8%	
Pre-tax profit	**405**	**744**	**-45.6%**	
Cost/income ratio	66.8%	58.2%		
Equity (Average)	6,687	6,426		
ROE	8.6%	16.8%		

In first-half 2019, Corporate & Investment Banking's **net revenues** totaled €1,654 million, down 16.1% from first-half 2018 at constant exchange rates.

Capital market revenues totaled €785 million in 2019, down 21.6% compared to the first half of 2018 at constant exchange rates.
At €554 million in first-half 2019, revenues from **Fixed Income, Forex, Credit, Commodities and Treasury activities** fell 19.6% compared to first-half 2018 at constant exchange rates. The following changes were observed in each segment:

- **Fixed Income and Forex** revenues fell: the **Fixed Income** business dropped 37.9%, attributable to lackluster sales in France and long-term issuance in Asia, while the **Forex** business decreased 44.7% due to poor currency volatility and lower volumes on the flow activity;
- Revenues from **Credit** activities were up 9.9% compared to the first half of 2018. The business recorded continued growth in securitization activities, in both the US and Europe;
- Revenues from **repo activities**, now split evenly between Fixed Income and Equity, fell 23.1% compared to 2018 on account of stricter regulatory constraints and tighter margins caused by a more competitive market.

Revenues from joint ventures (i.e. with income shared equally between Global Markets and Investment Banking to ensure team alignment) were mixed in the first half of 2019.
Strategic and Acquisition Finance revenues were down 8.7% due to an unfavorable comparison base with the leveraged buyout (LBO) market showing signs of strain.

Revenues from **syndication on the bond market** fell 5.3% compared to the first half of 2018. Revenues generated by the primary bond market were stable, while secondary market revenues were weighed down by an unfavorable comparison base effect with gains in the first quarter of 2018 generated from managing sovereign debt positions in a more auspicious market context.

At €246 million, **Equity** fell 17.6% at constant exchange rates compared to the first half of 2018 at constant exchange rates. Sales were again focused on new products in the first half of 2019.

At €670 million, **Financing** revenues including **TTS** (Trade & Treasury Solutions) as well as **Film Industry Financing** (Coficiné) fell 12.4% compared to the first half of 2018 at constant exchange rates.

Revenues from **origination and syndication** were down 36.7% compared to the first half of 2018, penalized by the decrease in the securitization of Real Estate Finance in the US due to a less dynamic market, especially in the CMBS segment. The revenues of the **financing portfolio** remained stable at constant exchange rates in a context of pressure on margins. **ENR (Energy & Natural Resources) and Trade Finance** revenues drifted lower to 13.0% at constant exchange rates due to a weaker average per-barrel oil price than last year.

Revenues from **Investment Banking** including **M&A** activities grew 3.8% at constant exchange rates compared to the first half of 2018 for cumulative revenues of €177 million.

At June 30, 2019, Corporate & Investment Banking's **expenses** totaled €1,105 million, down 1.1% at current exchange rates and 3.1% at constant exchange rates compared to the first half of 2018. Excluding Transformation & Business Efficiency costs classified as a non-recurring item, i.e. €6 million in first-half 2019, expenses totaled €1,099 million in first-half 2019, down 1.2% at current exchange rates and 3.3% at constant exchange rates due to the decrease in variable expenses.

Gross operating income totaled €549 million, down 34.0% compared to first-half 2018 at constant exchange rates. Excluding non-recurring items, gross operating income totaled €554 million, down 33.6% at constant exchange rates. The **cost/income ratio** stood at 66.8% in first-half 2019 (66.5% excluding non-recurring items), slipping 8.6 points compared with first-half 2018 (58.2%).

At €134 million, **provision for credit losses** gained 98.8% compared to the first half of 2018. This deterioration was is mainly attributable to and individual case for which provision was made in the second quarter of 2019.

Pre-tax profit stood at €405 million, down 45.6% compared to the first half of 2018 at current exchange rates and factoring in a capital loss on the disposal of the Brazil subsidiary (€14.5 million) recognized in the first quarter of 2019 under gains or losses on other assets. Excluding non-recurring items, pre-tax profit totaled €426 million, down 45.2% at constant exchange rates.

ROE after tax totaled 8.6% in first-half 2019, down 8.2 points compared to first-half 2018 (16.8%). Excluding non-recurring items, ROE after tax totaled 9.1%.

4.2.2.3 Insurance

Insurance			
(in millions of euros)	6M 2019	6M 2018 pro forma	Change 2019/2018
Net revenues	**425**	**397**	**7.1%**
Operating expenses	-241	-226	6.4%
Gross operating income	**184**	**170**	**8.1%**
Provision for credit losses			
Pre-tax profit	**189**	**173**	**9.3%**
Cost/income ratio	56.7%	57.1%	
Equity (Average)	900	861	
ROE	28.8%	27.5%	

In the first half of 2019, sales momentum was very strong in personal protection and property & casualty insurance. Life insurance maintained a strong position.

With €5.4 billion in direct business premiums, life insurance inflows increased 0.4% compared to the first half of 2018. Premiums on unit-linked assets totaled €1.5 billion and made up 29% of total gross inflows, down 6 points year-on-year and 5 points higher than the market average at end-June. Inflows invested in the “Euro” fund increased by 10% to €3.8 billion.

Premiums on Personal Protection and Payment Protection insurance (€494 million) continued to increase at a steady pace (+12%). Premiums on Personal Protection insurance grew 7% (+€8 million), propelled primarily by the Caisse d'Epargne network (38%) which now represents 36% of the personal protection insurance business (vs. 28% in first-half 2018). Payment Protection insurance expanded its growth with a 14% increase in premiums (+€45 million) without any material impact from the Bourquin amendment. This development was particularly visible in the Caisse d’Epargne network (+19%).

The non-life insurance portfolio grew by 5% to 6.0 million policies. Gross sales inched up 1%, with 2% growth in the Caisse d’Epargne network. Acquired premiums gained 5% to €776 million, with similar growth for both the Caisse d’Epargne network and the Banque Populaire network. This increase was driven by the core range, with a 7% jump in both auto insurance and multi-risk home insurance, +5% in GAV/NAV, in line with portfolio growth.

Net revenues for Insurance businesses totaled €425 million, up 7.1% compared to 2018, resulting from:

- 9% net revenue growth in life insurance, propelled by the increase in assets under management (11%), driven in turn by the roll-out of the offer on the Caisse d’Epargne network.
- 7% net revenue growth in personal protection insurance and in payment protection insurance, reflecting the resilience of the business;
- 5% increase in property & casualty insurance: claims remained under control, with an overall combined ratio of 91.5% - an improvement on 92.1% in first-half 2018.

Operating expenses stood at €241 million. The 6.4% increase in expenses, which remained below net revenue growth, reflects the implementation of the New Dimension plan’s ambitions: to support the growth of the business and pursue the implementation of strategic projects (especially #Innove2020, Purple#Care and #Pop’Timiz).

Gross operating income rose 8.1% to €184 million.

At 28.8%, **the division's ROE** improved by 1.4 points compared to 2018.

4.2.2.4 Payments

Payments			
(in millions of euros)	6M 2019	6M 2018 pro forma	Change 2019/2018
Net revenues	**208**	**188**	**10.4%**
Operating expenses	-181	-167	8.5%
Gross operating income	**27**	**21**	**25.2%**
Provision for credit losses	-1	0	
Pre-tax profit	**26**	**22**	**18.9%**
Cost/income ratio	87.2%	88.7%	
Equity (Average)	365	297	
ROE	9.6%	10.1%	

The Payment Processing & Solutions business was strong in the first half of 2019 thanks to the increase in transaction volumes and that of the Service Vouchers business where Natixis continued to record strong growth.

Merchant Solutions, the business dedicated to offering its retailer clients innovative payment products and services, also grew substantially. Volumes collected by Dalenys and PayPlug increased +24% and +69% respectively, while the PayPlug e-commerce offering was remarkably successful with SMEs.

Payments revenues increased by 10.4% year-on-year. This growth was driven by the performance of historical businesses (Flows, Electronic Banking and Service Vouchers) and by acquisitions carried out over the last two fiscal years which accelerated business expansion. For example, Comiteo's contribution to the division's revenues was €5.3 million in first-half 2019 compared to a limited contribution of €1.6 million in first-half 2018.

The expenses of the Payments division totaled €181 million in first-half 2019, up 8.5% compared to first-half 2018, largely owed to changes in scope.

Overall, **gross operating income** rose 25.2% to €27 million.

Net operating income stood at €26 million, up 18.9%, and **ROE** at 9.6%.

4.2.2.5 Financial investments

Financial Investments				
(in millions of euros)	6M 2019	6M 2018 pro forma	Change 2019/2018 Current	Constant
Net revenues	**389**	**364**	**6.9%**	**6.7%**
Coface	*356*	*333*	*7.0%*	*7.0%*
ALGERIA	*33*	*27*	*24.0%*	*20.0%*
NPE	*0*	*4*		
Operating expenses	-275	-255	7.5%	7.3%
Gross operating income	**115**	**109**	**5.6%**	**5.2%**
Provision for credit losses	-6	-5	30.3%	
Pre-tax profit	**114**	**109**	**4.0%**	
Cost/income ratio	70.6%	70.2%		

A Coface

Revenues for the half of the year totaled €732.6 million, up 7% compared to the first half of 2018 thanks to solid customer activity and a stable customer retention rate. At constant exchange rates and scope, revenues were up 7% compared to the first half of 2018. From the second half of the year, revenues will include those of PKZ (€3.5 million).

The loss ratio net of reinsurance was **44.0%** in first-half 2019 versus 43.2% in first-half 2018, which is a slight decrease of 0.8 points with a rise in claims reserves due to a higher provisioning rate in 2019, particularly in western Europe, partially offset by reversals on previous claims and more client recourse in 2019.

The combined ratio net of reinsurance was 76.0%, an improvement of 1 point related to the favorable development of the net cost ratio (-1.8 points).

Net revenues in first-half 2019 totaled €356.3 million, up 7.0% (+7% at constant scope and exchange rate) compared to the first half of 2018.
Operating expenses grew 6.0% compared to the first half of 2018 to €252.2 million and up 4% at constant scope and exchange rate, restated for non-recurring expenses[1].

B Natixis Private Equity (NPE)

In first-half 2019, Natixis Private Equity pursued its disengagement strategy and reduced its engagements by 6%.
Compared to the first half of 2018, cash-at-risk **commitments** fell 18% to total €63 million at June 30, 2019. At €14.2 million, off-balance sheet commitments were down 5% compared to the first half of 2018.

Net revenues were down by €4.6 million compared to the first half of 2018 to -€0.4 million (negative revaluations on the venture and positive change in listed shares).
RWA totaled €173 million at June 30, 2019, down 16% compared to the first half of 2018 due to distributions and lower valuations.

[1] *In first-half 2019, non-recurring expenses (completion of the Fit to Win plan) amounted to €1.3 million, predominantly comprising severance payments, versus a provision reversal of €1.4 million in first-half 2018.*

C Natixis Algérie

Natixis Algérie reported robust new loan activity compared to 2018.
At constant exchange rates, short-term average outstanding loans in first-half 2019 increased 17%, while medium- and long-term outstanding loans decreased slightly by 2% compared to first-half 2018. In the same period, customer deposits increased by 6% due to a significant term deposit amount by a major client in the first quarter of 2019.
Off-balance sheet commitments shed 14%.

In first-half 2019, **Natixis Algérie** posted a 24% increase in **net revenues** €33.4 million compared to first-half 2018. Excluding the exchange rate effect, net revenues were up 20%.

4.2.2.6 Corporate Center

Corporate Center (excluding TCM)

(in millions of euros)	6M 2019	6M 2018 pro forma	Change 2019/2018 Current	Change 2019/2018 Constant
Net revenues	**32**	**42**	**-24.2%**	**-21.6%**
Operating expenses	-331	-319	3.9%	1.8%
Gross operating income	**-299**	**-277**	**8.2%**	**5.2%**
Provision for credit losses	1	-3		
Gains or losses on other assets	690	1		
Change in value of goodwill	4	3		
Pre-tax profit	**396**	**-276**		

Corporate Center **net revenues** totaled €32 million at end-June 2019 versus €42 million at end-June 2018.

- Exchange rate fluctuations of deeply subordinated notes issued in dollars stood at €4 million in first-half 2019 compared to +€27 million the previous year.
- FVA hedging was valued at €15 million in first-half 2019 compared to -€28 million at end-June 2018;
- Excluding these items, net revenues reached €13 million in first-half 2019 compared to €43 million in first-half 2018; It essentially comprised:
  - revenues from Treasury and ALM operations,
  - and external rebilled expenses from the support functions to entities for the most part linked to Groupe BPCE

Expenses from the Corporate Center stood at €331 million for first-half 2019 versus €319 million for first-half 2018.

- The contribution to the Single Resolution Fund totaled €170 million for 2019 versus €160 million in 2018;
- Excluding this item, expenses totaled €162 million in first-half 2019 versus €159 million in first-half 2018. They essentially comprise:
  - expenses from the support functions net reallocations to the Natixis business lines for €108 million in the first half of 2019, down €11 million compared to the first half of 2018; this expense balance was rebilled through net revenues at €66 million at end-June 2019 and €60 million at end-June 2018, primarily to the entities of BPCE, as part of the services put in place following the disposal of the retail banking activities to BPCE S.A.;
  - cross-business expenses of €54 million, down €13 million compared to June 2018, mostly related to adjustment items from the 2018 financial year and to transformation costs in IT and real estate.

Gross operating income stood at -€299 million for first-half 2019 versus -€277 million for first-half 2018.

Pre-tax profit was positive at €396 million in first-half 2019 with the contribution of the capital from the disposal of the retail banking activities to BPCE S.A., representing +€697 million recognized under gains on other assets.

Appendix to 4.2.2 – Consolidated Results

1 - Management results reclassified as consolidated results in the first half of 2019

(in millions of euros)	6M 2019	Non-recurring items						6M 2019	contribution	6M 2019
	Investor Relations	AWM	CIB	Insurance	Payments	Financial investments	Corporate Center	restated	disposed scope	Published
Net revenues	**4,410**		**0**				**4**	**4,414**	**22**	**4,436**
Operating expenses	-3,269	-5	-6	-2	0	-1	-13	-3,297	-22	-3,319
Gross operating income	**1,141**	**-5**	**-6**	**-2**	**0**	**-1**	**-9**	**1,117**	**0**	**1,117**
Provision for credit losses	-141							-141	0	-141
Operating results	**1,000**	**-5**	**-6**	**-2**	**0**	**-1**	**-9**	**976**	**0**	**976**
Associates	11							11	0	11
Gains or losses on other assets	-5		-15				697	678	0	678
Change in the value of goodwill	3							3	0	3
Pre-tax profit	**1,009**	**-5**	**-21**	**-2**	**0**	**-1**	**688**	**1,668**	**0**	**1,668**
Income taxes	-308	2	2	1	0	0	-75	-379	0	-379
Non-controlling interests	-145					0	-33	-178	0	-178
Net income (Group share)	**555**	**-3**	**-19**	**-1**	**0**	**0**	**579**	**1,110**	**0**	**1,110**
Cost/income ratio	74.1%							74.7%		74.8%

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

(in millions of euros)	6M 2018	Non-recurring items						6M 2018	contribution	6M 2018
	Investor Relations	AWM	CIB	Insurance	Payments	Financial investments	Corporate Center	restated	disposed scope	Published
Net revenues	**4,526**						**27**	**4,553**	**437**	**4,989**
Operating expenses	-3,173	-1	-4	-1	-1	1	-23	-3,202	-233	-3,435
Gross operating income	**1,353**	**-1**	**-4**	**-1**	**-1**	**1**	**4**	**1,350**	**204**	**1,554**
Provision for credit losses	-77							-77	-7	-84
Operating results	**1,276**	**-1**	**-4**	**-1**	**-1**	**1**	**4**	**1,273**	**197**	**1,471**
Associates	10							10	0	10
Gains or losses on other assets	10							10	0	10
Change in the value of goodwill	0							0	0	0
Pre-tax profit	**1,295**	**-1**	**-4**	**-1**	**-1**	**1**	**4**	**1,293**	**197**	**1,490**
Income taxes	-410	0	1	0	0	0	-1	-409	-61	-470
Non-controlling interests	-117					-1		-117	0	-118
Net income (Group share)	**769**	**-1**	**-3**	**-1**	**-1**	**0**	**3**	**767**	**136**	**903**
Cost/income ratio	70.1%							70.3%		68.8%

4.2.2.6 Provision for credit losses

The **provision for credit losses** was -€141 million at June 30, 2019, of which -€128 million in respect of non-performing loan risk and -€13 million in respect of provisions on performing loans. At June 30, 2018, provision for credit losses was -€77 million excluding the disposed retail banking activities, of which -€112 million in respect of non-performing loans and +€35 million in respect of provisions on performing loans.

TOTAL PROVISION FOR CREDIT LOSSES BY DIVISION

(in millions of euros)	**30/06/2019**	**30/06/2018**
Corporate & Investment Banking	-134	-68
Insurance	0	0
Asset & Wealth Management	-1	-1
Payment	-1	0
Coface	-1	0
Other	-4	-8
Total provision for credit losses	**-141**	**-77**
Disposed retail banking entities	**0**	**-7**
TOTAL PROVISION FOR CREDIT LOSSES	**-141**	**-84**

TOTAL PROVISION FOR CREDIT LOSSES: BREAKDOWN BY GEOGRAPHIC REGION (2018 EXCLUDING DISPOSED RETAIL BANKING ACTIVITIES)

(in millions of euros)	**30/06/2019**	**30/06/2018**
Africa and the Middle East	-12	-61
Central and Latin America	9	0
North America	-53	1
Asia and Oceania	-6	0
Eastern Europe	-1	7
Western Europe	-78	-24
TOTAL PROVISION FOR CREDIT LOSSES	**-141**	**-77**

4.3 Main investments and divestments performed over the period

In line with the strategy of the New Dimension plan, in 2019 Natixis pursued a policy of targeted acquisitions in Asset Management and CIB.

Business line	Investment description
FIRST HALF OF 2019	
Asset management	Acquisition of a minority stake in US asset management company WCM Investment Management (WCM) and conclusion of an international distribution agreement.
Asset management	Conclusion of a strategic partnership agreement with Fiera Capital, the leading publicly-traded independent distribution platform in Canada, and acquisition of a minority stake of 11% in its capital.
Private Banking	Acquisition of asset manager and investment advisory firm Massena Partners, a partner of Natixis Wealth Management for 20 years. The deal allows Natixis Wealth Management to bolster its private equity and real estate club deal offering by leveraging on the long-standing partnerships formed with Massena Partners and other leading players in these segments.
CIB	Acquisition of a majority stake in Azure Capital, one of Australia’s top M&A advisory boutiques.
2018	
Asset management	Acquisition of European credit specialist MV Crédit as part of the expansion of Natixis Investment Managers’ private debt offering
CIB	Strategic investment in Vermillion Partners in China as part of the strategic enhancement of Natixis’ expertise in Mergers & Acquisitions advisory services
CIB	Strategic investment in Fenchurch Advisory Partners in the United Kingdom as part of the strategic enhancement of Natixis’ expertise in Mergers & Acquisitions advisory services
CIB	Strategic investment in Clipperton in France as part of the strategic reinforcement of Natixis’ expertise in Mergers & Acquisitions consulting
CIB	Long-term partnership to create a leading player in 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 reunion of both players’ equity capital markets activities in France under Natixis
Payments	Acquisition of Banque Postale’s 50% stake in Titres Cadeaux
Payments	Acquisition of 46% of the remaining shares in Dalenys, following a takeover bid and squeeze-out
Payments	Acquisition of a majority stake (70%) in Comitéo, a prepaid payments company (software platform for works councils).
2017	
Asset management	Acquisition of a minority stake in Airborne Capital, a leasing and asset management specialist in aviation.
Asset management	Mirova's acquisition of a majority stake (51%) in Althelia Ecosphère, an asset management company specialized in impact investing.
Asset management	Acquisition of a majority stake (51.9%) in Investors Mutual Limited, a well-known asset management company in Australia.
Insurance	Acquisition of 40% of BPCE Assurances from Macif and Maif to become the sole shareholder
Payments	Acquisition of 54% of the shares of Dalenys, a French fintech with a high-performance technological offering for e-commerce retailers
Payments	Acquisition from BPCE of 100% of S-money, a digital payment and collection solutions specialist that responds to new customer preferences, and its subsidiaries (such as Le Pot Commun)
Payments	Acquisition of a majority stake (78.5%) in PayPlug, a French start-up offering online payment solutions for online retailers

In addition, a number of targeted disposals were carried out.

Business line	Divestment description
2018	
Wealth Management	Disposal of Sélection 1818, a major Wealth Management Advisor, as part of Natixis Wealth Management's strategic repositioning. Signing of a partnership with the buyer, Nortia, for the distribution of funds on an open-architecture basis.
Asset management	Disposal of the Axeltis fund distribution platform to MFEX, together with the signing of a long-term partnership to distribute funds on an open-architecture basis.
2017	
Asset management	Disposal of a 25% stake in IDFC, bought by the Indian group IDFC who owned the remaining 75%.
Corporate Center	Disposal of the 15% stake in Cacais to Crédit Agricole S.A., making it the sole shareholder once the transaction is complete. This disposal is entirely consistent with the objectives of the New Dimension strategic plan for 2018-2020, particularly the objective of reducing the Corporate Center's RWA.
Corporate Center	Disposal of Ellisphere, a financial data specialist in France and internationally, to investment fund AnaCap. The transaction marks the end of Corporate Data Solutions' business disposals.

4.4 Post-closing events

See Note 11 Post-closing events: No post-closing event liable to have an impact on the interim consolidated financial statements have taken place since June 30, 2019.

4.6 Outlook for Natixis

Refer to heading 10 of the cross-reference table in Section 7 of this document.

4.7 Definitions and alternative performance indicators

The interim management report is presented in respect of the half years ended June 30, 2018 and June 30, 2019. In accordance with European Regulation 2017/1129 pertaining to the publication of prospectuses and with Delegated Regulation 2019/980 pertaining to the information contained in prospectuses, the financial statements for the half year ended June 30, 2017 can be consulted in the update of August 8, 2018, registration number D.18-0172-A01, of the registration document filed with the AMF on March 23, 2018, under registration number D.18-0172.

Following the disposal of the retail banking businesses to BPCE S.A., finalized on March 31, 2019, the presentation of the business lines is as follows:

- Employee Savings Plans (Natixis Interépargne) moves to the Asset & Wealth Management business line
- Film Industry Financing (Natixis Coficiné) moves to Corporate & Investment Banking
- The disposal has no impact on the Insurance business line
- Payments becomes a business line in its own right
- Financial Investments is isolated and includes Coface, Natixis Algérie as well as the private equity run-off activities.
- The Corporate Center is refocused on the centralized holding company and balance sheet management functions of Natixis and is responsible for the Single Resolution Fund contribution.

For the purposes of comparability in the presentation of this management report, 2018 figures are presented according to the new organization of the Natixis business lines.

As a reminder, in compliance 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.

In addition, the standards used to **assess the performance of the divisions** are those defined for the New Dimension plan:

- regulatory capital allocated to the business lines on the basis of 10.5% of Basel 3 average RWA;
- 2% rate of return on capital;

As a reminder, the results of the Natixis business lines are presented in accordance with the Basel 3 regulatory framework. Capital allocation specific to the insurance businesses is based on the Basel 3 accounting treatment for investments in insurance companies, as transposed into the CRD4 and CRR ("Danish compromise").

The conventions applied to determine the earnings 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. 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).
- 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 operation. 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.

VI SECTION 5: FINANCIAL DATA

5.1 Interim consolidated financial statements and notes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	First half of 2019	First half of 2018 (1)
Interest and similar income	4.1	1,955	2,006
Interest and similar expenses	4.1	(1,663)	(1,289)
Fee and commission income	4.2	2,662	2,884
Fee and commission expenses	4.2	(1,158)	(1,213)
Net gains or losses on financial instruments at fair value through profit or loss	4.3	1,185	1,118
Gains and losses on financial assets at fair value through other comprehensive income	4.4	13	11
Net gains or losses on financial assets at fair value through other comprehensive income reclassified to 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	(6)	(1)
Net income from insurance businesses	6.3	1,408	1,455
Income from other activities	4.6	105	370
Expenses from other activities	4.6	(66)	(352)
Net revenues		**4,436**	**4,989**
Operating expenses	4.7	(3,100)	(3,315)
Depreciation, amortization and impairment on property, plant and equipment and intangible assets		(219)	(120)
Gross operating income		**1,117**	**1,554**
Provision for credit losses	4.8	(141)	(84)
Net operating income		**976**	**1,471**
Share in income of associates		11	10
Gains or losses on other assets	4.9	678	10
Change in value of goodwill		3	
Pre-tax profit		**1,668**	**1,490**
Income tax		(379)	(470)
Net income/(loss) from discontinued operations			
Net income/(loss) for the period		**1,289**	**1,020**
- o/w Group share		1,110	903
- o/w attributable to non-controlling interests		178	118
Earnings/(loss) per share (in euros)			
Net income/(loss) attributable to shareholders (see note 10.1.2) - Group share - per share,		0.34	0.27
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 bonus shares		0.34	0.27

(1) The information reported at June 30, 2018 has not been restated for the impact of the first-time application of IFRS 16 “Leases”, in accordance with the option available under this standard. The impact of the first-time application of IFRS 16 on the opening balance sheet at January 1, 2019 is presented in detail in Note 2.
Income generated by the Factoring, Sureties and Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines, sold to BPCE in first-half 2019 (see Note 3.1), has not been restated for the presentation of revenues for first-quarter 2018.

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

In millions of euros	First half of 2019	First half of 2018 (1)
Net income	**1,289**	**1,020**
Items recyclable to income	**361**	**49**
Translation adjustments	**58**	**106**
Revaluation adjustments during the period	36	130
Reclassification to profit or loss	22	(24)
Other reclassifications	0	0
Revaluation of financial assets (debt) instruments) at fair value through other comprehensive income	**15**	**(16)**
Revaluation adjustments during the period	19	(13)
Reclassification to profit or loss	(4)	(4)
Other reclassifications	0	0
Revaluation of available-for-sale financial assets	**244**	**(111)**
Revaluation adjustments during the period	364	(92)
Reclassification to profit or loss	(120)	(19)
Other reclassifications	(0)	(0)
Revaluation of hedging derivatives	**134**	**39**
Revaluation adjustments during the period	(2)	(21)
Reclassification to profit or loss	136	60
Other reclassifications	-	-
Share of gains and losses recognized directly in the equity of associates recyclable to income	**9**	**0**
Tax impact on items recyclable to income	**(99)**	**31**
	-	
Items not recyclable to income	**(162)**	**162**
Revaluation adjustments on defined-benefit plans	**(41)**	**12**
Revaluation of own credit risk on financial liabilities designated at fair value through profit or loss	**(189)**	**224**
Revaluation of equity instruments recognized at fair value through other comprehensive income	**10**	**(7)**
Revaluation of hedging derivatives of equity financial assets recognized at fair value through other comprehensive income	**-**	**-**
Share of gains and losses recognized directly in the equity of associates not recyclable to income	**-**	**-**
Tax impact on items not recyclable to income	**58**	**(67)**
	-	
Gains and losses recognized directly in other comprehensive income (after income tax)	**199**	**211**
TOTAL INCOME	**1,488**	**1,231**
Group share	1,273	1,118
Non-controlling interests	215	114

(1) The information reported at June 30, 2018 has not been restated for the impact of the first-time application of IFRS 16 “Leases”, in accordance with the option available under this standard. The impact of the first-time application of IFRS 16 on the opening balance sheet at January 1, 2019 is presented in detail in Note 2.

Breakdown of tax on unrealized or deferred gains or losses

In millions of euros	First half of 2019			First half of 2018		
	Gross	Tax	Net	Gross	Tax	Net
Translation adjustments	58	0	58	106	0	106
Revaluation of financial assets (debt instruments) at fair value through other comprehensive income recyclable to income	15	(3)	12	(16)	7	(9)
Revaluation of available-for-sale financial assets	244	(61)	183	(111)	36	(75)
Revaluation of hedging derivatives	134	(35)	99	39	(13)	27
Revaluation of own credit risk on financial liabilities at fair value through profit or loss	(189)	51	(137)	224	(65)	160
Revaluation of equity instruments recognized at fair value through other comprehensive income	10	(4)	6	(7)	1	(6)
Revaluation of hedging derivatives of equity financial assets recognized at fair value through other comprehensive income	0	0	0		0	0
Revaluation adjustments on defined-benefit plans	(41)	10	(31)	12	(4)	8
Shares in unrealized or deferred gains/(losses) of associates	12	(3)	9	0	0	0
Total changes in unrealized or deferred gains or losses	**243**	**(44)**	**199**	**247**	**(36)**	**211**

CONSOLIDATED BALANCE SHEET - ASSETS

In millions of euros	Notes	30/06/2019	31/12/2018 [1]
Cash, central banks		17,820	24,291
Financial assets at fair value through profit or loss	5.1.1	218,147	214,086
Hedging derivatives		348	306
Financial assets at fair value through other comprehensive income	5.3	11,504	10,798
Debt instruments at amortized cost	5.5.3	1,753	1,193
Loans and receivables due from banks and similar items at amortized cost	5.5.1	53,606	27,285
Loans and receivables due from customers at amortized cost	5.5.2	71,281	69,279
o/w institutional operations		*826*	*839*
Revaluation adjustment on portfolios hedged against interest rate risk			
Insurance business investments	6.4	106,944	100,536
Current tax assets		303	258
Deferred tax assets		1,395	1,456
Accrual accounts and other assets	5.9	14,333	14,733
o/w institutional operations		*1*	
Non-current assets held for sale [2]		0	25,646
Deferred profit-sharing			
Investments in associates		737	735
Investment property		0	0
Property, plant and equipment		1,530	420
Intangible assets		697	678
Goodwill	5.10	3,863	3,796
Total assets		**504,260**	**495,496**

(1) The information reported at June 30, 2018 has not been restated for the impact of the first-time application of IFRS 16 "Leases", in accordance with the option available under this standard. The impact of the first-time application of IFRS 16 on the opening balance sheet at January 1, 2019 is presented in detail in Note 2;

(2) Refers to the SFS business lines recognized in non-current assets held for sale at December 31, 2018 and sold in first-quarter 2019 (see Note 3.1).

CONSOLIDATED BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

In millions of euros	Notes	30/06/2019	31/12/2018 (1)
Due to central banks			9
Financial liabilities at fair value through profit or loss	5.1.2	217,761	208,183
Hedging derivatives		744	529
Due to banks and similar items	5.6.1	66,745	73,234
o/w institutional operations		*46*	*46*
Customer deposits	5.6.2	30,729	35,991
o/w institutional operations		*908*	*952*
Debt securities	5.7	48,490	34,958
Revaluation adjustment on portfolios hedged against interest rate risk		153	108
Current tax liabilities		523	505
Deferred tax liabilities		593	505
Accrual accounts and other liabilities	5.9	16,477	15,359
o/w institutional operations		*0*	*1*
Liabilities on non-current assets held for sale (2)		0	9,737
Insurance-related liabilities	6.5	96,549	89,538
Subordinated debt	5.8	3,971	3,964
Provisions	5.11	1,690	1,681
Shareholders' equity (group share)		18,621	19,916
- Share capital & reserves		11,036	11,036
- Consolidated reserves		5,661	6,654
- Gains and losses recorded directly in equity		1,015	692
- Non-recyclable gains and losses recorded directly in equity		(202)	(42)
- Net income/(loss)		1,110	1,577
Non-controlling interests		1,215	1,279
Total liabilities and shareholders' equity		**504,260**	**495,496**

(1) The information reported at June 30, 2018 has not been restated for the impact of the first-time application of IFRS 16 "Leases", in accordance with the option available under this standard. The impact of the first-time application of IFRS 16 on the opening balance sheet at January 1, 2019 is presented in detail in Note 2;

(2) Refers to the SFS business lines recognized in non-current assets held for sale at December 31, 2018 and sold in first-quarter 2019 (see Note 3.1).

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 FV through OCI recyclable to income	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, 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**
First-time 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 a reserve of income from the sale of equity instruments at FV though other comprehensive income that cannot be reclassified completed during the period					1					(1)				**0**		**0**
Change in actuarial gains and losses under IAS 19R												8		**8**		**8**
Income/(loss) at Saturday, June 30, 2018													903	**903**	118	**1,020**
Impact of acquisitions and disposals [4]					(88)	(24)								**(112)**	15	**(97)**
Other [5]					(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**
Capital increase	19	41												**60**		**60**
Elimination of treasury stock				11	(3)									**7**		**7**
Equity component of share-based payment plans					12									**12**		**12**
2017 dividend paid in 2018					0									**0**	(10)	**(10)**
Total activity related to relations with shareholders	**19**	**41**	**0**	**11**	**8**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**79**	**(10)**	**69**
Issuance and redemption of perpetual deeply subordinated notes and preference shares			0											**0**		**0**
Interest paid on perpetual deeply subordinated notes and preference shares					(47)									**(47)**		**(47)**
Change in gains and losses recorded directly in equity						92	(98)	(34)	16	(5)	115			**87**	(13)	**74**
Appropriation to own credit risk reserve during the period					(1)						1			**0**		**0**
Appropriation to a reserve of income from the sale of equity instruments at FV though other comprehensive income that cannot be reclassified completed during the period					(4)					4				**0**		**0**
Change in actuarial gains and losses under IAS 19R												15		**15**	1	**16**
Income for the second half of 2018													674	**674**	186	**860**
Impact of acquisitions and disposals [4]					(38)	(29)	2					(0)		**(65)**	(28)	**(94)**
Other [5]					(3)					(3)				**(7)**	(12)	**(19)**
Shareholders' equity at December 31, 2018	**5,040**	**5,995**	**1,978**	**(27)**	**4,703**	**452**	**363**	**(18)**	**(105)**	**(25)**	**83**	**(100)**	**1,577**	**19,916**	**1,279**	**21,195**
Appropriation of 2018 earnings					1,577								(1,577)	**0**		
Shareholders' equity at December 31, 2018 after appropriation of income	**5,040**	**5,995**	**1,978**	**(27)**	**6,279**	**452**	**363**	**(18)**	**(105)**	**(25)**	**83**	**(100)**	**0**	**19,916**	**1,279**	**21,195**
Capital increase	4	(4)												**0**		**0**
Elimination of treasury stock				(47)	6									**(41)**		**(41)**
Equity component of share-based payment plans					5									**5**		**5**
2018 dividend paid in 2019					(2,452)									**(2,452)**	(289)	**(2,741)**
Total activity related to relations with shareholders	**4**	**(4)**	**0**	**(47)**	**(2,441)**	**0**	**0**		**0**		**0**		**0**	**(2,488)**	**(289)**	**(2,778)**
Issuance and redemption of perpetual deeply subordinated notes and preference shares														**0**		**0**
Interest paid on perpetual deeply subordinated notes and preference shares					(45)									**(45)**		**(45)**
Change in gains and losses recorded directly in equity						28	233	13	(7)	6	(137)			**135**	38	**173**
Appropriation to own credit risk reserve during the period					(3)						3			**0**		**0**
Appropriation to a reserve of income from the sale of equity instruments at FV though other comprehensive income that cannot be reclassified completed during the period					3					(3)				**0**		**0**
Change in actuarial gains and losses under IAS 19R												(31)		**(31)**	(1)	**(33)**
Income/(loss) at Sunday, June 30, 2019													1,110	**1,110**	178	**1,289**
Impact of acquisitions and disposals [6]					(38)	22	(70)	(1)	106			2		**21**	10	**31**
Other					3									**3**	0	**3**
Shareholders' equity at June 30, 2019	**5,045**	**5,991**	**1,978**	**(74)**	**3,757**	**502**	**525**	**(6)**	**(6)**	**(21)**	**(51)**	**(129)**	**1,110**	**18,621**	**1,215**	**19,835**

(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 December 31, 2018, a redemption of perpetual deeply subordinated notes issued in 2008 was recorded in the amount of -€254 million;

(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, 2019 totaled -€188.7 million (gross amount, with an associated tax impact of +€51.3 million). Balancing payments related to the early redemption of Natixis issues recognized in shareholders' equity at June 30, 2019 totaled +€5 million (gross amount, with an associated tax impact of -€1.7 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, 2018 totaled +€385.8 million (gross amount, with an associated tax impact of -€111.4 million). Balancing payments related to the early redemption of Natixis issues recognized in shareholders' equity at December 31, 2018 totaled +€5.3 million (gross amount, with an associated tax impact of -€1.7 million);

(4) At December 31, 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 -€49.5 million. These put options concern the M&A business line, with the acquisitions of Vermilion (-€14.1 million) and Fenchurch (-€26.8 million), and the payments business line, with the acquisition of Alter CE (-€8.6 million);
- The impact of existing put options granted to minority shareholders at the start of the year, for -€68.9 million. This impact was partly due to the change in the fair value of these put options for -€63.6 million, generated by the revaluation of financial debt for -€32.3 million, and for -€31.3 million in accretion costs on this financial debt, and partly due to the transfer of the change in the share of the net minority position of the entities representing these put options, for -€5.3 million;
- The effect of changes in the percentage of ownership without a loss of control over consolidated entities, for -€5.8 million. This mainly concerned the increase in the percentage of ownership of consolidated entity Caspian PE (from 55% to 72%), for -€3.4 million, and the fall in the percentage of ownership of consolidated entity Ossiam (from 83% to 75%), for -€1.1 million;
- The recognition of goodwill from BPCE IE directly in equity, in accordance with the accounting treatment of the acquisitions of jointly-controlled entities, for -€1 million;
- The effects of translation adjustment recycling for -€56.5 million following the repayment by the Singapore, New York and Asia Ltd branches of part of their capital in order to reduce the group’s global exposure to USD/EUR and HKD/EUR foreign exchange risk;

(5) At December 31, 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;

(6) At June 30, 2019, shareholders' equity group share included the following:

- The impact of the recognition of new put options granted to minority shareholders relating to acquisitions, for -€13.2 million. These puts concerned the Corporate & Investment Banking business line with the acquisition of M&A Advisory firm Azure Capital. A -€9.6 million put was recognized on 48% of minority interests. In addition, a -€0.3 million put was recorded on Natixis Coficiné minority interests (0.01% of share capital). Furthermore, the Asset & Wealth Management business line (via Natixis Investment Managers) sole part of its stake in Flextone Partners SAS, thus decreasing Natixis’ ownership interest from 100% to 84%. A put option on minority interests was recorded on the 16% minority stake for -€3.2 million;
- The impact of existing put options granted to minority shareholders at the start of the year, for -€24.8 million. This impact was partly due to the change in the fair value of these put options for -€15.6 million, generated by the revaluation of financial debt for -€1.9 million, and for -€13.7 million in accretion costs on this financial debt, and partly due to the transfer of the change in the share of the net minority position of the entities representing these put options, for -€9.2 million;
- The effect of changes in the percentage of ownership without a loss of control over consolidated entities (mainly Coface), for +€2 million;
- The impact of the recycling to profit or loss (resulting from the disposal of the SFS division’s retail banking entities to BPCE) of unrealized reserves on available-for-sale assets from the CEGC portfolio for -€70 million, recyclable hedging derivatives reserves for +€106 million and translation adjustments for +€2 million;
- The impact of the recycling to profit or loss (resulting from the disposal of Natixis Brazil) of translation adjustments for +€21.9 million.

NET CASH FLOW STATEMENT

The balance of cash and cash equivalents consists of the net balances of 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 related 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	30/06/2019	31/12/2018
Pre-tax profit	**1,668**	**2,661**
+/- Net charge to depreciation and amortization of property, plant and equipment and intangible assets	222	341
+/- Writedown of goodwill and other non-current assets	(3)	(6)
+/- Net charge to other provisions (including insurance companies' technical reserves)	4,917	5,778
+/- Share in income of associates	(11)	(29)
+/- Net loss/(gain) on investing activities	(756)	(308)
+/- Net loss/(gain) on financing activities	45	86
+/- Other activity	1,916	(365)
= Total non-cash items included in pre-tax profit and other adjustments	***6,329***	***5,496***
+/- Decrease/(increase) in interbank and money market items	(19,319)	(982)
+/- Decrease/(increase) in customer items	(6,384)	(9,490)
+/- Decrease/(increase) in financial assets or liabilities	13,513	(775)
+/- Decrease/(increase) in non-financial assets or liabilities	(699)	(2,536)
- Income taxes paid	(339)	(461)
= Net decrease/(increase) in operating assets and liabilities	***(13,227)***	***(14,243)***
Net cash provided/(used) by operating activities	**(5,231)**	**(6,085)**
+/- Decrease/(increase) in financial assets and equity interests (1)	2,368	620
+/- Decrease/(increase) in investment property	(3)	129
+/- Decrease/(increase) in property, plant and equipment and intangible assets	1	(361)
Net cash provided/(used) by investing operations	**2,366**	**388**
+/- Cash received from/(paid to) shareholders (2)	(2,741)	(1,329)
+/- Other cash provided/(used) by financing operations (3)	(91)	(142)
Net cash provided/(used) by financing operations	**(2,832)**	**(1,471)**
Cash flow on assets and liabilities held for sale		**(350)**
Impact of exchange rate fluctuations on cash and cash equivalents	**48**	**373**
Net increase/(decrease) in cash and cash equivalents	**(5,649)**	**(7,145)**
Net cash provided/(used) by operating activities	(5,242)	(6,085)
Net cash provided/(used) by investing activities	2,377	388
Net cash provided/(used) by financing activities	(2,832)	(1,471)
Cash flow on assets and liabilities held for sale		(350)
Impact of exchange rate fluctuations on cash and cash equivalents	48	373
Cash and cash equivalents at beginning of period	**23,423**	**30,568**
Cash and balances with central banks	24,280	36,901
Interbank balances	(857)	(6,333)
Cash and cash equivalents at end of period	**17,775**	**23,423**
Cash and balances with central banks	17,818	24,280
Interbank balances	(43)	(857)
Change in cash and cash equivalents	**(5,649)**	**(7,145)**

(1) Cash flows related to financial assets and investments in associates, including in particular:

- Cash flows related to investments in consolidated associates for +€2,665 million, consisting of: the acquisition of a 98% stake in Massena Partners (-€54 million), 52% in Azure Capital (-€10.5 million), 100% in Titres Cadeaux (-€11.5 million), an additional consideration for MV Crédit (-€6.3 million), the redemption of Caspian PE LLC minority interests (-€3 million), the acquisition of another 9% stake in Coficiné (-€2.4 million), 5% in Natixis Partners (-€4.3 million), 11% in Payplug (-€3 million), the acquisition of +€12 million in cash (of which +€10 million on Natixis Investment Managers acquisitions and +€2 million on Azure Capital), the disposals of the SFS division's retail banking entities to BPCE (+€2,705 million) and of Natixis Brazil (+€43 million);

- Cash flows related to investments in non-consolidated associates for -€356 million, including -€253.1 million on the stake acquired in WCM Investment Managers and -€85.3 million on Fiera Capital;
- Cash flows related to held-to-maturity assets for +€59 million.

(2) Cash flows received from/(paid to) shareholders, including dividends paid to BPCE in the amount of -1,737 million and dividends paid to non-group entities for -€1,004 million.

(3) Cash flows from financing activities can be broken down as follows:
- interest paid on subordinated notes for -€46 million;
- interest paid on deeply subordinated notes recorded in equity for -€45 million.

NOTE 1 ACCOUNTING PRINCIPLES

1.1 Applicable standards

Natixis' consolidated half-year financial statements at June 30, 2019 include a set of condensed financial statements prepared and presented pursuant to the provisions of IAS 34 "Interim Financial Reporting". These condensed financial statements must be read in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2018, published in the 2018 Registration Document filed with the Autorité des Marchés Financiers (AMF - French Financial Markets Authority) on March 15, 2019. 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 comparative data at December 31, 2018 and/or at June 30, 2018.

It should be noted that the new IFRS 9, "Financial Instruments", adopted by the European Commission on November 22, 2016, is retrospectively applicable as of January 1, 2018.

IFRS 9 replaced IAS 39 and defined the new rules for classifying and measuring financial assets and liabilities, a new credit risk-based impairment model for financial assets, and a new method of hedge accounting, except for macro-hedging, for which the IASB is currently examining a separate draft standard.

Natixis elected to take the option offered by IFRS 9 not to apply the standard's provisions pertaining to hedge accounting and to continue applying IAS 39 for the purpose of recognizing hedging transactions, as adopted by the European Union, i.e. excluding certain macro-hedging provisions. In view of the limited volume of asset reclassifications, most transactions recognized using hedge accounting under IAS 39 will continue to be disclosed in the same way from January 1, 2018.

Furthermore, on November 3, 2017, the European Commission adopted the amendment to IFRS 4 on the joint application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", with specific provisions for financial conglomerates, with effect from January 1, 2018. Under IFRS 4, European financial conglomerates may 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.

At its meeting of November 14, 2018, the IASB decided to postpone the effective date of IFRS 17 "Insurance Contracts" by one year until January 1, 2022. The decision was also made to align the scheduled temporary exemption from IFRS 9 for insurers to coincide with the application of IFRS 17 from January 1, 2022.

As a financial conglomerate, Natixis elected to apply this provision for its insurance operations, which will continue to be covered by IAS 39. The main entities concerned by this measure are the Coface insurance subsidiaries, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, BPCE Prévoyance, BPCE Assurances and BPCE IARD.

Pursuant to the implementing regulation of November 3, 2017, the group took the necessary measures to prohibit any transfer of financial instruments between its insurance operations and the rest of the group that would have a derecognizing impact for the transferring entity, although this restriction is not required for transfers of financial instruments measured at fair value through profit or loss by both sectors involved.

The accounting principles and methods used to prepare the consolidated interim financial statements of Natixis at June 30, 2019 are identical to those used to prepare the consolidated financial statements for the fiscal year ended December 31, 2018, prepared in accordance with IFRS as adopted in the European Union and detailed in Note 2 "Basis of presentation" to the consolidated financial statements for fiscal year 2018 (presented in Chapter 5.1 "Financial data - Consolidated financial statements and notes" of the 2018 Registration Document), with the exception of the standards, amendments and interpretations in effect as of January 1, 2019:

- **IFRS 16 "Leases"**, adopted by the European Commission on October 31, 2017. This standard replaces IAS 17 "Leases" and the interpretations relating to the accounting of these contracts. It became applicable retroactively on January 1, 2019, according to specific phase-in conditions.

  Under IFRS 16, the definition of leases implies the identification of an asset and control by the lessee of the right to use the asset. IFRS 16 primarily affects the recognition of operating leases by the lessee, which is required to report leases in the balance sheet under "right of use" on the asset side and under "lease liabilities" on the liabilities side. The accounting principles and impacts associated with the first-time application of IFRS 16 are addressed in Note 2.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** adopted by the European Commission on October 23, 2018 with mandatory application from January 1, 2019. This interpretation clarifies the procedures for recognizing and measuring payable and deferred tax if there is uncertainty over the tax treatment applied. Where a reporting entity is uncertain that a particular tax treatment will be accepted by the tax authority in accordance with tax laws in force, the tax treatment in question is an uncertain tax treatment. In the event it is not probable that the tax authority will accept a particular tax treatment, IFRIC 23 states that the amount of the uncertainty to be disclosed in the financial statements shall be estimated using the method that provides the best prediction of the resolution of the uncertainty. To determine this amount, the reporting entity may either use the most likely amount or the expected value of the tax treatment (i.e. the weighted average of the various possible scenarios). IFRIC 23 also calls for the assessment of income tax uncertainties to be monitored.

  Depending on whether they pertain to current or deferred tax assets or liabilities, tax uncertainties are recognized in the balance sheet under "Deferred tax assets", "Current tax assets", "Deferred tax liabilities" and "Current tax liabilities."

  The application of IFRIC 23 at January 1, 2019 had no impact on the amount of Natixis' opening shareholders' equity or on the presentation of uncertainties over income tax treatments in the financial statements. The process used to collect, analyze and monitor uncertainties over income tax treatments was reviewed, however, in the interest of better documenting the compliance of the accounting and measurement methods applied by Natixis with IFRIC 23 requirements.

- **The amendment to IAS 28 "Long-Term Interests in Associates and Joint Ventures"** adopted by the European Commission on February 8, 2019 with mandatory application in Natixis' financial statements from January 1, 2019. Long-term interests are items for which settlement is neither planned nor likely to occur in the foreseeable future that form part of the entity's net investment in the associate or joint venture. The amendment clarifies that IFRS 9 "Financial Instruments" (including the provisions related to impairment) apply to financial instruments representing long-term interests in associates or joint ventures where said instruments are not accounted for by the equity method. This amendment had no impact on Natixis' financial statements.

- **The amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”** adopted by the European Commission on March 13, 2019 with mandatory application in Natixis’ financial statements from January 1, 2019. This amendment states that, when a change to a plan takes place, the amount of any past service cost and net interest subsequent to the change shall be determined based on updated actuarial assumptions used at the date of the change. This amendment had no impact on Natixis’ financial statements.

- **The amendment entitled “Annual Improvements to IFRSs 2015-2017 Cycle”** adopted by the European Commission on March 14, 2019 with mandatory application in Natixis’ financial statements from January 1, 2019. This amendment is part of the annual improvement process that aims to simplify and clarify international accounting standards. The following standards were amended: IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs.” This amendment had no impact on Natixis’ financial statements.

Natixis did not opt for early application of the following standards adopted, or in the process of being adopted, by the European Union at March 31, 2019, but which had not yet entered into force:

- **IFRS 17 “Insurance Contracts”**, published by the IASB on May 18, 2017, will replace IFRS 4 “Insurance Contracts”. Initially applicable on January 1, 2021, with a comparison at January 1, 2020, this standard should only come into force from January 1, 2022. At its meeting of November 14, 2018, the IASB decided to defer its application by one year, as clarifications still needed to be given regarding key aspects of the standard. It was also decided to align the schedule for the temporary exemption from IFRS 9 for insurers so that it coincides with the application of IFRS 17 from January 1, 2022.

  IFRS 17 establishes the principles of recognition, measurement, presentation and disclosure for insurance contracts and investment contracts with discretionary participation.

  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 the contractual service margin. This represents the insurer's unearned profit and will be released over time as services are rendered to the insured. The standard demands a more detailed level of granularity in calculations than previously as it require estimates by group of contracts.

  These accounting changes could change the profile of insurance income (particularly for life insurance) and also introduce greater income volatility.

  Despite the uncertainties still surrounding the standard (application date, initiatives in progress to sway certain positions, exposure drat published on June 26, 2019 and subject to comments until September 25, 2019), Natixis’ insurance entities have established project teams assigned to address the changes resulting from the standard and have begun preparations: examination and documentation of choices permitted by the standard, modeling, adjustments to systems and organizational structures, accounting production and transition strategy, financial communication and change management. »

1.2 Fair value of financial instruments

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.

Model uncertainty adjustment:
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.

Input uncertainty adjustment:
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.

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 of 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.

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 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 for the purpose 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 model 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 comprising representatives of the Risk Department and Finance Department, including the Observability and Inputs Committee, the Valuation Committee, the Impairment Committee and the Model Validation Committee.

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.

The principal fair value methodologies applied by Natixis were reviewed in the second quarter of 2019; consequently, the observability criteria were refined and the breakdown of financial assets and liabilities by fair value level revised.

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

1.3 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. Natixis exercised this option on July 18, 2019, with no impact on the consolidated financial statements for the period ended June 30, 2019. At the same time, Natixis set up reverse TRS to recover the past performance of the initial TRS and capture future performance.

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 taken to profit or loss, the premium was not immediately recorded in the income statement or recognized on a straight-line basis.
Instead, the premium is initially recognized on the accruals line and taken to profit or loss over the same period, in the same amount and on the same line as:

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

At June 30, 2019 (as was the case at December 31, 2018), the financial guarantee now generates virtually no impact in accounting and prudential terms, as the underlying positions have almost all been sold or closed.
The same is true of the guarantee comprising TRS and an in-the-money option.

1.4 Use of estimates and judgment 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, 2019.

Accounting estimates requiring 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 measure 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 non-recyclable 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 provisions and value adjustments for losses. These parameters and assumptions are based on current and/or historical data, which also include reasonable and justifiable forecasts such as the estimating and weighting of future economic scenarios. Natixis also considers the opinions of its experts when estimating and applying these parameters and assumptions.

- **Valuation 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 value. 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' 5-year medium-term plans;
- 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 evidence of impairment at June 30, 2019, no impairment tests were performed with the exception of the Coface CGU.

- **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.

- **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.

- **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.

Application of the shadow accounting mechanism resulted in the recognition of a deferred profit-sharing liability of 88% at June 30, 2019, i.e. unchanged compared to December 31, 2018. Consequently, no recoverability test was conducted.

- **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 that end, Natixis prepares tax business plans based on the medium-term plans for the business lines.
Adjustments for special tax schemes are also implemented.

- **Uncertainty over income tax treatments**

Natixis discloses uncertainty over income tax treatments in its financial statements where it concludes that it is not probable that the tax authority will accept them. To determine if a tax position is uncertain and assess its impact on the amount of the group’s income tax, Natixis assumes that the tax authority will verify all reported amounts with comprehensive knowledge of all available information. It basis its judgment in particular on administrative doctrine, legal precedence and the history of rectifications carried out by the tax authority on similar uncertainties. Natixis reviews the estimate of the amount it expects to pay to or receive from the tax authority in respect of tax uncertainties, in the event of changes in associated events and circumstances, which may arise, for example, from changes in tax laws, the end of a limitation period, or the outcome of controls and initiatives conducted by the tax authorities.

- **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.

- Uncertainties related to Brexit

On June 23, 2016, the UK decided to leave the European Union (Brexit) following a referendum. After Article 50 of the Treaty on European Union was triggered on March 29, 2017, the United Kingdom and the 27 other member countries of the European Union gave themselves two years to prepare for the country's effective withdrawal. In April 2019, this deadline was pushed back to October 31, 2019. As a result, negotiations are ongoing to redefine the economic relations between the United Kingdom and the European Union. The political and economic consequences of Brexit are still uncertain, and a no-deal Brexit cannot be ruled out.

Given this situation, Natixis has prepared for various possible scenarios and is keeping track of the negotiations and their potential consequences, to incorporate them, where necessary, in the assumptions and estimates made when preparing the consolidated financial statements.

- Uncertainties related to the application of certain provisions of the BMR

European Regulation (EU) 2016/1011 of June 8, 2016 on indices used as benchmarks ("the Benchmarks Regulation" or "BMR") introduces a common framework aimed at guaranteeing the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds within the European Union.

The purpose of the Benchmarks Regulation is to regulate the provision of benchmarks, the provision of data underlying benchmarks, and the use of benchmarks, within the European Union. It provides for a transition period for administrators, who have until January 1, 2020 to be authorized or registered. After this date, the use by entities supervised by the EU of benchmarks whose administrators are not authorized or registered (or, if they are not located in the EU, are not subject to equivalent or otherwise recognized or approved regulations) will be prohibited.

Under the BMR, interest rate benchmarks EURIBOR, LIBOR and EONIA have been designated as critical, although they may be phased out or their discontinuation may become likely in the future.

In the euro zone, most of the uncertainties surrounding the definition of new benchmark rates were cleared up in first-half 2019. New index proposals were finalized for the EONIA which, from October 1, 2019 to December 31, 2021, will become a tracker for the €str, replacing the "recalibrated" EONIA as from January 1, 2022. As for the EURIBOR, a new calculation methodology aimed at switching to a "hybrid" EURIBOR (recognized by the Belgian regulator as complying with BMR requirements) will be applied by the end of 2019.

However, as far as the LIBOR is concerned, alternative "risk-free-rates" have been defined for the GBP, USD CHF and JPY LIBOR, although authorities are still working to propose proposals are still being developed for forward structures based on these alternative rates. As it stands, there is still significantly more uncertainty surrounding transactions using the LIBOR.

Since the first half of 2018, Natixis has had a project team tasked with anticipating the impacts associated with the benchmark index reform from a legal, commercial, financial and accounting standpoint. The IASB published a draft text on hedge accounting considerations in May 2019. The proposed amendments to IAS 39 and IFRS 9 call for temporary exceptions to the requirements set forth by these standards in terms of hedge accounting, with the aim of preventing entities from having to discontinue hedging relationships due to the uncertainties associated with the IBOR reform. The final text is scheduled for release in fourth-quarter 2019. At this point, however, the IASB has yet to publish a draft text addressing post-IBOR reform considerations. As a result, reporting institutions need to keep a close eye on the potential impacts of the reform in terms of derecognition of IBOR-indexed financial assets and liabilities, fair value, application of the SPPI criterion and hedging relationships.

NOTE 2 Impact of the first-time application of IFRS 16 at January 1, 2019

Natixis began applying IFRS 16 “Leases”, which replaced IAS 17 “Leases”, on January 1, 2019. The provisions of IFRS 16, as compared to IAS 17, predominantly impact recognition of operating lease by lessees.

2.1 Accounting principles

Under IFRS 16, the definition of leases implies the identification of an asset and control by the lessee of the right to use the asset. Control is established if the lessee holds the following two rights throughout the period of use:

- The right to obtain almost all of the economic benefits arising from use of the asset,
- The right to decide how the asset is used.

From the lessor’s standpoint, no impact of the first-time application of IFRS 16 was recorded at January 1, 2019, as the provisions were substantially unchanged relative to IAS 17.

For lessees, IFRS 16 requires that all lease contracts be recorded as fixed assets in the balance sheet such that they convey the right to use the leased asset, with a corresponding financial liability entry under liabilities to reflect the lease and other payments to be made over the term of the lease.

Previously, under IAS 17, operating leases did not give rise to the recognition of the lessee’s right to use leased assets, and rents were taken to profit or loss.

Exceptions

In accordance with the exceptions provided for by IFRS 16, Natixis has not changed the accounting treatment of short-term leases (less than 12 months) or leases relating to low-value underlying assets. Rents pertaining to these leases are expensed over the period under operating expenses. Natixis used the indicative threshold of USD 5,000 provided by the IASB (in the Basis of Conclusions) to define low-value assets and elected to exclude certain contracts where such exceptions have a non-material impact on its financial statements.
Natixis also took the option offered by IFRS 16 not to apply the standard to intangible assets.

Lease term

Rights use are amortized on a straight-line basis and financial liabilities on an actuarial basis over the term of the lease. IFRS 16 defines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. In general, the term is 9 years for “3/6/9” real estate leases under French law. Outside France, and particularly in Anglo-Saxon countries (e.g. Natixis’ US subsidiaries), the term of real estate leases may range from 10 to 15 years. It is stipulated that a lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

Natixis assesses whether it is reasonably certain to exercise an option by considering all relevant facts and circumstances that create an economic incentive for it to exercise, or not to exercise, the option, such as:

- Contractual terms and conditions for the optional periods compared with market rates (amount of payments for the lease including payments resulting from termination penalties and residual value guarantees);
- significant leasehold improvements undertaken;
- costs relating to the termination of the lease (negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the lessee's needs, costs associated with returning the underlying asset in a contractually specified condition, etc.);
- The importance of the underlying asset for Natixis' operations considering whether it is a specialized asset or its location;
- Its past practice of renewing leases of similar assets, but also its strategy regarding the future use of the assets.

Measurement of lease liabilities

At the lease commencement date, payment taken into account to determine lease liabilities include payments for the right to use the underlying asset during the lease term that are not paid at the commencement date, i.e.:

- fixed payments (*including in-substance fixed payments*), less any lease incentives receivable. In-substance fixed lease payments are payments that may, in form, contain variability but that, in substance, are unavoidable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- and, where applicable, any amounts expected to be payable by Natixis to the lessor under residual value guarantees, purchase options or payments of penalties for terminating the lease.

Payments taken into account to determine lease liabilities exclude value added tax and housing tax, which fall under the scope of interpretation of IFRIC 21 "Levies", as well as property tax and insurance premiums charged (where applicable) by the lessor, which constitute variable lease payments (where the amounts reimbursed are not contractually predetermined).

In accordance with IFRS 16, lease payments are discounted at the interest rate implicit in the lease, i.e. the lessee's incremental borrowing rate, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Natixis applies the incremental borrowing rate to lease payments based on the lease term and currency of denomination. It also factors in Natixis' funding spread.

Recognition of a right-of-use asset

At the lease commencement date, the right-of-use asset shall be measured at cost, which comprises:

- the amount of the initial measurement of the lease liability, as indicated above;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. This estimate of provisions is used when the following three cumulative criteria are met: (1) a present obligation resulting

from a past event (2) a probable outflow of resources and (3) a reliable estimate of the amount.

Presentation

The interest expense related to the financial liability and the right-of-use amortization expense are recorded in the income statement under “Interest and similar expenses” and “Depreciation, amortization and impairment of property, plant and equipment and intangible assets”, respectively. The value of rights of use may be subsequently adjusted in the event the lease is amended or the lease term re-estimated, and to factor in any contractual rent changes stemming from the application of an index or rate.

Right-of-use assets are recorded as fixed assets in the consolidated balance sheet, within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Lease liabilities are booked under “Accrual accounts and other liabilities” in the consolidated balance sheet.

2.2 Procedures and impact of first-time application

Given Natixis’ activities, IFRS 16 applies, to a very large extent, to real estate assets leased for use as offices.

Natixis has chosen the modified retrospective method for the first-time application of this standard. Under this method, lease liabilities are measured based on residual payments at the transition date, using the discount rates appropriate to the residual terms of the leases. The option of not recognizing contracts with a residual term of less than 12 months at January 1, 2019 in the balance sheet is applied and initial direct costs are excluded from the measurement of rights of use. Rights of use are measured using the amount of the lease liabilities determined at that date.

No deferred tax is recorded at the initial recognition date, given that the value of the asset is identical to the value of the liability. Deferred tax is recognized when net temporary differences subsequently arise due to changes in amounts booked for rights of use and lease liabilities.

The application of IFRS 16 had no impact on the amount of Natixis’ opening shareholders’ equity.

2.2.1 Lease liabilities at January 1, 2019

At January 1, 2019, IFRS 16 lease liabilities recorded under “Accrual accounts and other liabilities” in the consolidated balance sheet amounted to €1.3 billion. This amount comprised the discounted value of lease payments remaining over the lease term (within the meaning of IFRS 16) at January 1, 2019. The weighted average discount rate used at that date was 1.52%.

The impact of lease liabilities may be compared with the information presented in Note 16.1 of Chapter 5.1 “Financial data” in the 2018 Registration Document on the recognition by the lessee of minimum future payments in respect of operating leases and finance leases, including the following differences:

- rents under contracts already signed but whose underlying assets had not yet been made available on the date of transition to IFRS 16 are not included in the calculation of rights of use and lease liabilities. These rents are, however, included in off-balance sheet commitments, and amounted to -€350 million at January 1, 2019;
- lease liabilities are initially determined by discounting the lease payments over the term of the contracts in accordance with IFRS 16. The rents included in off-balance sheet commitments at December 31, 2018 were not discounted. The discounting effect observed at January 1, 2019 amounted to -€104 million;

- lease liabilities are initially determined based on rents excluding VAT (whether or not it is recoverable). The rents recorded as off-balance sheet commitments at December 31, 2018 include non-recoverable VAT, however;
- contracts relating to low-value assets and short-term contracts (including short-term contracts in force at the IFRS 16 transition date) are excluded from the calculation of lease liabilities in accordance with the exemptions provided for by IFRS 16. Short-term contracts are, however, included in off-balance sheet commitments at December 31, 2018.

2.2.2 Right-of-use assets at January 1, 2019

The initial value of right-of-use assets at January 1, 2019 came to €1.2 billion and comprised (i) the initial amount of lease liabilities (ii) less the amount of provisions for rent-free periods existing at December 31, 2018 recognized in accordance with IAS 17 (subject to reversal at the date of first application and subtracted from the right of use).

<u>Property, plant and equipment, intangible assets, investment property</u>

In millions of euros	30/06/2019			31/12/2018 (*)		
	Gross value	Depreciation, amortization and impairment	Net value	Gross value	Depreciation, amortization and impairment	Net value
Property, plant and equipment	**2,577**	**(1,047)**	**1,530**	**1,339**	**(919)**	**420**
Land and buildings	452	(312)	140	477	(322)	156
Rights of use in respect of lease agreements (lessees)	1,247	(107)	1,140			
o/w immovable assets	*1,232*	*(104)*	*1,128*			
o/w movable assets	*15*	*(3)*	*12*			
Other	878	(628)	250	862	(597)	264
Intangible assets	**1,964**	**(1,266)**	**697**	**1,900**	**(1,221)**	**678**
Goodwill	33	(6)	27	28	(9)	20
Software	1,473	(1,096)	377	1,445	(1,060)	385
Other	458	(164)	293	426	(153)	273
Total	**4,541**	**(2,313)**	**2,228**	**3,239**	**(2,141)**	**1,098**

(*) Data restated relative to the financial statements published in 2018.

In millions of euros	Gross value (*) 31/12/2018	Impact FTA IFRS 16	Gross value 1/1/2019	Increase	Decrease	Change in consolidation scope and other items	Gross value 30/06/2019
Property, plant and equipment	**1,339**	**1,213**	**2,552**	**62**	**(48)**	**11**	**2,577**
Land and buildings	477		477	4	(40)	10	452
Rights of use in respect of lease agreements (lessees)		1,213	1,213	33	(3)	4	1,247
o/w immovable assets		*1,201*	*1,201*	*30*	*(3)*	*4*	*1,232*
o/w movable assets		*12*	*12*	*4*	*(0)*	*(0)*	*15*
Other	862		862	24	(5)	(2)	878
Intangible assets	**1,900**		**1,900**	**380**	**(369)**	**54**	**1,964**
Goodwill	28		28	304	(311)	12	33
Software	1,445		1,445	39	(60)	49	1,473
Other	426		426	37	1	(7)	458
Total	**3,239**	**1,213**	**4,452**	**66**	**(48)**	**11**	**4,541**

(*) Data restated relative to the financial statements published in 2018.

2.2.3 Leases – lessee

In millions of euros	First half of 2019
Interest expenses on lease assets	**(10)**
Amortization of rights of use	**(109)**
Variable lease payments not included in the valuation of lease liabilities	**(3)**
Impact on the income statement of lease agreements recognized in the balance sheet	**(122)**

In millions of euros	First half of 2019
Lease expenses on short-term leases	(1)
Lease expenses on low-value assets	(1)
Impact on the income statement of lease agreements not recognized in the balance sheet	**(2)**

(*) Lease expenses related to low-value contracts and short-term contracts are recorded under "Expenses from other activities" in the consolidated income statement.

2.2.4 Breakdown of lease liabilities and off-balance sheet commitments by contractual maturity

The amounts presented in the table below comprise non-discounted contractual cash flows.

	30/06/2019							
in millions of euros	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Non-updated lease liabilities (before deducting interest expenses)	45	17	60	111	218	496	412	1,358

The following table presents future cash outflows not included in the measurement of lease liabilities at June 30, 2019 for leases not yet commenced but representing commitments for Natixis.

	30/06/2019							
in millions of euros	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Existing leases whose underlying assets are not yet ready for use	-	-	-	-	9	121	216	346

NOTE 3 CONSOLIDATION SCOPE

3.1 Key events

On September 12, 2018, Natixis and BPCE announced that Natixis planned to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE SA for €2.7 billion.

Since the deal was considered highly probable, the activities in question were recognized in accordance with IFRS 5 in Natixis' consolidated financial statements at December 31, 2018. As a result, the net non-intragroup assets and liabilities of the transferred entities, as well as the assets and liabilities related to the transferred Natixis activities (predominantly associated with EuroTitres), were reclassified within a single balance sheet line (assets and liabilities held for sale).

In accordance with the established timetable, the subsidiary shares and EuroTitres assets and liabilities were transferred on March 31, 2019 once the conditions precedent had been lifted.

Control of the subsidiaries was gradually transferred to BPCE over the period which, combined with the other characteristics specific to the deal, resulted in loss of control being recognized retroactively at January 1, 2019. Consequently, Natixis did not incorporate income from the subsidiaries sold to BPCE generated in the first quarter prior to the disposal in its consolidated financial statements for first-half 2019.

Total income from the transaction, after tax and minority interests, was €585 million, including a gross capital gain of €697 million, a tax impact of -€78 million and €34 million transferred to minority shareholders.

3.2 Changes in consolidation scope since January 1, 2019

The main chance in the consolidation scope recorded since January 1, 2019 involved the sale of the entities belonging to the former Specialized Financial Services division to BPCE SA in first-quarter 2019 (see Note 3.1 and 3.3): Natixis Financement, FCT Pumacc, Natixis Factor, Midt Factoring, Compagnie Européenne de Garanties et Cautions (CEGC), Natixis Lease, Co-Assur, Cicobail, Natixis Lease Immo, Lease Expansion, Natixis Bail, Natixis Energeco, Natixis Lease Madrid, Natixis Lease Milan, Natixis LLD, Oceor Lease Tahiti, Oceor Lease Nouméa, Oceor Lease Réunion, Natixis Car Lease, Sud-Ouest Bail, SAS Immobilière Natixis Bail, Batilease and Inter-Coop.

Other changes in scope are presented below.

3.2.1 Corporate & Investment Banking

- <u>**Newly consolidated entities**</u>

  - Acquisition by Natixis Holdings (Hong Kong) Limited of M&A Advisory firm Azure Capital in second-quarter 2019. The following entities were added to the scope of consolidation: Azure Capital Holdings Pty Ltd, Azure Capital Securities Pty Ltd, The Azure Capital Trust and Azure Capital Limited. Natixis exercises control over these entities in accordance with IFRS 10, and fully consolidates them. This transaction generated goodwill of €11.4 million at June 30, 2019, as determined using the partial goodwill method. Natixis also holds put options on minority interests in the amount of €9.6 million.

  - Consolidation Natixis Holdings (Hong Kong) Limited (the holding company that owns the stake in Azure Capital) in second-quarter 2019.

- **Deconsolidated entities**

  - Disposal of Natixis Brazil on February 6, 2019;

  - Deconsolidation of securitization vehicle FCT Natixis Export Credit Agency in first-quarter 2019.

- **Changes in percentage of ownership**

  - In the second quarter of 2019, the stake in Natixis Partners increased from 91% to 100% following the buyback of shares from executive officers;

  - In the second quarter of 2019, the stake in Natixis Partners increased from 87% to 100% following the buyback of shares from executive officers.

3.2.2 Asset & Wealth Management

- **Newly consolidated entities**

  - Acquisition of asset manager and investment advisory firm Massena Partners in second-quarter 2019. The following entities were added to the scope of consolidation: Massena Partners SA, Massena Wealth Management SARL, Massena Conseils and French branch Massena Partners. Natixis exercises control over these entities in accordance with IFRS 10, and fully consolidates them. This transaction generated goodwill of €40.2 million at June 30, 2019, as determined using the partial goodwill method.

  - Consolidation of securitization vehicle Purple Finance CLO 2 in second-quarter 2019, after the percentage interest rose above eligible levels;

  - Consolidation of H2O AM France, H2O AM Monaco, H2O Asia, Prometheus Wealth Management, Arctic Blue Capital Management Ltd, Arctic Blue Capital Ltd, Poincaré Holding Ltd and Poincaré Capital Management Ltd, asset managers created or acquired by H2O;

  - In May 2019, Natixis Investment Managers bought an 11% stake in Fiera, the leading publicly-traded independent distribution platform in Canada. This investment is carried by a holding company, Natixis IM Canada Holdings Ltd, wholly-owned by Natixis IM and now consolidated;

  - Consolidation of Mirova US LLC in second-quarter 2019 for the purpose of restructuring the US operations of Seeyond and Mirova. Seeyond's US operations were consolidated by Natixis Advisors LP, while Mirova's were transferred to a new company, Mirova US, wholly-owned by Mirova;

  - AEW Capital Management LP established a new company in Japan, AEW Japan Corporation, with the aim of developing its activities in Asia. This wholly-owned entity was added to the scope of consolidation at end-June 2019;

  - AEW Capital Management LP created several legal structures involved in managing several of its new funds: AEW Partners Real Estate Fund VIII, AEW Senior Housing Investors III, AEW Senior Housing Investors IV and AEW Value Investors Asia III. These entities are wholly-owned by AEW Capital Management LP and were added to the scope of consolidation at end-June 2019.

- **Changes in percentage of ownership**

  - In accordance with the provisions of the shareholders' agreement establishing the executive management company, which was created in 2016, the structure's percentage of ownership in DNCA Finance increased from 9% to 12% at January 1, 2019. Subsequently, the percentage interest of DNCA Finance and its subsidiaries (DNCA Courtage, DNCA Luxembourg and DNCA Finance - Milan branch) fell from 82% to 79%;

  - In first-quarter 2019, Natixis Investment Managers finalized the launch of asset management firm Flexstone Partners SAS to house its private equity affiliates: Euro-PE, Caspian Private Equity and Eagle Asia, in a bid to promote its private equity expertise on the international market.

    Under this plan, Caspian PE was contributed to Flexstone Partners SAS. The Caspian PE managers who owned a portion of the company's share capital exchanged their shares for a percentage interest in Flexstone Partners SAS. Natixis Investment Managers also sold part of its stake in Flexstone Partners SAS to the company's European managers. Subsequent to these various transactions, Natixis Investment Managers owned 84% of Flexstone Partners SAS as of March 31, 2019 versus 100% at December 31, 2018;

- **Deconsolidated entities**

  - Deconsolidation of Mirova Global Sustainable Equity Fund in first-quarter 2019 after the percentage interest fell below eligible levels;

  - Deconsolidation of Ostrum Multi Asset Global Income at March 31, 2019 after the fund's seed money investment was fully repaid.

3.2.3 Insurance

- **Newly consolidated entities**

  - Consolidation of the Dorval Managers Europe fund in the first quarter of 2019 after the percentage interest rose above eligible levels.

- **Deconsolidated entities**

  - Deconsolidation of Ostrum Ultra Short Term Bonds Plus SI (C) EUR Fructifonds Profil 6, Fructifonds Profil 9 and ABP Vie Mandat FCPI after the percentage interest fell below eligible levels;

3.2.4 Payments

- **Newly consolidated entities**

  - Acquisition of a 50% stake in Titres Cadeaux from La Banque Postale in first-quarter 2019 (bringing the percentage of ownership to 100%). Titres Cadeaux manufactures and distributes multi-store gift cards and certificates to individual customers or Works Councils. Natixis exercises control over this entity in accordance with IFRS 10, and fully consolidates it. This transaction generated goodwill of €10.2 million at June 30, 2019.

- **Changes in percentage of ownership**

- In the second quarter of 2019, the stake in Payplug increased from 84% to 95% following the acquisition of an additional 9% from the founders.

3.2.5 Coface

- **Newly consolidated entities**

  - Consolidation of the Coface branch in Greece in Q1 2019;

  - Acquisition of Coface PKZ, specializing in credit insurance in Slovenia, in second-quarter 2019. This transaction generated badwill of €3 million at June 30, 2019, as determined using the partial goodwill method, taken to profit or loss.

- **Restructuring**

  - The Luxembourg branch operations were taken over by Coface Belgium in first-quarter 2019;

  - The Coface Latvia Insurance branch operations were taken over by LEID- SUCC in first-quarter 2019.

3.3 Goodwill

Goodwill is allocated at the purchase date to one or more cash-generating units (CGUs) expected to benefit from the acquisition and is not amortized. It is tested for impairment at least once per year, and more often where there is objective evidence of impairment. The impairment test consists of comparing the carrying amount of the CGU or group of CGUs including goodwill with its recoverable value.

Subsequent to the sale of the retail banking entities to BPCE, the goodwill associated with these entities and allocated to former CGU “Specialized Financial Services” is no longer recorded on Natixis’ balance sheet.

At June 30, 2019, former CGU “Specialized Financial Services” was divided up into three CGUs: the “Payments” CGU, the “Asset & Wealth Management” CGU (for the Employee Savings Plan business line) and the “Corporate & Investment Banking” CGU (for the Film Industry Financing business line). Goodwill related to the entities not sold to BPCE was symmetrically reallocated to these three CGUs.

In light of the aforementioned items, impairment tests on the new CGUs were recalculated based on data at December 31, 2018.

The tests were updated exclusively to address CGU scope changes; the testing methodology and inputs (discount rate, etc.) were unchanged from end-2018. The new tests would not have resulted in recognition of impairment at December 31, 2018.

3.4 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.

A group held for sale may be a group of CGUs, a CGU or part of a CGU. The group may include the entity’s assets and liabilities, including current assets, current liabilities and assets that are outside the scope of the measurement provisions under IFRS 5. If a non-current asset within the scope of the measurement provisions under IFRS 5 is part of a group held for sale, the measurement provisions under IFRS 5 apply to the group as a whole, which means that the group is measured at the lower of its carrying amount or its fair value net of selling costs.

Subsequent to the September 2018 announcement that Natixis planned to sell its Factoring, Sureties & Financial Guarantees, Leasing, Consumer Finance and Securities Services business lines to BPCE, at December 31, 2018 Natixis continued to fully consolidate the subsidiaries in question and, in accordance with the provisions of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", combined the assets and liabilities of these entities in two separate balance sheet line items: "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". Since the deal was finalized in first-half 2019 (see Notes 3.1 and 4.9), the subsidiaries were no longer included in Natixis' scope of consolidation at June 30, 2019.

Natixis had also begun negotiations for the sale of its subsidiary Natixis Brazil. At December 31, 2018, this fully consolidated entity's assets and liabilities were not recognized, in line with IFRS 5, in non-current assets held for sale and liabilities associated with non-current assets held for sale, given that the amounts in question were not material. Since the deal was finalized in first-half 2019 (see Notes 3.2 and 4.9), the subsidiary was no longer included in Natixis' scope of consolidation at June 30, 2019.

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	30/06/2019			30/06/2018		
	Income	Expenses	Net	Income	Expenses	Net
Financial assets and liabilities at amortized cost	**1,697**	**(1,441)**	**256**	**1,647**	**(987)**	**661**
Central banks	178	(57)	121	182	(64)	119
Interest on securities	45	(39)	7	31	(28)	3
Receivables, loans and borrowings	1,474	(798)	675	1,434	(646)	788
Banks	158	(549)	(390)	127	(477)	(350)
Customers	1,312	(249)	1,063	1,140	(169)	971
Finance leases	3	0	3	167	0	167
Debt securities and subordinated debt		(538)	(538)		(249)	**(249)**
Lease liabilities (1)		(10)	(10)			
Financial assets at fair value through other comprehensive income	**63**		**63**	**45**		**45**
Interest on securities	63		63	45		45
Loans and receivables	0		0	0		0
				0		**0**
Financial instruments to be valued at fair value through profit or loss	**31**		**31**	**119**		**119**
Loans and receivables	19		19	40		40
Interest on securities	12		12	79		79
Hedging derivatives	**165**	**(222)**	**(57)**	**194**	**(303)**	**(109)**
Total(2)	**1,955**	**(1,663)**	**292**	**2,006**	**(1,289)**	**717**

(1) The impacts associated of the first-time application of IFRS 16 are addressed in Note 2;
(2) At June 30, 2018, the SFS division's retail banking entities contributed +€218 million to the interest margin.

4.2 Net fee and commission income

Pursuant to IFRS 15, Natixis records fee income and expenses in the income statement.

- Either gradually as the service is rendered as part of the ongoing provision of a service. Guarantee fees and management fees are deferred over the period during which the service is provided;
- Or once the service has been rendered, as in the case of business introducer fees taken to profit or loss as soon as the service has been provided, or some syndication fees paid for structuring and arrangement.

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 considered to be compensation for loan set-up, 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	First half of 2019			First half of 2018		
	Income	Expenses	Total	Income	Expenses	Total
Interbank transactions	5	(14)	(9)	2	(22)	(19)
Customer transactions	256	11	267	384	(7)	377
Securities transactions	39	(61)	(22)	64	(87)	(23)
Payment services	229	(31)	198	206	(27)	178
Financial services	109	(302)	(193)	238	(372)	(134)
Fiduciary transactions (1)	1,840	0	1,840	1,772	0	1,772
Financing, guarantee, securities and derivative commitments	113	(108)	5	131	(99)	32
Other (2)	71	(653)	(582)	87	(599)	(513)
Total(3)	**2,662**	**(1,158)**	**1,504**	**2,884**	**(1,213)**	**1,671**

(1) Including performance fees in the amount of €170 million, of which €158 million for Europe and €12 million for North America, at June 30, 2019 versus €119 million, of which €117 million for Europe and €2 million for North America at June 30, 2018;
(2) Of which net fee and commission income of -€640 million at June 30, 2019, versus -€577 million at June 30, 2018, for insurance activities, for which the related income is presented as "Net income from insurance activities"
(3) At June 30, 2018, the SFS division's retail banking entities contributed +€57 million to total fees.

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 or designated under the fair value option 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	First half of 2019	First half of 2018
Net gains/(losses) on financial assets and liabilities excluding hedging derivatives	**1,195**	**1,106**
Net gains/(losses) on financial assets and liabilities held for trading(2)	3,519	998
o/w derivatives not eligible for hedge accounting	295	771
Net gains/(losses) on financial assets to be valued at fair value through profit or loss	159	(218)
Net gains/(losses) on financial assets and liabilities under the fair value option	(2,567)	227
Other	84	101
Hedging derivatives and revaluation of hedged items	**(10)**	**11**
Ineffective portion of cash flow hedges (CFH)	0	(0)
Ineffective portion of fair value hedges (FVH)	(10)	11
Changes in fair value hedges	(169)	(27)
Changes in hedged items	160	38
Total (1)	**1,185**	**1,118**

(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 €4 million in cumulative impairments in H1 2019 versus a decrease of €40.3 million (income) in cumulative impairments in H1 2018 (excluding the currency impact and the impact of the BPCE guarantee), bringing cumulative impairments to €19 million at June 30, 2019 versus €23.1 million at June 30, 2018;
- At June 30, 2019, recognized own credit risk adjustments to derivatives (debit valuation adjustments or DVA) stood at -€23.3 million versus an expense of +€12.9 million at June 30, 2018.
  Furthermore, credit risk adjustments related to the valuation of counterparty risk (credit valuation adjustments or CVA) on financial assets amounted to €17.1 million (expense) at June 30, 2019, versus income of -€12.7 million at June 30, 2018
- The Funding Valuation Adjustment (FVA) used on uncollateralized derivatives or imperfectly collateralized derivatives is also recognized on this line in the amount of €17.1 million (income) at June 30, 2019 versus income of -€29.9 million at June 30, 2018;
- In first-half 2019, the market risks associated with certain transactions comprising the Asia derivatives portfolio (see Note 5.4.d) were transferred to external counterparties. At the same time, the €173 million in provisions recorded at December 31, 2018 were reversed in H1 2019.

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	First half of 2019	First half of 2018
Net gains on debt instruments	**3**	3
Net gains on equity instruments (dividends)	**10**	8
Total	**13**	**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, 2019, the losses associated with disposals of financial assets at amortized cost was -€6 million versus -€1.9 million at June 30, 2018. Gains recognized on the disposal of financial assets at amortized cost amounted to €1.7 million at June 30, 2018.

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	First half of 2019			First half of 2018		
	Income	Expenses	Net	Income	Expenses	Net
Finance leases	0	(0)	**0**	156	(156)	**1**
Investment property	0	(0)	**0**	2	(8)	**(5)**
Sub-total real estate activities (1)	**0**	**(0)**	**0**	**159**	**(163)**	**(5)**
Operating leases	9	(0)	**9**	57	(45)	**12**
Other related income and expenses	96	(66)	**30**	155	(144)	**11**
Total (1)	**105**	**(66)**	**39**	**370**	**(352)**	**19**

(1) At June 30, 2018, real estate operations were exclusively carried by the SFS division’s retail banking entities, which contributed €22 million to other income and expenses.

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	First half of 2019	First half of 2018
Payroll costs	Wages and salaries[1]	(1,391)	(1,416)
	o/w share payments [2]	*(35)*	*(38)*
	Pension benefits and other long-term employee benefits	(104)	(115)
	Social security expenses	(306)	(324)
	Incentive and profit-sharing plans	(69)	(73)
	Payroll-based taxes	(70)	(75)
	Other	8	(3)
Total payroll costs		**(1,932)**	**(2,006)**
Other operating expenses	Taxes other than on income[3] [4]	(251)	(282)
	External services	(897)	(1,008)
	Other	(20)	(18)
Total other operating expenses		**(1,168)**	**(1,309)**
Total [5]		**(3,100)**	**(3,315)**

(1) The Competitiveness and Employment Tax Credit was eliminated as of January 1, 2019. At June 30, 2018, the balance came to €3.7 million.
(2) The amount recognized in H1 2019 in respect of retention and performance plans included an expense of €28.1 million (versus €32.6 million at June 30, 2018) for the portion of compensation paid in cash and indexed to the Natixis share price and an additional expense of €5.8 million (versus €4.8 million at June 30, 2018) for the portion of compensation settled in Natixis shares.
(3) Taxes, levies and regulatory contributions included the local authorities support tax for €4.5 million at June 30, 2018 and regulatory contributions, mostly including the contribution to the SRF (Single Resolution Fund) for €169.7 million at June 30, 2019 (versus €163.7 million at June 30, 2018). The systemic risk tax, eliminated as of January 1, 2019, amounted to €16.5 million at June 30, 2018 (including the Local Authorities Support component);
(4) Of which the Social Security and Solidarity Contribution (C3S) for €33.2 million at June 30, 2019 versus €37.1 million at June 30, 2018;
(5) At June 30, 2018, the SFS division's retail banking entities contributed -€211 million to total operating expenses.

4.8 Provision for credit losses

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	First half of 2019					First half of 2018				
	Charges	Net reversals	Write-offs not covered by provisions	Recoveries of bad debts written off	Net	Charges	Net reversals	Write-offs not covered by provisions	Recoveries of bad debts written off	Net
Contingency reserves	**(149)**	**130**	**(1)**	**0**	**(19)**	**(151)**	**167**	**(1)**	**0**	**14**
Financing commitments - 12-month expected credit losses	(16)	14	0	0	**(2)**	(12)	11	0		**(1)**
Financing commitments - Lifetime expected credit losses	(84)	83	0	0	**0**	(101)	124	0		**23**
Impaired financing commitments - Lifetime expected credit losses	(47)	23	(0)	0	**(24)**	(23)	18	0		**(4)**
Other	(2)	10	(1)	0	**7**	(15)	13	(1)		**(3)**
Provisions for impairment of financial assets	**(369)**	**253**	**(7)**	**0**	**(122)**	**(617)**	**535**	**(19)**	**3**	**(98)**
Unimpaired financial assets - 12-month expected credit losses	(36)	29	0	0	**(6)**	(38)	29	0		**(9)**
Unimpaired financial assets - Lifetime expected credit losses	(127)	122	0	0	**(5)**	(183)	239	0		**56**
Impaired financial assets - Lifetime expected credit losses	(206)	102	(7)	0	**(111)**	(397)	268	(19)	3	**(145)**
Total	**(517)**	**383**	**(8)**	**0**	**(141)**	**(768)**	**702**	**(20)**	**3**	**(84)**
Of which:										
Reversals of surplus impairment provisions		*383*					*702*			
Reversals of utilized impairment provisions		*111*					*154*			
	Sub-total reversals:	***494***				***Sub-total reversals:***	***856***			
Write-offs covered by provisions		*-111*					*(154)*			
	Total net reversals:	***383***				***Total net reversals:***	***702***			

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	First half of 2019			First half of 2018		
	Investments in consolidated companies	Investments in property, plant and equipment and intangible assets	TOTAL (1)	Investments in consolidated companies (2)	Investments in property, plant and equipment and intangible assets (3)	TOTAL
Net capital gains/(losses) on disposals	616	62	678	6	4	10
Total	**616**	**62**	**678**	**6**	**4**	**10**

(1) Including €697.1 million for the sale of the SFS division’s retail banking entities (see Note 3.1) and -€14.7 million for the sale of Natixis Brazil;
(2) 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);
(3) Including +€4.2 million following the disposal and decommissioning of intangible assets.

4.10 Reconciliation of the tax expense in the financial statements and the theoretical tax expense

In millions of euros	30/06/2019	30/06/2018 (*)
+ Net income group share	1,110	903
+ Net income attributable to non-controlling interests	178	118
+ Income tax charge	379	470
+ Income from discontinued operations	0	0
+ Impairment of goodwill	(3)	0
- Share in income of associates	(11)	(10)
= Consolidated net income/(loss) before tax, goodwill amortization and share in income of associates	**1,653**	**1,480**
+/- Permanent differences (1)	(208)	236
= Consolidated taxable income/(loss)	**1,446**	**1,717**
x Theoretical tax rate (2)	34.43%	34.43%
= Theoretical tax charge	**(498)**	**(591)**
+ Income taxed at reduced rates	(0)	(1)
+ Losses for the period not recognized for deferred tax purposes	(9)	(17)
+ Impact of tax consolidation	17	23
+ Differences in foreign subsidiary tax rates (2)	102	105
+ Tax on prior periods and other tax items	9	11
= Tax charge for the period	**(379)**	**(470)**
Of which: taxes payable	(242)	(188)
deferred tax	(137)	(282)

(*) Amounts restated relative to the financial statements published in 2018.

(1) Permanent differences includes the share of the tax-exempt Smith long-term capital gain (-€454 million) and the non-deductible capital loss on the disposal of Natixis Brazil (+€14.7 million), as well as the impacts of the non-deductible regulatory contributions of +€130 million at June 30, 2019 versus +€131.4 million at June 30, 2018;

(2) In 2019, the theoretic tax rate incorporates the 3.3% social security contribution on the corporate tax. For the sake of comparison, 2018 data were restated and the impact was recognized under “Differences in foreign subsidiary tax rates” (+€17 million).

NATIXIS
BEYOND BANKING

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	30/06/2019				31/12/2018			
	Financial assets held for trading	Financial assets to be valued at fair value through profit or loss (1)	Financial assets designated under the fair value option	Total	Financial assets held for trading	Financial assets to be valued at fair value through profit or loss (1)	Financial assets designated under the fair value option	Total
Note			*5.1.1.1*				*5.1.1.1*	
Securities	**42,577**	**2,663**		**45,240**	**34,950**	**3,015**	**0**	**37,965**
Debt instruments	15,282	1,947		17,229	12,189	2,263		14,453
Equity instruments	27,294	717		28,011	22,761	752		23,513
Financing against reverse repos (2)	**83,527**			**83,527**	**95,300**			**95,300**
Loans and receivables	**4,807**	**1,702**	**2**	**6,510**	**3,884**	**1,871**	**2**	**5,757**
Banks	33	1,020	2	1,056	10	1,031	2	1,042
Customers	4,773	682		5,454	3,874	840	0	4,715
Derivative instruments not eligible for hedge accounting (2)	**64,129**			**64,129**	**57,161**	**0**	**0**	**57,161**
Security deposits paid	**18,742**			**18,742**	**17,903**	**0**	**0**	**17,903**
Total	**213,780**	**4,365**	**2**	**218,147**	**209,198**	**4,886**	**2**	**214,086**

(1) Financial instruments that must be measured at fair value through profit or loss include non-SPPI debt instruments in the amount of €1,947 million at June 30, 2019 versus €2,263 million at December 31, 2018, and equity instruments totaling €717 million at June 30, 2019 versus €752 million at December 31, 2018 that we have opted not to recognize in other comprehensive income;
(2) The information presented takes into account the impact of offsetting carried out in accordance with IAS 32 (see Note 5.2).

5.1.2 Financial liabilities designated 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.

In millions of euros	30/06/2019			31/12/2018		
	Financial liabilities issued for trading	Financial liabilities designated under the fair value	Total	Financial liabilities issued for trading	Financial liabilities designated under the fair value option	Total
Note		*5.1.2.1 and 5.1.2.2*			*5.1.2.1 and 5.1.2.2*	
Securities	**20,526**	**24,303**	**44,829**	**21,062**	**22,132**	**43,194**
Debt securities	298	24,203	24,501	301	22,032	22,332
Subordinated debt	0	100	100	0	100	100
Short sales	20,228	0	20,228	20,761	0	20,761
Repurchased securities [1]	**91,691**	**0**	**91,691**	**90,812**	**0**	**90,812**
Liabilities	**7**	**4,212**	**4,219**	**14**	**4,579**	**4,593**
Due to banks	0	98	98	0	67	67
Customer deposits	7	150	157	14	123	137
Other liabilities	0	3,963	3,963	0	4,389	4,389
Derivative instruments not eligible for hedge accounting [1]	**63,012**	**0**	**63,012**	**57,160**	**0**	**57,160**
Security deposits received	**14,010**	**0**	**14,010**	**12,423**	**0**	**12,423**
Total	**189,246**	**28,514**	**217,761**	**181,472**	**26,711**	**208,183**

(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

Financial liabilities 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. 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.

In millions of euros	30/06/2019			31/12/2018		
	Carrying amount	Accounting mismatch	Embedded derivatives	Carrying amount	Accounting mismatch	Embedded derivatives
Due to banks	98	6	92	67	6	61
Customer deposits	150	0	150	123	0	123
Debt securities	24,203	19,719	4,484	22,032	17,770	4,261
Subordinated debt	100	0	100	100	0	100
Other liabilities	3,963	3,963	0	4,388	4,389	0
Total	**28,514**	**23,687**	**4,826**	**26,711**	**22,165**	**4,545**

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 under the fair value option 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	30/06/2019 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	31/12/2018 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
Debt securities (1)	24,203	24,366	(163)	71	22,032	24,547	(2,515)	(111)
Subordinated debt (1)	100	100	(0)	(2)	100	101	(1)	(4)
Total (2)	**24,303**	**24,466**	**(163)**	**69**	**22,132**	**24,648**	**(2,516)**	**(115)**

(1) The fair value, determined using the method described in Note 5.4, recorded in respect of internal credit risk on Natixis issues totaled €68.7 million at June 30, 2019 versus €114.9 million at December 31, 2018. 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 2019 totaled €5 million versus €5.3 million over the 2018 fiscal year.

Financial liabilities under the fair value option for which credit risk is recognized in net income.

In millions of euros	30/06/2019 Carrying amount	Amount contractually due at maturity	Difference between carrying amount and amount contractually due at maturity	31/12/2018 Carrying amount	Amount contractually due at maturity	Difference between carrying amount and amount contractually due at maturity
Due to banks	98	94	5	67	64	3
Customer deposits	150	151	(1)	123	126	(3)
Other liabilities	3,963	3,963	0	4,389	4,389	0
Total	**4,212**	**4,208**	**4**	**4,579**	**4,579**	**0**

5.2 Offsetting of 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	30/06/2019			31/12/2018		
	Gross amount of financial assets recognized in the balance sheet * (a)	Gross amount of offset financial liabilities (b)	Net amount of financial assets recognized in the balance sheet (c) = (a) - (b)	Gross amount of financial assets recognized in the balance sheet * (a)	Gross amount of offset financial liabilities (b)	Net amount of financial assets recognized in the balance (c) = (a) - (b)
Financial assets at fair value through profit or loss	**166,346**	**40,723**	**125,623**	**156,299**	**29,101**	**127,198**
Derivatives	76,639	25,788	50,851	63,200	19,147	44,052
Repurchase agreements	89,707	14,935	74,772	93,100	9,954	83,146
Other financial instruments						
Hedging derivatives	**2,571**	**2,412**	**159**	**1,981**	**1,834**	**147**
Loans and receivables due from banks	**700**	**700**		**700**	**700**	
Repurchase agreements	700	700		700	700	
Other financial instruments						
Customer loans and receivables	**1,856**		**1,856**	**2,197**		**2,197**
Repurchase agreements	1,856		1,856	2,197		2,197
Other financial instruments						
TOTAL	**171,473**	**43,835**	**127,638**	**161,178**	**31,635**	**129,543**

(*) Gross amount of financial assets offset or covered by a master netting or similar arrangement.

In millions of euros	30/06/2019				31/12/2018			
		Amounts not offset related to (a) (d)				Amounts not offset related to (a) (d)		
	Net amount of financial assets recognized in the balance (c)	Financial instruments (*)	Guarantees received in cash	Net exposure (e) = (c) - (d)	Net amount of financial assets recognized in the balance (c)	Financial instruments (*)	Guarantees received in cash	Net exposure (e) = (c) - (d)
Derivatives	51,010	37,366	10,431	3,213	44,199	33,083	8,368	2,748
Repurchase agreements	76,628	76,251		377	85,344	85,051		292
Other financial instruments								
TOTAL	**127,638**	**113,617**	**10,431**	**3,590**	**129,543**	**118,134**	**8,368**	**3,041**

(*) 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	30/06/2019			31/12/2018		
	Gross amount of financial liabilities recognized in the balance (a)	Gross amount of offset financial assets (b)	Net amount of financial liabilities recognized in the balance (c) = (a) - (b)	Gross amount of financial liabilities recognized in the balance (a)	Gross amount of offset financial assets (b)	Net amount of financial liabilities recognized in the (c) = (a) - (b)
Financial liabilities designated at fair value through profit or loss	**180,229**	**40,398**	**139,831**	**158,619**	**28,977**	**129,641**
Derivatives	77,243	25,463	51,779	63,527	19,024	44,503
Repurchase agreements	102,986	14,935	88,051	95,092	9,954	85,138
Other financial instruments						
Hedging derivatives	**2,910**	**2,736**	**173**	2,130	1,957	172
Amounts due to banks	**7,214**	**700**	**6,514**	**8,558**	**700**	**7,858**
Repurchase agreements	7,214	700	6,514	8,558	700	7,858
Other financial instruments						
Amounts due to customers	**50**		**50**	**50**		**50**
Repurchase agreements	50		50	50		50
Other financial instruments						
TOTAL	**190,402**	**43,835**	**146,567**	**169,356**	**31,635**	**137,721**

(*) Gross amount of financial liabilities offset or covered by a master netting or similar arrangement.

In millions of euros	30/06/2019				31/12/2018			
		Amounts not offset related to (a) (d)				Amounts not offset related to (a) (d)		
	Net amount of financial liabilities recognized in the balance (c)	Financial instruments (*)	Guarantees given in cash	Net exposure (e) = (c) - (d)	Net amount of financial liabilities recognized in the balance sheet (c)	Financial instruments (*)	Guarantees given in cash	Net exposure (e) = (c) - (d)
Derivatives	51,953	38,145	10,677	3,131	44,675	33,408	7,840	3,427
Repurchase agreements	94,615	93,482	0	1,133	93,046	92,854	0	192
Other financial instruments								
TOTAL	**146,567**	**131,627**	**10,677**	**4,263**	**137,721**	**126,262**	**7,840**	**3,620**

(*) 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, 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	**30/06/2019**				**31/12/2018**			
	Debt instruments				**Debt instruments**			
	Unimpaired financial assets (1)	**Impaired financial assets(2)**	**Equity instruments**	**Total**	**Unimpaired 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	**11,032**		**472**	**11,504**	**10,673**		**126**	**10,798**
Loans and receivables								
Banks								
Customers								
Value adjustments for credit losses								
Total	**11,032**		**472**	**11,504**	**10,673**		**126**	**10,798**

(1) Comprises 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 a default event 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 recyclable other comprehensive income

The tables below show, for each class of instrument, changes over the first half of 2019 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	Financial assets at fair value through equity (recyclable) at 30/06/2019									
	Unimpaired assets for which expected credit losses are measured over 12 months *(S1 bucket)*		Unimpaired assets for which expected credit losses are measured on a lifetime basis *(S2 bucket)*		Assets impaired after their origination/acquisition *(S3 bucket)*		Assets impaired on origination/acquisition		TOTAL	
	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses
Balance at 01/01/2018	**9,863**	**(0)**	**42**	**(1)**	**6**	**(0)**	**0**	**(0)**	**9,911**	**(0)**
New originated or acquired contracts	3,533								3,533	
Changes in contractual cash flows not giving rise to derecognition										
Variations linked to changes in credit risk parameters *(excluding transfers)*	516				(2)				515	
Financial asset transfers	35		(35)							
Transfers to S1	35		(35)							
Transfers to S2										
Transfers to S3										
Contracts fully repaid or sold during the period	(3,473)				(4)				(3,477)	
Impairment in value *(write-off)*									0	
Variations linked to changes in exchange rates	161		(3)						158	
Changes in the model used										
Other changes	34								34	
Balance at 31/12/2018	**10,670**	**(0)**	**4**	**(0)**	**0**	**(0)**	**0**	**(0)**	**10,673**	**(0)**
New originated or acquired contracts	1,846								1,846	
Changes in contractual cash flows not giving rise to derecognition										
Variations linked to changes in credit risk parameters *(excluding transfers)*	90								90	
Financial asset transfers										
Transfers to S1										
Transfers to S2										
Transfers to S3										
Contracts fully repaid or sold during the period	(2,045)								(2,045)	
Impairment in value *(write-off)*										
Variations linked to changes in exchange rates	18								18	
Changes in the model used										
Other changes	453		(4)						449	
Balance at 30/06/2019	**11,032**	**(0)**	**0**	**(0)**	**0**	**(0)**	**0**	**(0)**	**11,032**	**(0)**

5.3.2 Equity instruments at fair value through other comprehensive income

In millions of euros	30/06/2019					31/12/2018				
	Fair value	Dividends recognized over the period		Derecognition over the period		Fair value	Dividends recognized over the period		Derecognition over the period	
		Equity instruments held at 30/06/2019	Equity instruments derecognized during the period	Fair value on date of sale	Cumulative profit or loss on date of sale		Equity instruments held at 31/12/2018	Equity instruments derecognized during the period	Fair value on date of sale	Cumulative profit or loss on date of sale
Shares and other equity instruments [1]	472	7	0	2	3	126	2	0	12	(4)
Total	**472**	**7**	**0**	**2**	**3**	**126**	**2**	**0**	**12**	**(4)**

(1) The total amount of changes in fair value recategorized as "Retained earnings" over the period that was related to disposals was €3 million in the first half of 2019. The total amount of changes in fair value reclassified as "Retained earnings" over the period that was related to disposals was -€4 million for fiscal year 2018;
The amount of dividends recognized in income over the period was not material in first-half 2019 or full-year 2018.

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)	30/06/2019 Carrying amount	Level 1	Level 2	Level 3	31/12/2018 Carrying amount	Level 1	Level 2	Level 3
Financial assets held for trading	**149,651**	**39,469**	**106,666**	**3,516**	**152,037**	**31,342**	**117,806**	**2,889**
o/w debt instruments in the form of securities	15,282	12,191	2,686	405	12,190	7,976	4,139	75
o/w equity instruments	27,294	27,278	16		22,761	22,701	60	
o/w loans and receivables	88,332		85,221	3,111	99,184		96,370	2,814
o/w security deposits paid	18,742		18,742		17,903	665	17,238	
Derivative instruments not eligible for hedge accounting (positive fair value)	**64,129**	**1,101**	**59,703**	**3,324**	**57,161**	**1,449**	**53,162**	**2,548**
o/w interest rate derivatives	47,673	2	46,580	1,091	36,401	2	36,277	122
o/w currency derivatives	11,171		10,011	1,160	13,021		11,722	1,299
o/w credit derivatives	977		250	727	979		254	725
o/w equity derivatives	3,856	899	2,612	346	6,272	1,193	4,677	402
o/w other	451	200	251		487	254	233	
Financial instruments to be valued at fair value through profit or loss	**4,365**	**1,220**	**1,773**	**1,372**	**4,886**	**1,308**	**2,088**	**1,490**
o/w equity instruments	716	114		602	752	175	0	577
o/w debt instruments in the form of securities	1,947	1,107	121	719	2,263	1,134	268	862
o/w loans and receivables	1,702		1,652	50	1,871		1,820	51
Financial assets designated under the fair value option	**2**		**2**		**2**		**2**	**0**
o/w debt instruments in the form of securities					0			0
o/w loans and receivables	2		2		2		2	
Hedging derivatives (assets)	**348**		**348**		**306**		**306**	
o/w interest rate derivatives	348		348		306		306	
Financial assets at fair value through other comprehensive income	**11,503**	**10,949**	**260**	**294**	**10,798**	**9,864**	**886**	**48**
o/w equity instruments	472	178		294	126	78	0	48
o/w debt instruments in the form of securities	11,031	10,771	260		10,672	9,786	886	
o/w loans and receivables								
Total	**229,998**	**52,740**	**168,753**	**8,505**	**225,191**	**43,963**	**174,251**	**6,975**

Liabilities (in millions of euros)	30/06/2019 Carrying amount	Level 1	Level 2	Level 3	31/12/2018 Carrying amount	Level 1	Level 2	Level 3
Financial liabilities held for trading	**34,536**	**20,138**	**14,399**		**33,485**	**20,690**	**12,796**	
o/w securities issued for trading purposes	20,526	20,138	388		21,062	20,690	373	
o/w security deposits received	14,010		14,010		12,423		12,423	
Derivative instruments not eligible for hedge accounting (negative fair value)	**63,012**	**774**	**59,328**	**2,910**	**57,161**	**1,036**	**54,071**	**2,054**
o/w interest rate derivatives	45,030		43,757	1,273	36,279	0	36,087	192
o/w currency derivatives	11,424		10,468	956	12,383	0	11,340	1,042
o/w credit derivatives	672		425	247	564		313	251
o/w equity derivatives	5,295	604	4,260	431	7,177	813	5,795	569
o/w other	591	170	417	3	758	222	535	
Other financial liabilities held for trading	**91,698**		**90,552**	**1,146**	**90,826**		**89,650**	**1,176**
Financial liabilities designated under the fair value option	**28,514**	**3,961**	**16,164**	**8,390**	**26,711**	**3,726**	**22,800**	**185**
o/w securities under the fair value option	24,303		15,916	8,387	22,132		21,950	182
o/w other financial liabilities under the fair value option	4,212	3,961	248	2	4,579	3,726	851	3
Hedging derivatives (liabilities)	**744**		**744**		**529**		**529**	**0**
o/w interest rate derivatives	744		744		529		529	0
Total	**218,505**	**24,873**	**181,187**	**12,446**	**208,712**	**25,451**	**179,846**	**3,415**

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 mutual fund units 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:

Simple instruments:

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. Example: 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;
- mutual fund units 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 under the fair value option are classified in Level 2 where the underlying derivatives are classified in Level 2.
  Issuer credit risk is also considered as observable. Its valuation 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.

Complex instruments:

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), model 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;
- mutual fund units 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.) given the low liquidity observed for such securities;
- debt issues measured under the fair value option are classified in Level 3 where the underlying derivatives are classified in Level 3. The associated issuer credit risk is deemed observable and thus classified in Level 2;
- 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 3.2.5 of Chapter III, “Risk factors, risk management and the pillar III report”.

Under IAS 9, 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, 2019, instruments for which the recognition of day-one profit/loss has been deferred included:

- multiple equity and index underlying structured products;
- mono-underlying structured produced indexed to sponsored indices;
- 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 at 6/30/2019
Credit derivative instruments	CDOs	The default rates are based on the market prices of the underlying PFI bonds and the recovery rates are based on historical ratings agency data	Correlation between the assets, base spread between the cash asset and derivative asset, recovery rate	50% - 100%
Interest rate derivatives	Securitization swaps	Discounted cash flow expected based on the underlying portfolio's early redemption assumption	Early redemption rate	[2% - 28%]
	Sticky CMS/Volatility Bond	Valuation models for interest rate options	Mean reversion parameters	[2.5%; 5%]
	Callable Spread Options and Corridor Callable Spread Options	Model representing several yield curve factors	Mean-reversion spread	[0%; 30%] EUR = 30%; USD = 25%]
	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: [+15bp, +17bp] TEC vol =[50bp, 90bp] TEC-CMS correl = [50%, 90%]
	Bermuda accreting swaptions (EUR and AUD)	Different volatility models	Blending Factor	[76% - 95%]
	Volatility cap/floor	Black & Scholes	Interest rate vol. for currencies absent from Totem or long maturities	Interest rate vol.: 1% to 83.82%
Currency derivative instruments	European barrier call option, Asian call option, Vanilla digital call option, European vanilla call option	Skew Model, Local volatility model, Black & Scholes,	Forex vol. for currency pairs absent from Totem or long maturities	ATM vol.: [4.38% to 14.82%]
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: [-0.50 to +1.0]
Helvetix derivatives	Strip of long-term options, Strip of quanto options, Strip of digital options Spread options and digital spread options	Black & Scholes model Gaussian copula	Forex/forex correlation Long-term USD/CHF & EUR/CHF volatility	EUR/CHF correlation: [45%; 63%] USD/CHF correlation: [-74%; 71%] EUR/CHF long-term volatility: [7.82%, 9%] USD/CHF long-term volatility: [8.82%; 11.39%] EUR/USD long-term volatility: [8.42%; 11.03%]
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: [25% 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	AUD/JPY and USD/JPY correlation: [15% to 55%] Long-term volatility: [8.13% to 14.68%]
Hybrid equity/fixed income/forex (FX) derivatives	Long (15Y) callable range accrual note on several asset classes (equity+forex+fixed income)	Hybrid model coupling an equity diffusion, a FX diffusion and a fixed income diffusion	Correlation parameters (equity-FX, equity-fixed income, fixed income-FX)	Equity / USDEUR correlation: [-8%; 50.5%] Equity / fixed-income correlation: [5%; 45.45%] USDEUR / IR correlation: [24.1%; 28%]
Hybrid fixed income/credit derivatives	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%] - Credit vol.: Structured by maturity ([2Y: [20%; 75%], 5Y: [20%; 40%], 10Y: [20%; 32%])
Equity derivatives	Multi-underlying payoffs	Model for valuing volatility options incorporating correlation between assets	Correlation inputs	Stock/stock correlation: [18.04 to 91.32]
	Mono-underlying payoffs	Different volatility models	Volatility	[2.47 - 83.28]

d) Natixis' policy on transfers between fair value levels

Transfers between fair value levels are reviewed and validated by the Valuation Committee, predominantly including representatives of the 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. The transfers to and from Level 3 presented below are subject to validation by the Valuation Committee.

The main reclassifications in first-half 2019 consisted of Bermuda accreter swaptions (in EUR and AUD), certain complex multi- or mono-underlying derivatives indexed to indices, and associated liabilities measured under the fair value option. These instruments were reclassified from Level 2 to Level 3 of the fair value hierarchy (see Notes 5.4.1 and 5.4.2) subsequent to the observability review conducted during the period, which found a lack of observed prices for the corresponding inputs and products, serving as a basis for their reclassification to Level 3 of the fair value hierarchy.

Note: at December 31, 2018, a portfolio of complex derivatives in Asia had been transferred to Level 3 in the fair value hierarchy. The portfolio consisted of products indexed to the worst performance of an underlying Equity basket (indices and shares) allowing investors to receive enhanced periodic coupons in return for a risk of loss of capital at maturity, with the possibility that the product may expire early. The products in question had a fair value of €131 million on the asset side of the balance sheet at December 31, 2018.
The bearish market in Asia had underscored the limitations of the business model associated with these products and led to the supplementing of the reserve mechanism by introducing an additional reserve to allow for the model's shortcomings. This reserve was based on expert judgment (including in particular forecast changes in market conditions, portfolio behavior, etc.) and, as a result, the prices of the products subject to expert judgment were no longer directly observable. The products were then transferred from Level 2 to Level 3 of the fair value hierarchy, based on the observability of inputs, the model used and observed liquidity.

e) Instruments affected by the financial crisis

- ✓ **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) 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.

5.4.1 Financial assets and liabilities at fair value measured using level 3 of the fair value hierarchy

At June 30, 2019

Financial assets

Financial assets (in millions of euros)	Level 3 opening balance at 31/12/2018 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 during the period	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 at 30/06/2019
Financial assets held for trading	**2,889**	**137**	**17**	**2**	**5,656**	**(5,089)**	**(116)**	**13**	**0**		**7**	**3,516**
o/w debt instruments in the form of securities	75	7	2		1,635	(1,328)		13	0		0	405
o/w loans and receivables	2,814	129	15	2	4,020	(3,761)	(116)				6	3,111
Derivative instruments not eligible for hedge accounting (positive fair value)	**2,548**	**63**	**(152)**		**312**	**(367)**	**(86)**	**1,000**			**5**	**3,324**
o/w interest rate derivatives	122	78	(7)		2	(26)	(1)	922			0	1,091
o/w currency derivatives	1,299	(68)	(78)		124	(57)	(85)	9			16	1,160
o/w credit derivatives	725	0	(1)		1	(0)	(0)	2			0	727
o/w equity derivatives	402	53	(67)		184	(282)	(0)	67			(11)	346
o/w other												
Other financial assets held for trading											**0**	**0**
Financial instruments to be valued at fair value through profit or loss	**1,490**	**29**	**25**	**(0)**	**42**	**(181)**	**(24)**		**(7)**	**(4)**	**1**	**1,372**
o/w equity instruments	577	20		(0)	20	(3)			(7)	(4)	0	602
o/w debt instruments in the form of securities	862	9	25		22	(176)	(24)				1	719
o/w loans and receivables	51	1			1	(2)						50
	0		(0)								0	
Financial assets designated under the fair value option			**(0)**								**0**	
o/w debt instruments in the form of securities	0											0
o/w equity instruments												
o/w loans and receivables												
Financial assets at fair value through other comprehensive income	**48**	**(2)**		**(1)**	**254**	**(2)**			**0**		**(3)**	**294**
o/w equity instruments	48	(2)		(1)	254	(2)			0		(3)	294
o/w debt instruments in the form of securities												
o/w loans and receivables												
Available-for-sale financial assets											**0**	**0**
Total financial assets recorded at fair value	**6,975**	**227**	**(110)**	**1**	**6,263**	**(5,638)**	**(226)**	**1,013**	**(6)**	**(4)**	**10**	**8,505**

Financial liabilities

Financial liabilities (in millions of euros)	Level 3 opening balance at 31/12/2018 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 during the period	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 (1)	Reclassifications in the period – Other reclassifications (1)	Change in consolidation scope	Translation adjustments	Level 3 closing balance at 30/06/2019
Financial liabilities held for trading	**2,054**	**(107)**	**(76)**		**91**	**(293)**	**(153)**	**1,385**	**1**		**8**	**2,910**
o/w interest rate derivatives	192	(21)	(19)		19	(1)		1,102			0	1,273
o/w currency derivatives	1,042	(20)	6		12	(21)	(71)	6			1	956
o/w credit derivatives	251	(9)			4	(1)	(0)	1			1	247
o/w equity derivatives	569	(59)	(63)		56	(271)	(82)	273	1		7	431
o/w other		0						3			(0)	3
Other financial liabilities held for trading	**1,176**	**32**	**(26)**		**1,714**	**(1,749)**	**(0)**				**0**	**1,146**
Financial liabilities under the fair value option through profit or loss	**185**	**14**	**(2)**		**860**	**(58)**		**6,249**	**1,138**		**3**	**8,390**
o/w securities under the fair value option	182	14	(2)		860	(58)		6,249	1,138		3	8,387
o/w other financial liabilities under the fair value option	3	(1)										2
Total financial liabilities recognized at fair value	**3,415**	**(62)**	**(104)**		**2,666**	**(2,100)**	**(153)**	**7,634**	**1,139**		**12**	**12,446**

(1) Debt issues were reclassifies to Level 3 of the fair value hierarchy along with the underlying instruments, both for instruments deemed unobservable during the period and for issues related to instruments already classified in Level 3 at December 31, 2018 (the latter are recorded under "other reclassifications").

At December 31, 2018

Financial assets

Financial assets (in millions of euros)	Level 3 closing balance at 31/12/2017 IAS 39	Reclassifications and restatements	Impact of change	Level 3 opening balance at 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 during the period	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 at 31/12/2018
Financial assets held for trading	**151**	**2,448**	**0**	**2,598**	**60**	**88**	**0**	**7,550**	**(7,482)**	**(0)**	**14**	**(0)**	**0**	**61**	**2,889**
o/w debt instruments in the form of securities	151	(12)	0	139	(68)	1	0	56	(68)	(0)	14	(0)	0	2	75
o/w loans and receivables	0	2,460	0	2,460	128	87	0	7,493	(7,413)	0	0	0	0	59	2,814
Derivative instruments not eligible for hedge accounting (positive fair value)	**2,981**	**(11)**	**0**	**2,970**	**(38)**	**(129)**	**0**	**172**	**(366)**	**(206)**	**148**	**(2)**	**0**	**0**	**2,548**
o/w interest rate derivatives	124	(10)	0	114	30	1	0	1	(41)	(0)	17	0	0	0	122
o/w currency derivatives	1,527	(1)	0	1,526	(44)	(33)	0	78	(49)	(178)	0	0	0	0	1,299
o/w credit derivatives	764	0	0	764	39	(71)	0	1	(8)	0	0	0	0	0	725
o/w equity derivatives (1)	561	0	0	561	(63)	(21)	0	91	(267)	(28)	131	(2)	0	0	402
o/w other	5	0	0	5	0	(5)	0	0	0	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**	**0**
Financial instruments to be valued at fair value through profit or loss	**0**	**1,448**	**0**	**1,448**	**94**	**21**	**(0)**	**183**	**(427)**	**(0)**	**160**	**8**	**0**	**4**	**1,490**
o/w equity instruments	0	1,033	0	1,033	46	(1)	(0)	54	(166)	(0)	0	(392)	0	4	577
o/w debt instruments in the form of securities	0	358	0	358	47	22	0	105	(230)	0	160	401	0	0	862
o/w loans and receivables	0	57	0	57	1	0	0	24	(31)	0	0	0	0	0	51
Financial assets designated under the fair value option	**1,873**	**(1,850)**	**0**	**22**	**0**	**0**	**0**	**0**	**(23)**	**0**	**0**	**0**	**0**	**0**	**0**
o/w debt instruments in the form of securities	350	(329)	0	21	0	0	0	0	(21)	0	0	0	0	0	0
o/w equity instruments	724	(724)	0	0	0	0	0	0	0	0	0	0	0	0	0
o/w loans and receivables	799	(797)	0	2	0	0	0	0	(2)	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	**0**	**74**	**0**	**74**	**0**	**0**	**(16)**	**6**	**(16)**	**0**	**0**	**(0)**	**0**	**0**	**48**
o/w equity instruments	0	68	0	68	0	0	(10)	6	(16)	0	0	(0)	0	0	48
o/w debt instruments in the form of securities	0	6	0	6	0	0	(6)	0	0	0	0	0	0	0	0
o/w loans and receivables															
Available-for-sale financial assets	**427**	**(427)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(0)**	**0**
Total financial assets recorded at fair value	**7,094**	**19**	**0**	**7,113**	**115**	**(20)**	**(16)**	**7,909**	**(8,313)**	**(207)**	**322**	**6**	**0**	**66**	**6,975**

Financial liabilities

Financial liabilities (in millions of euros)	Level 3 closing balance at 31/12/2017 IAS 39	Reclassification	Impact of change	Level 3 opening balance at 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 during the period	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 at 31/12/2018
Derivative instruments not eligible for hedge accounting (negative fair value)	**1,945**	**(11)**	**0**	**1,934**	**471**	**(482)**	**0**	**454**	**(162)**	**- 176**	**13**	**2**	**0**	**0**	**2,054**
o/w interest rate derivatives	197	(9)	0	187	(50)	(3)	0	50	(1)	- 1	9	0	0	0	192
o/w currency derivatives	1,172	0	0	1,172	13	(18)	0	47	(17)	- 154	0	0	0	0	1,042
o/w credit derivatives	326	0	0	326	20	(142)	0	49	(0)	- 2	0	0	0	0	251
o/w equity derivatives	251	(1)	0	250	491	(319)	0	308	(147)	- 18	3	2	0	0	569
o/w other	0	0	0	0	(3)	0	0	0	3	-	0	0	0	0	0
Other financial liabilities held for trading	**0**	**1,097**	**0**	**1,097**	**38**	**(78)**	**0**	**1,138**	**(1,019)**	**-**	**0**	**0**	**0**	**0**	**1,176**
Financial liabilities under the fair value option through profit or loss	**1,469**	**(1,097)**	**0**	**373**	**(15)**	**1**	**0**	**11**	**(190)**	**-**	**1**	**0**	**4**	**1**	**185**
o/w securities under the fair value option	373	0	0	373	(14)	1	0	11	(190)	-	1	0	0	1	182
o/w other financial liabilities under the fair value option	1,097	(1,097)	0	0	(1)	0	0	0	0	-	0	0	4	0	3
Total financial liabilities recognized at fair value	**3,414**	**(11)**	**0**	**3,404**	**495**	**(559)**	**0**	**1,602**	**(1,370)**	**- 176**	**14**	**2**	**4**	**1**	**3,415**

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, 2019. 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:

- assumptions of additional valuation adjustments for interest rate, currency, credit and equity instruments;
- a flat-rate variation of +/-50 basis points applied to the margin used for the discounted cash flow expected on TruPS CDOs.

(In millions of euros)	Potential impact on income statement
Equities and other equity instruments, and derivatives	48
Interest rate and/or foreign exchange instruments, and derivatives	18
Credit instruments and derivatives (2)	7
Sensitivity of Level 3 financial instruments	**73**

(1) Impact determined before taking the BPCE guarantee into account;
(2) of which TruPS CDOs.

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	01/01/2018 IFRS 9	Margin on new transactions	Margin recognized during the period	Other changes	31/12/2018	Margin on new transactions	Margin recognized during the period	Other changes	30/06/2019
Interest rate derivative instruments	1	0	(0)	0	1	0	(0)	0	0
Currency derivative instruments					0	0	0	0	0
Credit derivative instruments	13	11	(7)	(1)	16	14	(11)	(1)	18
Equity derivative instruments	63	93	(84)	(1)	70	70	(39)	1	102
Total	**76**	**104**	**(91)**	**(2)**	**87**	**84**	**(50)**	**(0)**	**120**

5.4.3 Financial assets and liabilities at fair value: Transfer between fair value levels

In millions of euros		30/06/2019					31/12/2018				
	From	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
	To	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Financial assets at fair value through profit or loss		**255**	**279**	**1,013**		**203**	**111**	**235**	**322**		**206**
Financial assets held for trading		**206**	**175**	**13**		**116**	**89**	**150**	**14**		
o/w debt instruments in the form of securities		150	175	13			89	150	14		
o/w equity instruments		3									
o/w loans and receivables						116					
o/w security deposits paid		54	0								
Derivative instruments not eligible for hedge accounting (positive fair value)		**49**	**103**	**1,000**		**86**	**23**	**85**	**148**		**206**
o/w interest rate derivatives				922		1			17		
o/w currency derivatives				9		85					178
o/w credit derivatives				2		0					
o/w equity derivatives		47	101	67		0	17	85	131		28
o/w other		1	2				6				
Financial instruments to be valued at fair value through profit or loss		**0**	**0**			**24**			**160**		
o/w debt instruments in the form of securities		0	0			24			160		
Financial assets at fair value through other comprehensive income		**67**	**674**				**361**	**205**			
o/w equity instruments											
o/w debt instruments in the form of securities		67	674				361	205			
o/w loans and receivables											

In millions of euros		30/06/2019					31/12/2018				
	From	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
	To	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Financial liabilities held for trading							**41**	**56**	**14**		**176**
Derivative instruments not eligible for hedge accounting (negative fair value)		**95**	**85**	**1,385**		**153**	**41**	**56**	**13**		**176**
o/w interest rate derivatives				1,102					9		1
o/w currency derivatives				6		71					154
o/w credit derivatives				1		0					2
o/w equity derivatives		94	84	273		82	34	55	3		18
o/w other		1	1	3			7	1			
Financial liabilities designated under the fair value option				**6,249**					**1**		
o/w securities issued under the fair value option				**6,249**							
o/w other financial liabilities under the fair value option									1		

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	30/06/2019			31/12/2018		
	Unimpaired financial assets[1]	Impaired financial assets[2]	Total	Unimpaired financial assets[1]	Impaired financial assets(2)	Total
Current accounts overdrawn	**6,434**	**0**	**6,434**	5,698	1	5,699
Loans and receivables	**47,174**	**47**	**47,221**	21,589	48	21,637
Security deposits paid						
Value adjustments for credit losses	**(2)**	**(47)**	**(49)**	(2)	(48)	(50)
Total	**53,606**	**0**	**53,606**	**27,285**	**0**	**27,285**

(1) Comprises 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 a default event 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 €53,992 million at June 30, 2019 versus €27,558 million at December 31, 2018.

Reconciliation of loans and receivables due from banks at amortized cost

In millions of euros	Loans and receivables due from banks at amortized cost at 30/06/2019									
	Unimpaired assets for which expected credit losses are measured over 12 months *(S1 bucket)*		Unimpaired assets for which expected credit losses are measured on a lifetime basis *(S2 bucket)*		Assets impaired after their origination/acquisition (S3 bucket)		Assets impaired on origination/acquisition		TOTAL	
	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses
Balance at 01/01/2018	**38,740**	**(0)**	**1,014**	**(3)**	**63**	**(61)**	**0**	**0**	**39,818**	**(64)**
New originated or acquired contracts	12,296	(0)	64	(0)					12,360	(0)
Changes in contractual cash flows not giving rise to derecognition										
Variations linked to changes in credit risk parameters *(excluding transfers)*	(2,745)	1	(52)	(0)	5	(4)			(2,792)	(4)
Financial asset transfers	*72*	*(1)*	*(72)*	*1*	*0*	*0*			*0*	*0*
Transfers to S1	79	(1)	(79)	1					0	0
Transfers to S2	(7)		7						0	0
Transfers to S3									0	0
Transfer to non-current assets held for sale[3]	(415)								(415)	
Contracts fully repaid or sold during the period	(22,441)	0	(376)	1	(9)	7			(22,827)	8
Impairment in value *(write-off)*					(11)	11			(11)	11
Variations linked to changes in exchange rates	299	(0)	16	(0)	1	(2)			316	(2)
Changes in the model used										
Other changes		(0)		0					0	0
Balance at 31/12/2018 [1]	**25,806**	**(0)**	**594**	**(2)**	**49**	**(48)**	**0**	**0**	**26,449**	**(50)**
New originated or acquired contracts	19,451	0	31	0					19,482	0
Changes in contractual cash flows not giving rise to derecognition	(9)	0	0	0	0	0			(9)	0
Variations linked to changes in credit risk parameters *(excluding transfers)*	1,198	0	(1)	0	0	0			1,197	0
Financial asset transfers	*(6)*	*0*	*6*	*0*	*0*	*0*			*0*	*0*
Transfers to S1	2	0	(2)	0	0	0			0	0
Transfers to S2	(8)	0	8	0	0	0			0	0
Transfers to S3	0	0	0	0	0	0			0	0
Transfer to non-current assets held for sale	0	0	0	0	0	0			0	0
Contracts fully repaid or sold during the period	(9,039)	0	(203)	0	0	0			(9,242)	0
Impairment in value *(write-off)*					(1)	1			(1)	1
Variations linked to changes in exchange rates	51	0	(3)	0	0	0			49	0
Changes in the model used										0
Other changes [2]	14,734	0	0	0	0	0			14,734	0
Balance at 30/06/2019 [1]	**52,187**	**0**	**425**	**(2)**	**48**	**(47)**	**0**	**0**	**52,659**	**(49)**

(1) Gross carrying amount excluding insurance company contributions, i.e. €996 million at June 30, 2019 (versus €887 million at December 31, 2018);
(2) Outstandings with the retail banking entities of the SFS division sold to BPCE;
(3) SFS business lines recognized in non-current assets held for sale as at December 31, 2018.

5.5.2 Loans and receivables due from customers at amortized cost

In millions of euros	30/06/2019 Unimpaired financial assets (1)	30/06/2019 Impaired financial assets (2)	30/06/2019 Total	31/12/2018 Unimpaired financial assets (1)	31/12/2018 Impaired financial assets (2)	31/12/2018 Total
Reverse repurchased securities	3,446		3,446	3,144		3,144
Current accounts overdrawn	3,001	35	3,036	3,469	29	3,498
Finance leases	32	7	40	33	7	40
Factoring	2,430		2,430	2,510		2,510
Other	60,961	2,523	63,484	58,866	2,351	61,217
Security deposits paid	95		95	109		109
Value adjustments for credit losses	(139)	(1,111)	(1,250)	(125)	(1,114)	(1,239)
Total	**69,826**	**1,454**	**71,281**	**68,006**	**1,273**	**69,279**

(1) Comprises 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 a default event 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 €71,372 million at June 30, 2019 versus €69,997 million at December 31, 2018.

Reconciliation of loans and receivables due from customers at amortized cost

In millions of euros	Loans and receivables due from customers at amortized cost at 30/06/2019									
	Unimpaired assets for which expected credit losses are measured over 12 months *(S1 bucket)*		Unimpaired assets for which expected credit losses are measured on a lifetime basis *(S2 bucket)*		Assets impaired after their origination/acquisition (S3 bucket)		Assets impaired on origination/acquisition		TOTAL	
	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses
Balance at 01/01/2018	**36,781**	**(45)**	**45,019**	**(277)**	**4,163**	**(1,510)**	**473**	**(92)**	**86,436**	**(1,923)**
New originated or acquired contracts	21,745	(26)	4,602	(25)	0	0	16	(1)	26,363	(52)
Changes in contractual cash flows not giving rise to derecognition	(187)	2	(40)	1	(9)	(0)	0	0	(236)	3
Variations linked to changes in credit risk parameters *(excluding transfers)*	2,707	32	(6,678)	31	(120)	(187)	(91)	(16)	(4,181)	(139)
Financial asset transfers	*5,054*	*(30)*	*(5,587)*	*31*	*231*	*(43)*			*(302)*	*(42)*
Transfers to S1 (1)	7,291	(35)	(7,284)	36	(1)	1			5	3
Transfers to S2	(2,189)	4	2,160	(14)	(278)	32			(307)	21
Transfers to S3	(48)	1	(463)	9	511	(76)			(0)	(66)
Transfer to non-current assets held for sale (2)	(9,933)	27	(10,204)	96	(1,361)	370	(13)	1	(21,511)	495
Contracts fully repaid or sold during the period	(6,803)	8	(10,024)	54	(734)	176	(29)	10	(17,590)	247
Impairment in value *(write-off)*					(255)	255	(4)	4	(259)	259
Variations linked to changes in exchange rates	890	(1)	669	(1)	6	(13)	11	(2)	1,576	(17)
Changes in the model used		0		0		0		0		0
Other changes	0	0	0	0	220	(68)	0	0	220	(68)
Balance at 31/12/2018	**50,255**	**(31)**	**17,758**	**(91)**	**2,143**	**(1,021)**	**363**	**(96)**	**70,518**	**(1,239)**
New originated or acquired contracts	12,590	(8)	1,426	(9)	0	0	0	0	14,016	(18)
Changes in contractual cash flows not giving rise to derecognition	318	(1)	5	(0)	0	0	0	0	323	(1)
Variations linked to changes in credit risk parameters *(excluding transfers)*	(663)	13	(843)	(20)	264	(128)	104	(5)	(1,138)	(139)
Financial asset transfers	*(448)*	*(12)*	*319*	*15*	*128*	*(3)*			*0*	*0*
Transfers to S1	973	(14)	(973)	14	0	0			0	0
Transfers to S2	(1,411)	2	1,411	(2)	0	0			(0)	(0)
Transfers to S3	(10)	0	(119)	3	128	(3)			(0)	0
Contracts fully repaid or sold during the period	(9,894)	3	(1,631)	8	(92)	14	(114)	17	(11,731)	42
Impairment in value *(write-off)*					(104)	104	0	0	(104)	104
Variations linked to changes in exchange rates	89	(0)	32	0	0	(1)	1	0	123	(1)
Changes in the model used		0		0		0		0		0
Other changes (3)	525	0	0	0	0	0	0	0	525	0
Balance at 30/06/2019	**52,771**	**(36)**	**17,067**	**(97)**	**2,339**	**(1,034)**	**354**	**(83)**	**72,531**	**(1,250)**

(1) Including the transfer from Stage 2 to Stage 1, due to the improvement over the period of the ratings of the economic sectors to which the transferred amounts are related;
(2) SFS business lines recognized in non-current assets held for sale as at December 31, 2018;
(3) Outstandings with the retail banking entities of the SFS division sold to BPCE.

5.5.3 Debt securities at amortized cost

In millions of euros	30/06/2019			31/12/2018		
	Unimpaired financial assets (1)	Impaired financial assets (2)	Total	Unimpaired financial assets (1)	Impaired financial assets (2)	Total
Debt instruments	1,680	211	1,891	1,124	206	1,330
Value adjustments for credit losses	(3)	(135)	(138)	(6)	(132)	(137)
Total	**1,677**	**75**	**1,753**	**1,118**	**75**	**1,193**

(1) Comprises 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 a default event 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 €1,789 million at June 30, 2019 versus €1,229 million at December 31, 2018.

Reconciliation of debt securities at amortized cost

In millions of euros	Debt securities at amortized cost at 30/06/2019									
	Unimpaired assets for which expected credit losses are measured over 12 months *(S1 bucket)*		Unimpaired assets for which expected credit losses are measured on a lifetime basis *(S2 bucket)*		Assets impaired after their origination/acquisition *(S3 bucket)*		Assets impaired on origination/acquisition		TOTAL	
	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses	Gross carrying amount	Value adjustment for credit losses
Balance at 01/01/2018	**734**		**68**	**(2)**	**127**	**(96)**	**171**	**(17)**	**1,100**	**(116)**
New originated or acquired contracts	240		148	(7)					389	(7)
Changes in contractual cash flows not giving rise to derecognition										
Variations linked to changes in credit risk parameters *(excluding transfers)*	71		6	(5)	12	1	(3)	(30)	86	(33)
Financial asset transfers										
Transfers to S1										
Transfers to S2										
Transfers to S3										
Contracts fully repaid or sold during the period	(78)		(126)	8	(52)	10			(256)	18
Impairment in value *(write-off)*					(2)	2			(2)	2
Variations linked to changes in exchange rates	15					(1)			15	(1)
Changes in the model used										
IFRS5 - Entities held for sale										
Other changes			(1)		(1)				(2)	
Balance at 31/12/2018	**982**		**95**	**(6)**	**84**	**(84)**	**168**	**(47)**	**1,330**	**(137)**
New originated or acquired contracts	662		5	(0)					667	(0)
Changes in contractual cash flows not giving rise to derecognition										
Variations linked to changes in credit risk parameters *(excluding transfers)*	17		(1)	0	5	(4)	(30)	3	(8)	(0)
Financial asset transfers										
Transfers to S1										
Transfers to S2										
Transfers to S3										
Contracts fully repaid or sold during the period	(9)		(94)	0					(103)	0
Impairment in value *(write-off)*										
Variations linked to changes in exchange rates	1		0						1	(0)
Changes in the model used										
IFRS5 - Entities held for sale										
Other changes	1		3						4	
Balance at 30/06/2019	**1,655**		**8**	**(6)**	**89**	**(88)**	**138**	**(44)**	**1,891**	**(138)**

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 Amounts due to credit institutions

In millions of euros	30/06/2019	31/12/2018
Current accounts	3,692	3,858
Deposits and loans	55,404	60,532
Repurchased securities	7,526	8,755
Security deposits received	115	88
Other liabilities	8	1
Total (1)	**66,745**	**73,234**

(1) Including €4,431 million for the insurance entities at June 30, 2019 versus €4,715 million at December 31, 2018.

The fair value of amounts due to banks was €66,909 million at June 30, 2019 versus €73,311 million at December 31, 2018.

5.6.2 Customer deposits

In millions of euros	30/06/2019	31/12/2018
Current accounts	22,231	22,740
Deposits and loans	6,264	11,031
Repurchased securities	93	63
Special savings accounts	291	201
Factoring accounts	286	347
Security deposits received		
Other liabilities	1,531	1,579
Accrued interest	33	30
Total	**30,729**	**35,991**

The fair value of customer deposits was €30,733 million at June 30, 2019 versus €35,992 million at December 31, 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	30/06/2019	31/12/2018
Money market instruments	45,749	32,021
Bonds	1,364	1,471
Other debt securities	1,378	1,466
Total	**48,490**	**34,958**

The fair value of debt securities came to €48,739 million at June 30, 2019 versus €34,959 million at December 31, 2018.

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	30/06/2019	31/12/2018
Dated subordinated debt (2)	3,656	3,646
Undated subordinated debt	297	297
Accrued interest	18	21
Total (1)	**3,971**	**3,964**

(1) Including €1,430 million for the insurance entities at June 30, 2019 versus €1,422 million at December 31, 2018;
(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 €4,293 million at June 30, 2019 versus €4,284 million at December 31, 2018.

Changes in subordinated debt over the period

In millions of euros	01/01/2018	Issues (1)	Redemptions	Translation adjustments	Changes in scope	Other (2)	31/12/2018	Issues	Redemptions	Translation adjustments	Changes in scope	Other	30/06/2019
Other dated subordinated debt	**3,393**	**300**	**(10)**	**0**	**0**	**(37)**	**3,646**	**0**	**0**	**0**	**0**	**10**	**3,656**
Subordinated notes	678	0	(10)			(2)	667					10	**676**
Subordinated loans	2,715	300				(36)	2,980						**2,980**
Other undated subordinated debt	**261**	**0**	**0**	**0**	**0**	**36**	**297**	**0**	**0**	**0**	**0**	**0**	**297**
Deeply subordinated notes	0						0						**0**
Subordinated notes	10					36	46						**46**
Subordinated loans	251						251						**251**
Total	**3,654**	**300**	**(10)**	**0**	**0**	**(2)**	**3,943**	**0**	**0**	**0**	**0**	**10**	**3,953**

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	30/06/2019	31/12/2018
Accrual accounts (1)	1,684	1,450
Securities settlement accounts	149	311
Other items	129	139
Security deposits paid	153	117
Other miscellaneous debtors (2)	11,926	12,254
Other assets	292	462
Total	**14,333**	**14,733**

(1) of which €351 million in contract assets (accrued income) at June 30, 2019 versus €270 million at December 31, 2018;
(2) of which €936 million in trade receivables at June 30, 2019 versus €970 million at December 31, 2018.

LIABILITIES

In millions of euros	30/06/2019	31/12/2018
Accrual accounts (1)	4,033	3,076
Miscellaneous creditors	9,067	9,734
Securities settlement accounts	22	136
Security deposits received	7	6
Lease liabilities (2)	1,258	
Miscellaneous liabilities	2,086	2,406
Other	3	1
Total	**16,477**	**15,359**

(1) of which €155 million in contract liabilities (prepaid expenses) at June 30, 2019 versus €125 million at December 31, 2018;
(2) the impact of the first-time application of IFRS 16 on the opening balance sheet at January 1, 2019 is presented in detail in Note 2.

5.10 Goodwill

In millions of euros	01/01/2019	30/06/2019								
	Opening balance	Acquisitions during the period	IFRS 5 allocations	Disposals	Write-downs	Translation adjustments	Transfers to equity method	Reclassifications (4)	Other changes	Closing balance
Asset & Wealth Management (1)	3,136	40				6		31	(1)	3,212
Corporate & Investment Banking (2)	129	11								140
Insurance	93									93
Payments (3)	0	10						126		137
Financial Investments	281									281
Specialized Financial Services	157							(157)		0
Other activities	0									0
Total	**3,796**	**62**				**6**		**0**	**(1)**	**3,863**

(1) Of which +€40.2 million in goodwill recorded on the acquisition of Massena Partners. In addition, a goodwill adjustment of -€1.0 million for MV Crédit was made within the one-year allocation period;
(2) Of which +€11.4 million in goodwill recorded on the acquisition of Azure Capital Holdings Pty Ltd;
(3) Of which +€10.2 million in goodwill recorded on the acquisition of Titres Cadeaux;
(4) The disposal of the SFS division's retail banking entities also altered the presentation of the Natixis CGUs. Within the former SFS CGU, the Payments entities now belong to the "Payments" CGU. The group reallocated €126 million in goodwill to the Payments CGU, predominantly comprising goodwill recognized on the recent fintech acquisitions in the aforementioned business lines. Natixis Interépargne was reassigned to Asset & Wealth Management (€31 million in "historical" goodwill reallocated).

Furthermore, goodwill on entities consolidated using the equity method amounted to €3.3 million at June 30, 2019.

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 €338.2 million as at June 30, 2019.

At December 31, 2018

In millions of euros	01/01/2018	31/12/2018								
	Opening balance	Acquisitions during the period	IFRS 5 allocations	Disposals	Write-downs	Translation adjustments	Transfers to equity method	Reclassifications	Other changes	Closing balance
Asset & Wealth Management (1)	2,986	123		(27)		63			(10)	3,136
Corporate & Investment Banking (2)	77	47				4				129
Insurance	93									93
Specialized Financial Services (3)	161	20	(27)						2	157
Financial Investments	281									281
Other activities	0									0
Total	**3,601**	**190**	**(27)**	**(27)**		**67**			**(8)**	**3,796**

(1) Of which +€122.7 million of goodwill recorded on the acquisition of MV Crédit and -€27 million for the disposals carried out: -€19 million for Axeltis and -€8 million for Selection 1818. In addition, a goodwill adjustment for Investors Mutual Limited (-€9.6 million) and Mirova Althélia (-€0.2 million) was made within the one-year allocation period;
(2) Of which +€10.8 million in goodwill recorded on the acquisition of Vermilion and +€36.6 million on the acquisition of Fenchurch;
(3) Of which +€20 million in goodwill recorded on the acquisition of Alter CE (Comitéo). A reclassification in the "Financial assets held for sale" aggregate was also recognized in accordance with IFRS 5 in the amount of -€27.5 million: -€9.5 million for Natixis Financement, -€12.2 million for CEGC, -€5.2 million for Midt Factoring and -€0.6 million for Natixis Factor.

Furthermore, goodwill on entities consolidated using the equity method amounted to €3.3 million at December 31, 2018. Certain goodwill recorded for the United States gives rise to a tax amortization over 15 years due to the difference between the carrying amount of the goodwill and its tax value. This difference in treatment generated a deferred tax liability of €335.8 million as at December 31, 2018.

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	01/01/2019	Increase	Reversal (utilized provisions)	Reversal (surplus provisions)	Translation adjustments	Other (1)	30/06/2019
Counterparty risks	**888**	**148**	**(0)**	**(130)**	**3**	**0**	**910**
Financing and guarantee commitments	105	147		(120)	0	0	131
Litigation	768	0	(0)	(3)	3		768
Other provisions	15	2		(7)	0	0	10
Impairment risks	**22**	**1**	**(1)**		**0**	**0**	**22**
Long-term investments	21	1	(1)		0		21
Real estate developments	0					0	0
Other provisions							
Employee benefit obligations	**584**	**41**	**(83)**	**(14)**	**0**	**49**	**577**
Operational risks	**188**	**32**	**(13)**	**(25)**	**0**		**181**
Total Contingency reserves	**1,681**	**221**	**(97)**	**(169)**	**4**	**50**	**1,690**

(1) Actuarial valuation impact of defined-benefit plans.

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 1.1).

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 asset 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 liability 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 Net income from insurance activities

In millions of euros	30/06/2019	30/06/2018
Earned premiums	**7,265**	**7,375**
Premiums written	7,370	7,548
Change in unearned premium income	(105)	-173
Other income from insurance activities	**4**	**17**
Revenue from insurance activities	**72**	**70**
Investment income (net of expenses)	**1,999**	**767**
Investment income	1,023	906
Investment expenses	(220)	-48
Capital gains and losses on disposal of investments (net of reversals, write-downs and amortization)	77	95
Change in fair value of investments carried at fair value through profit or loss	1,158	-162
Change in write-downs on investments	(39)	-24
Amortization of acquisition costs	**9**	**21**
Policy benefit expenses	**(7,896)**	**-6,769**
Income and expenses net of reinsurance transfers	**(43)**	**-27**
Reinsurance transfer income	1,839	1,698
Reinsurance transfer expenses	(1,883)	-1,725
NET INCOME FROM INSURANCE ACTIVITIES (1)	**1,408**	**1,455**

(1) At June 30, 2018, Compagnie Européenne de Garanties et Cautions (CEGC) contributed +€138 million to net income from insurance businesses.

6.2.1 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	30/06/2019								
		Banking format							
		Net revenues							
Insurance format	**TOTAL**	**Net income from insurance**	**Other net revenue items (excl. net income from insurance)**	**Operating expenses**	**Gross operating income**	**Provision for credit losses**	**Tax**	**Other items**	**Net income**
Premiums written	*7,312*	7,370	(57)		7,312				7,312
Change in unearned premium income	*(98)*	(105)	7		(98)				(98)
Earned premiums	7,214	7,265	(50)		7,214				7,214
Banking operating income	31		31		31				31
Revenues and income from other activities	*87*	72	15		87				87
Other operating income	*8*	4	(1)	5	8				8
Investment income	*1,082*	1,023	60		1,082				1,082
Investment expenses	*(258)*	(220)	(32)	(6)	(258)				(258)
Capital gains and losses on disposal of investments (net of reversals, write-downs and amortization)	*139*	77	1	0	78			61	139
Change in fair value of investments carried at fair value through profit or loss	*1,156*	1,158	(1)	0	1,156				1,156
Change in write-downs on investments	*(40)*	(39)	(1)		(40)				(40)
Investment income (net of expenses)	2,082	1,999	27	(6)	2,020			61	2,082
Policy benefit expenses	(7,915)	(7,896)	46	(66)	(7,915)				(7,915)
Reinsurance transfer income	1,833	1,839	(7)		1,833				1,833
Reinsurance transfer expenses	(1,865)	(1,883)	18		(1,865)				(1,865)
Income and expenses net of reinsurance transfers	(33)	(43)	11		(33)				(33)
Provision for credit losses	(1)					(1)			(1)
Banking operating expenses	(7)			(7)	(7)				(7)
Policy acquisition costs	(497)	9	(402)	(104)	(497)				(497)
Amortization of portfolio values and related items									
Administrative costs	(429)		(243)	(186)	(429)				(429)
Other recurring operating income and expenses	(151)		(40)	(113)	(154)			2	(151)
Other non-recurring operating income and expenses			2	(3)	0				
OPERATING INCOME (LOSS)	**388**	1,408	(605)	(479)	325	(1)		63	**388**
Finance expenses	(16)		(16)		(16)				(16)
Share in income of associates	5							5	5
Income taxes	(100)			(1)	(1)		(98)		(100)
After-tax income from discontinued activities									
Non-controlling interests	(79)				0			(79)	(79)
CONSOLIDATED NET INCOME	**198**	**1,408**	**(621)**	**(481)**	**307**	**(1)**	**(98)**	**(10)**	**198**

June 30, 2018

In millions of euros	30/06/2018								
		Banking format							
		Net revenues							
Insurance format	TOTAL	Net income from insurance	Other net revenue items (excl. net income from insurance)	Operating 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 non-recurring operating income and expenses	(1)	0	0	2	1			(2)	(1)
OPERATING INCOME (LOSS)	**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**

6.3 Insurance business investments

In millions of euros	*Notes*	30/06/2019	31/12/2018
Investment property	6.3.3	1,421	1,371
Financial assets at fair value through profit or loss	6.3.1	24,680	22,328
Hedging derivatives			
Available-for-sale financial assets	6.3.2	50,179	47,801
Loans and receivables	6.3.5	13,397	13,137
Held-to-maturity financial assets	6.3.6	1,254	1,291
Share held by cedents and retrocessionaires in liabilities relating to insurance policies and financial contracts		14,305	13,015
Receivables arising from insurance and assumed reinsurance activities		1,302	1,157
Receivables arising from reinsurance transfers		61	91
Deferred acquisition costs		345	344
Other			
Total		**106,944**	**100,536**

6.3.1 Financial assets at fair value through profit or loss

In millions of euros	*Notes*	30/06/2019	31/12/2018
Securities held for trading		**5,458**	**4,810**
Debt instruments in the form of securities		-	
Equity instruments (1)		5,458	4,810
Loans and receivables			
Derivative instruments not eligible for hedge accounting		**40**	**18**
Hedging derivatives			
Securities under the fair value option	*6.3.1.1*	**19,182**	**17,501**
Debt instruments in the form of securities		1,700	1,582
Equity instruments (1)		*780*	366
Investments backed by unit-linked policies		*16,702*	15,553
Loans and receivables at fair value through profit and loss	*6.3.1.1*		
Banks			
Customers			
Total		**24,680**	**22,328**

(1) Including mutual fund units.

6.3.1.1 Conditions for classification of financial assets under the fair value option

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.

	30/06/2019				31/12/2018			
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	**0**	0	0	0	**0**	0	0	0
Debt instruments in the form of securities	**2,456**	829	0	1,627	**2,353**	843	0	1,510
Equity instruments	**16,726**	16,726	0	0	**15,148**	15,148	0	0
Total	**19,182**	**17,555**	**0**	**1,627**	**17,501**	**15,991**	**0**	**1,510**

6.3.2 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	30/06/2019	31/12/2018
Securities	**50,514**	**48,045**
- Debt instruments	41,793	40,452
- Equity instruments (1)	8,292	7,133
- Accrued interest	428	460
Impairment of available-for-sale assets	**(335)**	**(245)**
- Debt instruments	(44)	(38)
- Equity instruments (2)	(291)	(207)
Total	**50,179**	**47,801**

(1) Including mutual fund units;
(2) In first-half 2019, permanent impairment of variable-income securities stood at €34 million compared with €15 million at June 30, 2018. This expense was 88% offset by the profit-sharing mechanism. The first-half 2019 expense can be broken down into an additional impairment loss on previously impaired securities for €9 million (€12 million at June 30, 2018) and an allowance for newly impaired securities of €25 million (€3 million at June 30, 2018).

6.3.3 Investment property

In millions of euros	30/06/2019			31/12/2018		
	Gross value	Depreciation and impairment	Net value	Gross value	Depreciation and impairment	Net value
Investment property - At fair value	1,016	0	1,016	970	0	970
Investment property - At historical cost	40	(14)	27	40	(13)	27
Investment property - UL policies	379	0	379	374	0	374
Total	**1,435**	**(14)**	**1,421**	**1,385**	**(13)**	**1,371**

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 averaging 88% of the related calculation base at June 30, 2019, i.e. stable compared with December 31, 2018 (see Note 6.2.5).

6.3.4 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)	30/06/2019				31/12/2018			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss - Trading	**5,498**	**5,408**	**90**		**4,827**	**4,730**	**98**	
Fixed-income securities held for trading	**5,458**	**5,374**	**84**		**4,810**	**4,726**	**84**	
o/w debt instruments in the form of securities								
o/w equity instruments	5,458	5,374	84		4,810	4,726	84	
Derivative instruments not eligible for hedge accounting (positive fair value)	**40**	**34**	**6**		**18**	**4**	**13**	
o/w interest rate derivatives	1		1		4		4	
o/w currency derivatives	11	5	6		13	3	10	
o/w credit derivatives								
o/w equity derivatives	29	29			1	1		
o/w other					0			
Other financial assets held for trading								
Financial assets designated under the fair value option through profit or loss	**19,182**	**11,889**	**5,826**	**1,468**	**17,501**	**14,789**	**1,473**	**1,238**
o/w debt instruments in the form of securities	1,700	96	136	1,468	1,582	89	255	1,238
o/w equity instruments	780	76	705		366	83	282	
o/w loans and receivables								
o/w investments backed by unit-linked policies	16,702	11,717	4,985		15,553	14,617	936	
Available-for-sale financial assets	**50,179**	**42,245**	**5,405**	**2,529**	**47,801**	**39,708**	**5,617**	**2,475**
Available-for-sale securities - Equity investments	**218**			**218**	**208**			**208**
Other available-for-sale securities	**49,961**	**42,245**	**5,405**	**2,311**	**47,593**	**39,708**	**5,617**	**2,267**
o/w debt instruments in the form of securities	42,178	35,917	3,950	2,311	40,874	34,443	4,213	2,218
o/w equity instruments	7,783	6,328	1,455	0	6,718	5,265	1,404	49
o/w other available-for-sale financial assets								
Total	**74,859**	**59,541**	**11,321**	**3,997**	**70,129**	**59,228**	**7,188**	**3,713**

Financial assets at fair value measured using level 3 of the fair value hierarchy

in millions of euros	Level 3 opening balance 31/12/2018	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 during the period	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 at 30/06/2019
Financial assets at fair value through profit or loss	**1,238**	**94**	**(3)**		**124**	**(155)**		**169**	**0**			**1,468**
Derivative instruments not eligible for hedge accounting (positive fair value)	**0**				**-**	**0**		**-**	**0**			
o/w currency derivatives	0				-	*0*						
o/w equity derivatives												
o/w other	0							-	*0*			
Financial assets designated under the fair value option through profit or loss	**1,238**	**94**	**(3)**		**124**	**(155)**		**169**				**1,468**
o/w debt instruments in the form of securities	**1,238**	94	(3)		124	(155)		169				**1,468**
Available-for-sale financial assets	**2,475**	**3**	**(3)**	**13**	**129**	**(288)**	**(633)**	**834**	**(1)**		**1**	**2,529**
Available-for-sale securities - Equity investments	**208**			**3**	**7**				**(1)**		**1**	**218**
Other available-for-sale securities	**2,267**	**3**	**(3)**	**10**	**121**	**(288)**	**(633)**	**834**				**2,311**
o/w debt instruments in the form of securities	2,218	3	(3)	10	121	(239)	(633)	834				2,311
o/w equity instruments	49					(49)						0
o/w other available-for-sale financial assets												
Total financial assets recorded at fair value	**3,713**	**97**	**(6)**	**13**	**253**	**(443)**	**(633)**	**1,003**	**(1)**		**1**	**3,997**

in millions of euros	Level 3 opening balance 01/01/2018	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 during the period	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 at 31/12/2018
Financial assets at fair value through profit and loss - Trading	**1,465**	**(29)**	**(2)**		**221**	**(414)**	**(1)**			**(3)**		**1,238**
Derivative instruments not eligible for hedge accounting (positive fair value)	**4**				**0**	**(1)**				**(3)**		**0**
o/w currency derivatives	4					(1)				(3)		0
o/w equity derivatives	0									(0)		
o/w other					0							0
Financial assets designated under the fair value option through profit or loss	**1,461**	**(29)**	**(2)**		**221**	**(412)**	**(1)**					**1,238**
o/w debt instruments in the form of securities	**1,461**	(29)	(2)		221	(412)	(1)					**1,238**
Available-for-sale financial assets	**3,556**	**5**	**(3)**	**(63)**	**457**	**(359)**	**(1,525)**	**603**	**(196)**		**1**	**2,475**
Available-for-sale securities - Equity investments	**211**	**(1)**		**11**	**33**	**(0)**	**0**		**(46)**		**1**	**208**
Other available-for-sale securities	**3,345**	**6**	**(3)**	**(74)**	**424**	**(359)**	**(1,525)**	**603**	**(150)**			**2,267**
o/w debt instruments in the form of securities	2,955	(0)	(3)	(67)	399	(164)	(1,506)	603				2,218
o/w equity instruments	391	6		(7)	25	(195)	(20)		(150)			49
o/w other available-for-sale financial assets												
Total financial assets recorded at fair value	**5,021**	**(24)**	**(5)**	**(63)**	**678**	**(773)**	**(1,526)**	**603**	**(196)**	**(3)**	**1**	**3,713**

Financial assets at fair value: transfer between fair value levels

In millions of euros		30/06/2019					31/12/2018				
	From	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**	**Level 1**	**Level 2**	**Level 2**	**Level 3**	**Level 3**
	To	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**	**Level 2**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Financial assets at fair value through profit or loss		**6**		**169**				**2**			**(1)**
Financial assets designated under the fair value option through profit or loss		**6**		**169**				**2**			**(1)**
o/w debt instruments in the form of securities				169							(1)
o/w equity instruments								2			
o/w investments backed by unit-linked policies		6		0							
Available-for-sale financial assets		**33**	**212**	**834**		**(633)**	**75**	**9**	**603**		**(1,525)**
Available-for-sale securities - Equity investments											
Other available-for-sale securities		**33**	**212**	**834**		**(633)**	**75**	**9**	**603**		**(1,525)**
o/w debt instruments in the form of securities		33	212	834		(633)	56	9	603		(1,506)
o/w equity instruments			0				19				(20)

6.3.5 Loans and receivables

6.3.5.1 Loans and receivables due from banks

In millions of euros	**30/06/2019**	**31/12/2018**
Outstanding	**783**	**378**
Loans and receivables	780	377
Debt instruments in the form of securities		
Accrued interest	3	1
Provisions	**0**	**0**
Total net	**783**	**378**

The fair value of loans and receivables due from banks was €783 million at June 30, 2019 versus €378 million at December 31, 2018.

6.3.5.2 Customer loans and receivables

In millions of euros	30/06/2019	31/12/2018
Outstanding	**12,614**	**12,760**
Loans and receivables	12,604	12,750
Debt instruments in the form of securities		
Financing against reverse repos		
Other		
Accrued interest	10	10
Provisions	**0**	**0**
Total (1)	**12,614**	**12,760**

(1) Of which €11,732 million for guarantee deposits made for the acceptance of reinsurance treaties, compared with €11,598 million at December 31, 2018.

The fair value of loans and receivables due from banks was €12,614 million at June 30, 2019 versus €12,760 million at December 31, 2018.

6.3.6 Held-to-maturity financial assets

In millions of euros	30/12/2019	31/12/2018
Government securities	**971**	**1,002**
Gross value	971	1,002
Provisions		
Bonds	**282**	**289**
Gross value	283	290
Provisions	-1	-1
Total	**1,254**	**1,291**

The fair value of held-to-maturity financial assets amounted to €1,477 million at June 30, 2019 versus €1,506 million at December 31, 2018;

6.4 Liabilities related to insurance policies

In millions of euros	30/06/2019	31/12/2018
TECHNICAL RESERVES	**86,284**	**79,732**
Technical reserves relating to insurance policies	46,719	43,703
Technical reserves relating to unit-linked policies	11,243	9,845
Technical reserves relating to financial contracts with a discretionary profit sharing feature	20,107	20,118
Technical reserves relating to financial contracts without a discretionary profit sharing feature		
Technical reserves relating to unit-linked policies	4,431	3,951
Deferred profit-sharing liabilities	3,783	2,115
DEBTS ARISING FROM INSURANCE AND REINSURANCE ACTIVITIES	**10,211**	**9,800**
Debts arising from insurance and assumed reinsurance activities	403	398
Debts arising from ceded reinsurance activities	9,808	9,402
DERIVATIVES	**54**	**7**
Derivative instruments not eligible for hedge accounting	54	7
Hedging derivatives		
OTHER LIABILITIES RELATING TO INSURANCE POLICIES		
Total	**96,549**	**89,538**

6.4.1 Financial liabilities designated 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.

6.4.2 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.

6.4.3 Debt securities

Information required under IFRS 7 on financial liabilities at fair value through profit or loss is presented in Note 5.7.

6.4.4 Subordinated debt

Information required under IFRS 7 on financial liabilities at fair value through profit or loss is presented in Note 5.8.

6.4.5 Information to be disclosed about the temporary exemption from the application of IFRS 9 for insurance activities

Specific notes during the exemption period

	30/06/2019		31/12/2018	
In millions of euros	Fair value	Change in fair value over the period	Fair value	Change in fair value over the period
SPPI financial assets	**41,974**	**2,047**	**39,912**	**(1,492)**
Non-SPPI financial assets	**3,014**	**23**	**3,516**	**(83)**
Total [(1)]	**44,988**	**2,070**	**43,428**	**(1,575)**

This table does not include financial assets recognized at fair value through profit or loss, or reinsurance activities;
(1) Excluding €5,423 million in UCITS classified as available-for-sale assets versus €5,067 million at December 31, 2018.

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	30/06/2019	31/12/2018
Guarantee commitments given		
To banks	**9,254**	**8,162**
Confirmation of documentary credits	1,004	1,202
Other guarantees	8,250	6,960
To customers	**17,826**	**22,481**
Real estate guarantees	186	192
Administrative and tax bonds	296	281
Other bonds and endorsements given	1,923	6,752
Other guarantees	15,421	15,257
TOTAL GUARANTEE COMMITMENTS GIVEN	**27,080**	**30,643**
Guarantee commitments received from banks	**10,296**	**10,980**

Special case: guarantees issued to mutual funds

Natixis guarantees the capital and/or returns on units in certain mutual funds. These guarantees are executed solely in the event that the net asset value of each of the units in the fund at maturity is lower than the guaranteed net asset value.

Although similar to derivatives, the capital and/or performance guarantees given by Natixis to certain UCITS were recognized as financial guarantees and provisioned in accordance with IFRS 9 until December 31, 2018, due to the difficulty in determining their fair value.
Based on an in-depth review on the determination of fair value was conducted in H1 2019, these guarantees were recorded as derivatives subject to fair value measurement in accordance with IFRS 13.

It should be noted that, at December 31, 2018, these guarantees were recorded as financial guarantees and an appropriate provision for counterparty risk was set aside in accordance with IFRS 9. They were presented within “Other bonds and endorsements given” for €5,383 million.

Guarantee commitments reconciliation table

In millions of euros	Guarantee commitments at 30/06/2019									
	Unimpaired commitments for which expected credit losses are measured over 12 months *(S1 bucket)*		Unimpaired commitments for which expected credit losses are measured on a lifetime basis *(S2 bucket)*		Commitments impaired after their origination/acquisition *(S3 bucket)*		Commitments impaired on origination/acquisition		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 01/01/2018	**16,314**	**(2)**	**10,303**	**(20)**	**103**	**(17)**	**15**	**(1)**	**26,735**	**(40)**
New off-balance sheet commitments originated or purchased	7,895	(2)	632	(3)			0	0	8,528	(4)
Variations linked to changes in credit risk parameters (excluding transfers)	1,519	3	(763)	8	(38)	(4)	(0)	(0)	718	7
Transfers of guarantee commitments	*1,233*	*(2)*	*(1,236)*	*2*	*8*	*0*			*5*	*0*
Transfers to S1 (1)	1,527	(2)	(1,523)	2	0	0			4	0
Transfers to S2	(294)	0	294	(0)	2	0			2	0
Transfers to S3	(0)	0	(7)	0	7	0			0	0
Transfer to non-current assets held for sale (2)	(11)	0	0	0	0	0			(11)	0
Fully sold, called or matured commitments	(3,136)	0	(4,187)	3	(0)	1	(10)	0	(7,333)	4
Variations linked to changes in exchange rates	855	(0)	197	(0)	1	(0)	0	0	1,053	(0)
Changes in the model used		0				0		-		0
Other changes	0	0	0	0	0	0	-	-	0	0
Balance at 31/12/2018 (3)	**24,669**	**(3)**	**4,947**	**(10)**	**74**	**(20)**	**5**	**(1)**	**29,695**	**(34)**
New off-balance sheet commitments originated or purchased	6,267	(1)	244	0	0	0			6,511	(1)
Variations linked to changes in credit risk parameters (excluding transfers)	1,008	1	(615)	(1)	(14)	(3)	(1)	1	378	(2)
Transfers of guarantee commitments	*(1,080)*	*(1)*	*1,023*	*1*	*58*	*0*				
Transfers to S1	340	(2)	(340)	2						
Transfers to S2	(1,418)	1	1,419	(1)	0	0				
Transfers to S3	(2)	0	(56)	0	58	0				
Transfer to non-current assets held for sale										
Fully sold, called or matured commitments	(4,780)	0	(820)	1	(17)	1			(5,617)	2
Variations linked to changes in exchange rates	76	0	9	0	0	0			86	0
Changes in the model used										
Other changes (4)	(4,154)	0	(723)	0	0	0			(4,878)	0
Balance at 30/06/2019 (3)	**22,007**	**(3)**	**4,064**	**(9)**	**101**	**(22)**	**4**	**0**	**26,175**	**(35)**

(1) Including the transfer from Stage 2 to Stage 1, due to the improvement over the period of the ratings of the economic sectors to which the transferred amounts are related;
(2) SFS business lines recognized in non-current assets held for sale as at December 31, 2018;
(3) Gross carrying amount excluding insurance company contributions, i.e. €905 million at June 30, 2019 (versus €939 million at December 31, 2018);
(4) Mainly comprising guarantees given to UCITS now recognize as derivatives.

7.2 Loan commitments

<u>The following loan commitments fall within the scope of IFRS 9:</u>

- commitments qualified as financial liabilities at fair value through profit or loss if the entity that grants them 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.

<u>Other loan commitments falling within the scope of IAS 37</u>

A loan 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	30/06/2019	31/12/2018
Loan commitments given		
To banks	**3,832**	**5,805**
To customers	**46,385**	**44,227**
- Documentary credits	3,679	3,238
- Other confirmed lines of credit	42,158	40,450
- Other commitments	548	539
Total loan commitments given	**50,217**	**50,032**
Loan commitments received		
- from banks	12,485	7,333
- from customers	96	88
Total financing commitments received	**12,581**	**7,421**

Loan commitments reconciliation table

In millions of euros	Loan commitments at 30/06/2019									
	Unimpaired commitments for which expected credit losses are measured over 12 months *(S1 bucket)*		Unimpaired commitments for which expected credit losses are measured on a lifetime basis *(S2 bucket)*		Commitments impaired after their origination/acquisition *(S3 bucket)*		Commitments impaired on origination/acquisition		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 31/12/2018	**37,332**	**(23)**	**19,879**	**(81)**	**176**	**(14)**	**106**	**(2)**	**57,492**	**(120)**
New HB commitments originated or purchased	21,902	(4)	728	(3)					22,631	(7)
Variations linked to changes in credit risk parameters (excluding transfers)	(6,096)	10	(4,412)	12	(101)	5	(19)	(2)	(10,627)	25
Transfers of financing commitments	*4,176*	*(10)*	*(4,257)*	*11*	*45*	*(0)*			*(36)*	*(0)*
Transfers to S1 (1)	5,091	(12)	(5,072)	12	(21)	0			(2)	0
Transfers to S2	(863)	1	842	(1)	(2)	0			(23)	(0)
Transfers to S3	(51)	0	(28)	0	68	(0)			(11)	(0)
Transfer to non-current assets held for sale (2)	(12,950)	13	(340)	1	(64)	3			(13,354)	17
Fully sold, called or matured commitments	(1,837)	1	(5,318)	11	(10)	2			(7,166)	15
Variations linked to changes in exchange rates	762	(0)	328	(1)	0	(0)			1,091	(2)
Changes in the model used										0
Other changes										
Balance at 31/12/2018	**43,290**	**(13)**	**6,609**	**(51)**	**46**	**(3)**	**87**	**(4)**	**50,032**	**(71)**
New HB commitments originated or purchased	7,406	(2)	155	(1)					7,561	(3)
Variations linked to changes in credit risk parameters (excluding transfers)	(414)	1	(1,417)	(4)	(71)	(20)	2	0	(1,901)	(23)
Transfers of financing commitments	*(1,140)*		*1,017*	*1*	*123*	*(1)*				
Transfers to S1	130	(1)	(130)	1						
Transfers to S2	(1,270)	1	1,270	(1)						
Transfers to S3			(123)	1	123	(1)				
Transfer to non-current assets held for sale										
Fully sold, called or matured commitments	(6,160)	0	(352)	0	(19)	0	0	0	(6,531)	1
Variations linked to changes in exchange rates	88		35						123	
Changes in the model used										
Other changes (3)	795	0	217	0	(7)	(2)	(73)	2	933	0
Balance at 30/06/2019	**43,865**	**(14)**	**6,264**	**(54)**	**71**	**(27)**	**16**	**(2)**	**50,217**	**(96)**

(1) Including the transfer from Stage 2 to Stage 1, due to the improvement over the period of the ratings of the economic sectors to which the transferred amounts are related;
(2) SFS business lines recognized in non-current assets held for sale as at December 31, 2018;
(3) Gross Bucket 1 exposures comprise outstandings with the retail banking entities of the SFS division sold to BPCE.

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.

Subsequent to the sale of the retail banking activities to BPCE S.A., finalized on March 31, 2019, the organizational structure was divided into four business divisions:

- **Asset & Wealth Management**, which includes asset management within Natixis Investment Managers, the wealth management business and employee savings plans;
- **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;
- **Payments,** which provides the Banque Populaire/Caisse d’Epargne customers and direct customers with payment tools, infrastructures and services.

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 Financial Investments.

Based on this new organizational structure, 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 client base 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 covers wealth management activities in France and Luxembourg and asset management. 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.

- **Employee Savings Plans:** this business line offers companies an employee savings management solution (administration of employee accounts, fund administration and accounting);

8.2 Corporate & 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 a 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.

Lastly, subsequent to the sale of the retail banking operations to BPCE S.A., the Corporate & Investment Banking division now includes the **Film Industry Financing** business line, which is operated via Coficiné, a subsidiary specializing in structured loans for film and audiovisual activities in France and Europe.

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 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. Payments recently acquired several start-ups specializing in electronic payment and e-commerce, namely: Payplug, S Money, Dalenys and Comiteo.

8.5 Financial Investments

Financial Investments houses the non-core business lines of Natixis: 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.

8.6 Corporate Center

The Corporate Center operates alongside the operating divisions. The Corporate Center recognizes the central funding mechanisms and income from Natixis’ asset and liability management. To that 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.

NATIXIS
BEYOND BANKING

8.7 Segment reporting in the income statement

In millions of euros		30/06/2019						
		Asset & Wealth Management (2)	Corporate & Investment Banking	Insurance	Payment	Coface	Corporate Center and financial Investments (excl. Coface) (3) (4)	Total
Net revenues		**1 705**	**1 599**	**425**	**208**	**356**	**142**	**4 436**
	2018/2019 change (1)	4%	-14%	7%	10%	7%	8%	-11%
Expenses		**(1 163)**	**(1 074)**	**(241)**	**(181)**	**(252)**	**(408)**	**(3 319)**
	2018/2019 change (1)	4%	-1%	6%	8%	6%	11%	-3%
Gross operating income		**542**	**525**	**184**	**27**	**104**	**(266)**	**1 117**
	2018/2019 change (1)	3%	-32%	8%	25%	10%	12%	-28%
Provision for credit losses		**(1)**	**(134)**		**(1)**	**(1)**	**(4)**	**(141)**
	2018/2019 change (1)	-12%	99%				-49%	69%
Net operating income		**541**	**391**	**184**	**26**	**103**	**(270)**	**976**
	2018/2019 change (1)	4%	-45%	8%	23%	9%	10%	-34%
Associates		**0**	**6**	**5**				**11**
	2018/2019 change (1)							12%
Other		**(4)**	**(15)**			**5**	**694**	**681**
	2018/2019 change (1)							
Pre-tax profit		**537**	**382**	**189**	**26**	**108**	**425**	**1 668**
	2018/2019 change (1)	3%	-47%	9%	19%	17%	-282%	12%
Net income (group share)		**292**	**269**	**130**	**17**	**27**	**375**	**1 110**
	2018/2019 change (1)	-2%	-48%	10%	16%	21%	-282%	23%

This information is determined based on the accounting principles applied in accordance with IFRS as adopted by the European Union at June 30, 2019;

(1) Change between June 30, 2019 and June 30, 2018.

(2) O/w for Asset Management: Net revenues: €1,595 million
Expenses: -€1,047 million
Gross operating income: €548 million
Provision for credit losses: -€4 million
Pre-tax profit: €545 million

(3) O/w for short-term treasury: Net revenues: €55 million
Expenses: -€32 million
Gross operating income: €23 million
Provision for credit losses: €0 million
Pre-tax profit: €23 million

(4) Net revenues and operating expenses attributable to the Corporate Center include the residual impact of the retail banking activities sold to BPCE for the first-quarter, subsequent to their deconsolidation at March 31, 2019. The impact on net revenues came to €22.3 million and the impact on operating expenses to -€22.4 million.

Breakdown of net revenues

In millions of euros	**Net revenues**	*2018/2019 change*
Asset & Wealth Management	**1,705**	**4%**
Asset Management	1,595	5%
Wealth Management	63	-14%
Employee Savings Plans	47	3%
Corporate & Investment Banking	**1,599**	**-14%**
Capital Markets (1)	730	-21%
Global Finance & Investment Banking	847	-6%
Other	22	-35%
Insurance	**425**	**7%**
Payment	**208**	**10%**
Coface	**356**	**7%**
Corporate Center (excluding Coface)	**142**	**8%**
Total	***4,436***	***-11%***

(1) Of which €742 million excluding the net revenues of the XVA desks, which can be broken down into €500 million in net revenues for FICT and €242 million for Equities.

June 30, 2018 (restated)

In millions of euros	30/06/2018 (*)							
	Asset & Wealth Management (1)	Corporate & Investment Banking	Insurance	Payment	Specialized Financial Services	Coface	Corporate Center and financial Investments (excl. Coface) (2)	Total
Net revenues	1,641	1,862	397	188	437	333	131	4,989
Expenses	(1,117)	(1,086)	(226)	(167)	(233)	(238)	(368)	(3,435)
Gross operating income	524	776	170	21	204	95	(237)	1,554
Provision for credit losses	(1)	(68)	0	0	(7)	(0)	(8)	(84)
Net operating income	523	709	170	21	197	95	(244)	1,471
Associates	0	6	3		0	0	0	10
Other	(3)	3	0	1	(0)	(2)	11	10
Pre-tax profit	520	718	173	22	197	93	(233)	1,490
Net income (Group share)	**296**	**520**	**118**	**15**	**136**	**23**	**(206)**	**903**

(*) Recalculated in accordance with the new organizational structure of the business lines at June 30, 2019.

(1) 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
(2) 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***
Asset & Wealth Management		**1,641**
	Asset Management	1,522
	Private Banking	74
	Employee Savings Plans	45
Corporate & Investment Banking		**1 862**
	Capital Markets	926
	Global Finance & Investment Banking	902
	Other	34
Insurance		**397**
Payment		**188**
Specialized Financial Services		**437**
Coface		**333**
Corporate Center (excluding Coface)		**131**
Total		***4,989***

(*) Recalculated in accordance with the new organizational structure of the business lines at June 30, 2019.

Reported at June 30, 2018

	30/06/2018 - Reported						
In millions of euros	**Asset & Wealth Management (2)**	**Corporate & Investment Banking**	**Insurance**	**Specialized Financial Services**	**Coface**	**Corporate Center (excluding Coface) (3)**	**Total**
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)**	**0**	**(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**	**0**	**10**
2017/2018 change (1)	74%	21%	-57%		-43%	-97%	-24%
Other	**(3)**	**3**	**0**	**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%
Wealth Management	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) of which €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.

NOTE 9 RISK MANAGEMENT

9.1 Capital adequacy

The information on capital adequacy required under IAS 1 is presented in Section 3.3 of Chapter III, “Risk factors, risk management and the Pillar III Report”.

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 3.2.3 of Chapter III, “Risk factors, risk management and the Pillar III Report”.

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 5 are presented in Section 3.2.5 and 3.2.7 of Chapter III, “Risk factors, risk management and the Pillar III Report”.

9.4 Risk related to insurance activities

The information on risk management for the insurance activities required under IFRS 7 is presented in Section 3.2.10 of Chapter III, “Risk factors, risk management and the Pillar III Report”.

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 start of period	3,150,288,592	1.60	5,040,461,747
Capital increase	2,789,890	1.60	4,463,824
At end of period	**3,153,078,482**		**5,044,925,571**

At June 30, 2019, the group recorded 3,019,023 treasury versus 3,716,978 at December 31, 2018.
The capital increase in first-half 2019 can be attributed to the award of free shares to certain Natixis employees under the 2016 and 2017 share-based payment Retention and Performance Plans.

10.1.2 Calculation of earnings per share

	30/06/2019	30/06/2018
Earnings per share		
Net earnings/(loss) group share (in millions of euros)	1110	903
Net earnings/(loss) attributable to shareholders (in millions of euros) (1)	1065	853
Average number of ordinary shares outstanding over the period	3,152,153,657	3,137,992,345
Average number of treasury shares outstanding over the period	2,394,650	1,777,656
Average number of shares used to calculate earnings/(loss) per share	3,149,759,007	3,136,214,689
Earnings/(loss) per share (in euros)	**0.34**	**0.27**
Diluted earnings/(loss) per share		
Net earnings/(loss) group share (in millions of euros)	1110	903
Net earnings/(loss) attributable to shareholders (in millions of euros) (1)	1065	853
Average number of ordinary shares outstanding over the period	3,152,153,657	3,137,992,345
Average number of treasury shares outstanding over the period	2,394,650	1,777,656
Number of potential dilutive shares resulting from stock option plans and free share awards (2)	8,089,124	8,536,570
Average number of shares used to calculate diluted earnings/(loss) per share	3,157,848,131	3,144,751,259
Diluted earnings/(loss) per share (in euros)	**0.34**	**0.27**

(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. -€45 million in the first half of 2019 and -€50 million in the first half of 2018.

(2) This number of shares refers to the shares granted under the 2016, 2017, 2018 and 2019 performance share plans (PAGA), the 2016, 2017, 2018 and 2019 Long Term Incentive Plans (LTIP) and the 2018 Incentive Plan for Payments segment.

10.2 Other equity instruments issued

Perpetual 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 taken to profit or loss at 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 at June 30, 2019 (no change compared to December 31, 2018).

It should be noted that the gross amount of exchange rate fluctuations in deeply subordinated notes in foreign currencies recorded in income at June 30, 2019 amounted to +€4 million, or €3.2 million after tax, compared with +€27 million at June 30, 2018, or +€19 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 local authorities support tax and the contribution to the single resolution fund;
  It should be noted that the systemic risk tax, repealed as of January 1, 2019 (2014 Finance Reform Act No. 2014-1655 of December 29, 2014 (Art. 26)), had been fully taken to income at June 30, 2018;
- Or 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, 2019, the impact of the new accounting treatment on net income (group share) amounted to €95 million compared with €101 million at June 30, 2018.

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	30/06/2019			31/12/2018		
	BPCE	Banque Populaire banks	Caisses d'Epargne	BPCE	Banque Populaire banks	Caisses d'Epargne
ASSETS						
Financial assets at fair value through profit or loss	15,163	3,484	5,569	17,577	3,139	4,330
Financial assets at fair value through other comprehensive income						
Debt instruments at amortized cost	46	207		44	96	
Loans and receivables due from banks and similar items at amortized cost	44,085	411	193	17,871	350	106
Customer loans and receivables at amortized cost	377	60		27	60	
Insurance business investments	12,592	54		12,826	98	26
Non-current assets held for sale (1)				326	204	482
LIABILITIES						
Financial liabilities designated at fair value through profit or loss	7,628	2,186	4,390	6,304	1,633	3,325
Deposits and loans due to banks and similar items	43,831	683	76	47,925	1,468	3
Deposits and loans due to customers	353	33	3	311	83	30
Debt securities						
Subordinated debt	2,615			2,597		
Insurance-related liabilities	0	1	78	0	1	73
Liabilities on assets held for sale (1)				434	976	1,131
Shareholders' equity	1,832			1,789		
COMMITMENTS						
Commitments given	9,840	11	101	11,302	18	85
Commitments received	11,756	149	793	10,619	2,965	3,243

Relations with associates and joint ventures are not material.

(1) SFS business lines recognized in non-current assets held for sale as at December 31, 2018.

In millions of euros	30/06/2019			30/06/2018		
	BPCE	Banque Populaire banks	Caisses d'Epargne	BPCE	Banque Populaire banks	Caisses d'Epargne
INCOME						
Interest and similar income	97	23	0	43	26	1
Interest and similar expenses	(360)	(2)	0	(296)	(2)	(8)
Net fee and commission income	(24)	(169)	(129)	(4)	(170)	(80)
Net gains or losses on financial instruments at fair value through profit or loss	(971)	204	1,097	121	74	230
Gains and losses on financial assets at fair value through other comprehensive income						
Net gains or losses arising from the derecognition of financial assets at amortized cost						
Net gains or losses on financial assets at amortized cost reclassified to financial assets at fair value through profit or loss						
Net gains or losses on financial assets at fair value through other comprehensive income reclassified to financial assets at fair value through profit or loss						
Net income from insurance businesses	13	1		9	1	-11
Income and expenses from other activities	30	0	0	(14)	7	10
Operating expenses	(39)	(1)	(7)	(40)	1	(11)

Relations with associates and joint ventures are not material.

NOTE 11 POST-CLOSING EVENTS

No post-closing event liable to have an impact on the interim consolidated financial statements has taken place since June 30, 2019.

5.2 Statutory Auditors' report on interim financial information

Period from January 1, 2019 to June 30, 2019

To the Shareholders,
NATIXIS SA
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, 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, 2019;
- the verification of 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 essentially consists of interviewing persons responsible for accounting and financial matters and in applying analytical procedures. A review is substantially less extensive than a full audit carried out in accordance with the professional standards applicable in France. As such, there is a moderate assurance that the financial statements, taken as a whole, do not contain significant misstatements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial information.

Without prejudice to the opinion expressed above, we draw your attention to the changes to the accounting methods relative to the first-time application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments", as described in Note 1 "Accounting principles" and in Note 2 "Impact of the first-time application of IFRS 16 at January 1, 2019" to the condensed consolidated financial statements.

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.

Neuilly-sur-Seine and Paris-La Défense le August 1, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Emmanuel BENOIST	Charlotte Vandeputte

VI SECTION 7: LEGAL INFORMATION

7.1 Legal notices and practical information relating to Natixis

Corporate name: NATIXIS

Trading name: NATIXIS

Registration No. (1st page of the bylaws): 542 044 524 RCS PARIS

Registration date: 30/07/1954

Duration of the Company: until 09/11/2093

Corporate purpose (Article 2 of the bylaws): The corporate purpose, in France and elsewhere comprises:

- the conduct of all banking business and related businesses as per the banking law;
- the provision of all investment services as defined in the French Monetary and Financial Code;
- the performance of the specific assignments entrusted by the French State in the economic and financial area, in the framework of special agreements;
- the performance of all brokerage business;
- the acquisition of interests in companies, groups or associations with a direct or indirect connection with the activities referred to above;
- as well as the execution of all private and commercial transactions.

LEI: KX1WK48MPD4Y2NCUIZ63

Website: *www.natixis.com*

7.2 Natixis bylaws

NATIXIS

A joint stock company (société anonyme) with a Board of Directors and share capital of €5,044,925,571.20
Registered office: 30 avenue Pierre Mendès France – 75013 Paris
542 044 524 RCS PARIS

BYLAWS

There are no changes to the bylaws.

7.4 Distribution of share capital and voting rights

7.4.1 Distribution of share capital at July 31, 2019

At July 31, 2019, Natixis' main shareholders were as follows:

	% capital	% voting rights
BPCE	70.64%	70.70%
Employee shareholding [(a)]	2.92%	2.92%
Treasury stock	0.09%	0.00%
Free float	26.35%	26.38%

(a) of which 1.20% held through capital increases reserved for employees.
of which 0.98% held under the BPCE Actions Natixis employee share ownership plan, including bearers of Groupe BPCE shares.
of which 0.74% 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.

7.4.4 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 April 12, 2019 (by virtue of the authorization granted by the Combined General Shareholders' Meeting of May 24, 2016, resolution twenty), decided to award 2,600,406 performance shares to the recipients designated by the Board of Directors;
- the Natixis Board of Directors, at its meeting on May 28, 2019 (by virtue of the authorization granted by the General Shareholders' Meeting of May 24, 2016, resolution nineteen), decided to award 73,420 performance shares to the members of the Natixis Senior Management Committee (excluding the Chief Executive Officer) and 31,708 performance shares to the Chief Executive Officer.

VIII SECTION 8: ADDITIONAL INFORMATION

8.2 Documents available to the public

The present document is available on the Natixis website "www.natixis.com" (Homepage >> Investors & Shareholders >> Financial figures and publications >> Universal Registration Document and Pillar III) by opening this link.
This document may also be consulted on the websites of the French Financial Supervisory Authority (www.amf-france.org).

8.4 Cross-reference table for the half-year financial report

This document includes the information of the half-year financial report set out in Article L. 451-1-2 of the French Monetary and Financial Code and in Article 222-6 of the AMF's General Regulations.

Headings of the half-year financial report	August 8, 2019 Universal Registration Document page number
Condensed financial statements at June 30, 2019	**135 to 214**
Interim management report	**111 to 130**
▪ Major events that have occurred during the first 6 months of the financial year and their impact on the first-half financial statements	118 to 130
▪ Description of the main risks and uncertainties over the next six months	57, 133
▪ Transactions between related parties	212-213
Declaration by the person responsible for the half-year financial report	**222**
Statutory Auditors' report on the summarized consolidated financial statements	**215-216**

8.7 Persons responsible for auditing the financial statements

Persons responsible for auditing the financial statements

Principal Statutory Auditors

- Deloitte & Associés (represented by the signatory partner Charlotte Vandeputte), 6 place de la Pyramide - 92908 Paris La Défense cedex;
- PriceWaterhouseCoopers Audit (represented by the signatory partner Emmanuel Benoist), 63 rue de Villiers – 92208 Neuilly-sur-Seine Cedex;

Deloitte & Associés and PriceWaterhouseCoopers Audit are registered as Statutory Auditors with the “Compagnie Régionale des Commissaires aux Comptes of Versailles” and are under the supervision of the “Haut Conseil du Commissariat aux Comptes”.

STATEMENT OF RESPONSIBILITY

Statement of responsibility of the Universal Registration Document

I hereby declare that, to the best of my knowledge, after having taken all reasonable measures to this end, the information contained in this universal registration document 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 provide 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.

Paris, August 8, 2019

François Riahi

Chief Executive Officer of Natixis

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BEYOND BANKING

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