NATIXIS
BEYOND BANKING

RISK AND PILLAR III REPORT

2017

Summary

NATIXIS
BEYOND BANKING

Risk report 2017
Pillar III

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KEY FIGURES

Introduction

The prudential requirements that apply to credit institutions and investment firms are defined by Regulation (EU) No. 575/2013 of the European Parliament and the Council of June 26, 2013 (the "CRR"), supplemented by technical standards (EU delegated and enforcement regulations by the European Commission) and the various "technical standards" by the European Banking Authority (EBA). All of these texts came into effect on January 1, 2014, with a gradual implementation schedule that runs until 2019.

More specifically, Regulation (EU) No. 575/2013 (articles 431 and following) requires the publication of quantitative and qualitative data on their risk management activity.

The purpose of the Pillar III report on Natixis' risks is intended to improve transparency and provide all stakeholders (supervisors, investors, analysts, etc.) with abundant and detailed information on risks.

It is part of a regulatory framework that was recently strengthened at the international and European level.

In fact, in addition to the requirements inherent to CRR and CRD in effect, and those inherent to the IFRS7 accounting standard and the recommendations of the Financial Stability Forum, this report includes requirements resulting from following texts :

- BCBS d309 dated 2015 and d356 dated 2016 from the Basel Committee for a revised and enhanced Pillar III;
- EBA Guidelines of December 2016 to a large extent.

The Natixis Pillar III is also based on the provisions from the Enhanced Disclosure Task Force (EDTF) implemented by the Financial Stability Board.

Governance

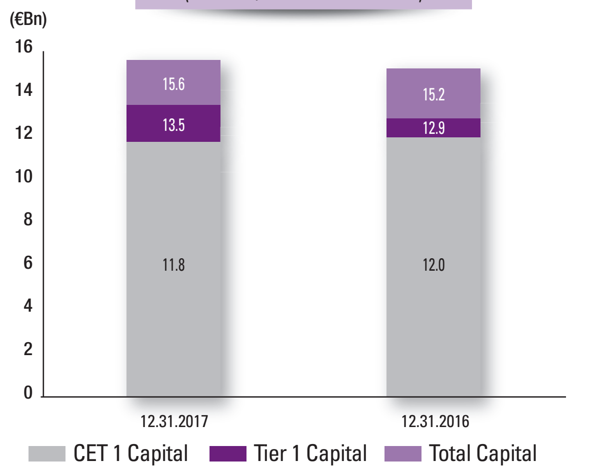
The policy on disclosing Pillar III information was recorded and adopted by the Natixis Senior Management Committee.

2017 EXECUTIVE SUMMARY

MAIN CAPITAL AND SOLVENCY RATIO FIGURES

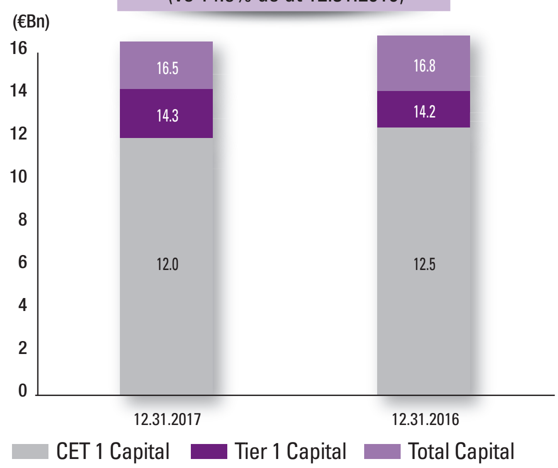
Fully loaded*

Total Capital Ratio: **14.1%**
(vs 13.2% as at 12.31.2016)



Requirement (Phased-in)

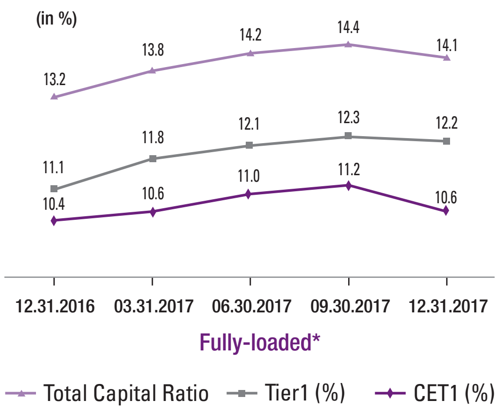
Total Capital Ratio: **14.9%**
(vs 14.5% as at 12.31.2016)

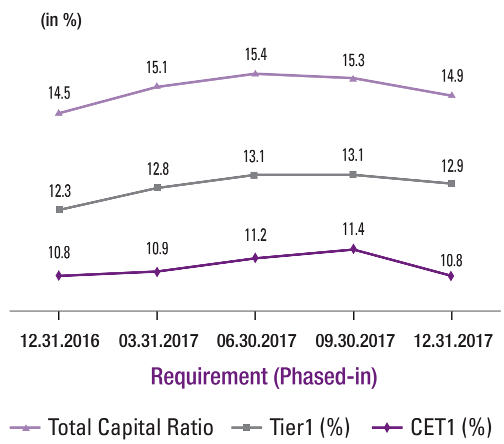


** Fully loaded, i.e. applying all CRD IV rules without transitional measures*

	Fully loaded		Requirement (Phased-in)	
(in billion of euros)	**12.31.2017**	**12.31.2016**	**12.31.2017**	**12.31.2016**
Common equity (CET1)	11.8	12.0	12.0	12.5
Tier 1	13.5	12.9	14.3	14.2
Total capital	15.6	15.2	16.5	16.8
Risk weighted assets	110.7	115.5	110.7	115.5
CET1 Ratio	10.6%	10.4%	10.8%	10.8%
Tier 1 Ratio	12.2%	11.1%	12.9%	12.3%
TOTAL CAPITAL RATIO	**14.1%**	**13.2%**	**14.9%**	**14.5%**

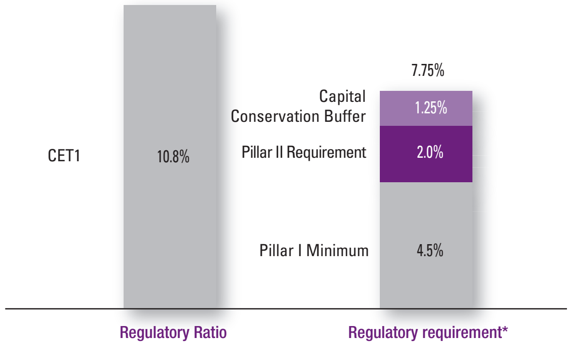
CHANGES IN MAIN CAPITAL RATIO FIGURES



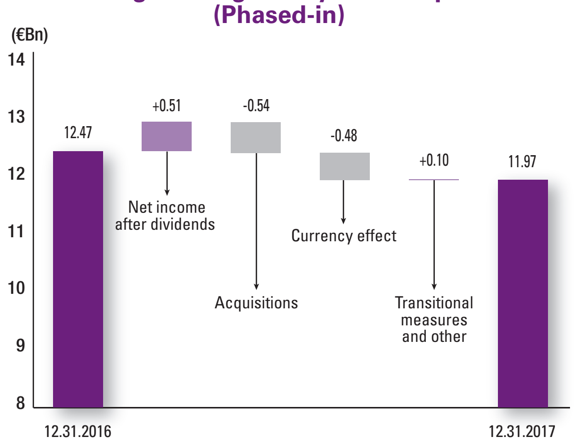


** Without transitional measures*

CET1

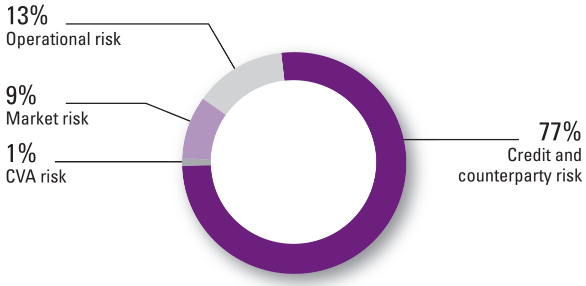


Changes in regulatory CET1 Capital (Phased-in)

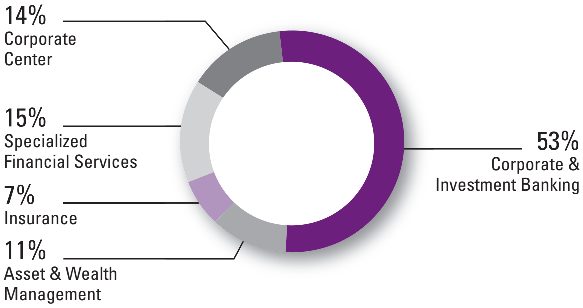


*ECB Minimum prudential requirements based on the supervisory review and evaluation process (SREP). Excluding P2G

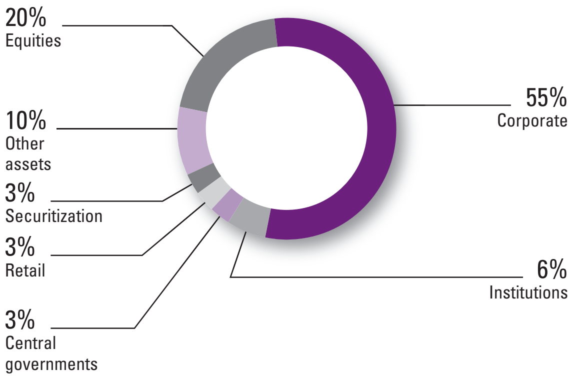
CAPITAL REQUIREMENTS BY RISK TYPE



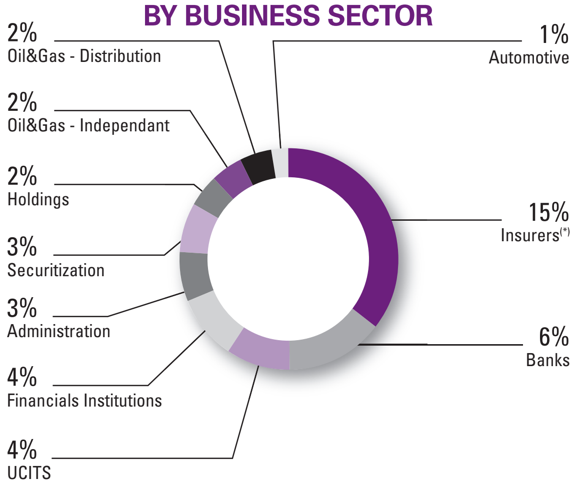
CAPITAL REQUIREMENTS BY BUSINESS LINE



CREDIT AND COUNTERPARTY RWA BY CATEGORY OF EXPOSURE

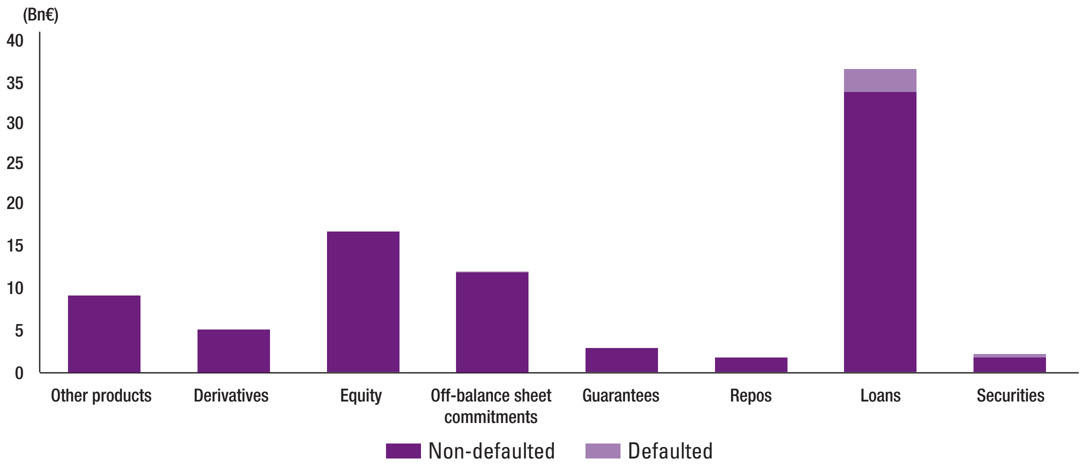


CREDIT AND COUNTERPARTY RWA BY BUSINESS SECTOR



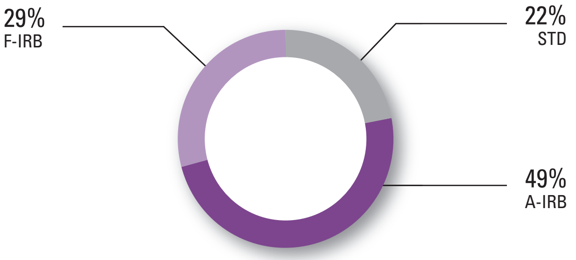
* Including interest held in insurance companies

CREDIT AND COUNTERPARTY RWA BY TYPE OF EXPOSURE WITH DEFAULT/NON DEFAULT*

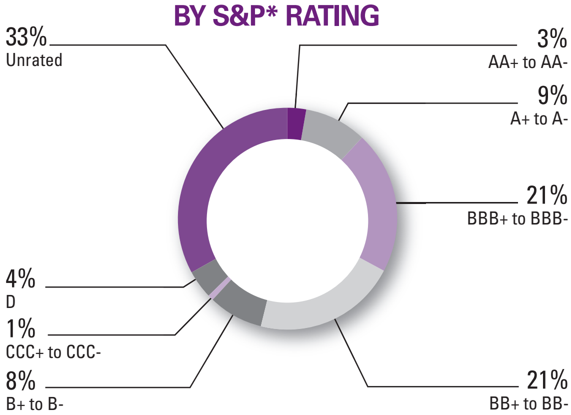


* Excluding CCP contributions to the default fund.

CREDIT AND COUNTERPARTY RWA BY APPROACH

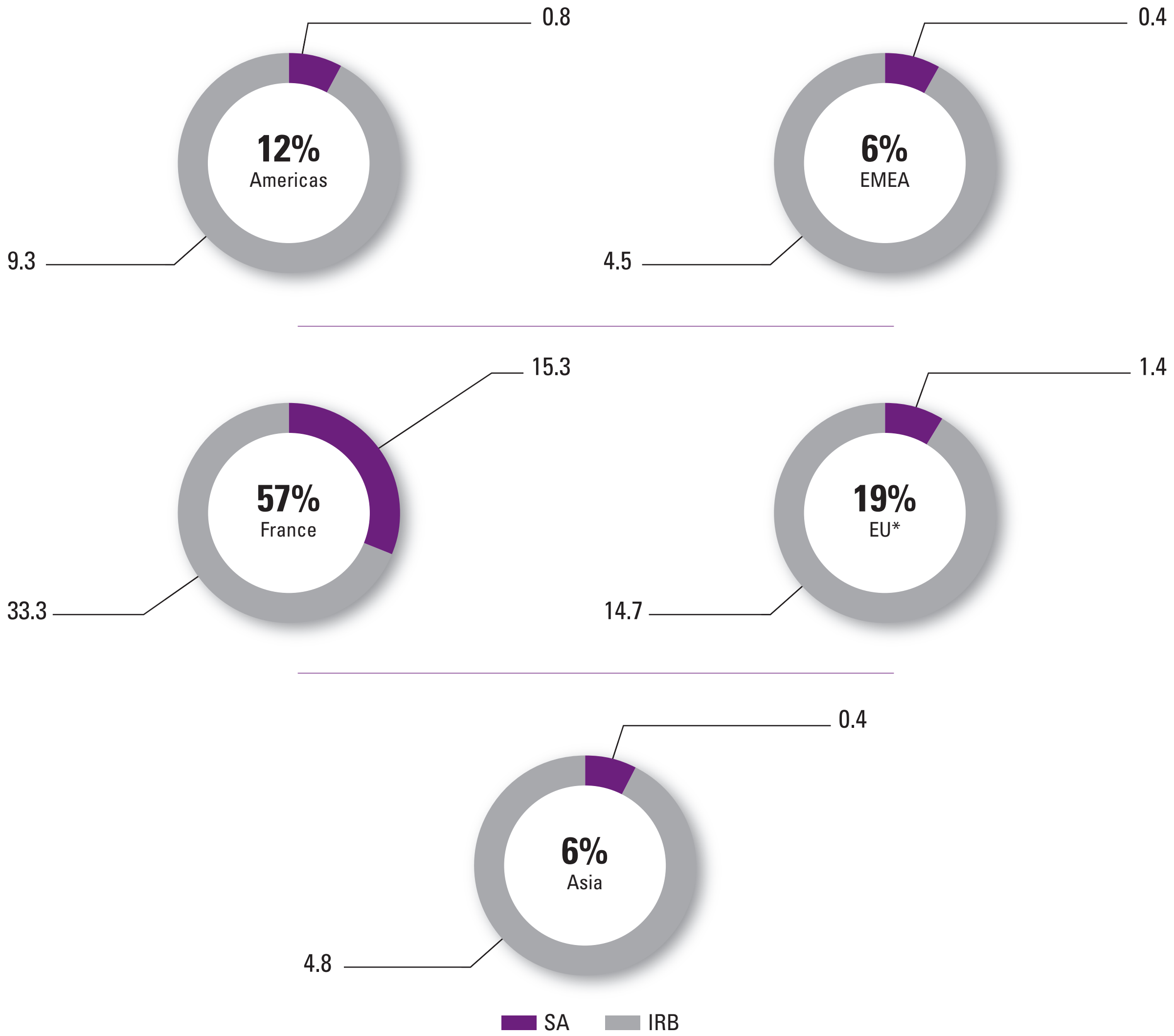


CREDIT AND COUNTERPARTY RWA BY S&P* RATING



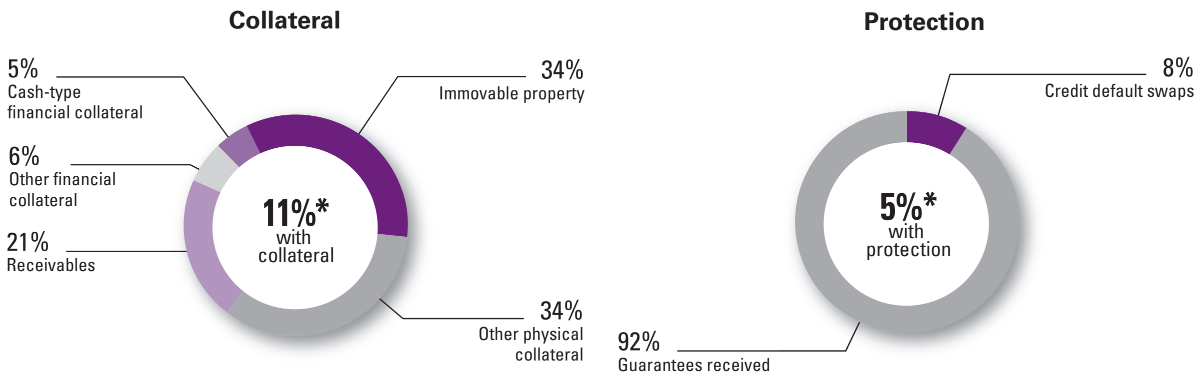
* Excluding exposures to the French State (deferred tax assets - DTAs), direct investments and CCP contributions to the default fund.

CREDIT AND COUNTERPARTY RWA (IN €Bn) BY GEOGRAPHIC** AREA AND APPROACH



* EU: including supranational third parties
** Country risk

EXPOSURE BY CREDIT RISK MITIGATION TECHNIQUE



* Total exposure net of provisions

* Total exposure net of provisions

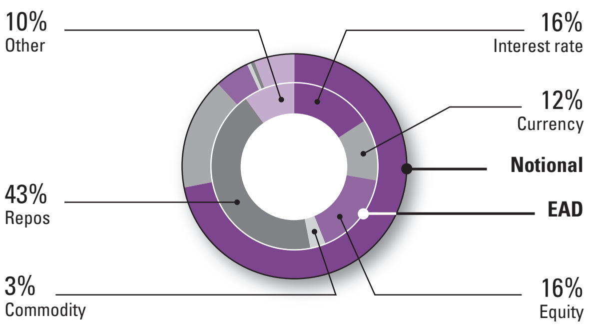
LEVERAGE RATIO

Requirement (Phased-in) *(in billions of euros)*	12.31.2017
Capital CET 1	14.3
Total assets on the prudential balance sheet	425.0
Adjustments for derivative financial instruments	-29.3
Adjustments for securities financing transactions "SFTs"	-19.9
Adjustment for off-balance sheet items	36.1
Other adjustments	-15.7
TOTAL LEVERAGE RATIO EXPOSURE	**396.3**
Regulatory Ratio	**3.6%**
o/w deals with BPCE affiliates	*47.3*
Ratio without affiliates*	**4.1%**

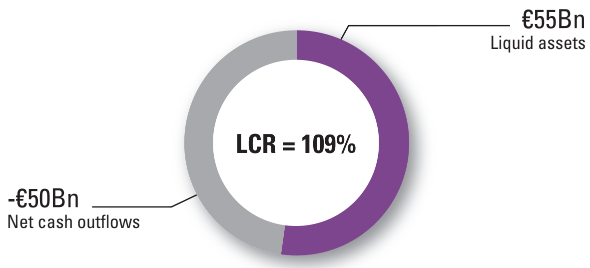
* *In accordance with Article 429(7) of the delegated act allowing Institutions to exclude exposure with affiliates (BPCE and subsidiaries, Banques Populaires, Caisses d'Epargne), (pending approval from the ECB).*

COUNTERPARTY RISK

Notional and EAD by underlying

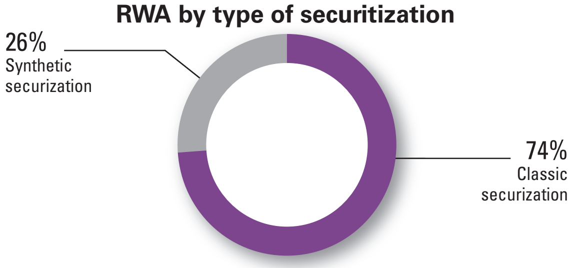


LIQUIDITY COVERAGE RATIO

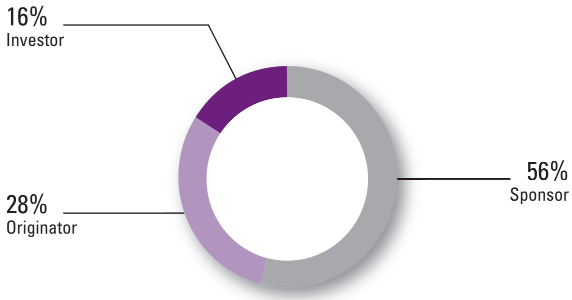


SECURITIZATION EXPOSURES IN THE BANKING BOOK

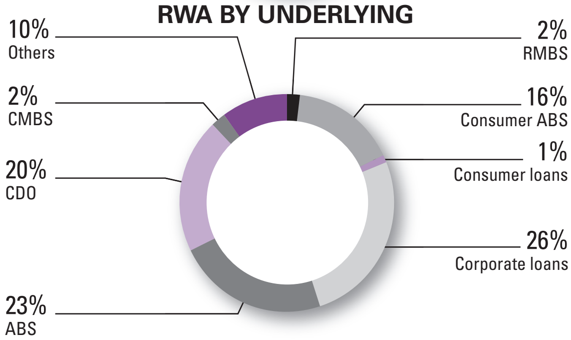
RWA by type of securitization



RWA by role

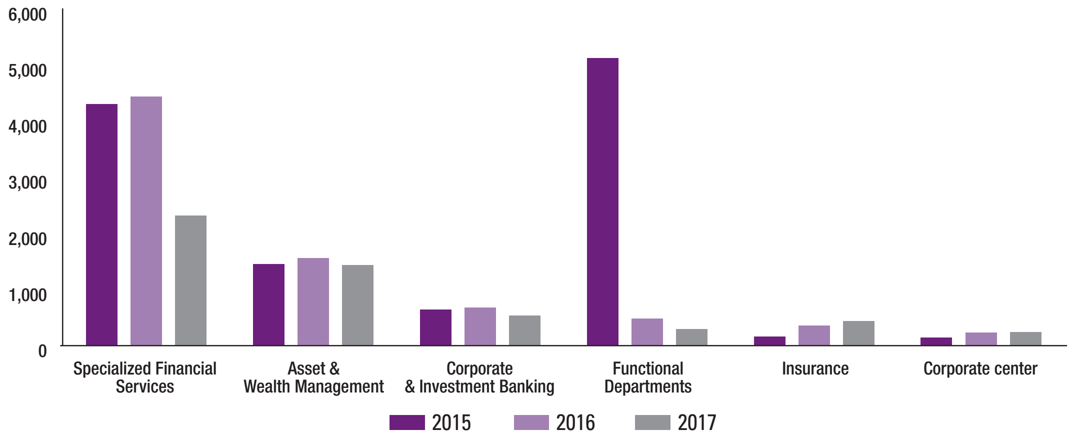


RWA BY UNDERLYING



OPERATIONAL RISK

Number of reported incidents by business and date



Net amount of reported incidents by date by Basel category

2

GOVERNANCE AND RISK MANAGEMENT ORGANIZATION

In accordance with the financial communication requirements of the third pillar of the Basel Committee on Banking Supervision, the information in this chapter concerns risk.

2.1 Governance

The risk management governance is a structured organization involving all the levels of the bank:

- the Board of Directors and its specialized committees (Risk Committee, Audit Committee, etc.);
- the Executive managers and the specialized risk committees they chair within the bank;
- the central divisions, independent of the businesses;
- the businesses (Asset & Wealth Management, Corporate & Investment Banking, Insurance, Specialized Financial Services).

2.1.1 THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors (and its extension, the Risk Committee) gives the final approval of Natixis' risk appetite and supervises its application.

Under the Natixis Board of Directors' responsibility, the Risk Committee's primary duties are:

- to advise the Board of Directors on the bank's overall strategy and risk appetite, both current and future;
- to assist the Board of Directors when it checks the implementation of that strategy by the executive managers and by the Chief Risk Officer.

The Risk Committee met seven times in fiscal year 2017.

In addition, and since July 2016, the Risk Committee meets as the US Risk Committee as per the US regulatory requirements of the Dodd-Frank Act. The US Risk Committee has the same structure as the Risk Committee, and is responsible for the supervision of the risks linked to Natixis' activities on US soil ("Combined US operations").

The key duties of Natixis' Audit Committee are:

- to check the clarity of information published by Natixis and assess the relevance of the accounting methods adopted for the creation of Natixis' individual and consolidated financial statements; and
- to assess the quality of internal control, specifically the consistency of the systems for measuring, monitor and control risk, and, as and when needed, propose implementation of supplementary actions in this sense.

The Audit Committee met five times in fiscal year 2017.

2.1.2 THE BANK'S EXECUTIVE MANAGERS AND SPECIAL COMMITTEES ON RISK

The Executive managers, under the supervision of the Board of Directors, are responsible for implementing Natixis' internal control system in its entirety. Accordingly, they designate the persons in charge of the Risk Management, Permanent Control and Compliance Control functions, who report to them on their assignments.

At least one of the bank's executive managers chair the Bank's main Special Committees on risk:

- the Global Risk Committee (CRG), the Credit Committee, the Market Risk Committee, the Operational Risk Committee, the Watchlist and Provisions Committee;
- the ALM Committee;
- the Control Functions Coordination Committee;
- the Natixis Investment Committee.

The executive managers regularly inform the Board of Directors of all significant risks, risk management policies and changes made thereto.

2.1.3 CENTRAL DIVISIONS

Reporting to the Chief Financial and Strategy Officer,

- the **Accounting and Ratios Division** is responsible for accounting and regulatory information;
- the **Financial Management Division** oversees ALM and its framework (standards, limits, etc.);
- the **Financial and Taxation Oversight Division** is in charge of the budget process and ensures adherence to tax laws.

The **Risk Division**, which reports to the Chief Executive Officer since October 1, 2017, is responsible for measuring, monitoring and managing the risks inherent to the business activities, in particular market risk, credit risk and operational risk;

The **Compliance Department**, reporting to the Corporate Secretary, is responsible mainly for managing non-compliance risk and for overseeing the control system.

The **Legal Department**, also reporting to the Corporate Secretary, ensures legal regulatory compliance.

The **Internal Audit Department** reports to the Chief Executive Officer and performs audits that give rise to an assessment of existing points of control in the audited processes and an evaluation of the risks in respect of the audited activities.

The **Human Resources Division** is involved in the compensation policy and oversees its application.

The central departments provide senior management with necessary information on the risk developments and the management of the bank.

Natixis has established a control system comprising:

- first-level permanent controls performed by operational staff;
- second-level permanent controls performed by three central and independent divisions namely the Risk Division, the Compliance Department and the Accounting and Regulatory Review unit within the Accounting and Ratios Division.

2.1.4 THE BUSINESSES

Each Natixis entity is responsible for the first-level management of its risks within its scope.

Level-one permanent controls are performed by operational staff on the transactions carried out according to internal procedures and in line with legislative and regulatory requirements. The controls can be performed by a functional division tasked with approving the relevant transactions.

2.2 Risk management framework

Natixis' risk management is based on independent control functions, each intervening on the risks falling within their scope of oversight.

The risk management function, carried out by the Risk Division, is deeply embedded in the organization, has short decision-making processes, and teams across the businesses. It is structured as an independent and global matrix that covers all scopes and geographic regions.

The risk management function recommends risk policies consistent with those of BPCE Group to Senior Management for approval, and makes proposals to the executive body concerning principles and rules in the following areas:

- risk acceptance procedures;
- limit authorizations;
- risk assessment;
- risk supervision.

It plays an essential role within the Committee structure, the highest-level Committee being Natixis' Global Risk Committee, which meets once per quarter.

In addition, it regularly reports on its work, submitting its analyses and findings to Natixis' executive managers, to Natixis' Board of Directors, and to BPCE Group. A risk consolidation team generates an overview through the use of scorecards that report on the various risks (credit, market, liquidity, operational, etc.) and their management. To fulfill these responsibilities, the Risk Division uses an IT system tailored to the activities of Natixis' main businesses and which applies the department's modeling and quantification methods for each type of risk.

The management and monitoring of Natixis' structural balance sheet risks are placed under the authority of the Asset/Liability Management Committee (or "ALM Committee"). The ALM Committee's monitoring scope includes the overall interest rate risk, liquidity risk and structural foreign exchange and leverage risk.

The Compliance function oversees the non-compliance risk management system of Natixis S.A. and of its French and international branches and subsidiaries. It is also in charge of preventing fraud risk and of information systems security/business continuity.

Its operating rules are governed by a charter that is signed off by the Senior Management Committee.

The Compliance Function's preventative actions - advice, raising awareness and training - are a key driver to improve Natixis' management of non-compliance risk.

2.3 Risk culture

Natixis is defined by its strong risk culture at every level of its organization.

The risk culture is central to the Risk Division's guiding principles, as set out in the Risk Charter. It has four areas of focus:

- harmonizing good practices within the bank through the roll-out of a body of risk policies, standards and procedures that cover all the bank's major risks (credit, market and operational) and outline the bank's strategic vision and risk appetite;
- running global communication campaigns (posters, golden rules, information on the Intranet and radio), and implementing a new e-learning module - now mandatory for all staff - on operational risks;
- setting up mandatory training on matters relating to model risk management (model life cycles);
- promoting all-staff training on key subjects relating to regulatory developments.

Furthermore, the new Code of Conduct adopted by Natixis in December 2017 is an effective means of inculcating the risk culture as it defines the rules of conduct applicable to all employees, and encourages greater involvement and accountability. Four guiding principles serve as the building blocks of Natixis' DNA and are adapted to each profession and function. The rules are divided into the following themes:

- being client-centric;
- behaving ethically;
- acting responsibly towards society;
- protecting Natixis' and BPCE Group's assets and reputation.

A Conduct Committee was also formed at the top-most level of the Bank and involves members of the Senior Management Committee.

Lastly, Natixis' compensation policy is structured to encourage the long-term commitment of the Company's employees while ensuring the appropriate risk management.

2.4 Risk appetite

Natixis' risk appetite is defined as the nature and the level of risk that the bank is willing to take within the bounds of its business model and strategy.

It is consistent with Natixis' strategic plan, budget process and business activities, and falls within BPCE's general framework on risk appetite, comprising two components:

1. the Risk Appetite Statement (RAS), which sets out, in qualitative and quantitative terms, the risks that the bank is prepared to take;
2. the Risk Appetite Framework (RAF), which describes the interface between the organization's key processes and the implementation of the governance that puts the RAS into action.

Risk appetite is reviewed annually by Senior Management and approved by the Board of Directors after consultation by the Risk Committee.

2.4.1 RISK APPETITE STATEMENT

Natixis' risk appetite principles result from the selection and control of the types of risks that the bank is prepared to take in pursuit of its business model, and ensure consistency between Natixis' overarching strategic guidelines and its capacity to manage risks.

The business model developed by Natixis is based on its recognized areas of expertise (corporate financing, market activities, Asset Management, Insurance, Services and Specialized Financing), responding to the needs of its clients and those of BPCE Group.

The bank seeks sustainable and consistent profitability in balance with its consumption of scarce resources (capital, liquidity, balance sheet). It declines any engagement with activities that it does not master.

Activities with high risk/profitability ratios are subject to strict selection and oversight. Market risk management in particular has a highly selective investment approach, coupled with limited tolerance for extreme risk, and very close monitoring.

Natixis incurs risks intrinsically as part of its Corporate & Investment Banking, Asset & Wealth Management, Insurance and Specialized Financial Services (SFS) activities:

- credit risk generated by Corporate & Investment Banking as well as SFS lending activities is managed under specific risk policies adapted by business and subsidiary, concentration limits defined by counterparty, sector and country, and through extensive portfolio monitoring. Natixis ensures the selective management of issuance commitments through independent analyses and various credit committees.
- leverage and liquidity risk are included in Groupe BPCE's risk framework. As BPCE provides a liquidity and capital adequacy guarantee, Natixis applies BPCE's risk policies to its own organization. Specific targets that help manage scarce resources using a dedicated framework and management objectives have been defined for these risks. Natixis oversees the strategy to diversify its sources of financing as well as those of Groupe BPCE, and manages its solvency ratio to cope with stress situations.
- market risk is incurred from Natixis' market activities within the CIB, which aim to meet the needs of its clients with the exception of proprietary trading. This risk is managed according to a body of risk policies and specific qualitative and quantitative indicators.
- operational risk is intrinsic to all the Bank's businesses and functions and is managed using a shared data collection tool. The framework, which has been rolled out across the businesses and geographic regions, is used to map risks and implement corrective and preventive action plans accordingly.
- Natixis is committed to strictly observe the laws, regulations and norms governing its activities, in France and internationally, in the realm of financial security (anti-money laundering, terrorism, corruption and fraud), compliance and client protection.
- Natixis' most important asset is its reputation and its relationship with its clients. Clients' interests are therefore put first and the bank – irrespective of the business activity, entity or geographic region – is dedicated to operating at the highest level of ethical standards, and in line with the best standards of transaction execution and security. Together with Groupe BPCE, Natixis closely monitors its reputation risk using indicators that combine an ex ante/ex post approach.

2.4.2 RISK APPETITE FRAMEWORK

For each identified risk and selected indicator, the risk appetite operating mechanism relies on two successive levels:

- an overall limit setting the risk envelope allocated to the businesses;
- and a warning threshold on the maximum risk which, if exceeded, would pose a risk to Natixis' business continuity and/or stability.

This operational framework is applied by type of risk (credit and concentration risk, market risk, liquidity and leverage risk, operational risk, solvency risk, etc.) and draws on Natixis' pre-existing measuring and reporting systems.

It is regularly reviewed, consolidated and presented to the Board of Directors' Risk Committee.

The Risk Appetite Framework forms part of Natixis' overall processes, especially with regard to:

- risk identification: every year risks are mapped in order to have an overview of the risks to which Natixis is or could be exposed. With this approach it is possible to identify material risks, the indicators of which are included in the risk appetite framework;
- in the budget process and overall stress tests.

In accordance with regulations concerning systemic financial institutions, Groupe BPCE has drawn up a recovery and resolution plan (PRR).

2.5 Risk typology

Natixis is exposed to a set of risks inherent to its business activities, but which may change as a result of regulatory requirements in particular.

Credit risk

Credit risk is the risk of financial loss due to a debtor's inability to honor its contractual obligations. Assessing the probability of a debtor's inability to repay and, in this event, the projected recovery is a key component of measuring credit quality. The debtor may be a bank, an industrial or a commercial company, a sovereign State and its various entities, an investment fund, or a natural person. Credit risk increases in periods of economic uncertainty, insofar as such conditions may lead to a higher rate of default.

Credit risk affects lending operations as well as other operations exposing Natixis to the risk of counterparty default, notably its trading operations in financial instruments on capital markets and its settlement-delivery operations.

Counterparty risk

Counterparty risk on market transactions is a component of credit risk and represents a potential loss in the event of counterparty default. Counterparty risk evolves as market parameters fluctuate.

Natixis is exposed to this risk because of the transactions it executes with its customers (for example, over-the-counter derivatives [swaps, options, etc.], securities lending and borrowing, and repurchase agreements).

Securitization risk

Securitizations are transactions involving credit risk inherent to a set of exposures is housed in a special-purpose entities (usually a securitization fund or "conduit"), which is then divided into tranches, usually for the purpose of selling them to investors. The special-purpose entity (SPE) issues units that may in some cases be subscribed for directly by investors, or by a multi-seller conduit which refinances the purchases of its shares by issuing short-maturity notes (treasury notes or commercial paper).

Rating agencies assess the creditworthiness of the units available-for-sale for investors.

In general, securitizations have the following characteristics:

- they result in a material transfer of risk where the transaction is originated by Natixis;
- payments made in the course of the transaction depend on the performances of the underlying exposures;
- the subordination of tranches, defined by the transaction, determines the distribution of losses over the term of the risk transfer.

Market risk

Market risk is the risk of loss in value caused by any adverse fluctuations in market parameters. These parameters include, in particular, bond prices, interest rates, securities and commodities prices, derivatives prices and prices of all other assets, particularly foreign exchange rates.

Asset liquidity is also an important component of market risk. In the event of insufficient or non-existent liquidity (for example, because of a reduced number of transactions, or a major imbalance in the supply and demand of certain assets), a financial instrument or any other tradable asset may be unable to be traded at its estimated value.

The lack of liquidity may lead to reduced access to capital markets, unforeseen cash or capital requirements, or legal restrictions.

Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, human resources, information systems, or external events with financial, regulatory, legal or reputational impacts.

The Groupe BPCE Insurance Department is tasked with analyzing insurable operational risks and taking out appropriate insurance coverage. Natixis and its subsidiaries benefit from insurance policies pooled with Groupe BPCE against potentially significant consequences resulting from fraud, embezzlement and theft, operating losses or the incurring of Natixis' civil liability or that of its subsidiaries or the employees for which it is responsible.

Overall interest rate risk

Natixis' overall interest rate risk is defined as the risk of losses on the banking portfolio stemming from mismatches between interest rates on assets and on liabilities.

As is the case for most corporate and investment banks, Natixis has very few assets and liabilities generating structural interest rate positions. Natixis' overall interest rate risk concerns contractual transactions. The most significant positions concern exposures to the short end of yield curves and are predominantly linked to the lag between IBOR fixing dates. This is therefore classed as a secondary risk at the bank level.

Liquidity risk

Liquidity risk is the risk that Natixis will be unable to honor its commitments to its creditors due to the mismatching of maturities between assets and liabilities. This risk could arise, for example, in the event of massive withdrawals of customer deposits, a crisis of confidence, or an overall market liquidity crisis. As a corporate and investment bank, this risk for Natixis results primarily from mismatched positions between transactions with contractual maturities, as Natixis has fewer stable and permanent customer resources than retail banks and partly funds its operations on the markets.

Structural foreign exchange risk

Structural foreign exchange risk is defined as the risk of transferable equity loss generated by an unfavorable fluctuation in exchange rates against the currency used in the consolidated accounts due to a mismatch between the currency of net investments refinanced by purchases of currency and the currency of equity.

Natixis' structural foreign exchange risk for the most part concerns structural positions in the US dollar due to the consolidation of foreign branches and subsidiaries funded in this currency.

Non-compliance risk

Non-compliance risk is defined in French regulation as the risk of a legal, administrative or disciplinary penalty, accompanied by significant financial losses or reputational damage, that arises from a failure to comply with the provisions specific to banking and financial activities, whether these are stipulated by national or directly applicable European laws or regulations, or instructions from the executive body, notably issued in accordance with the policies of the supervisory body. This risk is a sub-category of operational risk, by definition.

Cyber risk

Natixis' ability to conduct its business is determined by the availability of its information system, the guaranteed integrity and confidentiality of data and the traceability of every transaction.

The transformation of banking information systems, the new technologies it heralds and the increased outsourcing of the related services offer cybercriminals new opportunities to carry out increasingly sophisticated and industrialized attacks. To address this issue, Natixis has restructured its departments in charge of IT security and set up a cyber Security Operating Center (SOC) that works directly with Groupe BPCE's Computer Emergency Response Team (CERT).

Within the Compliance Department, the IT Systems Security Department's Risks and Controls team forms the second line of defense, and assesses the risk borne by each entity. It also supports the businesses' initiatives to ensure their full compliance with security requirements.

Natixis has also begun the overhaul of its information security model for 2020, with the aim to adapt the security framework to current developments, strengthen the protection of our most sensitive assets and improve the SOC's detection capabilities.

Reputational risk

Reputational risk is the risk of damage to the confidence shown in the company by its customers, counterparties, suppliers, employees, shareholders, supervisors, or any other third parties whose trust, in whatever respect, is a prerequisite for the normal conduct of business.

Reputational risk is essentially a risk contingent on the other risks incurred by the bank.

Legal risk

Legal risk is defined in French regulation as the risk of any legal dispute with a third party, arising from an inaccuracy, omission or deficiency that may be attributable to the company's operations.

Other risks

Insurance business-related risk: insurance risk is the risk to profits of any difference between expected and incurred claims. Depending on the insurance product in question, the risk varies according to macroeconomic changes, changes in customer behavior, changes in public healthcare policy, pandemics, accidents and natural disasters (such as earthquakes, industrial accidents or acts of terrorism or war).

Strategic risk is the risk inherent to the strategy chosen or resulting from Natixis' inability to implement its strategy.

Climate risk is the increased vulnerability of businesses to variations in climate indices (temperature, rainfall, wind, snow, etc.).

Environmental and social risks arise from the operations of the clients and companies in which Natixis invests.

2.6 Risk factors

Overview of risks to which Natixis is exposed

Natixis is exposed to a number of types of risks associated with its Asset & Wealth Management, Corporate & Investment Banking, Insurance and Specialized Financial Services activities, including in particular the following:

- *Credit risk*, which is the risk of financial loss relating to the failure of a counterparty to honor its contractual obligations. The counterparty may be a bank, a financial institution, an industrial or commercial enterprise, a government, an investment fund, or a natural person. Credit risk arises from financing activities and guarantees, and also in other activities where Natixis is exposed to the risk of counterparty default, such as its trading, capital markets, insurance and settlement activities.
- *Market risk*, which is the risk of loss generated by any negative fluctuations in market parameters, such as interest rates, share prices, foreign exchange rates and commodity values. Market risk arises in connection with substantially all the activities of Natixis. It includes both direct exposures to market parameters arising from activities such as trading and asset management (where commissions are largely based on the market value of managed portfolios), as well as the risk of mismatches between assets and liabilities (for example, where assets carry different interest rate bases or currencies than liabilities).
- *Liquidity risk*, which is the risk that Natixis will be unable to honor its commitments to its creditors due to the mismatching of maturities between assets and liabilities, or that Natixis may be unable to sell assets and realize their value at a time when it needs to do so in order to meet its obligations to creditors.
- *Operational risk*, which is the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Operational risk also includes non-compliance and reputational risk, including legal and tax-related risks, and the risk to the image of Natixis that may arise in cases of non-compliance with legal or regulatory obligations, or with ethical standards.
- *Insurance risk* is the risk to profits arising from any discrepancy between expected and incurred claims under insurance policies issued by Natixis group insurance companies.

Each of these risks is discussed in further detail elsewhere in this chapter. Quantitative information relating to these risks and their potential impact on the results of operations of Natixis is set forth in Chapter 3 of the registration document. That section also discusses the manner in which Natixis seeks to manage these risks. If the risk management strategy of Natixis is not effective, any of the foregoing risks could affect its business, results of operations and financial condition.

2.6.1 RISKS RELATED TO TIES WITH BPCE

Natixis' principal shareholder has a significant influence on certain corporate actions

At December 31, 2017, Natixis' main shareholder, BPCE, held 71% of its share capital (and 71.02% of its voting rights). BPCE is therefore in a position to exercise significant influence over the appointment of Natixis' directors and executive officers, and on any other corporate decisions requiring shareholder approval. BPCE's interests in relation to these decisions may differ from those of other Natixis shareholders.

Natixis' risk management policies and procedures are subject to the approval and control of BPCE

Natixis is part of BPCE Group, a major French mutual banking group. Under French law, BPCE, as the central institution of BPCE Group, is required to ensure that all of BPCE Group complies with regulations in force governing the banking sector in France in areas such as regulatory capital adequacy, risk appetite and risk management requirements. As a result, BPCE has been vested with significant rights of approval over important aspects of Natixis' risk management policies. In particular, BPCE has the power to approve the appointment or removal of Natixis' Chief Risk Officer, as well as certain aspects of risk management such as the approval of credit limits and the classification of loans granted to joint Natixis and BPCE Group customers as non-performing loans. BPCE's own interests concerning risk management may differ from those of Natixis.

Natixis' funding of its activities depends on BPCE

Natixis obtains a portion of the funding for its activities from BPCE Group through the public and private issuance of medium- and long-term vanilla debt (senior and subordinate) by BPCE, which is the main issuer of medium- and long-term debt in BPCE Group. If the credit ratings of BPCE were downgraded by major rating agencies, or if BPCE were to experience difficulties in obtaining financing in the markets (including as a result of financial or operational problems with entities other than Natixis that are part of BPCE Group), the cost of funding and liquidity of Natixis could be adversely affected.

2.6.2 RISKS RELATED TO MACROECONOMIC CONDITIONS AND REGULATORY DEVELOPMENTS

Adverse market or economic conditions may negatively affect the net revenues, profitability and financial condition of Natixis

The businesses of Natixis are sensitive to changes in the financial markets and more generally to economic conditions in France, Europe and the rest of the world. Economic conditions in the markets where Natixis operates could in particular have some or all of the following impacts:

- adverse economic conditions could affect the business and operations of Natixis' customers, resulting in an increased rate of default on loans and receivables;
- a decline in market prices of bonds, shares and commodities could impact many of the businesses of Natixis, including in particular trading, investment banking and asset management revenues;
- macro-economic policies adopted in response to actual or anticipated economic conditions could have unintended effects, and are likely to impact market parameters such as interest rates and foreign exchange rates, which in turn could affect the businesses of Natixis that are most exposed to market risk;
- perceived favorable economic conditions generally or in specific business sectors could result in asset price bubbles, which could in turn exacerbate the impact of corrections when conditions become less favorable;
- a significant economic disruption (such as the global financial crisis of 2008 or the European sovereign debt crisis of 2011) could have a severe impact on all the activities of Natixis, particularly if the disruption is characterized by an absence of market liquidity that makes it difficult to sell certain categories of assets at their estimated market value or at all.

The principal markets in which Natixis is active are currently experiencing generally favorable economic conditions. There can be no assurance, however, that such conditions will continue. European markets may be affected by a number of factors, including continuing uncertainty regarding the commercial and other relationships between the United Kingdom and the European Union resulting from the decision of the United Kingdom to leave the European Union. Markets in the United States may be affected by recently enacted tax reforms or by a tendency towards political stalemate, which has resulted in government shutdowns and affected credit and currency markets. Asian markets could be impacted by factors such as slower than expected economic growth rates in China or by geopolitical tensions on the Korean peninsula. Share prices could fall from their current historically high levels, and the impact could be exacerbated if the correction is particularly rapid or if broad groups of market participants withdraw assets from share-based products at the same time. Credit markets and the value of fixed income assets could be adversely affected if interest rates were to rise sharply as the European Central Bank, the Federal Reserve Bank and other central banks begin to scale back the extraordinary support measures they put in place in response to recent adverse economic conditions. Commodity prices could be impacted by unpredictable geopolitical factors in regions such as the Middle East and Russia. More generally, increased volatility of financial markets could adversely affect Natixis' trading and investment positions in the debt, currency, commodity and equity markets, as well as its positions in other investments. Severe market disruptions and extreme market volatility have occurred in recent years and may occur again in the future, which could result in significant losses for Natixis' capital markets activities. Such losses may extend to a broad range of trading and hedging products, including swaps, forward and future contracts, options and structured products. Volatility of financial markets makes it difficult to predict trends and implement effective trading strategies; it also increases the risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. Such losses, if significant, could have an adverse effect on Natixis' results of operations and financial condition.

It is difficult to predict when economic or market downturns will occur, and which markets will be most significantly impacted. If economic or market conditions in France or elsewhere in Europe, or global markets more generally, were to deteriorate or become more volatile, Natixis' operations could be disrupted, and its business, results of operations and financial condition could be adversely affected.

An economic environment characterized by sustained low interest rates could adversely affect the profitability and financial condition of Natixis

During periods of low interest rates, Natixis may be unable to lower its funding costs sufficiently to offset reduced income from lending at such rates. Low interest rates may also negatively affect the profitability of the insurance activities of Natixis because insurance affiliates may not be able to generate an investment return sufficient to cover amounts paid out on certain of their insurance products. Low interest rates may also adversely affect commissions charged by Natixis asset management affiliates on money market and other fixed income products. Furthermore, if market interest rates were to rise in the future, a portfolio featuring significant amounts of lower interest rate loans and fixed income securities as a result of an extended period of low interest rates would be expected to decline in value at a time when Natixis' cost of funding could increase. If Natixis' hedging strategies are ineffective or provide only a partial hedge against such a change in value, Natixis could incur losses.

Legislative action and regulatory measures in response to the global financial crisis may materially impact Natixis and the financial and economic environment in which it operates

Legislation and regulations have recently been enacted or proposed with a view to introducing a number of changes, some permanent, in the global financial environment. While the objective of these measures is to avoid a recurrence of the global financial crisis, the new measures have changed substantially, and may continue to change, the environment in which Natixis and other financial institutions operate.

The measures that have been or may be adopted include more stringent capital and liquidity requirements, taxes on financial transactions, limits or taxes on employee compensation over specified levels, limits on the types of activities that commercial banks can undertake (particularly proprietary trading and investment and ownership in Private Equity funds and hedge funds), new ring-fencing requirements relating to certain activities, restrictions on the types of entities permitted to conduct swaps activities, restrictions on certain types of activities or financial products such as derivatives, mandatory write-downs or conversions into equity of certain debt instruments, enhanced recovery and resolution regimes, revised risk-weighting methodologies (particularly with respect to capital markets, financing and insurance businesses), periodic stress testing and the creation of new and strengthened regulatory bodies. Moreover, the general political environment has evolved unfavorably for banks and the financial industry, resulting in additional pressure on legislative and regulatory bodies to adopt more stringent regulatory measures, despite the fact that these measures can have adverse consequences on lending and other financial activities, and on the economy.

Because of the continuing uncertainty regarding the new legislative and regulatory measures, it is not possible to predict what impact they will have on Natixis. Natixis has incurred and may continue to incur significant costs in connection with updating or expanding its compliance structures and information technology systems in response to, or in anticipation of, the new measures. Despite its efforts, Natixis might find itself unable to achieve full compliance with all applicable legislation and regulations, in which case it may be subject to penalties. Moreover, the new legislative and regulatory measures could require significant changes to Natixis' business and/or adversely impact the results of operations and financial condition of Natixis. The new regulations may require Natixis to raise new capital at a time when it is costly or difficult to do so, or they may increase the overall funding costs of Natixis. The new legislative and regulatory measures could require significant changes to Natixis' business and/or adversely impact the results of operations and financial condition of Natixis.

2.6.3 RISKS RELATED TO NATIXIS' OPERATIONS

Natixis may not achieve the goals of its strategic plan

Natixis may be unable to meet the objectives set out in its "New Dimension" strategic plan for the period from 2018 to 2020, or in any future or replacement strategic plan. The New Dimension plan, announced on November 20, 2017, aims to contribute to the development of high value-added solutions for Natixis' clients. The strategy focuses on three initiatives: deepening the transformation of Natixis' business models; investing in digital technologies; and seeking to become clients' key representatives in areas where Natixis' teams have developed strong and recognized expertise.

The New Dimension strategic plan contains forward-looking information and guidelines, and while Natixis believes the plan provides a number of opportunities, it will face uncertainties given the potentially volatile state of financial markets and the global economy, and there is no guarantee that Natixis will achieve the goals of this new strategic plan or any other strategy it announces or undertakes in future periods. In particular, in connection with the New Dimension strategic plan, Natixis announced certain financial targets, including profitability and risk-weighted asset growth rates, capital generation targets and shareholder dividend objectives, as well as targets for regulatory capital ratios and strategic initiatives and priorities. The financial objectives were established primarily for purposes of planning and allocation of resources, are based on a number of assumptions, and do not constitute projections or forecasts of anticipated results. The actual results of Natixis are likely to vary (and could vary significantly) from these targets. If Natixis does not realize these objectives, its financial condition and the market value of its securities could be adversely affected.

A substantial increase in asset impairment charges in respect of Natixis' loan and receivables portfolio could adversely affect its results of operations and financial condition

In connection with its lending activities, Natixis periodically establishes asset impairment charges, whenever necessary, to reflect actual or potential losses in respect of its loan and receivables portfolio, which are recorded in its profit and loss account under "cost of risk." Natixis' overall level of such asset impairment charges is based upon its assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although Natixis uses its best efforts to establish an appropriate level of asset impairment charges, its lending activities may require it to increase its charges for loan losses in the future as a result of increases in non-performing assets or for other reasons, such as deteriorating market conditions or factors affecting particular countries. Any significant increase in charges for loan losses or a significant change in the estimate of the risk of loss inherent in Natixis' portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the charges recorded with respect thereto, could have an adverse effect on the results of operations and financial condition of Natixis.

Changes in the fair value of Natixis' securities and derivatives portfolios and its own debt could have an impact on the carrying value of such assets and liabilities, and thus on its net income and shareholders' equity

The carrying values of Natixis' securities and derivatives portfolios and certain other assets are adjusted as of each financial statement date. The valuation adjustments include a component that reflects the credit risk inherent in Natixis' own debt. Most of the adjustments are made on the basis of changes in fair value of the assets or liabilities during an accounting period, with the changes recorded either in the income statement or directly in shareholders' equity. Changes that are recorded in the income statement, to the extent not offset by opposite changes in the fair value of other assets, affect net revenues and, as a result, net income. In certain cases, fair value adjustments affect shareholders' equity and, as a result, Natixis' capital adequacy ratios. More generally, fair value adjustments may be required as a result of inherent uncertainty in the models and parameters used in the valuation of Natixis' securities and derivatives portfolios. This is particularly true where securities or derivatives are complex or do not have publicly quoted market prices, and valuation is based on internally-generated or otherwise non-standard modeling that ultimately relies to some degree on Natixis' estimates and judgement.

Changes in accounting principles may have an impact on Natixis' financial statements and capital ratios and result in additional costs

Applicable accounting principles evolve and change over time, and Natixis' financial statements and capital ratios are exposed to the risk of changes to such principles. For example, in July 2014, the International Accounting Standards Board published IFRS 9 "Financial Instruments," which replaced IAS 39 as from January 1, 2018 after its adoption by the European Union. The standard amends and complements the rules on the classification and measurement of financial instruments. It includes a new impairment model based on expected credit losses ("ECL"), while the current model is based on provisions for incurred losses, and new rules on general hedge accounting. The new approach based on ECL could result in substantial additional impairment charges for Natixis and add volatility to its regulatory capital ratios, and the costs incurred by Natixis relating to the implementation of such norms may have a negative impact on its results of operations.

Natixis may generate lower revenues from brokerage and other fee-based businesses during market downturns

A market downturn is likely to lower the volume of transactions that Natixis executes for its customers and in its capacity as a market maker, thus reducing net revenues from these transactions. In addition, asset management fees charged by Natixis to its customers are often based on the value or performance of the portfolios, so that any market downturn, legislative, regulatory or policy change or political or geopolitical event that reduces the value of the assets under management in such portfolios or increases the amount of redemptions would reduce Natixis' revenues from its Asset & Wealth Management businesses.

Independent of market changes, any under-performance of Natixis' Asset Management business may result in a decrease in assets under management (in particular, as a result of mutual fund redemptions) and in lower fees, premiums and other portfolio management income earned by Natixis.

Demand for asset management products could vary on the basis of a variety of factors, some of which are outside the control of Natixis

Demand for asset management products and services, which represents a significant share of the overall net revenues and net income of Natixis, can be significantly affected by numerous factors beyond management's control. Adverse developments can reduce the amount of new funds invested by Natixis' clients, and can cause investors to withdraw assets from the funds and portfolios that Natixis manages. The factors beyond the control of Natixis that can significantly impact demand for its asset management products and services include the following elements:

- the macroeconomic climate, globally and, more specifically, in the countries in which Natixis markets its products, which impacts the capacity of individuals to save money and to invest (directly or indirectly) in asset management products and which can also affect demand of institutional investors for these products;
- the level of equity markets globally and in the principal regions in which Natixis' products are distributed, which can impact the attractiveness of asset management products for investors and thus affect the level of investments in Natixis' funds;
- the level of interest rates in financial markets generally, and yield on products that compete with Natixis' asset management products, such as bank savings deposits and bonds;
- tax incentives that favor other investment products; or
- regulatory initiatives in the financial markets, which may provide incentives to banks to distribute asset management products or, conversely, to seek to increase deposits at the expense of asset management products.

Moreover, if Natixis is unable to maintain a satisfactory level of performance with respect to its asset management products, clients may withdraw funds or may decline to renew investment mandates.

If these or other factors were to adversely affect demand for Natixis' products, net inflows would be reduced and, as a result, assets under management would be lower, causing a reduction in Natixis' net revenues and negatively impacting its results of operations.

Claims experienced by Natixis insurance affiliates could be inconsistent with the assumptions they use to price their products and establish their reserves

The earnings of the insurance affiliates of Natixis depend significantly upon the extent to which their actual claims experience is consistent with the assumptions they use in setting the prices for their products and establishing the liabilities for obligations for technical provisions and claims. Natixis uses both its own experience and industry data to develop estimates of future policy benefits, including information used in pricing the insurance products and establishing the related actuarial liabilities. However, there can be no assurance that actual experience will match these estimates, and unanticipated risks such as pandemic diseases or natural disasters could result in loss experience inconsistent with the relevant pricing and reserving assumptions. To the extent that the actual benefits paid by Natixis to policyholders are higher than the underlying assumptions used in initially establishing the future policy benefit reserves, or events or trends cause Natixis to change the underlying assumptions, Natixis may be exposed to greater than expected liabilities, which may adversely affect Natixis' insurance business, results of operations and financial condition.

Despite the risk management policies, procedures and methods in place, Natixis may be exposed to unidentified or unanticipated risks likely to give rise to significant losses

Natixis' risk management policies and procedures may not be effective in limiting its exposure to all types of market environments or all types of risk, including risks that Natixis has not been able to identify or anticipate. Furthermore, the risk management procedures and policies used by Natixis do not guarantee effective risk reduction in all market configurations. These procedures may not be effective against certain risks, particularly those that Natixis has not previously identified or anticipated. Some of Natixis' qualitative tools and metrics used to manage risk are based on its use of observed historical market behavior. Natixis then carries out a mostly statistical analysis to quantify its risk exposure. The tools and metrics used may provide inaccurate conclusions on future risk exposures, mainly because of factors that Natixis has not anticipated or correctly assessed in its statistical models, or because of unexpected and unprecedented market trends. This inaccuracy would limit Natixis' ability to manage its risks. Consequently, the losses borne by Natixis could prove far greater than those forecast based on historical averages. Moreover, Natixis' quantitative models do not incorporate all risks. Certain risks are subject to a more qualitative analysis that could prove insufficient and thus expose Natixis to significant and unanticipated losses. In addition, while no material issue has been identified to date, the risk management systems are subject to the risk of operational failure, including fraud.

The hedging strategies implemented by Natixis do not eliminate all risk of loss

Natixis could suffer losses if any of the instruments and hedging strategies it uses to hedge the various types of risk to which it is exposed prove ineffective. Many of these strategies are based on observation of historical market behavior and historical correlation analysis. For example, if Natixis holds a long position in an asset, it could hedge the risk by taking a short position in another asset whose past performance has allowed it to offset the performance of the long position. However, in some cases, Natixis may only be partially hedged, or its strategies may not fully hedge future risks or effectively reduce risk in all market configurations, or may even cause an increase in risks. Any unexpected change in the market can also reduce the effectiveness of these hedging strategies. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may increase the volatility of Natixis' reported earnings.

Natixis may encounter difficulties in identifying, executing and integrating its policy in relation to acquisitions or joint ventures

Natixis may consider external growth or partnership opportunities from time to time. While Natixis closely reviews the companies it plans to acquire and the joint ventures it plans to engage in, it is generally not feasible for these reviews to be exhaustive. As a result, Natixis may have to assume unforeseen liabilities. Similarly, the expected benefits of an acquisition or joint venture may not be obtained, expected synergies may only be partly achieved (or not achieved at all), or the transaction may give rise to higher-than-expected costs. Natixis may also encounter difficulties in consolidating a new entity. The failure of an announced external growth operation or the failure to consolidate the new entity or joint venture is likely to materially affect Natixis' profitability. This situation could also lead to the departure of key employees. Insofar as Natixis may feel compelled to offer its employees financial incentives in order to retain them, this situation could also result in increased costs and an erosion of profitability. In the case of joint ventures, Natixis is subject to additional risks and uncertainties in that it may be dependent on systems, controls and personnel not under its control and which could subject Natixis to liability, losses or reputational damage. In addition, conflicts or disagreements between Natixis and its joint venture partners may undermine the benefits sought by the joint venture.

Natixis' ability to attract and retain qualified employees is critical to the success of its business and failure to do so may significantly affect its performance

Natixis' employees are one of its most important resources and across the financial services industry, competition to attract qualified employees is intense. Natixis' results depend on its ability to attract new employees and to retain and motivate existing employees.

Increased competition, both in Natixis' home market of France, its largest market, and internationally, could adversely affect Natixis' net revenues and profitability

Natixis' primary businesses contend with fierce competition in France and in other areas of the world where it is firmly established. Heightening this competition is consolidation, whether in the form of mergers and acquisitions or through alliances and cooperation. Consolidation has created a number of firms that, like Natixis, have the ability to offer a wide range of products and services. Natixis competes with other entities on many levels, including transaction execution, products and services offered, innovation, reputation and price. If Natixis is unable to maintain its competitiveness in France or in its other major markets with attractive and profitable product and service offerings, it may lose market share in important areas of its business or incur losses on some or on all of its operations. In addition, downturns in the global economy or in the economies of Natixis' major markets are likely to increase competitive pressure, as increased price pressure lowers business volumes for Natixis and its competitors. New and more competitive competitors could also enter the market. Subject to separate or more flexible regulation, or to other requirements relating to prudential ratios, these new market participants may be able to offer more competitive products and services.

Technological advances and the growth of e-commerce have made it possible for non-bank institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and Internet-based financial solutions, including electronic securities trading. These new players may exert downward price pressure on Natixis' products and services and affect Natixis' market share. In addition, new payment systems and currencies, such as bitcoin, and new technologies facilitating transaction processing, such as blockchain, have become increasingly common. It is difficult to predict the effects of the emergence of such new technologies, which face comparatively little regulation, but their increased use may reduce the market share of, or redirect amounts that might have otherwise been invested in portfolios operated by, more established financial institutions such as Natixis.

The financial soundness and behavior of other financial institutions and market participants could have an adverse impact on Natixis

Natixis' ability to carry out its operations could be affected by the financial soundness of other financial institutions and market participants. Financial institutions are closely interconnected mainly as a result of their trading, clearing, counterparty and financing operations. The default of a sector participant, or mere rumors or questions surrounding one or more financial institutions or the finance industry as a whole, have, in the past, led to a widespread contraction in liquidity in the market and, in the future, could lead to additional losses or defaults.

Natixis is exposed to numerous financial counterparties, such as investment service providers, commercial or investment banks, mutual funds and hedge funds, as well as other institutional clients with which it conducts transactions in the ordinary course of business. Natixis is therefore exposed to a risk of insolvency should one of its counterparties or customers fail to meet their commitments. This risk would be compounded if the assets held as collateral by Natixis were unable to be sold or if their price was insufficient to cover all of Natixis' exposure to loans or derivatives in default. In addition, fraud or misappropriation committed by financial sector participants may have a highly detrimental impact on financial institutions due to interconnected nature of institutions operating in the financial markets. The potential losses arising from the above-mentioned risks could have a significant bearing on Natixis' results.

An extended market decline may reduce the liquidity of assets and make it more difficult to sell them, potentially giving rise to significant losses

In some of Natixis' businesses, a prolonged fall in asset prices could threaten business levels or reduce liquidity in the market concerned. This situation would expose Natixis to significant losses were it unable to rapidly close out its potentially loss-making positions. This is particularly true in relation to intrinsically illiquid assets. Certain assets, such as derivatives traded between banks, that are not traded on a stock exchange, regulated market, or offset through a clearing house are generally valued using models rather than on the basis of the market price. Given the difficulty in monitoring changes in prices of these assets, Natixis could suffer unforeseen losses.

In addition, Natixis originates or acquires certain assets with a view to their subsequent resale or distribution through channels such as syndication or securitization. A reduction in the liquidity of the markets for such assets or the syndication or securitization markets more generally, or the inability of Natixis to sell or reduce its positions in such assets, may require Natixis to bear more credit risk and market risk associated with such assets than it initially anticipated. The absence of liquidity in the secondary markets for such assets may require Natixis to reduce its origination activities, which would impact revenues and could affect its relations with customers, which in turn could adversely affect its results of operations and financial condition.

Natixis is exposed to emerging risks, including risks relating to cyber security

Natixis is confronted with new types of risk that have emerged in recent years, in particular cyber risk, and may become exposed to other emergent risks in the future. Cyber risk is caused by a malicious and/or fraudulent act, perpetrated digitally in an effort to manipulate data (personal, banking/insurance, technical or strategic data), processes and users, with the aim of causing material losses to companies, their employees, partners and clients. Cyber risk has become a top priority in the field of operational risks. A company's data assets are exposed to new, complex and evolving threats liable to have material financial and reputational impacts on all companies, and specifically those in the banking sector. Given the increasing sophistication of criminal enterprises behind cyber attacks, regulatory and supervisory authorities have begun highlighting the importance of ICT (Information and Communication Technology) risk management.

Natixis has made the resilience of its technical infrastructures, business continuity, and data transmission security a top priority, both in terms of pre-empting and being capable of responding to threats. However, as cyber attacks are constantly evolving to become increasingly complex, these efforts may not be sufficient to fully protect Natixis, its employees, its partners and client. Despite Natixis' efforts, such attacks could potentially disrupt client services or result in the alternation or disclosure of confidential data, could lead to business interruptions, costs related to information retrieval and verification and reputational harm. Any of these impacts could adversely affect Natixis' business, results of operations and financial condition.

Any interruption or failure of Natixis' information systems, or those of third parties, may result in lost business and other losses

Like most of its competitors, Natixis relies heavily on its communication and information systems to process a high volume of increasingly complex transactions for its businesses. Any breakdown, interruption or failure of these systems could result in errors or interruptions to customer relationship management, general ledger, deposit, transaction and/or loan processing systems. If, for example, Natixis' information systems failed, even for a short period, it would be unable to meet customers' needs in a timely manner and could thus lose transaction opportunities. Likewise, a temporary breakdown of Natixis' information systems, despite back-up systems and contingency plans, could result in considerable information retrieval and verification costs, and even a decline in its business if, for instance, such a breakdown occurred during the implementation of hedging transactions. The inability of Natixis' systems to accommodate an increasing volume of transactions could also undermine its business development capacity. Natixis is also exposed to the risk of an operational failure or interruption by one of the clearing agents, foreign exchange markets, clearing houses, custodians or other financial intermediaries or external service providers it uses to execute or facilitate its securities transactions. With growing interconnectivity with customers, Natixis may also be increasingly exposed to the risk of operational failure of its customers' information systems. Natixis cannot guarantee that such breakdowns or interruptions in its systems or in those of other parties will not occur or, if they do occur, that they will be adequately resolved.

Unforeseen events may interrupt Natixis' operations and cause substantial losses and additional costs

Unforeseen events, such as a severe natural disaster, pandemic, terrorist attacks, or any other state of emergency, could lead to a sudden interruption of Natixis' operations and cause substantial losses insofar as they are not covered or are insufficiently covered by an insurance policy. These losses could relate to property, financial assets, market positions and key employees. Such unforeseen events may, additionally, disrupt Natixis' infrastructure, or that of third parties with which it conducts business, and could also lead to additional costs (such as relocation costs of employees affected) and increase Natixis' costs (in particular insurance premiums). Subsequent to such events, Natixis may be unable to insure certain risks, resulting in an increase in Natixis' overall risk. Other adverse unforeseen changes may occur in political, military or diplomatic environments and may create social instability or an uncertain legal environment that may negatively impact the demand for the products and services offered by Natixis.

Tax laws applicable in the countries where Natixis operates could have a material impact on Natixis' results

Natixis is subject to the tax regulations in force in the various countries in which it operates. As an international group doing business in several countries, Natixis has structured its commercial and financial activities in light of diverse regulatory requirements and its commercial and financial objectives. Natixis aims to create value in serving its customers by drawing on the synergies and sales capacities of its various entities.

Natixis is required to comply with recently adopted reporting requirements which are part of the global fight against tax evasion and, more generally, with any mechanisms that could be adopted being part of the global fight against tax evasion. Natixis reports transparently on its organizational structure and operations, and discloses its revenues and the corresponding taxes on a country-by-country basis for greater clarity on the determining factors of its tax expense. Natixis observes the Code of Practice on Taxation for Banks. These new reporting requirements and, more generally, any mechanisms adopted in order to enhance cooperation between tax administrations in the fight against tax evasion will subject Natixis to increasing additional administrative burdens and to costly reporting obligations.

The tax regime applied to Natixis' operations, intra-group transactions or reorganizations (past or future) managed by Natixis or its affiliates and financial products sold to customers, is based on Natixis' own interpretations of applicable tax laws and regulations, on the opinions received from independent tax advisers and occasionally on authorizations or rulings by the tax authorities. Since tax laws and regulations in the various jurisdictions in which Natixis operates may not always provide clear-cut or definitive guidelines, there can be no assurance that the tax authorities will not seek to challenge such interpretations in the future, in which case Natixis could be subject to tax reassessments. More generally, any failure to comply with the tax laws or regulations of the countries in which Natixis operates may result in reassessments, late payment interests, fines and penalties.

Furthermore, tax laws and regulations may change, and there may be changes in their interpretation and application by the relevant authorities, especially in the context of international and European initiatives. The occurrence of any of the preceding factors may result in an increase in the tax burden of Natixis and have a material adverse effect on its business, results of operations or financial condition.

Natixis' profitability and business outlook could be adversely affected by reputational and legal, as well as the risk of non-compliance with banking laws and regulations

Natixis' reputation is essential in attracting and retaining its customers. The use of inappropriate means to promote and market its products and services and the inadequate management of potential conflicts of interest, legal and regulatory requirements, compliance issues, money laundering laws, information security policies and sales and trading practices may damage Natixis' reputation. Its reputation could also be harmed by any inappropriate employee behavior, fraud or misappropriation of funds committed by participants in the financial sector to which Natixis is exposed, any decrease, restatement or correction of its financial results and any legal or regulatory action that has a potentially unfavorable outcome. Any damage caused to Natixis' reputation could be accompanied by a loss of business likely to threaten its results and its financial position.

Inadequate management of these issues could also give rise to additional legal risk for Natixis and lead to civil or criminal legal proceedings with potentially significant damages claimed against Natixis, or expose Natixis to sanctions from the regulatory authorities. Natixis currently is and will likely in the future be the subject of legal actions. Actions instituted against Natixis (including ongoing proceedings) could result in judgements, settlements, fines, or penalties, which could increase Natixis' operational and litigation costs and result in material losses.

Holders of Natixis securities may suffer losses if Natixis undergoes resolution proceedings

The Directive 2014/59/EU dated May 15, 2014 on Bank Recovery and Resolution Directive (the "BRRD") and the Single Resolution Mechanism introduced by EU Regulation no. 806/2014 of July 15, 2014, as transposed into French law by decree-law no. 2015-1024 dated August 20, 2015, provide resolution authorities with the power to "bail in" capital instruments and eligible liabilities of an issuing institution such as Natixis, meaning writing them down or (except in the case of shares) converting them to equity or other instruments, if resolution proceedings are initiated in respect of the issuing institution. A resolution proceeding may be initiated in respect of an institution if it or the group to which it belongs is failing or likely to fail, there is no reasonable prospect that another measure would avoid such failure within a reasonable time period, and a resolution measure is required to ensure the continuity of critical functions, to avoid a significant adverse effect on the financial system, to protect public funds by minimizing reliance on extraordinary public financial support, and to protect client funds and assets, in particular those of depositors. Resolution authorities must write down capital instruments such as shares before initiating resolution proceedings, if the issuing institution is failing or likely to fail (and there is no reasonable prospect that another measure would avoid such failure within a reasonable time period) or requires extraordinary public support. Thereafter, the bail-in power may be exercised by a resolution authority in respect of any remaining capital instruments, subordinated debt instruments, senior non-preferred debt instruments and finally senior preferred debt instruments, in reverse order of seniority, excluding certain limited categories of liabilities.

The use of these powers by a resolution authority could result in the full or partial write-down or conversion to equity (or other instruments) of shares or other securities of Natixis. In addition, the BRRD provides resolution authorities with broader powers to implement other resolution measures, which may include, among other things, the sale of the institution's business to a third party or a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

As a member of BPCE Group, a resolution proceeding with respect to Natixis would in all likelihood be linked to a resolution proceeding in respect of BPCE Group. The relevant resolution authority would manage the resolution proceeding at the level of BPCE, which would be the "single point of entry" of BPCE Group. Even if the resolution proceeding results from a difficulty encountered in a BPCE Group entity other than Natixis, it is possible that bail-in or other powers could be exercised in respect of Natixis, or that a controlling stake in Natixis could be sold to a third party or a bridge institution, in connection with a resolution proceeding initiated in respect of BPCE Group.

If the financial condition of Natixis or of BPCE Group deteriorates, or is perceived to deteriorate, the existence of the bail-in powers and other resolution powers could cause the market value of the shares and other securities of Natixis to decline more rapidly than would be the case in the absence of such powers. Public financial support would not be available except as a last resort, after resolution tools, including the bail-in power, have been fully exhausted.

2.7 Stress tests

Natixis has developed a comprehensive stress test mechanism to dynamically monitor and manage risks.

The set is an integral part of the risk management framework and contributes to Natixis' capital and regulatory requirements planning process.

Natixis' stress test mechanism is structured as follows:

- a global internal and external exercises;
- a periodic regulatory exercise;
- a specific exercises by scope.

Global internal stress tests

The purpose of global internal stress tests is to assess the impact of a central scenario and of stressed scenarios on Natixis' income statement, risk-weighted assets and equity.

The scenarios proposed by Economic Research team are approved by Natixis' Senior Management and are translated as levels or shocks to economic and financial variables, such as GDP, inflation, employment and unemployment, interest and exchange rates, and commodity prices, over a three-year period. These variables are factored into projection models used by Natixis to apply stress to the various aggregates of the income statement, risk-weighted assets and equity.

One scenario for 2017 suggested an economically fragile Europe and the breakup of the United Kingdom: European bank recapitalization, drop in the petrol price, the breakup of the United Kingdom with the independence of Scotland and a balance of payments in crisis.

Another scenario drew on the main risks revealed by the 2016-2018 EBA scenario: an upturn in risk premiums amplified by lower liquidity on the secondary market, weak profitability of financial industry players, risk linked to the sustainability of public and private debt according to countries and risks linked to parallel financing.

These projections are based on internal modeling which are either based on the sensitivities or trends observed in financial and economic variables, or on internal historical data.

The results of the stress tests are submitted for approval by the Senior Management Committee and presented to the Risk Committee of the Board of Directors. They have been analyzed as part of building Natixis' solvency trajectory. The impact was measured in terms of provisions for credit losses, net income (Group share), net revenues and Common Equity Tier 1.

Regulatory stress tests

Regulatory stress tests comply with the ad hoc requirements of the ECB, the EBA and any other supervisor: the last regulatory exercise was performed in 2016 using the methodology published by EBA for the ECB.

Specific stress tests

The specific stress test exercises performed by the Natixis Risk division are detailed in the dedicated sections of this document (namely with regard to the credit stress tests detailed in Chapter 5, Section 5.3 on the "Credit risk monitoring framework", Section 5.3.3 on "Stress tests" and the market stress tests detailed in Chapter 8 "Market risk", Section 8.3 on "Methodology for measuring market risk" and Section 8.3.4 on "Stress tests and operational indicators").

3

CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

3.1 Regulatory framework

Since January 1, 2014, the Capital Requirements Directive (CRD) IV and the Capital Requirements Regulation (CRR) have applied Basel 3 regulations in Europe with immediate effect. The CRD IV was enacted into French law by the French Ministerial Order of November 3, 2014.

This regulatory framework, aimed at reinforcing the financial strength of banking institutions, has resulted in:

- a stricter definition of the capital items eligible to meet regulatory capital requirements;
- reinforced regulatory capital requirements, in particular for counterparty risk on derivatives;
- higher ratios requirements, specifically regarding CET1 capital and capital buffers:
  - a capital conservation buffer, which will have to represent 2.5% of total risk exposures by 2019,
  - a contracyclical capital buffer, i.e. the average of the contracyclical capital buffer of each country in which Natixis holds risk exposures, weighted by the amount of said exposures. The rate applied in France is 0%,
  - a systemic risk buffer, i.e. an additional requirement for global systemically important banks (G-SIBs). Natixis is not subject to this buffer;
- in addition, other mechanisms have been introduced, including mechanisms to limit dividend payouts, interest on Additional Tier One (AT1) subordinated debt and variable compensation (Maximum Distributable Amount, or MDA).

All of these new provisions were accompanied by a phase-in mechanism, with the aim of gradually implementing the new requirements.

As under Basel 2, the Basel 3 regulatory provisions are divided into three pillars:

- Pillar I: a set of rules defining the measurement of risks and capital based on various possible regulatory methodologies and minimum observable requirements;
- Pillar II: a mechanism governing the role of the banking supervisory authorities, allowing them to define specific regulatory capital requirements for each institution in accordance with their risks and internal governance and oversight systems, measured using the economic approach;
- Pillar III: requires institutions to disclose several items highlighting the level of risks incurred, capital adequacy and the adequacy of their management. This mechanism was considerably enhanced in 2016 with the publication of new guidelines by the EBA.

Finally, as of November 2014, the European Central Bank is directly responsible for supervising significant European banks. The implementation of this new supervisory framework has continued since then. Drawing on the Supervision Review and Evaluation Process (SREP), the ECB is setting ratio levels for each institution to observe. Each institution under its purview is assigned a Pillar 2 Requirement (P2R) as well as Pillar 2 Guidance (P2G).

As a result of the SREP 2017 process, Natixis must observe a phased-in CET1 ratio of 8.375% in 2018, 2% of which in respect of Pillar II (excluding P2G) and 1.875% in respect of the capital conservation buffer (in 2017, the phased-in CET1 ratio required was 7.75%, of which 1.25% in respect of the capital conservation buffer). These items do not include the level of the contracyclical capital buffer, which was very low at December 31, 2017 and the measurement of which is based on exposures to countries applying non-zero contracyclical capital buffers.

3.2 Prudential consolidation scope

In accordance with Article 19 of the CRR, the scope of regulatory consolidation is established based on the following principles:

Entities, excluding insurance companies, that are fully consolidated or consolidated under the equity method in the statutory consolidation scope *(see 2017 Natixis registration document, Note 17 of Chapter 5.1)* are included in the scope of regulatory consolidation; the Group's insurance companies are accounted for under the equity method in the scope of regulatory consolidation.

TABLE 1 (EU LI1): DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND THE MAPPING OF FINANCIAL STATEMENTS CATEGORIES WITH REGULATORY RISK CATEGORIES

			Carrying values of items:				
ASSETS *(in millions of euros)*	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to regulatory capital requirements or subject to deduction from capital
Cash, central banks	36,901	36,901	36,901				
Financial assets at fair value through profit or loss	184,497	161,725	13,712	104,709	818	142,838	
Hedging derivatives	339	337		337		154	
Available-for-sale financial assets	57,885	10,923	9,349		1,766	7	
Loans and receivables due from banks	45,289	44,006	36,493	7,480		6,110	
Customer loans and receivables	136,768	127,773	82,365	45,271	557	42,985	
Revaluation adjustments on portfolios hedged against interest rate risk							
Held-to-maturity financial assets	1,885						
Current tax assets	577	460	460				
Deferred tax assets	1,585	1,490	879				611
Accrual accounts and other assets	46,624	32,898	32,898		3		
Non-current assets held for sale	738	40	40				
Deferred profit-sharing							
Investments in associates	734	3,949	3,717				232
Investment property	1,073	124	124				
Property, plant and equipment	758	698	698				
Intangible assets	732	511	0				511
Goodwill	3,601	3,215					3,215
TOTAL ASSETS	**519,987**	**425,049**	**217,636**	**157,797**	**3,144**	**192,094**	**4,568**

Note: Carrying values under the scope of regulatory consolidation do not equal the sum of their values after being broken down by risk type. An exposure can be subject to several risk types.

LIABILITIES *(in millions of euros)*	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items: Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to regulatory capital requirements or subject to deduction from capital
Due to central banks							
Financial liabilities at fair value through profit or loss	144,885	142,710		94,646	588	108,167	21,383
Hedging derivatives	710	710		710		(156)	
Due to banks	104,318	101,157		16,443		13,915	84,715
Customer deposits	94,571	94,769		53,835		53,766	40,934
Debt securities	32,574	32,139					32,139
Revaluation adjustments on portfolios hedged against interest rate risk	138	138					138
Current tax liabilities	532	451					451
Deferred tax liabilities	620	346					346
Accrual accounts and other liabilities	37,936	28,073					28,073
Liabilities on non-current assets held for sale	698						
Insurance companies' technical reserves	76,601						
Contingency reserves	1,742	1,589	19				1,570
Subordinated debt	3,674	3,035					3,035
Shareholders' equity (Group share):	**19,795**	**19,795**					**19,795**
Share capital and reserves	10,976	10,976					10,976
Consolidated reserves	6,697	6,697					6,697
Unrealized or deferred gains or losses	772	772					772
Other gains or losses	(318)	(318)					(318)
Net income	1,669	1,669					1,669
Minority interests	1,192	137					137
TOTAL LIABILITIES	**519,986**	**425,049**	**19**	**165,634**	**588**	**175,692**	**232,716**

Note: Carrying values under the scope of regulatory consolidation do not equal the sum of their values after being broken down by risk type. An exposure can be subject to several risk types.

TABLE 2 (EU LI3): DIFFERENCES BETWEEN CONSOLIDATION SCOPES (ENTITY BY ENTITY)

The table below lists the subsidiaries for which the method of regulatory consolidation is different from the method of accounting consolidation.

Entity name	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity	Country
Nexgen Reinsurance Designated Activity Company	Full consolidation	Equity method	Reinsurance	Ireland
Coface S.A.	Full consolidation	Equity method	Holding company	France
Coface Europe (formerly Coface S.A.)	Full consolidation	Equity method	Credit insurance and related services	France
Cofinpar	Full consolidation	Equity method	Credit insurance and related services	France
Cogeri	Full consolidation	Equity method	Receivables management and data	France
Fonds Colombes	Full consolidation	Equity method	Mutual funds	France
Coface RE S.A.	Full consolidation	Equity method	Reinsurance	Switzerland
Fonds Lausanne S.A.	Full consolidation	Equity method	Mutual funds	Switzerland
Coface Debitoren (formerly ADGC)	Full consolidation	Equity method	Receivables management and data	Germany
Coface Kredit (formerly AK Coface) – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Germany
Cofacerating.de GmbH	Full consolidation	Equity method	Receivables management and data	Germany
Cofacerating-Holding GmbH	Full consolidation	Equity method	Receivables management and data	Germany
Kisselberg	Full consolidation	Equity method	Insurance	Germany
Coface Austria – Branch (Coface Europe)	Full consolidation	Equity method	Holding company	Austria
Coface Services Austria	Full consolidation	Equity method	Receivables management and data	Austria
Coface Italy – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Italy
Coface Italia	Full consolidation	Equity method	Holding company	Italy
Coface Ireland – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Ireland
Coface UK - Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	United Kingdom
Coface UK Holdings Limited	Full consolidation	Equity method	Holding company	United Kingdom
Coface UK Services Ltd	Full consolidation	Equity method	Receivables management and data	United Kingdom
Coface Belgium – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Belgium
Coface Belgium Services	Full consolidation	Equity method	Business and solvency data	Belgium
Coface Luxembourg – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Luxembourg
Coface Portugal – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Portugal

Entity name	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity	Country
Coface Iberica – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Spain
Coface Servicios España, SL	Full consolidation	Equity method	Receivables management and data	Spain
Coface Switzerland – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Switzerland
Coface Nederland – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Netherlands
Coface Nederland Services B.V.	Full consolidation	Equity method	Receivables management and data	Netherlands
Coface Danmark – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Denmark
Coface Sverige (formerly AKC Norden) – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Sweden
Coface RUS Insurance Company	Full consolidation	Equity method	Credit insurance	Russia
Coface Holding America Latina S.A.	Full consolidation	Equity method	Financial data	Mexico
Coface Argentina – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Argentina
Coface Chile S.A. (Insurance)	Full consolidation	Equity method	Insurance	Chile
Coface Seguro de Credito Mexico	Full consolidation	Equity method	Insurance	Mexico
Coface Do brasil Seguros de Credito	Full consolidation	Equity method	Credit insurance and related services	Brazil
Seguradora Brasileira C.E (SBCE)	Full consolidation	Equity method	Credit insurance and related services	Brazil
Coface Chile – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Chile
Coface Ecuador – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Ecuador
Coface Canada – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Canada
Coface North America, Inc. (MGU)	Full consolidation	Equity method	Credit insurance and related services	United States
Coface Services North America, Inc.	Full consolidation	Equity method	Holding company	United States
Coface North America Holding Company	Full consolidation	Equity method	Holding company	United States
Coface North America Insurance Company	Full consolidation	Equity method	Credit insurance and related services	United States
Coface Central Europe Holding	Full consolidation	Equity method	Holding company	Austria
Coface Hungary (formerly ÖKVC Fióktelepe) – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Hungary
Coface Poland CMS	Full consolidation	Equity method	Financial data	Poland
Coface Poland (formerly ÖKVC Poland) – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Poland
Coface Romania CMS	Full consolidation	Equity method	Insurance	Romania
Coface Lithuania (formerly LEAID) – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Lithuania
Coface Romania Insurance – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Romania
Coface Czech Insurance – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Czech Republic
Coface Slovakia Insurance – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Slovakia
Coface Latvia – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Latvia

Entity name	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity	Country
Coface Bulgaria – Branch (Coface Europe)	Full consolidation	Equity method	Insurance	Bulgaria
Coface Japan – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Japan
Coface South Africa	Full consolidation	Equity method	Insurance	South Africa
Coface South Africa Services (formerly CUAL)	Full consolidation	Equity method	Insurance	South Africa
Coface Singapore – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Singapore
Coface Hong Kong – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Hong Kong
Coface Sigorta Turkey (Insurance)	Full consolidation	Equity method	Insurance	Turkey
Coface Holding Israel	Full consolidation	Equity method	Holding company	Israel
Business Data Information	Full consolidation	Equity method	Marketing and other services	Israel
Coface Israel (Branch Coface Europe)	Full consolidation	Equity method	Credit insurance	Israel
Coface Australia – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Australia
Coface Taiwan – Branch (Coface Europe)	Full consolidation	Equity method	Credit insurance and related services	Taiwan
Natixis Assurances	Full consolidation	Equity method	Insurance companies holding company	France
Natixis Life	Full consolidation	Equity method	Life insurance	Luxembourg
BPCE Prévoyance	Full consolidation	Equity method	Personal protection insurance	France
FRUCTIFONCIER	Full consolidation	Equity method	Insurance real estate investments	France
BPCE Vie	Full consolidation	Equity method	Insurance	France
REAUMUR Actions	Full consolidation	Equity method	Insurance mutual fund	France
Natixis Ultra Short Term Bonds Plus	Full consolidation	Equity method	Insurance mutual fund	France
Nami Investment	Full consolidation	Equity method	Insurance real estate investments	France
BPCE Relation Assurances (GIE)	Full consolidation	Equity method	Service provider	France
ABP Vie Mandat FPCI	Full consolidation	Equity method	Private equity fund	France
Fructifonds Profil 6	Full consolidation	Equity method	Insurance mutual fund	France
Fructifonds Profil 9	Full consolidation	Equity method	Insurance mutual fund	France
AAA Actions Agroalimentaire	Full consolidation	Equity method	Insurance mutual fund	France
Fructifonds Immobilier	Full consolidation	Equity method	Insurance real estate investments	France
OPCI FRANCEUROPE IMMO	Full consolidation	Equity method	Insurance mutual fund	France
SELECTIZ	Full consolidation	Equity method	Insurance mutual fund	France
SELECTION PROTECTION 85	Full consolidation	Equity method	Insurance mutual fund	France
SELECTIZ PLUS	Full consolidation	Equity method	Insurance mutual fund	France
BPCE Assurances	Full consolidation	Equity method	Insurance company	France
BPCE APS	Full consolidation	Equity method	Service provider	France
Compagnie Européenne de Garanties et Cautions	Full consolidation	Equity method	Insurance	France

3.3 Composition of capital

In accordance with the provisions introduced by the CRR and with the national provisions defined by the ACPR, regulatory capital (calculated based on shareholders' equity in accordance with the accounting balance sheet), comprises three categories as described below. Each category comprises liability items extracted from the consolidated financial statements and restated by automatically applying deductions, either directly or subject to thresholds.

Until 2021, regulatory capital is subject to phase-in arrangements and grandfathering provisions to support the roll-out of the CRR.

COMMON EQUITY TIER ONE (CET1)

CET1 is calculated using shareholders' equity (excluding reclassified hybrid securities), with the following restatements:

- deductions not subject to phase-in arrangements:
  - estimated dividend,
  - goodwill and intangible assets,
  - recyclable unrealized gains and losses on hedging derivatives,
  - own credit risk on debts issued and financial instruments (Debit Value Adjustment),
  - prudent valuation adjustments,
  - expected loss on equity positions and shortfall of provisions on expected losses on credit positions,
  - revaluation adjustments on defined-benefit pension plan commitments;
- deductions subject to phase-in arrangements:
  - non-bank minority interests,
  - bank minority interests exceeding the limits set by regulations,
  - deferred tax assets dependent on future earnings, but not related to temporary differences,
  - recyclable gains or losses on available-for-sale assets,
  - company-controlled stock and cross-shareholdings,
  - amount exceeding threshold 1 on non-material holdings of capital instruments issued by financial entities,
  - amount exceeding threshold 2 on material holdings of capital instruments issued by financial entities,
  - amount exceeding threshold 2 on deferred tax assets dependent on future earnings and resulting from temporary differences,
  - amount exceeding threshold 3 common to amounts not deducted in respect of threshold 2,
  - any surplus deduction of Additional Tier One capital *(see below)*.

ADDITIONAL TIER ONE (AT1) CAPITAL

AT1 capital comprises:

- subordinated debt instruments recognized as AT1 after applying phase-in arrangements;
- deductions made from this category via the phase-in provisions applied to CET1;
- any surplus deduction of Tier 2 capital *(see below)*.

The Risk and Pillar III report available on Natixis' website (*www.natixis.com*) contains detailed information on debt instruments recognized in Additional Tier 1 capital and their characteristics at December 31, 2017, as required by Commission Implementing Regulation (EU) No. 1423/2013 (Annex II).

TIER TWO (T2) CAPITAL

T2 capital comprises:

- subordinated debt instruments recognized as T2 capital after applying phase-in arrangements;
- deductions made from this category via the phase-in provisions applied to CET1;
- any surplus provisions related to expected losses.

The Risk and Pillar III report available on Natixis' website (*www.natixis.com*) contains detailed information on debt instruments recognized in Tier 2 capital and their characteristics at December 31, 2017, as required by Commission Implementing Regulation (EU) No. 1423/2013 (Annex II).

At December 31, 2017, the transition from shareholders' equity to regulatory CET1 capital, Tier 1 capital and total capital after applying phase-in arrangements, is summarized in the table below.

TABLE 3: TRANSITION FROM SHAREHOLDER'S EQUITY TO REGULATORY CAPITAL AFTER APPLYING PHASE-IN ARRANGEMENTS

(in millions of euros)	12.31.2017
Shareholders' equity	
Share capital	5,020
Additional paid-in capital	4,210
Retained earnings	6,235
Treasury shares	(25)
Other, including items of comprehensive income	453
Other instruments to be reclassified as Additional Tier 1 capital	2,232
Net income	1,669
Total shareholders' equity (Group share)	**19,795**
Reclassification as Additional Tier 1 capital	(2,232)
Translation adjustments	17
Restatement of proposed dividend (dividend for previous year)	0
Prudential filters after phase-in arrangements	
Own credit risk: gain on reclassification of hybrid securities	(170)
Own credit risk: liabilities and derivatives net of deferred tax	181
Prudent valuation adjustment	(262)
Unrealized gains and losses	16
Total prudential filters	**(236)**
Deductions after phase-in arrangements	
Dividend proposed for current year and related expenses	(1,160)
Goodwill	
Amount as per accounting base	(3,215)
Amount of related deferred tax liabilities	311
Amount included in value of investments in associates	(227)
Intangible assets	
Amount as per accounting base	(511)
Minority interests	
Amount as per accounting base	137
Prudential adjustment including phase-in arrangements	(137)
Deferred tax assets (tax loss carry-forwards)	
Amount as per accounting base	(1,490)
o/w portion not including tax loss carry-forwards and impact of netting	700
Prudential adjustment including phase-in arrangements	316
Shortfall of provisions to expected losses	0
Investments in the share capital of financial sector entities	0
Other prudential adjustments including phase-in arrangements	(95)
Total deductions	**(5,370)**
Total Common Equity Tier 1 (CET1)	**11,975**
Hybrid capital instruments	
Amount as per accounting base	
Other equity instruments	2,232
Residual gain on reclassification as equity	170
Nominal value adjustment during the period	(4)
Early redemption through exercise of call option	0
Leveling due to the grandfathering limit	0
Total hybrid instruments	2,397
Deductions	(22)
Other prudential adjustments including phase-in arrangements	(79)
Total additional Tier 1 capital	**2,297**
Total Tier 1 capital	**14,271**

(in millions of euros)	12.31.2017
Subordinated debt instruments	
Amount as per accounting base	3,081
Regulatory adjustment	(126)
Transfer of grandfathering leveling on hybrid capital instruments	0
Total Tier 2 instruments	2,955
Surplus of provisions to expected losses	0
Deductions	(760)
Other prudential adjustments including phase-in arrangements	74
Total Tier 2 capital	**2,269**
TOTAL REGULATORY CAPITAL	**16,540**

Pursuant to Commission Implementing Regulation (EU) No. 1423/2013, the audit trail of regulatory capital as described in Appendix VI of the regulation is provided below.

TABLE 4: REGULATORY CAPITAL APPENDIX VI

Row number	Aggregate wording	(A) Amount at disclosure date *(in millions of euros)*	(B) Regulation (EU) No. 575/2013 Article reference treatment	(C) Amounts subject to pre-regulation (EU) No. 575/2013 or prescribed residual amount of Regulation (EU) No. 575/2013 *(in millions of euros)*
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	9,230	26 (1), 27, 28, 29, EBA list, 26 (3)	
	o/w ordinary shares	9,230	EBA list, 26 (3)	
	o/w instrument type 2		EBA list, 26 (3)	
	o/w instrument type 3		EBA list, 26 (3)	
2	Retained earnings	6,241	26 (1) (C)	
3	Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	465	26 (1)	
3a	Fund for general banking risks	0	26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	
	Public sector capital injections grandfathered until January 1, 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)	0	84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	509	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**16,445**		**0**
Common Equity Tier 1 capital: instruments and reserves				
7	Additional value adjustments (negative amount)	(262)	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	(3,642)	36 (1) (b), 37, 472 (4)	0
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(474)	36 (1) (C), 38, 472 (5)	(316)
11	Fair value reserves related to gains or losses on cash flow hedges	148	33 (a)	0
12	Negative amounts resulting from the calculation of expected loss amounts	(99)	36 (1) (d), 40, 159, 472 (6)	0
13	Any increase in equity that results from securitized assets (negative amount)	0	32 (1)	0

Row number	Aggregate wording	(A) Amount at disclosure date *(in millions of euros)*	(B) Regulation (EU) No. 575/2013 Article reference treatment	(C) Amounts subject to pre-regulation (EU) No. 575/2013 or prescribed residual amount of Regulation (EU) No. 575/2013 *(in millions of euros)*
14	Gains or losses on liabilities measured at fair value that result from changes in own credit standing	11	33 (b)	0
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(20)	36 (1) (f), 42, 472 (8)	(5)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36 (1) (g), 44, 472 (9)	0
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	o/w qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0
20c	o/w securitization positions (negative amount)	0	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0
20d	o/w free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0
23	o/w direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0
24	Empty set in the EU			
25	o/w deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	(132)		
	o/w filter for unrealized loss	0	467	
	o/w filter for unrealized gain	(132)	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(4,470)**		
29	**Common Equity Tier 1 (CET1)**	**11,975**		

Row number	Aggregate wording	(A) Amount at disclosure date *(in millions of euros)*	(B) Regulation (EU) No. 575/2013 Article reference treatment	(C) Amounts subject to pre-regulation (EU) No. 575/2013 or prescribed residual amount of Regulation (EU) No. 575/2013 *(in millions of euros)*
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	1,733	51, 52	
31	o/w classified as equity under applicable accounting standards	1,733		
32	o/w classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	665	486 (3)	
	Public sector capital injections grandfathered until January 1, 2018		483 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	85, 86, 480	
35	o/w instruments issued by subsidiaries subject to phase out		486 (3)	0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,397**		
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56 (b), 58, 475 (3)	
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0	56 (c), 59, 60, 79, 475 (4)	
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	(20)	56 (d), 59, 60, 79, 475 (4)	(2)
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and phase-in treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the phase-in period pursuant to Article 472 of Regulation (EU) No. 575/2013	(5)	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	o/w own capital instruments	(5)		
	o/w non-significant investments in the capital of other financial sector entities	0		
	o/w significant investments in the capital of other financial sector entities	0		
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the phase-in period pursuant to Article 475 of Regulation (EU) No. 575/2013	(76)	477, 477 (3), 477 (4) (a)	
	o/w own capital instruments	0		
	o/w non-significant investments in the capital of other financial sector entities	0		
	o/w significant investments in the capital of other financial sector entities	(76)		
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	

Row number	Aggregate wording	(A) Amount at disclosure date *(in millions of euros)*	(B) Regulation (EU) No. 575/2013 Article reference treatment	(C) Amounts subject to pre-regulation (EU) No. 575/2013 or prescribed residual amount of Regulation (EU) No. 575/2013 *(in millions of euros)*
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(101)**		
44	**Additional Tier 1 (AT1) capital**	**2,297**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**14,271**		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	2,909	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	46	486 (4)	
	Public sector capital injections grandfathered until January 1, 2018	0	483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	87, 88, 480	
49	o/w instruments issued by subsidiaries subject to phase out	0	486 (4)	
50	Credit risk adjustments	0	62 (c) and (d)	
51	**Tier 2 (T2) capital before regulatory adjustments**	**2,955**		
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	63 (b) (i), 66 (a), 67, 477 (2)	0
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	66 (b), 68, 477 (3)	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)	
54a	o/w new holdings not subject to phase-in arrangements	0		
54b	o/w holdings existing before January 1, 2013 and subject to phase-in arrangements	0		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(684)	66 (d), 69, 79, 477 (4)	(76)
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and phase-in treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the phase-in period pursuant to Article 472 of Regulation (EU) No. 575/2013	0	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	o/w own capital instruments			
	o/w non-significant investments in the capital of other financial sector entities	0		
	o/w significant investments in the capital of other financial sector entities	0		

Row number	Aggregate wording	(A) Amount at disclosure date *(in millions of euros)*	(B) Regulation (EU) No. 575/2013 Article reference treatment	(C) Amounts subject to pre-regulation (EU) No. 575/2013 or prescribed residual amount of Regulation (EU) No. 575/2013 *(in millions of euros)*
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the phase-in period pursuant to Article 475 of Regulation (EU) No. 575/2013	(2)	475, 475 (2) (a), 475 (3), 475 (4) (a)	
	o/w own capital instruments	0		
	o/w non-significant investments in the capital of other financial sector entities	0		
	o/w significant investments in the capital of other financial sector entities	(2)		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(686)**		
58	**Tier 2 (T2) capital**	**2,269**		
59	**Total capital (TC = T1 + T2)**	**16,540**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and phase-in treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	0		
	o/w adjustment of the 15% threshold, share of significant CET1 investments, items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	o/w adjustment of the 15% threshold, share of deferred tax assets, items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)	0		
	o/w items not deducted from AT1 items (Regulation (EU) No. 575/2013 residual amounts)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	
	o/w items not deducted from T2 items (Regulation (EU) No. 575/2013 residual amounts)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	**Total risk weighted assets**	**0**		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	10.8%	92 (2) (a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	12.9%	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	14.9%	92 (2) (c)	
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	1.264%	CRD 128, 129, 130	
65	o/w capital conservation buffer requirement	1.250%		
66	o/w countercyclical buffer requirement	0.014%		
67	o/w systemic risk buffer requirement	0.000%		
67a	o/w global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.000%	CRD 131	
68	Common Equity Tier 1 available to meet buffer requirements (as a percentage of risk exposure amount)	4.32%	CRD 128	
69	[not relevant in EU Regulation]			
70	[not relevant in EU Regulation]			
71	[not relevant in EU Regulation]			

Row number	Aggregate wording	(A) Amount at disclosure date *(in millions of euros)*	(B) Regulation (EU) No. 575/2013 Article reference treatment	(C) Amounts subject to pre-regulation (EU) No. 575/2013 or prescribed residual amount of Regulation (EU) No. 575/2013 *(in millions of euros)*
Capital ratios and buffers				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	206	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	814	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	563	36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	0	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	18,447	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	(22)	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	48,682	62	
Capital instruments subject to phase-out arrangements (only applicable between January 1, 2013 and January 1, 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	0	484 (3), 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) and (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	908	484 (4), 486 (3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) and (5)	
84	Current cap on T2 instruments subject to phase-out arrangements	1,093	484 (5), 486 (4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) and (5)	

3.4 Changes in regulatory capital, regulatory own fund requirements and ratios in 2017

Regulatory capital and capital adequacy ratio

The 2017 CET1, Tier 1 and total capital ratios are presented below by major component. The same ratios for 2016 are shown by way of comparison.

In accordance with the Basel 3/CRR regulatory framework, under Pillar I these ratios must exceed the minimum limits of 4.5%, 6% and 8%, respectively, in addition to the cumulative safety buffers of 5.75%, 7.25% and 9.25%, respectively for 2017, and 6.375%, 7.875% and 9.875%, respectively for 2018.

TABLE 5: TOTAL CAPITAL RATIO

(in millions of euros)	12.31.2017	12.31.2016
Shareholders' equity (Group share)	**19,795**	**19,836**
Deeply subordinated notes (DSN)	2,232	1,611
Perpetual subordinated notes (PSN)	0	0
Consolidated shareholders' equity group share, net of DSNs and PSNs	**17,563**	**18,225**
Minority interests (amount before phase-in arrangements)	137	90
Intangible assets	(511)	(521)
Goodwill	(3,131)	(2,945)
Dividends proposed to the General Shareholders' Meeting and expenses	(1,160)	(1,130)
Deductions, prudential restatements and phase-in arrangements	(924)	(1,245)
Total Common Equity Tier 1 capital	**11,975**	**12,474**
Deeply Subordinated Notes (DSN) and preference shares	2,397	1,979
Additional Tier 1 capital	0	0
Tier 1 deductions and phase-in arrangements	(101)	(208)
Total Tier 1 capital	**14,271**	**14,244**
Tier 2 instruments	2,955	3,082
Other Tier 2 capital	0	100
Tier 2 deductions and phase-in arrangements	(686)	(628)
Overall capital	**16,540**	**16,799**
Total risk-weighted assets	**110,697**	**115,524**
Credit risk-weighted assets	86,182	90,704
Market risk-weighted assets	9,730	11,111
Operational risk-weighted assets	14,784	13,709
Capital adequacy ratios		
Common Equity Tier 1 ratio	10.8%	10.8%
Tier 1 ratio	12.9%	12.3%
Total capital ratio	14.9%	14.5%

TABLE 6 (CCYB1): GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES USED IN THE COUNTERCYCLICAL BUFFER

Breakdown by country *(in millions of euros)*	Contracyclical capital buffer (CCyB) 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	0.5%	49	18		
HK – Hong Kong	1.3%	1,722	685		
IS – Iceland	1.3%	11	3		
NO – Norway	2.0%	128	40		
SE – Sweden	2.0%	235	83		
SK – Slovakia	0.5%	42	20		
Sub-total		**2,187**	**849**		
Other countries with a 0% risk weight		199,418	78,284		
TOTAL AT 12.31.2017		**201,605**	**79,133**	**0.0142%**	**16**
TOTAL AT 12.31.2016		**206,298**	**79,421**	**0.0082%**	**9**

The change in regulatory capital under Basel 3/CRR over the period is shown below:

TABLE 7: CHANGES IN REGULATORY CAPITAL AFTER THE APPLICATION OF PHASE-IN ARRANGEMENTS OVER THE PERIOD

(in millions of euros)	2017
Common Equity Tier 1 (CET1)	
Amount at start of period	12,474
New instruments issued (including share premiums)	0
Instruments redeemed	0
Retained earnings from previous periods	(380)
Net income/(loss) for the period	1,669
Gross dividend proposed	(1,160)
Dividend payout in new shares	0
Changes in other comprehensive income	
Translation adjustments	(667)
Available-for-sale assets	8
Cash flow hedging reserve	108
Other	(145)
Other	4
Minority interests	0
Filters and deductions not subject to the phase-in arrangements	
Goodwill and intangible assets	(176)
Own credit risk	258
Other comprehensive income CFH	(108)
Prudent valuation adjustment	(5)
Other	(22)
Other, including prudential adjustments and phase-in arrangements	
Deferred tax assets that rely on future earnings (excluding temporary differences)	325
Deductions in respect of breaches of capital thresholds	66
Other	(25)
Impact of phase-in arrangements	(251)
o/w impact of changes in phase-in rate	(104)
o/w impact of change in basis subject to phase-in arrangements	(147)
Amount of Common Equity Tier 1 (CET1) at end of period	**11,975**

(in millions of euros)	2017
Additional Tier 1 (AT1) capital	
Amount at start of period	1,770
New eligible instruments issued	833
Redemptions during the period	(364)
Other, including prudential adjustments and phase-in arrangements	57
o/w impact of changes in phase-in rate	(98)
o/w other impact of changes in basis	155
Amount of Additional Tier 1 (AT1) capital at end of period	**2,297**
Tier 1 capital	**14,271**
Tier 2 capital	
Amount at start of period	2,555
New eligible instruments issued	0
Redemptions during the period	0
Other, including prudential adjustments and phase-in arrangements	(286)
o/w impact of changes in phase-in rate	104
o/w other impact of changes in basis	(390)
Amount of Tier 2 capital at end of period	**2,269**
TOTAL REGULATORY CAPITAL	**16,540**

The following changes in Basel 3/CRR regulatory capital were recorded in 2017, after applying phase-in arrangements:

Common Equity Tier 1 (CET1) capital totaled €12 billion at December 31, 2017, down €0.5 billion over the year.

Shareholders' equity (Group share) remained stable for the year at €19.8 billion, as the incorporation of net income for the year in the amount of €1.67 billion and the issuance of new deeply subordinated instruments in the amount of €0.5 billion (net the value of exercised calls) were primarily offset by the negative impact of translation adjustments in the amount of -€0.67 billion, dividend payments for 2016 in the amount of -€1.1 billion and the impact of acquisitions (including puts on minority interests) in the amount of -€0.34 billion.

CET1 capital included a provision for 2017 dividends payable in cash in the amount of €1.16 billion (i.e. €0.37 per share) and was impacted by goodwill on acquisitions (-€0.2 billion). Even though the phase-in period for deductions is coming to an end, the substantial reduction of the tax base for deferred tax assets to be deducted (-€0.325 billion) more than offset this impact.

Aside from the items above, **Additional Tier 1 capital** rose by €0.5 billion, primarily due to two issuances worth $500 million each for a total of €833 million and the exercise of a call option in October 2017 (€364 million face value). The balance was primarily due to the change in the phase-in rate applied on items deducted from AT1 capital, as well as the items subject to these provisions.

Tier 2 capital was down by -€0.3 billion for the year due to the impact of the prudential haircut on instruments eligible as Tier 2 capital, a reduction in excess provisions over expected losses and changes in the impact of phase-in arrangements over the period.

At €110.7 billion, **risk-weighted assets** decreased €4.8 billion over the year.

TABLE 8: RISK-WEIGHTED ASSETS AT DECEMBER 31, 2017

(in billions of euros)	Credit risk	CVA	Market risk	Operational risk	Total RWA
BASEL 3 AT 12.31.2016	**86.9**	**3.8**	**11.1**	**13.7**	**115.5**
Changes in exchange rates	(2.2)				(2.2)
Changes in business activity	4.5	(2.6)		1.1	2.9
Improvement in risk parameters	(3.1)		(1.4)		(4.5)
Acquisitions and disposals of financial investments	(0.4)				(0.4)
Impact of guarantees	(0.6)				(0.6)
BASEL 3 AT 12.31.2017	**85.0**	**1.2**	**9.7**	**14.8**	**110.7**

The -€1.9 billion decrease in credit risk over the period was primarily due to the following factors:

- an increase in outstandings (+€4.5 billion), driven mainly by a higher level of activity;
- the impact of the dollar's depreciation (-€2.2 billion);
- an improvement in risk inputs (improved Basel provisions, shortening of maturities), amounting to -€3.1 billion;
- a guarantee effect of -€0.6 billion;
- an acquisitions and disposals effect for a net impact of -€0.4 billion.

The -€2.6 billion decrease in counterparty risk can primarily be attributed to changes in volumes and the establishment of hedges.

Market risk fell -€1.4 billion due to changes in risk inputs and positions.

Operational risk was up +€1.1 billion as the benchmark indicator for fiscal year 2017 was replaced with that of fiscal year 2014 (standard practice is to calculate operational risk using the average indicator for the previous three years).

3.5 Capital planning

Capital planning consists of determining Natixis' target capital adequacy level, continually ensuring compliance with regulatory capital requirements in all compartments and capital adequacy in line with the risk appetite defined by the institution, and adapting capital allocation and measurement of businesses' profitability accordingly.

As a result, under the New Frontier strategic plan, the target fully loaded CET1 ratio, without taking into account phase-in measures except for those concerning deferred tax assets, ranged from 9.5% to 10.5%, with the target fully loaded CET1 ratio for the end of the plan (i.e., December 31, 2017) set at 10.5%. With a fully-loaded CET1 ratio of 10.65% at December 31, 2017 (before the impact of the new IFRS 9 standard), Natixis is thus in line with this benchmark.

The new plan, titled "New Dimension", has set the target CET1 ratio after dividends at 11% at the end of the plan.

The capital planning system adapts all processes with the aim of ultimately meeting the requirements of the supervisory authorities, shareholders and investors:

- continuously maintaining the targets set in terms of capital adequacy;
- developing an internal approach for measuring capital requirements and overseeing Natixis' resilience in stress scenarios (ICAAP);
- projecting capital requirements specific to business activity, within the framework of Natixis' overall capital adequacy policy;
- anticipating regulatory changes and their impact on Natixis' various businesses.
- implementing a system for analyzing the capital consumption of the businesses and their profitability on the basis of Basel 3/CRR risk-weighted assets;
- allocating capital to the businesses, within the framework of strategic plan and annual budget procedures, taking into account business requirements, profitability and balance among the businesses.

Outlook

The European MREL ratio introduced by the BRRD directive is applicable to Natixis, unless otherwise stipulated, according to the methods still to be defined by the Single Resolution Board

Together with Groupe BPCE as a whole, Natixis contributed to collecting detailed information on liabilities, as required by the SRB in 2017. As the BRRD directive is currently under review, the mechanisms for managing and preparing for this new ratio are not yet finalized.

TABLE 9 (NX02): RWA BASEL 3 BY NATIXIS MAIN BUSINESS

Division *(in millions of euros)*	Total	Basel 3 RWA at 12.31.2017		
		Credit [a]	Market [b]	Operational
Corporate and Investment Banking [c]	58,991	42,931	8,739	7,321
Asset & Wealth Management	11,652	6,935		4,717
Insurance	7,201	7,201		
Specialized Financial Services	16,681	14,426		2,255
Corporate Center [d]	16,172	13,492	2,189	491
TOTAL AT 12.31.2017	**110,697**	**84,985**	**10,928**	**14,784**
TOTAL AT 12.31.2016	**115,524**	**86,968**	**14,847**	**13,709**

(a) Including counterparty risk.

(b) Including settlement-delivery risk of €1,198 million in CVA RWA.

(c) Including Treasury & Collateral Management.

(d) Including Financial Investments.

3.6 Other regulatory ratios

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 25% of the bank's total capital. Natixis complied with this requirement in 2017.

LEVERAGE RATIO

The Basel Committee has set up a system for managing leverage risk. The system was included in the CRR, defining leverage as being equal to Tier 1 capital divided by on-balance sheet exposures (after certain restatements, notably on derivatives and repurchase agreements) and off-balance sheet exposures (after applying balance sheet equivalent conversion factors). The CRR was amended by a Delegated Act, which entered into force on March 31, 2015. The reporting templates that take those amendments into account have only been used since September 30, 2016, in accordance with the implementation deadlines.

Under Pillar II, the leverage ratio must be calculated and reported to the regulator as of January 1, 2014. Its publication is mandatory as of January 1, 2015.

Natixis is already prepared to calculate and publish its leverage ratio (according to the rules set out in the Delegated Act) and to implement the balance sheet oversight needed to converge towards the target ratio under consideration.

4

CREDIT RISK AND COUNTERPARTY RISK

4.1 Credit and counterparty risks

TABLE 10 (NX01): EAD, RWA AND OFR BY BASEL APPROACH AND BY CATEGORY OF EXPOSURE

	12.31.2017			12.31.2016*		
(in millions of euros)	EAD	RWA	OFR	EAD	RWA	OFR
Credit risk						
Internal approach	**177,471**	**60,782**	**4,863**	**175,830**	**65,643**	**5,251**
Equities	5,446	16,548	1,324	5,620	16,826	1,346
Central governments or central banks	47,832	601	48	36,305	748	60
Other items	717	188	15	934	233	19
Retail	620	181	14	813	217	17
Corporates	107,942	39,971	3,198	115,021	43,496	3,480
Institutions	9,706	2,219	178	9,632	2,719	217
Securitization	5,208	1,074	86	7,505	1,404	112
Standardized approach	**66,452**	**17,532**	**1,402**	**70,860**	**13,526**	**1,082**
Equities				118	259	21
Central governments or central banks	6,012	1,549	124	8,503	2,027	162
Other items	8,177	8,526	682	7,306	6,538	523
Retail	2,631	1,937	155	2,571	1,892	151
Corporates	3,274	2,428	194	1,916	1,257	100
Institutions	41,573	549	44	46,759	538	43
Exposures at default	374	477	38	206	215	17
Exposures secured by mortgages on immovable property	1,025	498	40	221	97	8
Collective investment undertakings				282	282	23
Exposures to institutions and corporates with a short-term credit assessment	382	200	16	2,315	124	10
Securitization	3,004	1,368	109	663	297	24
Sub-total credit risk	**243,923**	**78,314**	**6,265**	**246,690**	**79,169**	**6,333**
Counterparty risk						
Internal approach	**33,305**	**5,756**	**460**	**36,048**	**7,047**	**564**
Central governments or central banks	6,424	105	8	4,069	195	16
Corporates	13,594	3,694	295	15,579	4,371	350
Institutions	13,065	1,911	153	15,528	2,364	189
Securitization	222	46	4	872	117	9
Standardized approach	**21,132**	**659**	**53**	**19,093**	**479**	**38**
Central governments or central banks	955	128	11	2,150	134	11
Retail	1			2	1	
Corporates	60	15	1	140	5	
Institutions	19,843	365	29	16,639	298	24
Exposures at default	2	3				
Exposures to institutions and corporates with a short-term credit assessment	270	147	12	162	41	3
Securitization	1	1				
CCP default fund exposure	**368**	**256**	**21**	**285**	**273**	**22**
Sub-total counterparty risk	**54,805**	**6,671**	**534**	**55,426**	**7,799**	**624**
Market risk						
Internal approach		**4,229**	**338**		**5,437**	**435**
Standardized approach		**5,491**	**439**		**5,646**	**452**
Equity risk		432	34		414	33
Foreign exchange risk		2,586	207		2,916	233
Commodities risk		720	58		708	57
Interest rate risk		1,753	140		1,608	129
Sub-total market risk		**9,720**	**777**		**11,083**	**887**
CVA	**8,389**	**1,198**	**96**	**11,129**	**3,736**	**299**
Settlement-delivery risk		**10**	**1**		**28**	**2**
Operational risk (standardized approach)		**14,784**	**1,183**		**13,709**	**1,097**
TOTAL		**110,697**	**8,856**		**115,524**	**9,242**

* *Proforma 12.31.2016 CCP default fund exposure is reclassified as counterparty risk.*

TABLE 11 (EU OV1): OVERVIEW OF RWA

(in millions of euros)	RWA		OFR
	12.31.2017	12.31.2016	12.31.2017
Credit risk (excluding CCR)	**73,837**	**74,776**	**5,907**
Of which the standardized approach	16,164	12,995	1,293
Of which the foundation IRB (F-IRB) approach	7,316	7,914	585
Of which the advanced IRB (A-IRB) approach	35,845	39,499	2,868
Of which equity IRB under the simple risk-weighted approach or the IMA	14,513	14,368	1,161
CCR	**7,823**	**11,418**	**626**
Of which mark to market	4,697	5,687	376
Of which original exposure			
Of which the standardized approach			
Of which internal model method (IMM)			
Of which risk exposure amount for contributions to the default fund of a CCP	256	273	21
Of which CVA	1,198	3,736	96
Settlement risk	**10**	**28**	**1**
Securitization exposures in the banking book (after the cap)	**2,488**	**1,818**	**199**
Of which IRB approach	898	1,365	72
Of which IRB supervisory formula approach (SFA)	221	156	18
Of which internal assessment approach (IAA)			
Of which the standardized approach	1,368	297	109
Market risk	**9,720**	**11,083**	**778**
Of which the standardized approach	5,491	5,646	439
Of which IMA	4,229	5,437	338
Large exposures			
Operational risk	**14,784**	**13,709**	**1,183**
Of which basic indicator approach			
Of which standardized approach	14,784	13,709	1,183
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	**2,035**	**2,692**	**163**
Floor adjustment			
TOTAL	**110,697**	**115,524**	**8,856**

TABLE 12 (NX03): EXPOSURE AND EAD BY BASEL CATEGORY OF EXPOSURE

Category of exposure *(in millions of euros)*	Exposure 12.31.2017	Exposure o/w off-balance sheet	EAD 12.31.2017	EAD o/w off-balance sheet	2017 average
Corporates	**154,624**	**75,050**	**124,870**	**45,615**	**126,309**
Other than SMEs and SF	128,199	65,884	100,955	38,740	103,069
Specialized Financing (SF)	21,391	8,326	19,336	6,271	18,745
SME	5,034	840	4,579	604	4,495
Institutions	**92,795**	**45,168**	**84,555**	**36,929**	**79,664**
Governments or central banks	**61,989**	**9,154**	**61,223**	**8,389**	**62,913**
Central governments or central banks	60,254	8,132	59,614	7,492	61,207
Regional governments or local authorities	584	282	583	282	645
Public sector entities	1,151	740	1,026	615	1,061
Retail	**14,631**	**11,297**	**3,252**	**85**	**3,112**
Other than SMEs	13,783	11,253	2,450	73	2,319
SMEs	848	44	802	12	793
Securitization	**8,560**	**4,319**	**8,435**	**4,319**	**8,148**
Other items	**8,894**		**8,894**		**8,971**
Equities	**5,451**	**170**	**5,446**	**171**	**5,630**
Collective investments undertakings					**121**
Exposures secured by mortgages on immovable property	**1,087**	**124**	**1,025**	**62**	**481**
Exposures to institutions and corporates with a short-term credit assessment	**653**	**271**	**652**	**270**	**1,149**
Exposures at default	**706**	**12**	**376**	**4**	**277**
TOTAL AT 12.31.2017	349,390	145,565	298,728	95,844	296,775
TOTAL AT 12.31.2016	346,452	139,601	302,116	95,917	293,584

TABLE 13 (NX05): EAD BY GEOGRAPHIC AREA AND BY ASSET CLASS

(Data certified by the Statutory Auditors in accordance with IFRS 7)

Category of exposure *(in millions of euros)*	France	Europe*	North America	Other	Total
Corporates	**51,747**	**33,644**	**16,816**	**22,663**	**124,870**
Other than SMEs and SF	43,806	26,803	12,366	17,979	100,954
Specialized Financing (SF)	4,365	6,339	4,294	4,338	19,336
SMEs	3,576	502	156	346	4,580
Institutions	**50,395**	**16,157**	**11,315**	**6,688**	**84,555**
Governments or central banks	**34,094**	**7,877**	**13,525**	**5,727**	**61,223**
Central governments or central banks	32,961	6,909	13,437	5,724	59,031
International organizations		583			583
Multilateral development banks					
Regional governments or local authorities	346	237			583
Public sector entities	787	148	88	3	1,026
Securitization	**4,341**	**362**	**2,985**	**747**	**8,435**
Other items	**7,925**	**634**	**296**	**39**	**8,894**
Equities	**4,637**	**467**	**192**	**150**	**5,446**
Retail	**3,168**	**21**	**1**	**62**	**3,252**
Other than SMEs	2,432	14	1	3	2,450
SMEs	736	7		59	802
Exposures secured by mortgages on immovable property	**1,001**	**24**			**1,025**
Exposures to institutions and corporates with a short-term credit assessment	**3**	**19**	**7**	**623**	**652**
Exposures at default	**345**	**2**		**29**	**376**
Collective investments undertakings					
TOTAL AT 12.31.2017	**157,656**	**59,207**	**45,137**	**36,728**	**298,728**
TOTAL AT 12.31.2016	**139,729**	**59,243**	**63,937**	**39,207**	**302,116**

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

TABLE 14 (NX11 BIS): EAD BY CATEGORY AND BY AGENCY – STANDARDIZED APPROACH

The following table shows the breakdown of exposure at risk by external agency for asset classes following the standardized approach after excluding exposures to Groupe BPCE affiliates:

- exposures to equities;
- pool-based exposures (acquired portfolios) and third parties grouped into homogeneous risk classes;
- securitization positions.
- unrated positions;
- other items that do not represent a credit obligation.

Category of exposure *(in millions of euros)*	FITCH	MOODYS	S&P	Total
Corporates		**45**	**524**	**569**
Institutions	**34**	**539**	**617**	**1,190**
Governments or central banks	**313**	**595**	**961**	**1,868**
Central governments or central banks	25	149	77	251
International organizations	32	133	281	446
Multilateral development banks				
Regional governments or local authorities	52	97	79	228
Public sector entities	203	216	524	943
Exposures secured by mortgages on immovable property			18	18
Exposures to institutions and corporates with a short-term credit assessment	6	14	632	652
TOTAL AT 12.31.2017	**352**	**1,193**	**2,752**	**4,297**
TOTAL AT 12.31.2016	**397**	**1,417**	**5,938**	**7,752**

TABLE 15 (NX17): GUARANTEED EXPOSURES BY TYPE AND INTERNAL RATING OF GUARANTOR (S&P EQUIVALENT)

	Guaranteed Exposures by Type		
Internal Rating of Guarantor (S&P Equivalent) *(as a %)*	**Institutions**	**Corporates**	**Governments and central banks**
AAA			
AA+, AA, AA-	4.2%	39.6%	72.7%
A+, A, A-	93.4%	37.1%	15.5%
BBB+, BBB, BBB-	2.4%	19.2%	10.5%
BB+, BB, BB-		1.9%	1.2%
B+, B, B-		1.0%	
CCC, CC			
Unrated*		1.2%	0.1%
TOTAL AT 12.31.2017	**100.0%**	**100.0%**	**100.0%**

* *Unrated : excluding exposures guaranteed by Groupe BPCE affiliates.*

	Guaranteed Exposures By Type		
Internal Rating of Guarantor (S&P Equivalent) *(as a %)*	**Institutions**	**Corporates**	**Governments and central banks**
AAA			0.8%
AA+, AA, AA-	20.1%	45.9%	71.0%
A+, A, A-	72.6%	36.4%	16.0%
BBB+, BBB, BBB-	7.2%	13.9%	9.9%
BB+, BB, BB-		2.2%	1.0%
B+, B, B-		0.2%	
CCC, CC			
Unrated*	0.1%	1.3%	1.3%
TOTAL AT 12.31.2016	**100.0%**	**100.0%**	**100.0%**

* *Unrated : excluding exposures guaranteed by Groupe BPCE affiliates.*

5

CREDIT RISK

5.1 Credit risk control organization

The risk control framework is driven by the Risk division with the active involvement of all the bank's businesses and support functions. All the internal standards, policies and procedures are consistent with BPCE's framework and are reviewed periodically to take into account the results of internal controls, regulatory changes and the bank's risk appetite.

Credit risk management and control are performed in accordance with the segregation of duties. Accordingly, together with the other divisions, the Risk division is in charge of monitoring credit risk through various sections that:

- define the credit risks policies and internal credit risk management procedures;
- set credit risk limits and exposure thresholds;
- issue transaction authorizations after a counter-analysis of the credit risk and the counterparty risk in line with the processes for credit approval and limit authorization;
- define methodologies and internal rating models;
- implement second-level permanent controls;
- monitor exposures and report to Natixis Senior Management.

Working with the businesses, the main duty of the Risk division is to draw on all relevant and useful information to provide an opinion on the risks taken by the bank.

Credit decisions are made within the limit authorizations granted jointly to the businesses and to certain members of the Risk function, and are approved personally by the Chief Executive Officer or any other person he authorizes to that end. They are sized by counterparty category and internal credit rating, and by the nature and duration of the commitment. Furthermore, these authorizations can be exercised only when the transaction satisfies the different criteria set out in the risk policy of each sector and activity.

In conjunction with BPCE, Natixis has defined the rating methods applicable to the asset classes held jointly.

5.2 Credit policy

5.2.1 GENERAL POLICY

Natixis' risk policies have been defined as a component of the bank's overall risk appetite and credit risk control and management framework. The policies are the product of consultation between the Risk division and the bank's various business lines, and are intended to establish a framework for risk-taking while outlining risk appetite and Natixis' strategic vision by business line or by sector.

Natixis now has nearly 20 risk policies, which are regularly revised and cover the various Corporate & Investment Banking business lines (corporate, LBO, aircraft finance, real estate finance, project finance, commodities finance, banks, insurance, etc.) and the subsidiaries' various activities (e.g. leasing for Natixis Lease and factoring for Natixis Factor, etc.).

The framework these risk policies set out makes a distinction between recommendations based on good practices, and strict (qualitative or quantitative) supervisory criteria, any deviation from which affects the decision-making process and the usual system of limit authorizations.

The quantitative framework is generally based on:

- commitment ceilings by business line or sector;
- commitment sub-limits by type of counterparty, type of product, or sometimes by geographic region.

This framework helps to monitor the concentration of the banks' commitments in relation to a given sector or type of risk.

The qualitative framework is for its part structured around the following criteria:

- business sectors: preferred sectors, banned sectors;
- targets: customers to be targeted or excluded based on various criteria (size, rating, country of operation, etc.);
- structuring: maximum durations, financial ratios, contractual clauses, collateral arrangement, etc.;
- products.

Checks are carried out as required during the individual processing of loan applications to ensure that the risk policy is being applied correctly. Overall monitoring also takes place on a quarterly basis (checking of compliance with ceilings and number of deviations) and is presented to the Global Risk Committees.

5.2.2 GENERAL PRINCIPLES OF APPROVAL

Natixis' credit risk measurement and management procedures are based on:

- a standardized risk-taking process, structured via a system of limit authorizations and decision-making Committees;
- independent analyses carried out by the Risk division during the loan approval review process;
- rating tools and methodologies providing standardized and tailored assessments of counterparty risk, thereby making it possible to evaluate the probability of default within one year and the loss given default;
- information systems that give an overview of outstanding loans and credit limits.

5.3 Credit risk monitoring framework

5.3.1 MEASURING AND MONITORING SYSTEMS

Natixis' commitments are measured and monitored on a daily basis using dedicated consolidation systems. An IT system enables comprehensive consolidation of limits and credit exposures across a scope covering all of Natixis' exposure to credit risk and most of that of its subsidiaries.

The Risk division provides Senior Management and the bank's business heads with reports analyzing Natixis' risks: trend analyses, dashboards, stress test results, etc.

Credit risk is supervised by making the various businesses accountable, and by various second-level control measures overseen by a dedicated Risk division team.

As regards limit breaches, the dedicated monthly committee meeting analyzes changes in limit breaches using specific indicators (number, notional, duration, businesses concerned, etc.), and examines major breaches and monitors their correction.

Cases showing deterioration in the level of risk are identified as they arise and reported immediately to the Risk division and the business concerned, in accordance with both the counterparty watch list, specific provisioning and alert procedures.

They are then considered for the watch list, a decision which falls upon the Risk Department or the competent Credit Committee depending on the amount of exposure.

Corporate & Investment Banking risks are monitored by the Restructuring and Special Affairs Department (DRAS), which intervenes in difficult cases where necessary. The Litigation Department handles collections of loans in litigation.

5.3.2 MONITORING OF NON-PERFORMING AND DISPUTED LOANS MECHANISM

Individual provisions

The Natixis Watch List and Provisions Committee meets once a quarter and covers all the bank's businesses.

It reviews all non-performing loans under watch that may give rise to provisions or adjustments to existing provisions, and decides on the amount of provisioning necessary.

This Committee is organized by the Risk division and chaired by the Chief Executive Officer and assembles the Chief Risk Officer, members of the Senior Management Committee in charge of the businesses, the Accounting and Ratios division and the heads of the relevant support functions.

It draws on a structure of preparatory committees that are jointly steered by the Risk division and each of the bank's businesses.

Collective provisions

In addition to individual provisions, Natixis also sets aside provisions to cover country risk and sector risk. These collective provisions are based on groups of homogeneous assets and formed according to three criteria:

- ratings for loans to private individuals and professionals;
- sector risk;
- geographic risk for other counterparties (corporate, sovereign, etc.).

For the latter risks, the search for objective evidence of impairment is undertaken through analysis and close monitoring of business sectors and countries. Such evidence typically arises from a combination of micro or macroeconomic factors specific to the industry or country concerned. When necessary, an expert appraisal is sought to refine the results of this review.

Sector provisions are determined at a quarterly meeting of the Sector Provision Committee, whose role is to decide, as appropriate, whether to recognize provisions for new sectors or reverse provisions for sectors for which provisions have previously been recognized, based on the market trends in each sector and on the market reviews.

5.3.3 STRESS TESTS

The credit stress test system covers Natixis scopes subject to the A-IRB, F-IRB and standardized approaches. It is based on choosing scenarios that replicate plausible crisis situations and high degrees of severity, in keeping with market practices, while taking past events, market trends and the environment into account so that purely historical or theoretical scenarios are eliminated.

The system is a true risk management tool, with scenarios that are regularly introduced and revised. New subsidiary scopes and models have therefore been added to the stress scenarios since the stress test program was first introduced. The Risk division regularly works on improving the methods used and adding to the scopes defined for the stress scenarios, with particular attention paid to the market stress requirements.

New scenarios were reviewed in 2017 and presented to the Global Risk Committee as well as to the Senior Management Committee. These internal credit stress test scenarios are defined based on:

- macroeconomic assumptions prepared in collaboration with the economic research and country risks teams and with BPCE Group, and comprising three scenarios for the 2018-2020 period: a reference scenario (i.e. a central recovery scenario amid rising petrol prices) and two credit scenarios (a crisis on the Italian and French economies and an extended low rate scenario);
- specific business scenarios to factor in risks that would not have been covered by the macroeconomic scenarios. Standard scenarios are therefore defined (an average of three per business) based on business types (Banks, Corporates, Insurance, Aerospace, etc.).

This stress testing is regularly calculated for the Natixis consolidation scope to evaluate the risk generated in the event of an adverse trend in the economic and financial data. The results are regularly presented to the Global Risk Committee, which also validates the selected scenarios. The stress-testing approach factors in counterparty ratings and default rates (stressed PD scales, migration matrices, specific downgrades by sovereign counterparty, etc.) and includes stresses on the unsecured LGD (Corporates, Banks and Sovereigns, etc.) and the secured LGD (asset or collateral values by business, etc.).

The scenarios, as well as the models and methods selected to assess their impact, are documented, and this documentation is reviewed on each update.

5.4 Credit risk mitigation techniques

Credit risk mitigation is a technique to reduce the credit risk incurred by the bank in the event of counterparty default which can be partial or total.

Natixis uses a number of credit risk reduction techniques including netting agreements, personal guarantees, asset guarantees or the use of credit-default swaps (CDS) for hedging purposes.

The techniques involve two types of protection:

– Non-financial or personal collateral:

With this type of collateral, one or more guarantors commit to pay the creditor in the event of borrower default. It includes personal guarantees, on-demand guarantees and credit derivatives.

– Financial or real collateral, or secured loans:

With a pledge of financial collateral, the creditor is granted real security rights to one or more assets belonging to the borrower or guarantor. Forms of collateral include cash deposits, securities, commodities (such as gold), real estate assets, mortgage-backed securities, life insurance policy pledges.

The eligibility of protection is subject to the following process:

- approval by the Legal department of a legal document covering the acceptance of the collateral and the exercisability of the collateral;
- approval by the Risk division.

In accordance with regulatory provisions, the bank performs the valuation of guarantees, periodically reviews these valuations and carries out any necessary adjustments.

The collateral is adjusted for its volatility and type. Collections on collateral are estimated quarterly or annually on the basis of conservative valuations and haircuts, and take into account the actual enforcement of such collateral in times of economic slowdown.

Depending on their nature, collateral guarantees must meet specific eligibility criteria:

- Non-financial guarantee: the eligibility of personal guarantees depends on the quality of the guarantor and must fulfill several conditions:
  - represent a direct claim opposite to the guarantor and refer to specific exposures;
  - be irrevocable and unconditional;
  - in the counterparty defaults, the bank can take legal action against the guarantor within the permitted time frame to settle payment arrears under the legal document governing the transaction;
  - the guarantee is an obligation secured by a legal document that established the guarantor’s liability;
  - the guarantor covers all types of payment to be made by the borrower in question.
- Financial guarantee: eligibility is determined by the relevant legal framework, the nature of the guarantee (financial collateral, real collateral or netting agreement) and borrower, as well as liquidity. It must be valued at least once a year and meet all of these conditions:

- all the legal documents are binding to all parties and are legally valid in all relevant jurisdictions;
- the bank has the right to realize or take ownership of the collateral in case of default, insolvency or bankruptcy;
- there is no material positive link between the quality of the counterparty credit and the value of the collateral;
- the asset must be liquid and its value sufficiently stable over time for its realization to be certain.

In terms of monitoring, collateral and netting agreements are:

- analyzed, when a loan application is approved or reviewed, to ascertain the suitability of the instrument or guarantee provided as well as any associated improvement in risk quality;
- checked, processed and documented based on standard contracts or contracts approved by the Legal department;
- subject to registration and monitoring procedures in the risk administration and management systems.

Similarly, providers of sureties (via signature guarantees or CDS) are examined, rated and monitored, as with debtors.

Natixis may take steps to reduce commitments in order to lower concentration risk by counterparty, sector and geographic area. Concentration risk is rounded out with an analysis, based on stress test methodologies (migration of ratings according to macroeconomic scenarios). Natixis may buy credit-default swaps and enter into synthetic securitization transactions in order to reduce all or part of the credit risk exposure attached to some assets by transferring the risk to the market. CDS-protected loans remain on Natixis' balance sheet, but bear the counterparty risk attached to the credit-default swap sellers, which are generally OECD banks. Transactions with non-bank third parties are fully collateralized in cash. These transactions are subject to decision-making and monitoring procedures that apply to derivative transactions.

TABLE 16 (CR3): CREDIT RISK MITIGATION TECHNIQUES

(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	44,846	5	4	3,533	3,474		
Institutions	9,729	25	15	837	502		
Corporates	87,420	35,742	33,458	9,195	6,336	1,489	1,489
o/w SME	*1,697*	*2,078*	*2,023*	*132*	*1*		
o/w Specialized Lending	*1,031*	*19,043*	*19,046*	*7*	*5*		
Retail	7	596	596	(11)			
Secured by real estate property		*59*	*59*				
SME		*59*	*59*				
Non-SME							
Qualifying Revolving		*211*	*211*				
Other Retail	*7*	*326*	*326*	*(11)*			
SME	*7*	*314*	*314*	*(11)*			
Non-SME		*12*	*12*				
Equity	5,446						
Other exposures	81	633	623	2			
Sub-total IRB 12.31.2017	**147,530**	**37,002**	**34,696**	**13,557**	**10,311**	**1,489**	**1,489**
Sub-total IRB 12.31.2016	**136,559**	**44,839**	**42,137**	**12,342**	**9,249**	**1,501**	**1,501**
Standardized Approach							
Central governments or central banks	4,659	7		65	63		
Regional governments or local authorities	286	9		8			
Public sector entities	625	3		30			
Multilateral Development Banks							
International Organizations	446						
Institutions	42,629	60	60	6,180	6,179		
Corporates	3,452	933	716	510	340		
o/w SME	*452*	*312*	*237*	*92*			
Retail	13,380	469	247	103			
o/w SME	*343*	*40*	*28*	*74*			
Secured by mortgages on immovable property		1,087	1,087				
SME		*459*	*459*				
Exposures in default	294	68	1	20			
Claims on institutions and corporates with a short-term credit assessment	381			2	2		
Collective investments undertakings (CIU)							
Equity exposures							
Other exposures	7,981	82		113	1		
Sub-total SA 12.31.2017	**74,132**	**2,718**	**2,110**	**7,031**	**6,586**		
Sub-total SA 12.31.2016	**76,980**	**1,348**	**1,044**	**5,336**	**4,982**		
TOTAL AT 12.31.2017	**221,661**	**39,720**	**36,807**	**20,589**	**16,897**	**1,489**	**1,489**
TOTAL AT 12.31.2016	**213,539**	**46,187**	**43,181**	**17,678**	**14,231**	**1,501**	**1,501**

TABLE 17 (CR7): IRB – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES

(in millions of euros)	Pre-credit derivatives RWA	Actual RWA
Exposures under Foundation IRB	**7,310**	**7,310**
Central governments or central banks	203	203
Institutions	255	255
Corporates – SME	628	628
Corporates – Specialized Lending	12	12
Corporates – Other	6,211	6,211
Exposures under Advanced IRB	**52,059**	**35,662**
Central governments or central banks	398	398
Institutions	1,964	1,964
Corporates – SME	2,143	2,143
Corporates – Specialized Lending	4,423	4,423
Corporates – Other	42,949	26,553
Retail – Secured by real estate SME	12	12
Retail – Secured by real estate non-SME		
Retail – Qualifying revolving	61	61
Retail – SME	77	77
Other retail exposures	31	31
Equity IRB	**16,548**	**16,548**
Other items	**188**	**188**
TOTAL AT 12.31.2017	**76,104**	**59,708**
TOTAL AT 12.31.2016	**81,457**	**64,239**

5.5 Credit risk exposures

TABLE 18 (CR1): CREDIT QUALITY OF ASSETS

	a	b	c	d
(in millions of euros)	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
IRB approach				
Central governments or central banks	49	48,387	53	48,384
Institutions	83	10,567	58	10,591
Corporates	4,010	131,999	2,164	133,846
o/w SME	*259*	*3,852*	*203*	*3,908*
o/w Specialized Lending	*669*	*19,703*	*293*	*20,080*
Retail	74	604	84	593
Secured by real estate property	*8*	*57*	*6*	*59*
SME	*8*	*57*	*6*	*59*
Non-SME				
Qualifying Revolving	*30*	*215*	*34*	*211*
Other Retail	*36*	*331*	*44*	*322*
SME	*10*	*315*	*15*	*311*
Non-SME	*26*	*16*	*29*	*12*
Equity	12	5,439	5	5,446
Other items		717		717
Sub-total IRB 12.31.2017	**4,227**	**197,713**	**2,364**	**199,577**
Sub-total IRB 12.31.2016	**5,315**	**192,719**	**2,793**	**195,241**
Standardized Approach				
Central governments or central banks		4,730		4,730
Regional governments or local authorities		303		303
Public sector entities		658		658
Multilateral Development Banks				
International Organizations		446		446
Institutions		48,869		48,869
Corporates		4,921	26	4,896
o/w SME		*863*	*8*	*856*
Retail		13,953	1	13,952
o/w SME		*457*		*456*
Secured by mortgages on immovable property		1,087		1,087
SME		*459*		*459*
Exposures in default	704		322	382
Items associated with particularly high risk				
Covered bonds				
Claims on institutions and corporates with a short-term credit assessment		382		382
Collective investments undertakings (CIU)				
Equity exposures				
Other items		8,177		8,177
Sub-total SA 12.31.2017	**704**	**83,527**	**350**	**83,881**
Sub-total SA 12.31.2016	**444**	**83,470**	**250**	**83,664**
TOTAL AT 12.31.2017	**4,931**	**281,240**	**2,713**	**283,458**
TOTAL AT 12.31.2016	**5,759**	**276,189**	**3,043**	**278,905**

TABLE 19 (CRB-B): TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

(in millions of euros)	Net exposure at the end of the period	Average net exposure over the period*
IRB Approach		
Central governments or central banks	45,924	47,202
Institutions	10,354	9,655
Corporates	140,093	141,300
o/w SME	*5,690*	*5,909*
o/w Specialized Lending	*22,142*	*21,406*
Retail	1,044	1,175
Secured by real estate property	*59*	*73*
SME	*59*	*73*
Non-SME		
Qualifying Revolving	*211*	*228*
Other Retail	*774*	*874*
SME	*762*	*861*
Non-SME	*12*	*13*
Equity	5,446	5,498
Other exposures	718	885
Sub-total IRB 12.31.2017	**203,578**	**205,715**
Sub-total IRB 12.31.2016	**197,928**	**204,302**
Standardized Approach		
Central governments or central banks	4,668	5,116
Regional governments or local authorities	318	357
Public sector entities	765	794
Multilateral Development Banks		
International organizations	446	438
Institutions	42,652	35,302
Corporates	5,244	3,825
o/w SME	*1,426*	*732*
Retail	14,323	14,100
o/w SME	*609*	*512*
Secured by mortgages on immovable property	1,087	508
o/w SME	*459*	*171*
Exposures in default	496	334
Claims on institutions and corporates with a short-term credit assessment	381	812
Collective investments undertakings (CIU)		121
Equity exposures		132
Other items	8,176	8,086
Sub-total SA 12.31.2017	**78,555**	**69,925**
Sub-total SA 12.31.2016	**79,214**	**70,089**
TOTAL AT 12.31.2017	**282,133**	**275,640**
TOTAL AT 12.31.2016		

* *Quarterly average realized over 1 year.*

TABLE 20 (CRB-C): GEOGRAPHICAL BREAKDOWN OF EXPOSURES

	EU	EU	EU	EU	EU	EU	North America	North America	Asia	Asia	Latin America	Europe	Europe	Middle East	Africa	Oceania	
(in millions of euros)	**France**	**Other**	**Germany**	**UK**	**Luxembourg**	**Italy**	**USA**	**Other**	**Other**	**Singapore**	**Other**	**Switzerland**	**Other**	**Other**	**Other**	**Other**	**Total**
IRB approach																	
Central governments or central banks	28,216	1,915	617	138	237	148	11,356	201	455	528	434	3	118	683	850	23	45,924
Institutions	1,981	1,355	277	865	46	35	1,353	92	2,910	156	224	63	138	577	264	18	10,354
Corporates	60,741	11,733	6,606	4,681	4,441	4,905	17,570	471	4,706	4,529	6,115	4,380	617	3,970	2,949	1,679	140,093
o/w SME	*4,416*	*171*	*88*	*89*	*104*	*92*	*142*	*14*	*211*	*16*			*3*		*345*		*5,690*
o/w Specialized Lending	*4,997*	*2,493*	*634*	*832*	*874*	*1,701*	*4,855*	*233*	*1,371*	*20*	*1,807*	*33*		*1,141*	*51*	*1,101*	*22,142*
Retail	1,044																1,044
Secured by real estate property	*59*																*59*
o/w SME	*59*																*59*
Non-SME																	
Qualifying Revolving	*211*																*211*
Other Retail	*774*																*774*
SME	*762*																*762*
Non-SME	*12*																*12*
Equity	4,637	97	24	77	240	12	191	7			33	17		23	88		5,446
Other items	705	6			3	4											718
Sub-total IRB 12.31.2017	**97,324**	**15,106**	**7,525**	**5,761**	**4,966**	**5,105**	**30,471**	**770**	**8,072**	**5,214**	**6,806**	**4,463**	**872**	**5,252**	**4,151**	**1,721**	**203,578**
Sub-total IRB 12.31.2016	**74,293**	**14,635**	**7,234**	**5,306**	**3,969**	**5,079**	**46,442**	**1,151**	**8,037**	**5,335**	**8,004**	**4,742**	**1,282**	**5,531**	**4,545**	**2,344**	**197,928**
Standardized Approach																	
Central governments or central banks	3,407				396				780		43				43		4,668
Regional governments or local authorities	199		74									43		2			318
Public sector entities	594	19	45					42							65		765
Multilateral Development Banks																	
International organizations					446												446
Institutions	41,462	44		564	7	37	310		148		34		3		30	14	42,652
Corporates	4,083	244	21	8	40	57	2	4	52		7	54			674		5,244
o/w SME	*1,411*	*2*			*2*							*6*			*4*		*1,426*
Retail	14,184	20	2	13		6	2	2	4					3	79	7	14,323
SME	*520*	*4*		*5*		*5*									*74*		*609*
Secured by mortgages on immovable property	1,063	7				17											1,087
SME	*454*	*3*				*2*											*459*
Exposures in default	459	2				1									33		496
Claims on institutions and corporates with a short-term credit assessment	2	11			9		5	2	353								381
Collective investments undertakings (CIU)																	
Equity exposures																	
Other items	7,219	178	14	400	5	24	294	2	15	3			1	2	16	2	8,176
Sub-total SA 12.31.2017	**72,673**	**525**	**156**	**985**	**901**	**141**	**613**	**52**	**1,353**	**3**	**85**	**97**	**4**	**7**	**940**	**22**	**78,555**
Sub-total SA 12.31.2016	**72,047**	**642**	**146**	**1,659**	**1,013**	**279**	**853**	**48**	**1,215**	**4**	**141**	**148**	**2**	**7**	**1,002**	**9**	**79,214**
TOTAL AT 12.31.2017	**169,997**	**15,631**	**7,680**	**6,746**	**5,867**	**5,245**	**31,084**	**823**	**9,424**	**5,216**	**6,891**	**4,560**	**876**	**5,260**	**5,091**	**1,743**	**282,133**
TOTAL AT 12.31.2016	**146,340**	**15,277**	**7,380**	**6,965**	**4,982**	**5,359**	**47,294**	**1,199**	**9,252**	**5,339**	**8,144**	**4,890**	**1,284**	**5,538**	**5,547**	**2,353**	**277,142**

TABLE 21 (CRB-D): CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

(in millions of euros)	Finance	Other (Exposures net of provisions < €4bn)	Adminis-trations	Oil & Gas	Real estate	Interna-tional trade, commo-dities	Transpor-tation	Electricity	Retail	Base industries	Consumer goods	Automotive	Construc-tion	Total
IRB Approach														
Central governments or central banks	1,155		44,710	59										45,924
Institutions	9,759	1	1					35	79			479		10,354
Corporates	20,490	39,212	76	15,512	13,072	11,957	8,261	7,295	6,064	5,426	4,920	3,837	3,971	140,093
o/w SME	*367*	*2,303*	*7*	*133*	*754*	*10*	*513*	*185*	*523*	*345*	*72*	*178*	*297*	*5,690*
o/w Specialized Lending		*2,198*		*1,907*	*8,981*		*4,475*	*4,179*	*2*	*350*			*50*	*22,142*
Retail	3	561	3	1	33		117		90	48	8	30	151	1,044
Secured by real estate property		*20*	*1*		*11*		*1*		*13*	*4*	*1*	*4*	*5*	*59*
SME		*20*	*1*		*11*		*1*		*13*	*4*	*1*	*4*	*5*	*59*
Non-SME														
Qualifying Revolving		*211*												*211*
Other Retail	*2*	*330*	*2*	*1*	*22*		*116*		*78*	*44*	*7*	*26*	*146*	*774*
SME	*2*	*318*	*2*	*1*	*22*		*116*		*78*	*44*	*7*	*26*	*146*	*762*
Non-SME		*12*												*12*
Equity	4,187	1,148	2	3	68	2	9		9	5	3	4	6	5,446
Other items	19	289	9	1	141		122	6	45	11	19	14	42	718
Sub-total IRB 12.31.2016	**35,613**	**41,211**	**44,801**	**15,575**	**13,313**	**11,959**	**8,508**	**7,337**	**6,288**	**5,490**	**4,951**	**4,363**	**4,170**	**203,578**
Sub-total IRB 12.31.2016	**36,141**	**43,998**	**33,700**	**16,927**	**13,099**	**13,041**	**9,635**	**7,029**	**6,292**	**6,281**	**3,664**	**4,152**	**3,969**	**197,928**
Standardized Approach														
Central governments or central banks		3	4,666											4,668
Regional governments or local authorities		2	316											318
Public sector entities		50	398	180	37		100							765
Multilateral Development Banks														
International Organizations			446											446
Institutions	42,652													42,652
Corporates	486	3,070	35	128	996		37	5	274	106	32	38	37	5,244
o/w SME	*51*	*552*	*11*	*82*	*576*		*29*		*64*	*23*	*4*	*14*	*19*	*1,426*
Retail	15	14,177	1	2	26		23	3	32	9	4	4	27	14,323
o/w SME	*1*	*482*	*1*	*1*	*22*		*23*	*3*	*31*	*9*	*4*	*4*	*27*	*609*
Secured by mortgages on immovable property	13	335	41	20	490		25		109	14	4	17	17	1,087
o/w SME	*2*	*125*	*2*	*20*	*211*		*19*		*57*	*8*	*3*	*6*	*6*	*459*
Exposures in default	5	378	8		61		4		16	6	7	2	8	496
Claims on institutions and corporates with a short-term credit assessment	377	4												381
Collective investments undertakings (CIU)														
Equity exposures														
Other items	351	7,667	31	9	84		5		17	3	1	3	4	8,176
Sub-total SA 12.31.2017	**43,899**	**25,687**	**5,941**	**339**	**1,695**		**195**	**8**	**448**	**137**	**47**	**65**	**93**	**78,555**
Sub-total SA 12.31.2016	**47,432**	**22,930**	**7,887**	**271**	**380**		**121**	**6**	**102**	**26**	**31**	**8**	**20**	**79,214**
TOTAL AT 12.31.2017	**79,512**	**66,898**	**50,742**	**15,913**	**15,008**	**11,959**	**8,704**	**7,345**	**6,736**	**5,627**	**4,998**	**4,428**	**4,263**	**282,133**
TOTAL AT 12.31.2016	**83,573**	**66,928**	**41,587**	**17,198**	**13,479**	**13,041**	**9,756**	**7,034**	**6,394**	**6,307**	**3,695**	**4,160**	**3,989**	**277,142**

TABLE 22 (CRB-E): MATURITY OF EXPOSURES

(in millions of euros)	On demand	<= 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
IRB Approach						
Central governments or central banks	37,397	1,763	3,325	2,489		44,975
Institutions	4,223	2,931	916	226		8,296
Corporates	5,239	34,054	24,376	16,813		80,481
o/w SME	*134*	*711*	*2,067*	*1,968*		*4,880*
o/w Specialized Lending	*300*	*1,125*	*4,493*	*8,571*		*14,488*
Retail		147	585	200		932
Secured by real estate property		*1*	*5*	*49*		*55*
SME		*1*	*5*	*49*		*55*
Non-SME						
Qualifying Revolving		*107*				*107*
Other Retail		*40*	*580*	*150*		*769*
SME		*28*	*580*	*150*		*758*
Non-SME		*12*				*12*
Equity		4,274	772	229		5,276
Other items		60	297	361		718
Sub-total IRB 12.31.2017	**46,858**	**43,229**	**30,271**	**20,319**		**140,678**
Sub-total IRB 12.31.2016	**35,813**	**44,243**	**31,470**	**22,452**		**133,979**
Standardized Approach						
Central governments or central banks	826	1,167	2,592	84		4,668
Regional governments or local authorities		14	72	230		317
Public sector entities	28	39	55	372		493
Multilateral Development Banks						
International Organizations			59	387		446
Institutions	21,349	268	3,220	8,452		33,289
Corporates	457	378	871	1,785		3,491
o/w SME	*24*	*129*	*505*	*575*		*1,233*
Retail	64	2,003	782	253		3,102
o/w SME	*17*	*201*	*248*	*84*		*551*
Secured by mortgages on immovable property		12	156	795		963
o/w SME		*2*	*47*	*363*		*412*
Exposures in default	54	118	164	150		486
Claims on institutions and corporates with a short-term credit assessment	364	17				381
Collective investments undertakings (CIU)						
Equity exposures						
Other items	485	6,639	52	1,000		8,176
Sub-total SA 12.31.2017	**23,628**	**10,654**	**8,022**	**13,507**		**55,811**
Sub-total SA 12.31.2016	**33,791**	**11,760**	**8,144**	**11,642**		**65,337**
TOTAL AT 12.31.2017	**70,486**	**53,883**	**38,293**	**33,825**		**196,488**
TOTAL AT 12.31.2016	**69,604**	**56,003**	**39,614**	**34,094**		**199,315**

5.6 Credit risk: standardized approach

5.6.1 EXTERNAL RATING SYSTEM

For outstandings measured using the standardized approach, Natixis uses external rating systems of the agencies Fitch Ratings, Standard & Poor's and Moody's. The table below presents the breakdown of risk exposure by external agency for asset classes measured using the standardized approach, excluding:

- exposures to equities;
- pool-based exposures (acquired portfolios) and third parties grouped into homogeneous risk classes;
- securitization positions;
- unrated positions;
- other items that do not represent a credit obligation.

The reconciliation of the external rating agencies' alphanumeric credit rating scales and the risk weighting coefficients is performed in accordance with the note published by the ACPR: *Method for calculating prudential ratios within the CRD IV (Capital Requirements Directive IV).*

When a bank portfolio exposure does not have a directly applicable external credit rating, the Bank's customer standards allow – on a case-by-case basis and after analysis – the application of a rating based partially on an internal or exposure rating of the issuer (or of the guarantor, if applicable).

TABLE 23 (CRD-D): RISK WEIGHTS USED FOR SA EXPOSURES BY ASSET CLASS AND BY RATING AGENCY

Final Basel 3 exposure class	Rating agency		Grade	Bucket	Risk weight *(in %)*
Central governments or central banks	FITCH	Long term	1	AAA to AA-	0
					20*
	MOODYS	Long term	1	Aaa to Aa3	0
					20*
			3	Baa1 to Baa3	0
					50*
			4	Ba1 to Ba3	100*
	S&P	Short term	1	A-1+	0
					20*
			2	A-1	20*
			3	A-2 to A -3	100*
		Long term	1	AAA to AA-	0
					20*
			3	BBB+ to BBB-	100
Corporates	FITCH	Long term	3	BBB+ to BBB-	100
	MOODYS	Long term	3	Baa1 to Baa3	70
			5	B1 to B3	100
					150
	S&P	Long term	1	AAA to AA-	2
					20
			2	A+ to A-	35
					50
			3	BBB+ to BBB-	70
					100
			4	BB+ to BB-	100
			5	B+ to B-	150
Institutions	FITCH	Long term	1	AAA to AA-	2
	MOODYS	Long term	1	Aaa to Aa3	20
			3	Baa1 to Baa3	2
	S&P	Long term	1	AAA to AA-	2
					20
					100
			2	A+ to A-	2
					20
					50
			3	BBB+ to BBB-	2
					20
					35
					100
			4	BB+ to BB-	100
Exposures secured by mortgages on immovable property	S&P	Long term	1	AAA to AA-	50
Exposure to institution and corporate with short-term credit assessment	FITCH	Short term	1	F1+ to F1	20
			2	F1+ to F1	50
	MOODYS	Short term	1	P-1	20
	S&P	Short term	1	A-1+	20
					100
			2	A-1	20
					50
			3	A-2 to A -3	100
			4	B, C, R, SD/D	150

* *Concerns exposures classified as RGLA or PSE.*

5.6.2 CREDIT RISK EXPOSURES: STANDARDIZED APPROACH

TABLE 24 (EU CR4): SA – CR EXPOSURE AND CRM EFFECTS

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
(in millions of euros)	On-balance sheet amount	Off-balance sheet and amount	On-balance sheet EAD	Off-balance sheet EAD	RWA	RWA density
Central governments or central banks	4,730		4,730		1,451	31%
Regional governments or local authorities	302	1	301	1	50	17%
Public sector entities	411	247	411	123	47	9%
Multilateral Development Banks						
International Organizations	446		446			
Institutions*	38,863	10,006	38,863	2,710	549	1%
Corporates	3,121	1,800	2,802	472	2,428	74%
Retail	2,766	11,188	2,598	33	1,937	74%
Secured by mortgages on immovable property	963	124	963	62	498	49%
Exposures in default	695	10	372	2	477	127%
Items associated with particularly high risk						
Covered bonds						
Claims on institutions and corporates with a short-term credit assessment	381	1	381		200	52%
Collective investments undertakings (CIU)						
Equity exposures						
Other items	8,177		8,177		8,526	104%
TOTAL AT 12.31.2017	**60,855**	**23,376**	**60,045**	**3,403**	**16,164**	**25%**
*** o/w exposures related to affiliates**	**96%**	**100%**	**96%**	**100%**		
TOTAL AT 12.31.2016	**69,334**	**14,580**	**68,781**	**1,701**	**13,502**	**19%**

TABLE 25 (CR5): SA – EXPOSURES (EAD) BY ASSET CLASSES AND RISK WEIGHTS

	Risk Weight																	
Asset classes *(in millions of euros)*	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total	Of which unrated*
Central governments or central banks	4,123									44		563					4,730	1,249
Regional governments or local authorities	51				252												302	185
Public sector entities	327				199		2			7							534	29
Multilateral Development Banks																		
International Organizations	446																446	
Institutions	39,841	1,012			199	33	10	19		459							41,573	23,078
Corporates	605	61			9	242	46	120		2,082	110						3,274	2,515
Retail									2,631								2,631	2,631
Secured by mortgages on immovable property						53	971										1,025	1,007
Exposures in default										169	205						374	374
Items associated with particularly high risk																		
Covered bonds																		
Claims on institutions and corporates with a short-term credit assessment					10		351			16	5						382	
Collective investments undertakings (CIU)																		
Equity exposures																		
Other items	304	63		13	12		10			4,584					3,191		8,177	8,079
TOTAL AT 12.31.2017	**45,697**	**1,136**		**13**	**680**	**328**	**1,391**	**139**	**2,631**	**7,360**	**320**	**563**			**3,191**		**63,448**	**39,147**
TOTAL AT 12.31.2016	**53,590**	**2,493**	**2**	**1**	**1,358**	**321**	**254**	**201**	**2,571**	**8,632**	**20**	**738**			**301**		**70,482**	**56,821**

* *Of which €23,339 million in exposure to BPCE Group affiliates at December 31, 2017.*

5.7 Credit risk: internal ratings-based approach

5.7.1 RISK MEASUREMENTS AND INTERNAL RATINGS

The internal rating system is an integral part of Natixis' credit risk assessment, monitoring and control mechanism. It covers all the methods, processes, tools and controls used to evaluate credit risk. It takes into account fundamental parameters, including probability of default (PD), which corresponds to a rating, and loss given default (LGD), which is expressed as a percentage.

Pursuant to regulatory requirements, all counterparties in the banking book and the related exposures must have an internal rating if they:

- carry a loan or are assigned a credit limit;
- guarantee a loan;
- issue securities used as collateral for a loan.

The internal rating mechanism is based on:

- internal rating methodologies specific to the various Basel asset classes and consistent with Natixis' risk profile; there is a unique rating procedure and methodology for each asset class;
- an IT system used for managing the successive stages of the rating process, from the initiation of the process to the approval and logging of the complete process;
- procedures and controls that place internal ratings at the heart of the risk-management system, from transaction origination to ex-post analysis of defaulting counterparties and the losses incurred on the relevant loans;
- periodic reviews of rating methodologies, the method for calculating the LGD and the underlying risk parameters.

With respect to country risk, the system is based on sovereign ratings and country ratings that limit the ratings that can be given to non-sovereign counterparties. These ratings are reviewed annually or more often if necessary.

Since September 30, 2010, Natixis has used internal rating methods specific to the different asset classes approved by the Autorité de Contrôle Prudentiel et de Résolution (ACPR – French Prudential Supervisory Authority), and that use the advanced internal ratings-based method (A-IRB) to rate "corporate", "sovereign", "bank", "specialized financing" and some categories of consumer finance exposures.

Ratings are established based on two approaches, namely statistical approaches and expert appraisals.

TABLE 26 (EDTF 15): INDICATIVE CORRESPONDENCES BETWEEN INTERNAL RATINGS BASED ON EXPERT APPRAISAL AND EXTERNAL AGENCY RATINGS (CORPORATES, BANKS, SPECIALIZED FINANCING INSTITUTIONS)

Internal rating	S&P/Fitch equivalent	Moody's equivalent	1-year PD
AAA	AAA	Aaa	0.03%
AA+	AA+	Aa1	0.03%
AA	AA	Aa2	0.03%
AA-	AA-	Aa3	0.03%
A+	A+	A1	0.03%
A	A	A2	0.04%
A-	A-	A3	0.09%
BBB+	BBB+	Baa1	0.18%
BBB	BBB	Baa2	0.33%
BBB-	BBB-	Baa3	0.55%
BB+	BB+	Ba1	0.88%
BB	BB	Ba2	1.34%
BB-	BB-	Ba3	1.97%
B+	B+	B1	2.82%
B	B	B2	3.93%
B-	B-	B3	5.36%
CCC+	CCC+	Caa1	7.17%
CCC	CCC	Caa2	9.42%
CCC-	CCC-	Caa3	12.20%
CC	CC	Ca	15.57%
C	C	C	19.63%

The rating scale varies according to the type of counterparty and includes 21 notches for major corporations, banks and specialized financing institutions. It should be noted that internal ratings are also one of the criteria used to determine the level of authority required to approve credit applications.

TABLE 27 (NX16): PD AND LGD BY GEOGRAPHIC AREA

	12.31.2017		
Geographic areas	EAD *(in millions of euros)*	Weighted average PD *(as a %)*	Weighted average LGD *(as a %)*
Africa	4,453	6.4%	25.2%
Europe outside EU	5,142	2.5%	17.1%
Other	7,955	1.7%	26.1%
Asia	12,875	2.5%	28.7%
European Union	44,225	1.9%	23.2%
Americas	45,526	1.5%	23.7%
France	90,600	3.6%	27.7%
TOTAL AT 12.31.2017	**210,776**	**2.5%**	**23.2%**
TOTAL AT 12.31.2016	**211,878**	**3.1%**	**23.8%**

5.7.2 VALIDATION OF INTERNAL MODELS

5.7.2.1 Validation of models

In accordance with regulatory requirements, Natixis has established internal model validation policies and procedures for evaluating credit and counterparty risk. This independent model validation policy is part of its wider risk model management framework.

Within the Model Risk & Risk Governance Department which reports to the Chief Risk Officer, Model Risk Management is responsible for the governance and standards applicable to a model's life cycle. The various stages of a model's life cycle - design, IT development, validation, and use - are clearly presented and the roles and responsibilities of each participant specified and detailed.

The validation of internal rating models is carried out by the validation team from BPCE's Risks, Compliance and Permanent Control division or, with the authorization of BPCE's Group Modeling Committee, by Natixis' Risk Department's Model Risk Management team. Pursuant to BPCE's validation charter, the validation covers a review of the relevance, consistency and integrity of models and the reliability of input and output. This validation process comprises four steps:

- quantitative analysis: analysis of proxies, sizing methods, risk indicators, aggregation rules, etc.;
- performance and governance analysis: model backtesting and benchmarking, precision and consistency analysis, stress tests, etc.;
- analysis of data quality and implementation of the model: analysis of the quality and representativeness of data, integrity of controls, error reports, comprehensiveness of data, etc.;
- use test: the validation team ensures that the internal models are used by qualified staff, that usage procedures are documented and up to date, that ex-post controls are performed, etc.

The everyday design, modification and management of a model (including backtesting) is carried out by model designers on behalf of the model's owner. The independent Model Risk Management entity is called upon for all new models as well as for all modifications or improvements to existing models. On an annual basis, this team regularly reviews the rating models which cover the analysis of backtesting and use tests.

The third line of defense is the Internal Audit Department which annually reviews internal rating models and compliance with the risk model management framework and the correct application by Model Risk Management of its own policies and procedures.

The conclusions and results of the model validation process carried out within Natixis are presented to the Risk Model Oversight Committee for confirmation, then submitted to the Model Risk Management Committee for approval. They are then sent to the Standards and Methods Committee within BPCE's Risks, Compliance and Permanent Control division for final approval and potential reporting to the supervisor. The Risk Model Oversight Committee is chaired by the Head of the Model Risk & Risk Governance Department; the Risk Model Management Committee is chaired by Natixis' Chief Risk Officer who is a member of the Senior Management Committee.

5.7.2.2 Rating tool performance monitoring and backtesting

Backtesting and benchmarking are an integral part of the model approval process. Backtesting and performance-monitoring programs are used at least once a year to ensure the quality and reliability of rating models, LGD estimates and probability of default scales. They include a detailed analysis based on a range of indicators, e.g. differences in terms of severity and migration compared with agency ratings, observed defaults and losses and changes in ratings prior to default, and the performance measurements of LGD models, based on the quantitative analysis of historical data and supplemented by qualitative analysis.

Rating method performance monitoring and backtesting of PD

The rating methods are periodically checked and undergo external benchmarking to ensure the consistency of ratings produced using expert appraisal methods, as well as their robustness over time according to regulatory requirements. The monitoring methods are defined through a backtesting procedure tailored to each type of model.

For Natixis, the Corporate (including Structured Finance), Interbank and Sovereign portfolios, which are handled using dedicated rating tools, have the lowest default rates (Low Default Portfolios). These portfolios are backtested in accordance with their specific nature, namely the low number of defaults and the difficulty in creating and maintaining a PD scale based on internal data.

The backtesting procedure, which draws on these data (and sometimes external data in the case of backtesting of the banking model or the Major Corporate rating grids particularly), consists of two stages: an analysis of the absolute performance, which is based on the default rate and internal migrations, and an analysis of the relative performance, which is based on a comparison with external ratings. Alerts are triggered by performance rules and indicators as necessary.

These checks are carried out through several processes, such as quarterly meetings of the Rating Analysis Committee (CANO) and the backtesting of the various rating models, which is carried out between once and four times a year depending on the scope.

The role of this committee is to:

- provide a forum for the presentation of the results of performance and stability measurements;
- analyze the indicators whose alert thresholds have been exceeded;
- decide on any measures to be taken to correct any deviations or anomalies. These measures may take different forms, including changes to rating practices, methodologies, performance analyses or alert threshold values.

The severity of the internal ratings compared with the agency ratings is examined. Natixis therefore analyzes all the internal ratings of counterparties that are also rated by the rating agencies (Standard and Poor's, Moody's and Fitch). The extent to which the risk assessments are aligned can be determined through these analyses.

The change in the portfolio's credit quality over one year is also analyzed by looking at internal rating migrations. Additional indicators are also calculated to verify the internal risk ranking (Gini Index, average rating, previous year's ratings, ratings of counterparties that have defaulted) and provide statistics as a supplement to the qualitative analyses.

CANO Meetings are chaired by the heads of the Individual Risk and Consolidated Credit Risk departments within the Risk division, or by their representatives. The follow-up on the decisions made during Committee Meetings are presented at subsequent meetings, particularly if thresholds have been breached and this situation has not been rectified.

All of these analyses are also presented each quarter to the Chief Risk Officer and sent to the regulator.

Monitoring and backtesting of internal LGD, CCF and ELBE under the advanced method

The LGD, ELBE (see glossary) and CCF (see glossary) levels for the different lending scopes are backtested at least once a year (based on internal data), as are the rating models and the associated PD, to verify the reliability of the estimates over time.

LGD, CCF and ELBE backtesting is carried out by the Risk divisions teams to:

- verify that the model is correctly calibrated;
- assess the model's discriminating power;
- assess the model's stability over time.

The parameters of the models for the specialized financing and collateral (financial or other) scope are regularly updated, so that they reflect actual conditions as accurately as possible. Both the market parameters and the recovery parameters are updated.

The losses and estimates produced by the models are compared based on historical data covering as long a period as possible.

The indicators defined for backtesting are used both to validate the model and measure its performance. Two types of indicators are used:

- population stability indicators: these analyses are used to verify that the population observed is still similar to the population that was used to build the model. The model may be called into question if the segmentation variables or the LGDs result in excessively large distribution differences. All of these indicators are compared against the benchmark indicators (usually those calculated when the model was built or those issued by external data or agencies). These analyses are applicable to both expert appraisal-based models and statistical models;
- model performance indicators: the model's performance is measured to validate the segmentation and also to quantify, overall, the differences between the forecast and actual figures. This is achieved by using statistical indicators, which are compared against those calculated during modeling.

Losses given default models (internal LGD) are calculated:

- on a statistical basis for the corporate asset class;
- based on internal and external histories and an external benchmark for banks and sovereigns;
- using stochastic models if there is a claim against a financial asset.

The results of the backtesting may result in the risk parameter's recalibration, where appropriate.

A backtesting report is produced once backtesting is complete. This report includes:

- all the results for the backtesting indicators used;
- any additional analyses;
- an overall opinion of the results in accordance with the Group's standards.

The report is then submitted to the internal validation teams (Model Risk Management) for an opinion, then presented to the various committees to inform the bank's management.

TABLE 28: BACKTESTING OF LGDS AND PDS BY EXPOSURE CLASS

	Figures resulting from backtesting			
	Observed LGDs	Model LGDs	Observed default rate	Estimated PD
Sovereigns	31.30%	48.20%	0.23%	6.52%
Financial institutions	37.91%	50.44%	0.26%	1.15%
Corporates	29.35%	40.45%	0.42%	0.88%

This table provides a general summary of the system's performance but differs from the annual backtests carried out within the Group, which are conducted on a model-by-model basis and not overall by portfolio. However, this table allows a comparison of estimates and actual results for each internal input over an extended period and for a significant, representative percentage of each exposure class. The results come from data warehouses used for modeling. This is based on all performing customers for default rates and PD, and on all customers in default for LGD.

5.7.3 NATIXIS' MAIN INTERNAL MODELS

TABLE 29 (EU CRE): MAIN INTERNAL MODELS: PD, LGD, CCF AND VOLATILITY DISCOUNTS

Modeled input	Portfolio	Number of models	Description/Methodology
PD	Sovereigns	1	Expert analysis-based rating models using macroeconomic criteria and the assessment of legal and political risks.
	Financial institutions	3	Expert analysis-based rating models using quantitative criteria (accounting balance sheet) and qualitative criteria (questionnaire). Model per type of counterparty and per geographic area
	Corporates (incl. SMEs)	12	Expert analysis-based rating models by business sector for Corporates and statistical models for SMEs (scores)
	Specialized Financing	6	Expert analysis-based rating models by type of financed asset
	Retail SMEs	10	Statistical models by business sector
	Consumer Finance	1	Rating model based on credit history since 2002. The model includes segmentation and a score
LGD	Sovereigns	1	Qualitative model based on internal and external defaults. The assessment of LGD during periods of decline is included insofar as all defaults are included for the LGD model.
	Financial institutions	1	Qualitative model based on internal and external defaults by type of counterparty. LGD assessed in this model include defaults occurring in periods of decline
	Corporates (incl. SMEs)	4	Statistical models (decision trees or assessment of recoverable assets) by type of financed asset. The safety buffers included in the LGD models serve to cover periods of decline (primarily via bootstrap techniques)
	Specialized Financing	4	Models used to assess assets on resale. Assumptions of asset disposals are based on adverse scenarios to determine a conservative LGD assessment
	Leasing	3	Statistical models (decision trees) by type of financed asset. The safety buffers included in the LGD models serve to cover periods of decline (primarily via bootstrap techniques)
	Consumer Finance	1	Rating model based on credit history since 2002. The model includes segmentation and a score
CCF	Corporate Financing (incl. SMEs), Financial Institutions and Sovereigns	1	Model calibrated on internal defaults and segmentation by type of product and type of counterparty
	Consumer Finance	1	Rating model based on credit history since 2002. The model includes segmentation and a score
Volatility correction	Financial and other collateral	5	Stochastic models built on historical market prices with assumptions based on internal data and expertise.

5.7.4 EXPOSURE TO CREDIT RISK ACCORDING TO THE INTERNAL RATING SYSTEM

TABLE 30 (CR8): RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURE UNDER THE IRB APPROACH

(in millions of euros)	RWA amounts	OFR
RWA at 12.31.2016	**64,239**	**5,139**
Asset size	2,022	162
Asset quality	(1,976)	(159)
Model updates	(1,123)	(91)
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	(1,767)	(142)
Other	(1,687)	(134)
RWA at 12.31.2017	**59,708**	**4,777**

TABLE 31 (CR6): IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

F-IRB

PD scale *(in millions of euros)*	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	CCF (%)	EAD	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*	EL	Provisions
Governments or central banks												
0.00 to <0.15	18			18	0.0%	4	42%	1,187	2	9%		
0.15 to <0.25												
0.25 to <0.50	310			310	0.4%	2	45%	3	201	65%	1	
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00												
10 to <100												
100.00 (default)												
Sub-total Sovereign borrowers	**328**			**328**	**0.0%**	**6**	**45%**	**67**	**203**	**62%**	**1**	
Institutions												
0.00 to <0.15	89	26	50%	102	0.0%	53	44%	559	23	22%		
0.15 to <0.25	13	28	50%	27	0.2%	6	45%	380	16	59%		
0.25 to <0.50	121	3	50%	122	0.3%	7	45%	74	97	80%		
0.50 to <0.75	49	196	75%	196	0.6%	12	20%	1,026	87	44%		
0.75 to <2.50	1	86	75%	65	0.9%	10	12%	2,677	20	31%		
2.50 to <10.00	8			8	2.8%	31	41%	575	11	150%		
10 to <100												
100.00 (default)	29			29	100%	1	45%	72			13	
Sub-total Institutions	**309**	**340**	**71%**	**548**	**5.6%**	**120**	**32%**	**835**	**255**	**46%**	**13**	
Corporates												
0.00 to <0.15	15,322	186	73%	15,456	0.1%	143	64%	101	2,958	19%	5	
0.15 to <0.25	403			403	0.2%	54	45%	166	176	44%		
0.25 to <0.50	1,980			1,981	0.4%	53	45%	90	1,233	62%	3	
0.50 to <0.75	260	3	75%	263	0.6%	54	44%	248	199	76%	1	
0.75 to <2.50	990	81	39%	1,022	1.1%	432	43%	771	946	93%	5	
2.50 to <10.00	678	117	34%	717	3.6%	464	43%	601	946	132%	11	
10 to <100	186	52	22%	197	12.8%	519	41%	1,015	381	193%	10	
100.00 (default)	516	12	53%	523	100.0%	128	45%	400			234	
Subtotal Corporates	**20,335**	**450**	**50%**	**20,561**	**2.9%**	**1,847**	**59%**	**170**	**6,840**	**33%**	**269**	**176**

PD scale *(in millions of euros)*	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	CCF (%)	EAD	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*	EL	Provisions
Corporates – SME												
0.00 to <0.15	100			100	0.1%	11	65%	441	19	19%		
0.15 to <0.25	15			15	0.2%	4	45%	150	7	44%		
0.25 to <0.50	4			4	0.5%	6	31%	2,239	2	44%		
0.50 to <0.75	9			9	0.6%	11	37%	1,495	6	66%		
0.75 to <2.50	123	19	23%	128	1.3%	204	41%	988	111	87%	1	
2.50 to <10.00	208	47	23%	219	4.0%	255	41%	1,150	261	119%	4	
10 to <100	109	37	22%	117	13.0%	383	42%	767	222	190%	6	
100.00 (default)	50	5	20%	51	100.0%	112	43%	1,074			22	
Sub-total Corporates – SME	619	108	22%	643	11.9%	986	45%	920	628	98%	32	56
Corporates – Other												
0.00 to <0.15	15,221	186	73%	15,356	0.1%	132	64%	99	2,939	19%	5	
0.15 to <0.25	387			387	0.2%	50	45%	167	170	44%		
0.25 to <0.50	1,976			1,976	0.4%	47	45%	85	1,231	62%	3	
0.50 to <0.75	251	3	75%	254	0.6%	43	44%	205	194	76%	1	
0.75 to <2.50	867	62	44%	894	1.0%	226	43%	741	835	93%	4	
2.50 to <10.00	469	70	41%	498	3.5%	209	44%	359	684	137%	8	
10 to <100	77	15	20%	80	12.4%	136	41%	1,377	159	198%	4	
100.00 (default)	467	7	75%	472	100.0%	16	45%	328			212	
Sub-total Corporates – Other	19,716	342	59%	19,918	2.6%	859	60%	146	6,211	31%	237	120
Equity	**5,281**	**171**	**100%**	**5,446**		**471**		**252**	**16,548**	**304%**	**77**	
Sub-total Equity	5,281	171	100%	5,446		471		252	16,548	304%	77	5
F- IRB (excl. equity)												
0.00 to <0.15	15,428	211	70%	15,576	0.1%	200	64%	106	2,982	19%	5	
0.15 to <0.25	416	28	50%	430	0.2%	60	45%	180	193	45%		
0.25 to <0.50	2,412	3	47%	2,413	0.4%	62	45%	78	1,532	63%	4	
0.50 to <0.75	309	200	75%	459	0.6%	66	34%	581	287	62%	1	
0.75 to <2.50	991	167	58%	1,087	1.1%	442	41%	886	967	89%	5	
2.50 to <10.00	685	117	34%	724	3.6%	495	43%	601	957	132%	11	
10 to <100	186	52	22%	197	12.8%	519	41%	1,015	381	193%	10	
100.00 (default)	545	12	53%	551	100.0%	129	45%	383			247	
TOTAL IRB-F (EXCL. EQUITY)	20,972	789	81%	21,437	3.0%	1,973	58%	186	7,297	34%	283	176

A-IRB

PD scale *(in millions of euros)*	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	CCF *(%)*	EAD	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*	EL	Provisions
Central governments or central banks												
0.00 to <0.15	46,192	1,396	60%	47,036	0.0%	212	8%	407	114			
0.15 to <0.25	178	2	100%	180	0.2%	16	37%	1,493	88	49%		
0.25 to <0.50	144	13	100%	156	0.4%	10	41%	671	76	49%		
0.50 to <0.75												
0.75 to <2.50												
2.50 to <10.00	54	81	34%	82	3.2%	24	47%	1,552	118	144%	1	
10 to <100			100%		20.9%	4	85%	1,475	2	508%		
100.00 (default)	49		100%	49	100.0%	8	104%	1,003			48	
Sub-total Central governments or central banks	46,618	1,491	59%	47,503	0.1%	275	8%	414	398	1%	50	52
Institutions												
0.00 to <0.15	6,553	894	79%	7,256	0.0%	871	19%	340	561	8%	1	
0.15 to <0.25	705	227	56%	832	0.2%	72	25%	291	195	23%		
0.25 to <0.50	195	166	55%	287	0.3%	34	34%	401	137	48%		
0.50 to <0.75	51	151	23%	85	0.6%	39	32%	67	45	53%		
0.75 to <2.50	322	330	25%	406	1.0%	82	53%	136	456	112%	2	
2.50 to <10.00	206	145	22%	238	3.2%	148	77%	154	570	239%	6	
10 to <100												
100.00 (default)	54			54	100.0%	11	92%	507			52	
Sub-total Institutions	8,088	1,914	56%	9,158	0.8%	1,257	24%	322	1,964	21%	62	58

PD scale *(in millions of euros)*	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	CCF *(%)*	EAD	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*	EL	Provisions
Corporates												
0.00 to <0.15	15,183	22,929	50%	26,565	0.1%	1,201	28%	1,288	4,124	16%	4	
0.15 to <0.25	4,372	5,387	65%	7,889	0.2%	352	28%	1,289	2,255	29%	4	
0.25 to <0.50	7,264	9,145	52%	12,019	0.3%	1,840	21%	1,170	3,287	27%	8	
0.50 to <0.75	7,343	7,234	51%	11,022	0.6%	819	23%	1,165	4,294	39%	14	
0.75 to <2.50	12,997	9,618	56%	18,412	1.3%	3,624	22%	1,471	9,358	51%	51	
2.50 to <10.00	4,897	3,534	55%	6,836	3.9%	7,328	26%	1,352	5,732	84%	67	
10 to <100	802	1,044	46%	1,283	12.5%	6,461	24%	1,216	1,457	114%	38	
100.00 (default)	3,244	214	45%	3,339	100.0%	974	38%	820	2,611	78%	1,653	
Subtotal Corporates	**56,102**	**59,106**	**53%**	**87,365**	**4.7%**	**22,599**	**25%**	**1,281**	**33,119**	**38%**	**1,840**	**1,988**
Corporates – SME												
0.00 to <0.15	140	37	21%	148	0.1%	284	25%	2,212	27	19%		
0.15 to <0.25	80	1	100%	81	0.2%	56	23%	908	16	20%		
0.25 to <0.50	281	61	98%	340	0.4%	1,205	25%	1,032	106	31%		
0.50 to <0.75	209	28	88%	233	0.6%	257	27%	1,586	93	40%		
0.75 to <2.50	806	248	99%	1,052	1.3%	2,211	30%	1,671	722	69%	4	
2.50 to <10.00	978	79	90%	1,049	4.0%	3,061	24%	1,973	742	71%	10	
10 to <100	184	48	76%	221	12.8%	930	20%	2,373	203	92%	6	
100.00 (default)	188	16	70%	199	100.0%	601	24%	2,058	234	117%	124	
Sub-total Corporates – SME	**2,866**	**518**	**88%**	**3,323**	**8.6%**	**8,605**	**26%**	**1,770**	**2,143**	**64%**	**144**	**147**
Corporates – Specialized Lending												
0.00 to <0.15	1,008	339	84%	1,294	0.1%	57	12%	2,837	118	9%		
0.15 to <0.25	886	659	87%	1,459	0.2%	79	10%	2,414	188	13%		
0.25 to <0.50	1,892	1,621	79%	3,175	0.3%	176	10%	2,002	493	16%	1	
0.50 to <0.75	2,223	1,506	69%	3,257	0.6%	214	11%	2,056	727	22%	2	
0.75 to <2.50	5,809	2,949	66%	7,748	1.4%	374	11%	2,133	2,323	30%	12	
2.50 to <10.00	573	218	60%	703	4.0%	73	25%	2,150	569	81%	6	
10 to <100	4			4	12.2%	4	23%	2,428	4	109%		
100.00 (default)	654	15	43%	661	100.0%	29	54%	555			206	
Sub-total Corporates – Specialized Lending	**13,049**	**7,308**	**72%**	**18,301**	**4.5%**	**1,006**	**13%**	**2,112**	**4,423**	**24%**	**227**	**293**
Corporates – Other												
0.00 to <0.15	14,035	22,553	49%	25,124	0.1%	860	29%	1,202	3,979	16%	4	
0.15 to <0.25	3,406	4,727	62%	6,349	0.2%	217	32%	1,035	2,051	32%	4	
0.25 to <0.50	5,092	7,463	46%	8,504	0.3%	459	24%	865	2,688	32%	7	
0.50 to <0.75	4,912	5,701	46%	7,532	0.6%	348	28%	767	3,474	46%	12	
0.75 to <2.50	6,382	6,420	50%	9,611	1.3%	1,039	29%	916	6,313	66%	36	
2.50 to <10.00	3,346	3,237	54%	5,084	3.9%	4,194	27%	1,114	4,421	87%	51	
10 to <100	614	997	45%	1,058	12.5%	5,527	25%	971	1,250	118%	33	
100.00 (default)	2,402	182	42%	2,479	100.0%	344	34%	791	2,377	96%	1,323	
Sub-total Corporates – Other	**40,187**	**51,280**	**50%**	**65,741**	**4.6%**	**12,988**	**29%**	**1,025**	**26,553**	**40%**	**1,469**	**1,548**
Retail												
0.00 to <0.15		5	42%	2	0.1%	3	33%	191		2%		
0.15 to <0.25		36	51%	18	0.2%	3	33%	183	1	4%		
0.25 to <0.50	73		94%	73	0.4%	3,270	21%	1,367	8	11%		
0.50 to <0.75	71	22	29%	77	0.7%	2,989	23%	1,155	11	15%		
0.75 to <2.50	113	31	46%	127	1.6%	4,560	24%	1,174	25	20%		
2.50 to <10.00	123	11	74%	132	5.7%	3,048	28%	753	48	37%	2	
10 to <100	116	3	60%	118	25.0%	3,264	24%	1,398	62	52%	7	
100.00 (default)	73			73	100.0%	1,090	45%	533	25	34%	47	
Sub-total Retail	**569**	**108**	**47%**	**620**	**18.3%**	**18,227**	**27%**	**1,039**	**181**	**29%**	**57**	**84**
Retail – qualifying revolving												
0.00 to <0.15		5	42%	2	0.1%	2	33%	183		2%		
0.15 to <0.25		36	51%	18	0.2%	2	33%	183	1	4%		
0.25 to <0.50			62%		0.4%	2	33%	183		6%		
0.50 to <0.75	7	21	26%	12	0.7%	2	33%	183	1	11%		
0.75 to <2.50	19	30	44%	32	1.8%	7	33%	183	7	21%		
2.50 to <10.00	66	10	74%	74	5.4%	8	33%	183	33	45%	1	
10 to <100	19	2	30%	20	29.2%	11	33%	183	17	85%	2	
100.00 (default)	30			30	100.0%	4	67%	183	2	7%	20	
Sub-total Retail – qualifying revolving	**141**	**104**	**45%**	**188**	**21.4%**	**38**	**39%**	**183**	**61**	**32%**	**23**	**34**

PD scale *(in millions of euros)*	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	CCF *(%)*	EAD	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*	EL	Provisions
Retail – SME												
0.00 to <0.15					0.1%	1	23%	486		5%		
0.15 to <0.25					0.2%	1	20%	304		7%		
0.25 to <0.50	69			69	0.4%	3,225	22%	1,303	8	11%		
0.50 to <0.75	60			60	0.7%	2,917	22%	1,267	10	16%		
0.75 to <2.50	79			79	1.5%	4,440	22%	1,261	16	21%		
2.50 to <10.00	50			50	6.0%	2,982	22%	1,300	14	27%	1	
10 to <100	57		100%	57	21.3%	3,144	26%	1,284	29	51%	3	
100.00 (default)	10			10	100.0%	1,014	22%	1,001			14	
Sub-total Retail – SME	**325**		**100%**	**326**	**8.4%**	**17,724**	**23%**	**1,273**	**77**	**24%**	**19**	**15**
Retail – Residential mortgage exposures												
0.00 to <0.15												
0.15 to <0.25												
0.25 to <0.50	4		100%	4	0.4%	43	14%	2,424		7%		
0.50 to <0.75	4	1	100%	5	0.7%	70	15%	2,195	1	11%		
0.75 to <2.50	15	1	100%	15	1.5%	106	14%	2,795	2	13%		
2.50 to <10.00	7		100%	7	5.4%	58	15%	2,813	1	19%		
10 to <100	24	1	100%	25	20.7%	107	17%	3,356	8	31%	1	
100.00 (default)	8			8	100.0%	68	14%	2,403			4	
Sub-total Retail – Residential mortgage exposures	**61**	**4**	**100%**	**65**	**21.1%**	**452**	**15%**	**2,897**	**12**	**19%**	**5**	**6**
Other retail exposures												
0.00 to <0.15					0.0%							
0.15 to <0.25												
0.25 to <0.50												
0.50 to <0.75												
0.75 to <2.50						7						
2.50 to <10.00												
10 to <100	16			16	40.3%	2	17%	183	8	49%	1	
100.00 (default)	26			26	100.0%	4	39%	183	23	90%	9	
Sub-total - Other retail exposures	**41**			**41**	**77.2%**	**13**	**31%**	**183**	**31**	**74%**	**10**	**29**
Equity												
Sub-total Equity												
A-IRB												
0.00 to <0.15	**67,928**	**25,224**	**51%**	**80,859**	**0.0%**	**2,287**	**16%**	**690**	**4,799**	**6%**	**4**	
0.15 to <0.25	5,255	5,652	65%	8,919	0.2%	443	28%	1,197	2,538	28%	5	
0.25 to <0.50	7,676	9,324	52%	12,535	0.3%	5,154	21%	1,148	3,509	28%	9	
0.50 to <0.75	7,465	7,408	50%	11,184	0.6%	3,847	23%	1,157	4,350	39%	15	
0.75 to <2.50	13,432	9,979	55%	18,944	1.3%	8,266	22%	1,441	9,840	52%	54	
2.50 to <10.00	5,281	3,771	53%	7,288	3.9%	10,548	28%	1,305	6,468	89%	76	
10 to <100	919	1,048	46%	1,401	13.6%	9,729	24%	1,232	1,521	109%	46	
100.00 (default)	3,421	214	45%	3,516	100.0%	2,083	39%	812	2,636	75%	1,800	
TOTAL A-IRB	**111,376**	**62,619**	**53%**	**144,647**	**3.0%**	**42,357**	**20%**	**935**	**35,662**	**25%**	**2,008**	**2,183**

Total

PD scale *(in millions of euros)*	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	CCF *(%)*	EAD	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*	EL	Provisions
Total												
0.00 to <0.15	83,357	25,435	51%	96,435	0.0%	2,487	23%	596	7,781	8%	9	
0.15 to <0.25	5,671	5,680	65%	9,349	0.2%	503	28%	1,151	2,731	29%	5	
0.25 to <0.50	10,087	9,327	52%	14,948	0.3%	5,216	25%	975	5,040	34%	13	
0.50 to <0.75	7,775	7,608	51%	11,643	0.6%	3,913	23%	1,134	4,637	40%	15	
0.75 to <2.50	14,423	10,145	55%	20,031	1.3%	8,708	23%	1,410	10,806	54%	59	
2.50 to <10.00	5,966	3,888	53%	8,012	3.9%	11,043	30%	1,241	7,425	93%	87	
10 to <100	1,105	1,100	45%	1,598	13.5%	10,248	26%	1,205	1,903	119%	56	
100.00 (default)	3,965	226	45%	4,067	100.0%	2,212	40%	754	2,636	65%	2,047	
TOTAL AT 12.31.2017	**132,348**	**63,408**	**53%**	**166,084**	**3.0%**	**44,330**	**25%**	**838**	**42,960**	**26%**	**2,291**	**2,359**

TABLE 32 (CR10): IRB – SPECIALIZED LENDING AND EQUITIES (EXCLUDING IMPACT OF THRESHOLDS)

	Specialized Lending - Slotting criteria						
Regulatory categories *(in millions of euros)*	**Remaining maturity**	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**EAD**	**RWA**	**Expected losses**
Good	Equal to or more than 2.5 years	1		50	1		
Good	Equal to or more than 2.5 years	8		70	8	6	
Good	Equal to or more than 2.5 years	7		90	7	6	
TOTAL AT 12.31.2017		**16**			**16**	**12**	
TOTAL AT 12.31.2016		**8**			**8**	**8**	

	Equities under the simple risk-weighted approach					
Regulatory categories *(in millions of euros)*	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**EAD**	**RWA**	**OFR**
Exchange-traded equity exposures	728	160	190	888	1,687	135
Private Equity exposures	1,286		290	1,286	3,729	298
Other equity exposures	2,453	11	370	2,459	9,097	728
TOTAL AT 12.31.2017	**4,467**	**171**		**4,632**	**14,513**	**1,161**
TOTAL AT 12.31.2016	**4,420**	**226**		**4,637**	**14,368**	**1,149**

TABLE 33 (NX23): BREAKDOWN BY MAIN NATIXIS BUSINESS

	12.31.2017		12.31.2016	
Business *(in millions of euros)*	**Fair value (MTM)**	**EAD**	**Fair value (MTM)**	**EAD**
Corporate & Investment Banking	209	204	199	193
Asset & Wealth Management	899	917	863	892
Insurance	1,946	1,946	1,954	1,954
Specialized Financial Services	729	729	669	669
Corporate Center	1,509	1,650	1,840	2,030
TOTAL	**5,292**	**5,446**	**5,525**	**5,738**

TABLE 34 (NX24): EAD BY TYPE AND NATURE OF EXPOSURE (EXCLUDING IMPACT OF THRESHOLDS)

Type and Nature of exposure *(in millions of euros)*	**Equities**	**Mutual fund investments**	**Investments**	**Total at 12.31.2017**	**Total at 12.31.2016**
Private Equity held in sufficiently diversified portfolios	886		1	888	1,096
Other equity exposures	309	17	2,133	2,459	2,522
Listed equities	174	502	610	1,286	1,019
Equity – standardized approach					24
TOTAL	**1,369**	**519**	**2,744**	**4,632**	**4,661**

TABLE 35 (NX25): RWA BY WEIGHTING (EXCLUDING IMPACT OF THRESHOLDS)

Type and Nature of exposure *(in millions of euros)*	IRB approach	Standardized approach	Total at 12.31.2017	Total at 12.31.2016
Private Equity held in sufficiently diversified portfolios	1,687		1,687	2,082
Other equity exposures	9,097		9,097	9,332
Listed equities	3,729		3,729	2,954
Equity – standardized approach				25
TOTAL	**14,513**		**14,513**	**14,393**

6

COUNTERPARTY RISK

6.1 Counterparty risk management

The principles of counterparty risk management are based on:

- measuring exposure to counterparty risk;
- counterparty risk limits and allocation procedures;
- a value adjustment in respect of counterparty risk (credit valuation adjustment);
- counterparty risk mitigation;
- factoring in specific wrong-way risk.

6.1.1 MEASURING EXPOSURE TO COUNTERPARTY RISK

Natixis uses an internal model to measure and manage its own counterparty risk. Based on Monte Carlo-type simulations for the main risk factors, the model values the positions for each counterparty and for the entire lifespan of the exposure, taking into account the netting and collateralization criteria.

Thus, the model determines the EPE (Expected Positive Exposure) profile and the PFE (Potential Future Exposure) profile, the latter of which is the main indicator used by Natixis for assessing counterparty risk exposure.

6.1.2 LIMIT FRAMEWORK ON COUNTERPARTY RISK

The limits are defined depending on the counterparty risk profile and after analysis of all information relevant and useful for decision-making purposes.

The limits are in line with Natixis' credit approval process and are reviewed and approved either by means of delegated authority or by the credit committees.

The limits are monitored daily using the dedicated consolidation systems to ensure compliance with the supervision mechanisms.

6.1.3 CREDIT VALUATION ADJUSTMENT (CVA)

Natixis includes credit valuation adjustments (CVA) in the valuation of derivative instruments.

These adjustments correspond to the expected loss related to a counterparty's default risk and aim to account for the fact that Natixis cannot recover all the transactions' market value.

Natixis has calculated capital requirements for the CVA since January 1, 2014.

6.1.4 MITIGATING COUNTERPARTY RISK

Natixis reduces its exposure to counterparty risk using three measures:

- the use of bilateral netting agreements under which, if a counterparty goes into default, only the balance of the positive and negative valuations of the transactions carried out with the counterparty in question is considered as risk;
- appendices to these agreements that govern the use of collateral swaps that fluctuate according to the daily valuation of the portfolios of transactions carried out with the counterparties in question;
- the use of clearing houses, which stand in for their members by bearing most of the counterparty risk. To do this they use initial margins and a variation margin call system.

To manage this risk, Natixis set up a management framework for the risks borne by clearing houses.

6.1.5 WRONG-WAY RISK

Wrong-way risk refers to the risk that Natixis' exposure to a counterparty is heavily correlated with the counterparty's probability of default.

This risk is represented in regulations by two concepts:

- specific wrong-way risk: referring to the risk generated when, due to the nature of the transactions entered into with a counterparty, there is a direct link between its credit quality and the amount of the exposure;
- general wrong-way risk: referring to the risk generated when there is a correlation between the counterparty's credit quality and general market factors.

Specific wrong-way risk gives rise to specific own funds requirements (Article 291.5 of the European Regulation of June 26, 2013 on prudential requirements for credit institutions and investment firms) and to prior approval of specific limits. General wrong-way risk is covered through Wrong Way Risk stress scenarios by asset class.

6.2 Counterparty risk exposure

TABLE 36 (CCR1): ANALYSIS OF THE CCR EXPOSURE BY APPROACH

(in millions of euros)	Notional	Replacement cost	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
Mark to market		4,771	11,471			16,243	4,406
Original Exposure							
Standardized approach							
Internal Model Method (for derivatives and SFTs)							
Securities Financing Transactions							
Derivatives & Long Settlement Transaction							
From Contractual Cross Product Netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (SFTs)						19,793	1,598
VaR for SFTs							
TOTAL AT 12.31.2017							**6,004**

TABLE 37 (CCR3): SA – CCR EAD BY REGULATORY PORTFOLIO AND RISK WEIGHT

(in millions of euros)	Risk Weight												
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Other**	**Total EAD**	**Of which unrated***
Central governments or central banks	45											45	
Regional governments or local authorities	96				185							281	171
Public sector entities	38				455							492	54
Multilateral Development Banks													
International Organizations	137											137	137
Institutions	1,663	18,175			5							19,843	18,742
Corporates	35					19			6			60	37
Retail								1				1	1
Secured by mortgages on immovable property													
Exposures in default									1	2		2	2
Items associated with particularly high risk													
Covered bonds													
Claims on institutions and corporates with a short-term credit assessment					23	210			37			270	
Collective investments undertakings (CIU)													
Equity exposures													
Other items													
TOTAL AT 12.31.2017	**2,014**	**18,175**			**668**	**229**		**1**	**44**	**2**		**21,132**	**19,144**
Total at 12.31.2016	**3,749**	**14,493**			**803**	**35**		**2**	**11**			**19,093**	**15,998**

* *of which €18,116 millions in exposures to central counterparties (weighted at 2% in accordance with current regulations) and €2,626 millions to BPCE Group affiliates at December 31, 2017, versus respectively €14,409 millions and €2,065 millions on these items at December 31, 2016.*

TABLE 38 (CCR4): IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

F-IRB

PD scale *(in millions of euros)*	EAD post CRM	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*
Institutions							
0.00 to <0.15	1		3	45%	875		21%
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							
10.00 to <100.00							
100.00 (default)							
Sub-total	**1**		**3**	**45%**	**875**		**21%**
Corporates							
0.00 to <0.15	503	0.1%	1	45%	867	151	30%
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							
10.00 to <100.00							
100.00 (default)							
Sub-total	**503**	**0.1%**	**1**	**45%**	**867**	**151**	**30%**
Total F-IRB							
0.00 to <0.15	504	0.1%	4	45%	867	151	30%
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							
10.00 to <100.00							
100.00 (default)							
Sub-total F-IRB	**504**	**0.1%**	**4**	**45%**	**867**	**151**	**30%**

A-IRB

PD scale (in millions of euros)	EAD post CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (days)	RWA	RWA density (%)
Central governments or central banks							
0.00 to <0.15	6,334		53	11%	506	13	0%
0.15 to <0.25	3	0.2%	2	37%	631	1	33%
0.25 to <0.50	20	0.4%	2	47%	6	7	38%
0.50 to <0.75							
0.75 to <2.50							
2.50 to <10.00	67	3.2%	1	47%	321	83	124%
10.00 to <100.00							
100.00 (default)							
Sub-total	**6,424**		**58**	**11%**	**503**	**105**	**2%**
Institutions							
0.00 to <0.15	11,000	0.1%	376	18%	314	816	7%
0.15 to <0.25	1,266	0.2%	109	27%	948	440	35%
0.25 to <0.50	326	0.3%	69	32%	626	160	49%
0.50 to <0.75	228	0.6%	42	30%	815	149	66%
0.75 to <2.50	194	1.0%	60	62%	445	250	129%
2.50 to <10.00	51	2.9%	52	67%	155	95	189%
10.00 to <100.00							
100.00 (default)	1	100.0%	2	98%	1,577		
Sub-total	**13,065**	**0.1%**	**710**	**21%**	**393**	**1,911**	**15%**
Corporates							
0.00 to <0.15	7,586		790	34%	394	762	10%
0.15 to <0.25	1,248	0.2%	207	32%	862	368	30%
0.25 to <0.50	1,114	0.3%	282	29%	1,155	410	37%
0.50 to <0.75	1,320	0.6%	292	29%	941	572	43%
0.75 to <2.50	1,057	1.2%	496	32%	953	680	64%
2.50 to <10.00	660	3.5%	542	32%	917	632	96%
10.00 to <100.00	46	13.9%	668	36%	1,083	80	173%
100.00 (default)	61	100.0%	39	47%	2,194	41	68%
Sub-total	**13,091**	**0.9%**	**3,316**	**32%**	**641**	**3,544**	**27%**
Corporates – SME							
0.00 to <0.15	1	0.1%	7	44%	1,374		24%
0.15 to <0.25		0.2%	2	44%	291		28%
0.25 to <0.50	5	0.4%	21	32%	1,072	2	46%
0.50 to <0.75	2	0.6%	17	44%	2,335	2	91%
0.75 to <2.50	10	1.2%	72	44%	703	9	86%
2.50 to <10.00	15	3.6%	90	44%	638	18	121%
10.00 to <100.00	13	12.4%	211	44%	755	25	184%
100.00 (default)	2	100.0%	11	44%	1,612	2	85%
Sub-total	**49**	**9.0%**	**431**	**43%**	**849**	**58**	**118%**
Corporates – Specialized Lending							
0.00 to <0.15	58	0.1%	14	31%	2,705	13	23%
0.15 to <0.25	106	0.2%	28	17%	3,244	24	23%
0.25 to <0.50	263	0.3%	77	13%	3,245	62	23%
0.50 to <0.75	221	0.6%	98	21%	3,228	103	47%
0.75 to <2.50	228	1.1%	117	20%	2,855	131	58%
2.50 to <10.00	107	3.6%	38	19%	3,510	80	75%
10.00 to <100.00							
100.00 (default)	36	100.0%	6	55%	3,257		
Sub-total	**1,019**	**4.4%**	**378**	**20%**	**3,151**	**413**	**41%**
Corporates - Other							
0.00 to <0.15	7,527		769	34%	376	748	10%
0.15 to <0.25	1,141	0.2%	177	34%	641	343	30%
0.25 to <0.50	845	0.3%	184	34%	505	346	41%
0.50 to <0.75	1,097	0.6%	177	31%	478	467	43%
0.75 to <2.50	819	1.2%	307	34%	427	540	66%
2.50 to <10.00	539	3.5%	414	34%	412	534	99%
10.00 to <100.00	33	14.5%	457	33%	1,216	55	168%
100.00 (default)	22	100.0%	22	35%	523	39	176%
Sub-total	**12,023**	**0.6%**	**2,507**	**34%**	**427**	**3,073**	**26%**
Total A-IRB							
0.00 to <0.15	24,920		1,219	21%	387	1,591	6%
0.15 to <0.25	2,517	0.2%	318	29%	905	809	32%

PD scale *(in millions of euros)*	EAD post CRM	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*
0.25 to <0.50	1,459	0.3%	353	30%	1,021	577	40%
0.50 to <0.75	1,547	0.6%	334	29%	922	721	47%
0.75 to <2.50	1,252	1.2%	556	36%	874	930	74%
2.50 to <10.00	778	3.5%	595	35%	816	811	104%
10.00 to <100.00	46	13.9%	668	36%	1,083	80	173%
100.00 (default)	62	100.0%	41	48%	2,182	41	67%
Sub-total A-IRB	32,580	0.4%	4,084	23%	514	5,559	17%

Total

PD scale *(in millions of euros)*	EAD post CRM	Average PD *(%)*	Number of obligors	Average LGD *(%)*	Average maturity *(days)*	RWA	RWA density *(%)*
0.00 to <0.15	25,424		1,223	22%	397	1,741	7%
0.15 to <0.25	2,517	0.2%	318	29%	905	809	32%
0.25 to <0.50	1,459	0.3%	353	30%	1,021	577	40%
0.50 to <0.75	1,547	0.6%	334	29%	922	721	47%
0.75 to <2.50	1,252	1.2%	556	36%	874	930	74%
2.50 to <10.00	778	3.5%	595	35%	816	811	104%
10.00 to <100.00	46	13.9%	668	36%	1,083	80	173%
100.00 (default)	62	100.0%	41	48%	2,182	41	67%
TOTAL AT 12.31.2017	33,084	0.4%	4,088	24%	520	5,710	17%

TABLE 39 (CCR6): CREDIT DERIVATIVES EXPOSURES

	12.31.2017	
(in millions of euros)	Protection bought	Protection sold
Notional		
Single-name credit default swaps	5,913	5,034
Credit-linked notes		
Total return swaps		1,189
Collateralized debt obligations		
Index credit default swaps	1,962	1,110
Other credit derivatives	9,438	7,796
Total notional	**17,313**	**15,130**
Fair values		
Positive fair value (asset)	75	221
Negative fair value (liability)	(310)	(70)

TABLE 40 (CCR8): EXPOSURES TO CCPS

(in millions of euros)	EAD post CRM	RWA
Exposures to QCCPs (total)		**621**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	13,517	332
(i) OTC derivatives	2,658	53
(ii) Exchange-traded derivatives	7,172	205
(iii) SFTs	3,687	74
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin	4,663	33
Prefunded default fund contributions	368	256
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:		

6.3 Capital requirements and risk-weighted assets

TABLE 41 (EU CCR2): CAPITAL REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENTS

(in millions of euros)	EAD post-CRM techniques	RWA
Total portfolios subject to the advanced method		
(i) VaR component (including the 3×multiplier)		
(ii) Stressed VaR component (including the 3×multiplier)		
All portfolios subject to the standardized method	**8,389**	**1,198**
Based on Original Exposure Method		
TOTAL SUBJECT TO THE CVA CAPITAL CHARGE 12.31.2017	**8,389**	**1,198**
TOTAL SUBJECT TO THE CVA CAPITAL CHARGE 12.31.2016	**11,129**	**3,736**

7

SECURITIZATION

7.1 Accounting methods

(Refer to Consolidated financial statements and notes – Note 5 "Accounting principles and valuation methods").

The securitization positions classified as "Loans and receivables" are measured at amortized cost using the effective interest rate method as described in Note 5.1 to the accounting principles which can be found in Note 5.1 "Consolidated financial statements and notes" to Chapter 5 "Financial data" of the consolidated financial statements. They are tested for impairment at each reporting date and, where necessary, an impairment charge is recorded in the income statement under "Provision for credit losses".

Securitization positions classified under "Available-for-sale assets" are measured at their market value and any changes, excluding income recognized using the effective interest method, are recorded in a specific line in equity. Upon disposal of these securities, unrealized gains or losses previously recognized in equity are transferred to the income statement. This is also the case for impairment.

Positions classified under "Fair value through profit or loss" (fair value option or held for trading), are therefore measured at market value.

The market value is measured according to principles described in Note 5.6 of Accounting principles which can be found in Note 5.1 "Consolidated financial statements and notes" to Chapter 5 "Financial data". Gains or losses on the disposal of securitization positions are recognized in line with the rules applicable to the category in which the positions sold were initially classified.

Synthetic securitization transactions in the form of Credit Default Swaps follow accounting rules specific to trading derivatives.

Securitized assets are derecognized when Natixis transfers the contractual rights to receive the financial asset's cash flows and nearly all the risks and benefits of ownership.

When a financial asset is derecognized in full, a gain or loss on disposal is recognized in the income statement reflecting the difference between the carrying amount of the asset and the consideration received, corrected if applicable for any unrealized profit or loss that would have previously been recognized directly in equity.

7.2 Management of risks related to securitization transactions

7.2.1 GENERAL POLICY

Natixis has securitized assets on its acquired balance sheet:

- as an investor, through transactions for its clients, through derivative transactions and, to a marginal degree, through its market-making activity on certain ABS (particularly Asset-Backed Commercial Paper);
- as a sponsor, i.e. on transactions for its clients to create and manage ABS programs;
- as an originator, i.e. as part of its refinancing activities when Natixis securitizes certain portfolios of loans granted to customers.

The pursuit of this activity is part of Natixis' general "Originate-to-Distribute" strategy.

Natixis mainly invests in assets with high levels of collateral, spreads and seniority. Natixis also applies a sector and geographic diversification strategy to underlying assets.

Natixis' credit decision-making process is followed for all securitization transactions. Three criteria are considered, namely the amount, maturity and (external) rating.

For every structured arrangement subject to approval, a substantiated request and a description of the arrangement, collateral, seller/originator and the planned tranching must be submitted, along with an analysis of the associated guarantees.

A counter-analysis is then carried out by the Risk division and, if necessary, a quantitative analysis of the portfolio's default risks. Transactions are examined and decisions are made based on all the loan application's parameters, including the expected profit margin on the loan, the capital burn and compliance with the current risk policy.

Like vanilla finance transactions, securitization structures and transactions are reviewed at least once a year, while transactions on the watchlist are re-examined at least once a quarter.

Natixis manages the risks associated with securitization positions through two mechanisms:

- the first involves the daily identification of all rating downgrades affecting BPCE's securitization positions as well as the associated potential risks and, if necessary, deciding on an appropriate course of action;
- the second is underpinned by a quantitative (ratings, valuations) and qualitative analysis of securitization positions for the purpose of segmenting the portfolio on the basis of risk levels.

The results of these analyses are written up and discussed in a quarterly presentation at the meeting of the Watch List and Provisions Committee.

Furthermore, the liquidity risk is managed as part of the global monitoring of the Group's activities, particularly with the help of ALM indicators subject to limits, such as liquidity gaps and hedging ratios.

7.2.2 EXTERNAL RATING SYSTEM

(Data certified by the Statutory Auditors in accordance with IFRS 7)

Natixis relies on four external rating agencies for securitization transactions: Moody's, DBRS, Fitch IBCA and Standard & Poor's. These agencies cover all types of exposures.

TABLE 42 (NX33 BIS): BANKING BOOK EAD BY AGENCY

	EAD in millions of euros		
Rating agency	IRB approach	Standardized approach	Total
Moody's	725	85	810
DBRS	1,416	758	2,174
Fitch IBCA	310		310
Standard & Poor's	450	232	682
Not rated	323		323
Transparency		1,929	1,929
Regulatory method	2,206		2,206
TOTAL	**5,430**	**3,004**	**8,434**

7.2.3 SECURITIZATION VEHICLES

Natixis acts as sponsor in ABCP-type securitization transactions through three vehicles, namely Versailles, Bleachers and Magenta. Of these vehicles, only two are consolidated in Natixis' scope of regulatory consolidation: Versailles and Bleachers/Mountcliff. For both vehicles, Natixis plays a predominant role in the selection and management of acquired receivables as well as the management of the issuance program, thus giving it power over the conduits' relevant activities and influence over the amount of their returns. In contrast, given that Natixis is not part of the governing body holding the power to decide on Magenta's relevant activities, this conduit is not consolidated in Natixis' scope of regulatory consolidation.

7.3 Natixis' securitization exposures

TABLE 43 (SEC1): SECURITIZATION EXPOSURES IN THE BANKING BOOK

	Bank acting as originator			Bank acting as sponsor			Bank acting as investor		
(in millions of euros)	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
UNCONSOLIDATED SPV									
RMBS				1		1	196		196
Consumer ABS				1,049		1,049	318		318
Consumer loans	4		4	83		83			
Re-securitization									
TOTAL RETAIL	**4**		**4**	**1,134**		**1,134**	**513**		**513**
Corporate loans		2,195	2,195				2		2
ABS				1,843		1,843	56		56
CDO				1,349		1,349	349		349
CMBS	140		140				27		27
Other wholesale	1		1	385		385	435		435
Re-securitization							1		1
TOTAL WHOLESALE	**141**	**2,195**	**2,337**	**3,577**		**3,577**	**869**		**869**
TOTAL UNCONSOLIDATED SPV	**145**	**2,195**	**2,341**	**4,711**		**4,711**	**1,382**		**1,382**
CONSOLIDATED SPV									
Consumer loans (Retail)	671		671						
Corporate loans (Wholesale)	3,169		3,169						
TOTAL CONSOLIDATED SPV	**3,840**		**3,840**						

TABLE 44 (SEC2): SECURITIZATION EXPOSURES IN THE TRADING BOOK

	Bank acting as originator			Bank acting as sponsor			Bank acting as investor		
(in millions of euros)	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
RMBS							71		71
Consumer ABS							23		23
Consumer loans									
Re-securitization									
RETAIL (TOTAL) - OF WHICH:							**94**		**94**
Corporate loans									
ABS							1		1
CDO							46		46
CMBS									
Other							53		53
Re-securitization							1		1
WHOLESALE (TOTAL)							**102**		**102**

TABLE 45 (NX31-A): EAD AND RWA ACCORDING TO NATIXIS' ROLE IN THE BANKING BOOK

(in millions of euros)	EAD	RWA	Capital requirement
Investor	**1,382**	**703**	**57**
On-balance sheet and exposure	902	524	42
Off-balance sheet and exposure	480	179	15
Originator	**2,341**	**283**	**23**
On-balance sheet and exposure	2,341	283	23
Sponsor	**4,711**	**1,501**	**120**
On-balance sheet and exposure	872	147	12
Off-balance sheet and exposure	3,839	1,354	108
TOTAL AT 12.31.2017	**8,434**	**2,487**	**200**
TOTAL AT 12.31.2016	**9,040**	**1,818**	**145**

TABLE 46 (NX31-B): EAD ACCORDING TO THE NATIXIS' ROLE IN THE SECURITIZATION TRADING BOOK

Role *(in millions of euros)*	EAD	RWA	Capital requirement
Investor	196	169	14
Originator			
Sponsor			
TOTAL AT 12.31.2017	**196**	**169**	**14**
TOTAL AT 12.31.2016	**248**	**79**	**6**

TABLE 47 (NX34): RE-SECURITIZATION EXPOSURES BEFORE AND AFTER SUBSTITUTION

Guarantor rating *(in millions of euros)*	Exposure	Protection	EAD
AA	57	57	
Sub-total	**57**	**57**	
Not guaranteed	**1**		**1**
TOTAL AT 12.31.2017	**58**	**57**	**1**
TOTAL AT 12.31.2016	**229**	**224**	**5**

7.4 Regulatory capital requirements

TABLE 48 (SEC3): SECURITIZATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS ORIGINATOR OR AS SPONSOR

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
(in millions of euros)	<= 20%	> 20% to 50%	> 50% to 100%	> 100% to 1,250%	= 1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%
Traditional securitization	**2,188**	**1,850**	**601**	**3**	**214**	**2,338**	**11**	**2,507**		**400**	**2**	**1,162**		**32**		**93**	
o/w securitization	2,188	1,850	601	3	214	2,338	11	2,507		400	2	1,162		32		93	
o/w retail underlying	258	708	172			347		791		106		416		8		33	
o/w wholesale	1,930	1,142	429	3	214	1,992	11	1,715		294	2	745		24		60	
o/w re-securitization																	
o/w senior																	
o/w non-senior																	
Synthetic securitization	**2,195**						**2,195**				**219**				**18**		
o/w securitization	2,195						2,195				219				18		
o/w retail underlying																	
o/w wholesale	2,195						2,195				219				18		
o/w re-securitization																	
o/w senior																	
o/w non-senior																	
Total exposures	**4,383**	**1,850**	**601**	**3**	**214**	**2,338**	**2,206**	**2,507**		**400**	**221**	**1,162**		**32**	**18**	**93**	

TABLE 49 (SEC4): SECURITIZATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR

	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
(in millions of euros)	<= 20%	> 20% to 50%	> 50% to 100%	> 100% to 1,250%	= 1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1,250%
Traditional securitization	**917**	**220**	**62**	**59**	**124**	**885**		**498**		**497**		**206**		**40**		**17**	
o/w securitization	917	220	62	59	124	884		498		490		206		39		17	
o/w retail underlying	241	163	12	2	95	507		6		213		3		17			
o/w wholesale	677	56	50	57	28	377		491		277		203		22		16	
o/w re-securitization					1	1				8				1			
o/w senior debt					1	1				8				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	**917**	**220**	**62**	**59**	**124**	**885**		**498**		**497**		**206**		**40**		**17**	

8

MARKET RISK

8.1 Framework for managing market risk

8.1.1 TARGETS AND POLICY

The Risk Management function places great importance on the formal definition of all risk policies governing market transactions based on both a qualitative and forward-looking analysis. This approach is mainly based on the strategic review of global risk envelopes, business targets and market trends and relies on a proactive early warning system for the most sensitive areas at risk.

These market risk policies focus on a set of methodological principles in terms of risk monitoring and supervision and provide a matrix approach to businesses by asset class and management strategy.

8.1.2 MARKET RISK CONTROL

Market risk control is based on a limit authorization structure that is overseen by the Global Risk Committee and in which the Market Risk Committee, chaired by the Chief Executive Officer or the delegated representative, plays an essential role.

The Risk division's main responsibilities are:

- the definition of all applicable risk measurement methods and risk indicators;
- the examination of annual limit reviews (including risk appetite) and ad hoc requests (VaR, stress tests, operational indicators, loss alerts);
- providing alerts for areas at risk relating to the businesses or to Natixis Senior Management;
- the daily analysis and measurement of risks, daily reporting, and notifying front office and management of any breaches;
- approving and managing the pricing models (pricers) and related reserves used by front office management tools;
- defining and validating models and methodologies relating to the institution's internal model, which is primarily used to calculate regulatory capital requirements;
- introducing and managing changes in standards and procedures common to all entities (subsidiaries and branches) carrying market risks.

8.2 Independent valuation control

The valuation of Natixis' various market products forms part of the independent control system made up of dedicated procedures.

In accordance with the provisions of IAS 39, financial instruments are recognized at their fair value. *(See Chapter 5 of the Natixis 2017 registration document for further information regarding fair value accounting methodologies).*

Fair value determination is subject to a control procedure aimed at verifying that the valuation of financial instruments is determined and validated by an independent function in terms of prices and/or valuation models.

8.2.1 INDEPENDENT PRICE VERIFICATION

Independent price verification is carried out by the "Service des Résultats" department's IPV (Independent Price Verification) teams which, in line with the division's charter, control the market inputs used in the valuation process for the bank's transactions. The review of market inputs may lead to valuation adjustments recognized in economic results and the financial statement.

IPV governance is based in particular on:

- a supervision mechanism overseen by various committees (Observability and Inputs Committee, Valuation Committee, Market Risk Committee);
- a policy and set of procedures, explaining the validation and escalation system;
- comprehensive reporting;
- the mapping and internal classification of data;
- dedicated tools.

Moreover, the Market Risk Department's teams carry out level two monthly controls of market inputs.

8.2.2 VALIDATION OF VALUATION MODELS

Valuation models used by the front office are subject to independent validation by a dedicated team within the Model Risk & Risk Governance department of the Risk division.

This independent validation verifies the evaluation of financial instruments traded and the suitability of the model. In accordance with the validation procedures, these reviews cover the following aspects:

- the theoretical and mathematical validation of the model, the analysis of assumptions and their justification in model documentation;
- algorithm validation and benchmarking;
- the model's stability and convergence of the numerical method in a stress scenario;
- the assessment of implied risk factors and calibration, the analysis of input, and the upstream identification of models;
- the measurement of modeling risk and validation of the related reserves methodology.

These models may be subject to backtesting and monitoring in terms of quality and solidity to ensure that the applied risk parameters correspond to the value ranges projected upon their validation. These models are also reviewed periodically, with the periodicity and depth of the review depending on the level of materiality. Conclusions from validation work are presented to the Valuation Models Oversight Committee which brings together model designers and validators on a quarterly basis and contradictory issues are discussed. Conclusions from these Committee Meetings are reporting to the Model Risk Management Committee, chaired by the Chief Risk Officer who is a member of the Senior Management Committee. This Committee is tasked with supervising the risk model for all of Natixis' activities by, on one hand, approving validation reports and the related remediation plans and, on the other hand, monitoring consolidated risk model indicators.

8.2.3 NATIXIS' ADJUSTMENT POLICY

The Market Risk Department is tasked with defining and implementing the adjustment policy for Capital market activities' management results.

The aim of this policy is twofold:

- ensuring the reliability of the result announced by applying the principle of prudence;
- protecting Natixis from adverse events that cannot be easily hedged or that are non-hedgeable.

The adjustment policy thus defines the principles for calculating adjustments for market risks to financial instruments measured at fair value.

Adjustments for market risks are divided into:

- adjustments for the cost of position reversals/liquidity positions in an active market;
- adjustments for uncertainty relating to observable and unobservable valuation inputs and modeling risks in non-active markets;
- adjustments specific to risks inherent to positions (discontinuity risks, risks relating to uncertainty regarding size, etc.);
- adjustments for modeling risk to hedge model-related uncertainties (numerical method, calibration, etc.).

The shocks applied and methodologies used are updated on a continuous basis.

Adjustment amounts are updated on a monthly basis and reported to Natixis Senior Management. Changes in methodology applied to adjustment calculation are submitted for independent validation by the Model Risk & Risk Governance teams.

8.3 Methodology for measuring market risk

8.3.1 VALUE AT RISK (VAR)

Natixis' internal VaR model was approved by the Autorité de Contrôle Prudentiel et de Résolution (ACPR - French Prudential Supervisory Authority) in January 2009. Natixis uses VaR to calculate capital requirements for market risks within approved scopes, and to manage and supervise market risks. The approved scope covers the majority of Corporate & Investment Banking activities.

The model is based on a calculation by computer simulation, based on Monte Carlo-type methodology, taking into account a portfolio's possible non-linear characteristics with respect to different risk factors.

VaR is calculated and monitored daily for all the Natixis trading portfolios. Market data used in the valuation of portfolios (share prices, indices, interest rates, exchange rates, commodity prices and the related volatility) are updated on a daily basis when available, and the statistical data used (standard deviation and correlations) are updated weekly.

All the trading portfolios are subject to adequate risk monitoring and supervision systems, in accordance with the market risk policies in force. A VaR limit is set at an overall level and for each business.

These measurements give a snapshot of VaR and help identify potential losses in each business, based on a pre-determined confidence level (99%) and time period (1 day).

To this end, a statistical model has been constructed to track the combined behavior of market parameters affecting portfolio value. The calculation method is based on an econometric model whose standard deviations are calculated as being the maximum (risk factor by risk factor) standard deviations calculated over rolling 12-month and 3-month periods. This method makes VaR more responsive if the markets suddenly become more volatile.

For the calculation of VaR, the portfolio's holding horizon is set at one day for risk monitoring and 10 days for the calculation of capital. The 10-day holding period involves extrapolating from the one-day VaR by multiplying it by the square root of 10.

Portfolio valuation methods vary according to product and are either based on a total revaluation or on sensitivity to first or second order market inputs to factor in both linear and non-linear effects (in particular for derivative financial instruments).

General and specific risk is calculated based on a unique model which includes the correlation between risk factors.

Yields used by Natixis to simulate potential changes in risk factors are absolute yields for most risk factors. The exceptions to this rule are exchange rates, share prices and indices, precious metals prices and indices, commodity indices and commodity futures.

Moreover, the reliability of the VaR is measured regularly through comparison with the changes in the daily trading results, a process also known as backtesting. This exercise allows an ex-post comparison of the potential losses, as projected ex-ante by the VaR, with the actual losses.

8.3.2 STRESSED VAR (SVAR)

As part of changing regulatory standards (Basel 2.5), Natixis implemented a daily stressed VaR model (SVaR), which is calculated based on a fixed econometric model over a continuous 12-month period that defines the charge that the bank's current VaR model would generate under a representative crisis scenario relevant to its portfolio. The calculation method is based on an historical simulation for a one-day horizon and a confidence level of 99%. However, unlike VaR, which uses 260 daily fluctuation scenarios on a rolling one-year period, stressed VaR uses a one-year historical window corresponding to a period of significant financial tension.

The stressed period currently used by Natixis covers the period between September 1, 2008 and August 30, 2009, as it is the most conservative for calculating stressed VaR.

As is the case for VaR, the 10-day holding period used by Natixis involves extrapolating from the one-day stressed VaR by multiplying it by the square root of 10.

8.3.3 INCREMENTAL RISK CHARGE (IRC)

The IRC (Incremental Risk Charge) is the capital charge required to cover rating migration risk and the default within one year of issuers for approved products in terms of specific interest rate risk. This calculation mainly related to bond products and CDS (Credit Default Swaps). Calculated using a Monte Carlo internal simulation model, the IRC is a 99.9% value at risk which corresponds to the largest risk after eliminating the 0.1% of the worst outcomes over a period of one year.

Rating and default migrations are simulated using an issuer correlation model and migration matrices over a capital horizon of one year. Positions are revalued based on various scenarios. Thus, for each scenario, positions may be downgraded, upgraded or go into default.

The liquidity horizon, which represents the time required to sell a position or hedge it in unfavorable market conditions, used in the IRC calculation model is one year for all positions and all issuers.

The calibration of the transition matrix is based on Standard and Poor's historical transition data. For both corporates and sovereigns, the historical depth exceeds 20 years. For issuers not rated by S&P, restatements are performed internally.

Correlation assumptions are based on the rating of each issuer's creditworthiness within the IRC horizon (one year). The simulation process is based on intra-sector correlation parameters.

The internal IRC calculation model used by Natixis was approved by the Autorité de Contrôle Prudentiel et de Résolution in 2012.

In accordance with regulatory requirements, Natixis has an internal model validation policy and procedures. This model validation phase is an essential prerequisite for their use.

8.3.4 STRESS TESTS AND OPERATIONAL INDICATORS

In addition to VaR, SVaR and IRC measures, stress tests are used to simulate the impact of extreme market conditions on the value of Natixis' portfolios. Operational indicators are also used to measure and manage business risks:

1. stress tests to measure potential losses on portfolios in extreme market conditions. Natixis' mechanism is based on two categories of stress tests: overall stress tests and dedicated stress tests for each business.

   Overall stress tests are regularly presented to the Market Risk Committee. They are performed daily and can be grouped into two categories:

   - **historic stress tests** consist of reproducing sets of changes in market input observed during past crises in order to create an ex-post simulation of the P&L changes recorded. While stress tests do not have any predictive value, they do make it possible to gauge the exposure of the portfolio to known scenarios. There are 12 stress tests in total and take into account key economic events, including: the 1987 equity market crash, the September 11, 2001 terrorist attack, the 2008 Lehman crisis and the 2011 sovereign debt crisis;
   - **hypothetical stress tests** are used to simulate changes in market parameters for all the activities, based on plausible assumptions regarding one market's predicted response compared with another's, depending on the nature of the initial stress. Stresses are determined through a joint effort involving the Risk Division, the front office and Economic Research. A set of seven scenarios have been defined:

     1. a fall in stockmarket indices along with a flatting of the rate curve and an increase in credit spreads,
     2. a sharp European rate hike in an inflationary context,
     3. default by a bank with an increase in credit spreads and rates and a moderate fall in equity markets,
     4. a commodity crisis based on an assumption of an interruption to commodity supplies caused by a geopolitical crisis,
     5. an emerging market crisis reflecting the sudden withdrawal of capital from an emerging economy during a period of global economic slowdown (increase in cost of refinancing, stockmarket crash and depreciation of the currency against the USD),
     6. default by an influential corporate due to a credit market shock,
     7. a liquidity crisis mainly due to a major widening in European interbank spreads, a widening of liquidity spreads and rate hikes in peripheral countries;

   Specific stress tests are also calculated daily in the management tools for all the portfolios and are governed by limits. They are set on the basis of the same severity standard and are aimed at identifying the main loss areas by portfolio.

   In addition, reverse stress tests are used to highlight the most high-risk scopes and market environments as well as concentration and contagion links. This mechanism is based on plausible scenarios drawn from extremely adverse assumptions on the fulfillment of risk factors leading to the breach of a loss threshold, and allows Natixis to implement a new risk monitoring and steering tool, identify circumstances that may trigger this loss and adapt the appropriate action plans where necessary.

   All the stress test mechanisms are defined by the Risk division, which is responsible for defining principles, methodology and calibration and scenario choices. The Stress Test Committee is responsible for the operational implementation of stress tests and meets on a monthly basis. The Committee approves work to be carried out, its workload and determines the annual IT budget.

2. loss alerts by portfolio and aggregated by business, which alert management and the Risk division if losses reach a certain threshold over a given month or on a cumulative basis since the beginning of the year. These thresholds are set by the Market Risk Committee according to the characteristics of each portfolio, past performance and budgetary targets;
3. finally, the supervisory framework includes operational indicators on an overall and/or by business basis, which focus on more directly observable criteria (sensitivity to changes in the underlying and to volatility, correlation, nominals, etc.). The limits of these qualitative and quantitative indicators are set in line with the VaR and stress test limits.

8.4 Detailed quantitative information

TABLE 50: (EU MR1): MARKET RISK UNDER THE STANDARDIZED APPROACH

Nature of risk *(in millions of euros)*	RWA	Capital requirements
SA	**4,998**	**400**
Interest rate risk (general and specific)	1,347	108
Equity risk (general and specific)	417	33
Foreign exchange risk	2,527	202
Commodity risk	707	57
Options	**324**	**26**
Simplified approach		
Delta-plus method	255	20
Scenario approach	69	6
Securitization (specific risk)	**169**	**14**
TOTAL AT 12.31.2017	**5,491**	**439**
TOTAL AT 12.31.2016	**5,646**	**452**

TABLE 51 (MR3): VAR, STRESSED VAR AND IRC ON THE REGULATORY SCOPE

(in millions of euros) – **2017**	
VaR (10 day 99%)	
Maximum value	34.2
Average value	18.4
Minimum value	13.3
Period end	15.4
Stressed VaR (10 day 99%)	
Maximum value	86.5
Average value	41.7
Minimum value	27.5
Period end	33.3
Incremental Risk Charge (99.9%)	
Maximum value	71.2
Average value	35.5
Minimum value	22.2
Period end	33.4

TABLE 52 (MR4): BACKTESTING ON THE REGULATORY SCOPE

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

(in millions of euros) – 2017.

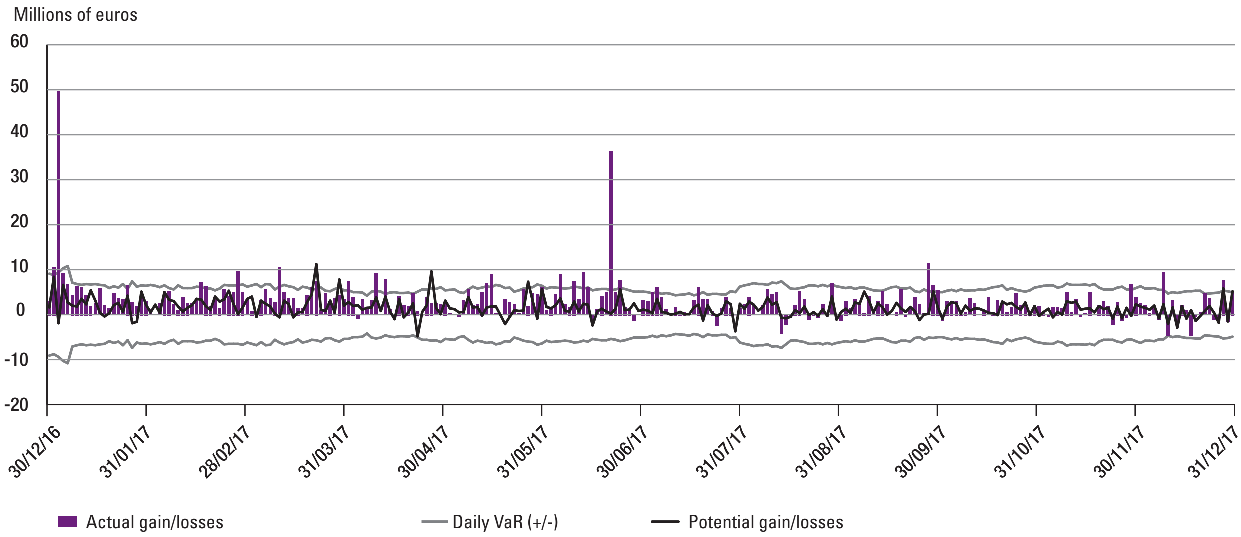


TABLE 53: (EU MR2-A): EXPOSURE TO MARKET RISK USING THE INTERNAL MODELS APPROACH

(in millions of euros)		RWA	OFR
1	**Value at risk (Maximum of both values a and b)**	**1,159**	**93**
a	Previous day's VaR (Article 365 (1))	198	16
b	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)	1,159	93
2	**Stressed VaR (SVaR)**	**2,448**	**196**
a	Latest SVaR (Article 365 (2))	430	34
b	Average of the daily SVaR (Article 365 (2)) of the CRR during the preceding 60 business days x multiplication factor (Article 366)	2,448	196
3	**Additional default and migration risk**	**622**	**50**
a	Most recent IRC value (incremental default and migration risks calculated in accordance with Section 3 of Articles 370/371)	591	47
b	Average of the IRC number over the preceding 12 weeks	622	50
4	**Additional default risk on the correlation portfolio**		
a	Most recent risk number for the correlation trading portfolio (Article 377)		
b	Average of the risk number for the correlation trading portfolio over the preceding 12 weeks		
C	8% of the own funds requirement in the standardized approach on the most recent risk number for the correlation trading portfolio (Article 338 (4))		
5	**TOTAL AT 12.31.2017**	**4,229**	**338**
	TOTAL AT 12.31.2016	**5,437**	**435**

9

OVERALL INTEREST RATE, LIQUIDITY AND STRUCTURAL FOREIGN EXCHANGE RISKS

9.1 Governance and structure

Natixis' asset and liability management (ALM) risks are managed and monitored under the authority of the Asset/Liability Management Committee **(ALM Committee)**, which is chaired by the Chief Executive Officer and composed of the members of the Senior Management Committee in charge of Finance and Strategy, Risks and the Corporate & Investment Banking division, the Head of the Joint Refinancing Pool, the Head of Financial Management and BPCE's Head of Asset/Liability Management. The Committee meets every two months and is mainly responsible for:

- defining and monitoring Natixis' ALM;
- approving the major principles in terms of structural balance sheet risks (structure, delegation of authority, fund transfer pricing, etc.) in compliance with the standard ALM framework set up by BPCE;
- validating ALM assumptions and conventions underlying calculations for metrics used to manage and monitor ALM risks;
- validating limits related to liquidity, overall interest rate[(1)] and structural foreign exchange indicators;
- validating the overall funding policy in conjunction with BPCE ALM;
- supervising structural balance-sheet risks and compliance with limits, including managing excessive leverage risk since 2015;
- supervising the main balance sheet aggregates and their development.

The ALM Committee's monitoring scope includes:

- the banking book of Natixis and its main credit subsidiaries for overall interest rate risk;
- Natixis' entire scope of consolidation for liquidity risk (excluding insurance subsidiaries, which do not present intrinsic liquidity risks and which are monitored and managed separately in respect of ALM risks);
- Natixis' entire consolidation scope for structural foreign exchange risk.

In the interest of fulfilling its duties and to be able to apply the main principles of asset-liability management and ALM control, the ALM Committee delegates certain operational tasks to:

- **the Financial Management Department**:
  - **The ALM department** is responsible for updating ALM principles, standards, conventions and limits. It submits them to the ALM Committee for approval under the oversight of the Risk Department and supervises structural ALM risks on a consolidated basis while verifying the overall consistency of the ALM system. The department is also in charge of managing the balance sheet, regulatory liquidity ratios and leverage ratio (*see Section 9.2.6.2 and the following sections*),
  - **The Treasury Department and the joint refinancing pool**, (see Section 9.2.1) which came under the authority of the Financial Management Department in 2017, are responsible for covering the funding requirements of the business lines, providing operational management of liquidity risk in accordance with applicable risk mandates and limits, implementing the Natixis medium-term refinancing policy adopted by the ALM Committee and operationally managing compliance with the regulatory liquidity ratio;
- **the Risk division**, in charge or reviewing ALM conventions and limits, keeping the Market Risk Committee informed of the validation of overall interest rate risk limits applied to Capital markets activities within the banking scope, and performing Level 2 controls of ALM and the Treasury Department's indicators;
- subsidiaries afforded a measure of leeway in terms of management and which implement local governance and a dedicated ALM mechanism, such as a **local ALM Committee**, and oversee their structural ALM risks, placed under the general supervisory authority of the ALM Committee.

(1) Excluding those related to banking portfolios for Capital markets activities that are presented to the Market Risk Committee.

9.2 Management of liquidity and funding risk

9.2.1 TARGETS AND POLICY

Natixis is affiliated with the central institution of the Caisses d'Epargne and the Banques Populaires banks (BPCE), as defined by the French Monetary and Financial Code. Article L.511-31 of the French Monetary and Financial Code stipulates that central institutions are credit institutions and, as such, they must oversee the cohesion of their network and ensure the proper operation of affiliated institutions and companies. To this end, they take any necessary measures notably to guarantee the liquidity and capital adequacy of all such institutions and companies as well as the network as a whole.

In light of the commitments Groupe BPCE has made to the supervisory authorities to ensure and guarantee the liquidity of the bank as lender of last resort, Natixis remains under the supervisory authority of BPCE.

This supervision is implemented through governance and an overall liquidity risk management and monitoring system that is adapted, shared and harmonized by all affiliates, and whose main guidelines have been set forth by Groupe BPCE's ALM Committee.

Natixis' liquidity risk management policy is an integral part of the Group's policy. It sets out to optimize Natixis' activities within a clear, shared and standardized framework in terms of governance and ALM regulations, and in line with the Group's risk constraints.

Furthermore, since mid-2011, Natixis' funding structure has relied on a Joint Refinancing Pool shared by Natixis and BPCE. Placed under the authority of the Group ALM Committee, this platform was implemented in order to secure the Group's financing and optimize the management of collateral and allocation of liquidity within the Group in accordance with pre-defined rules, with the aim of limiting the use of market financing and reducing funding costs.

In particular, responsibilities for debt issues are as follows: BPCE is in charge of Natixis' medium and long-term funding for public and private sector senior or subordinated vanilla funding transactions; Natixis is the MLT issuer for Groupe BPCE in all structured private sector refinancing transactions.

The purpose of the overall liquidity risk management policy is to:

- ensure that Natixis meets its loan commitments while ensuring that its funding needs and maturity transformation are in line with the Group's short- and medium-term refinancing capacities;
- optimize funding costs within established risk constraints to help reach profitability targets;
- observe the internal limits set in close cooperation with BPCE and adapted to the Group's ability to meet Natixis' ultimate liquidity needs;
- comply with national and international regulations;
- help diversify the sources of funding raised by Groupe BPCE (by geographic area, product and counterparty); and specifically to promote inflows of non-financial resources.

9.2.2 MONITORING SYSTEM

Liquidity risk is controlled, managed and monitored as follows:

- management of each business line's funding needs: to manage the bank's funding needs, liquidity budgets are allocated for each business line as part of the budgetary procedure and approved by the ALM Committee. Consumption is monitored weekly for Corporate and Investment Banking business lines and monthly for other business lines;
- management of the bank's contribution to Groupe BPCE's net market footprint: the objective is to match the liquidity allocation system with the Group's strategic ambitions and operational oversight;
- supervision of short-term maturity transformation, which is measured using liquidity gaps. This indicator is produced daily for a 365-day period in one-day intervals for all parent company transactions, including some subsidiaries. It is subject to four permanent limits approved by the ALM Committee and monitored daily, on overnight market exposure at opening, on the 60-day, 150-day and 330-day static liquidity gaps;
- supervision of medium-term maturity transformation, which is performed using coverage ratios that are defined by maturity tranche, such as the ratio of assets that have not yet matured to liabilities that have not yet matured. These ratios are calculated for long-term cash assets, credit subsidiaries housing medium-term activities, and for Natixis on a consolidated basis, and are restricted by the minimum coverage ratios approved by the ALM Committee and monitored monthly. Furthermore, in compliance with regulations and within the framework of the bank's risk appetite, since 2015 Natixis has set up governance as well as a global limit and an alert threshold applied specifically to a coverage ratio, proposed by the ALM Committee and validated by the Board of Directors;
- supervision of the bank's contribution to the short-, medium- and long-term transformation of Groupe BPCE. This is measured on the basis of Natixis' consolidated liquidity gaps subject to limits at 60 days, 5 months, 11 months and 5 years. These indicators are produced on a monthly basis;
- simulations of liquidity stress scenarios: the purpose of these scenarios is to measure the Group's ability to continue meeting its commitments and operating in the event of a liquidity crisis. Natixis periodically simulates its contribution to the Group's stress results based on different crisis scenarios (systemic, specific, combined, etc.) and different levels of intensity (moderate, strong, extreme, etc.) over one-, two- and three-month periods for which assumptions are set by BPCE;

- funding structure: the funding structure is monitored to ensure that resources are well diversified, by type of counterparty, by market segment and by geographic area, in order to mitigate all concentration risk (see section 3.8.2.4);
- market depth tests conducted by the Joint Refinancing Pool: these liquidity tests aim to explore the limits established by our counterparties on our issues.

9.2.3 BUSINESS CONTINUITY PLAN UNDER LIQUIDITY STRESS

(Data certified by the Statutory Auditors in accordance with IFRS 7)

The aim of this Business Continuity Plan ("BCP under Liquidity Stress") is to ensure that, in the event of a liquidity crisis altering the Group's ability to obtain funding, all resources are used in a coordinated and optimized manner to allow the Group to meet its current and future financial obligations and thus maintain business continuity.

Given that Natixis is supervised by BPCE, in its capacity as the central institution, and given the close interactions between BPCE and Natixis in terms of liquidity management within the framework of the joint refinancing pool *(see section 3.9.2.1)*, this plan is defined in accordance with the Groupe BPCE business continuity plan, in the event of a crisis affecting access to liquidity for Natixis, BPCE and/or the entire banking system.

A governance system (dedicated teams and Committees, activation and de-activation rules, reporting and communication procedure, etc.) and remediation plans to enhance liquidity and reduce funding requirements are defined and documented. In addition, the BCP is regularly tested to ensure that it is operational, in accordance with regulations.

9.2.4 FUNDING PRINCIPLES AND STRUCTURE

9.2.4.1 Funding strategy

As indicated in section 3.9.2.1, since mid-2011 Natixis' funding structure has been rooted in the organization of a joint refinancing pool shared by Natixis and BPCE, placed under the authority of the Group ALM Committee. This platform was implemented in order to secure the Group's financing and optimize the management and allocation of liquidity within the Group in accordance with pre-defined rules, to reduce market financing and funding costs.

In particular, Natixis' funding model is based on strong centralization of liquidity and liquidity access points through three Treasury platforms (Paris, New York and Hong Kong).

In 2017, the diversification strategy undertaken in recent years consolidated as liquidity spreads fell and the businesses' refinancing needs stabilized. The favorable market environment made it possible to focus on optimizing the efficiency of refinancing and the cost of the resources raised (due to its impact on other ALM constraints), rather than seeking asset growth. This led to:

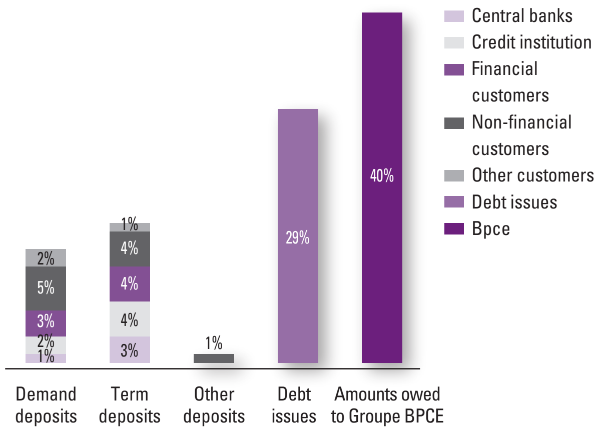
- increased growth and rotation of structured issues in private placement, particularly in Asia, supporting the strategy of distributing "solution" Global Markets offers that generate greater value;
- the establishment of a strategy for the circulation of liquidity raised through private placements within the Group, aimed at improving asset/liability matching;
- the consolidation of "corporate" liquidity inflows through various product offers (account administration, accounts, open deposits with notice dates, "Natixis Deposit" specialized professional fund, EETCs, etc.).

Thanks to these actions, Natixis maintained a stable refinancing structure on both a yearly and quarterly basis.

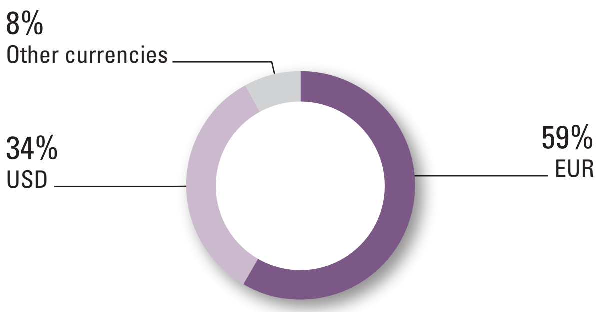
Finally, the weight of resources provided by the Group was as always linked to the BPCE/Natixis Joint Refinancing Pool, cross-exchanges of liquidity for the purpose of managing and maximizing liquidity gaps and regulatory ratios, and the Group policy, making BPCE the sole public issuer in the long-term segment.

The following charts are established for information purposes on the basis of management data at year-end.

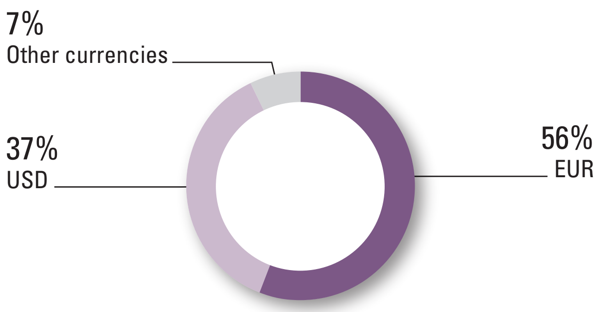
■ GROSS WEIGHT OF ON-BALANCE SHEET FUNDING SOURCES, BY MAJOR CATEGORY OF VEHICLE AND/OR BY CUSTOMER SEGMENT AT END-2017 REPORTING DATE



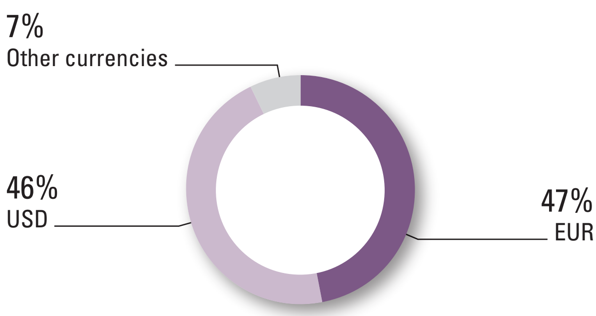
■ BREAKDOWN OF GROSS FUNDING STRUCTURE BY CURRENCY, AT CURRENT USD EXCHANGE RATES - 12.31.2017



■ BREAKDOWN OF GROSS FUNDING STRUCTURE BY CURRENCY, AT CONSTANT USD EXCHANGE RATES - 12.31.2017

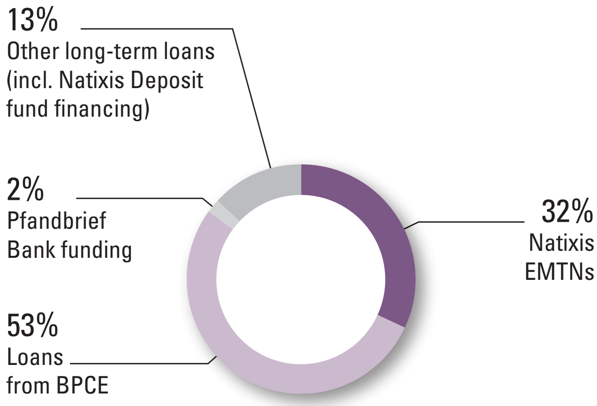


■ BREAKDOWN OF GROSS FUNDING STRUCTURE BY CURRENCY, AT CURRENT USD EXCHANGE RATES - 12.31.2016

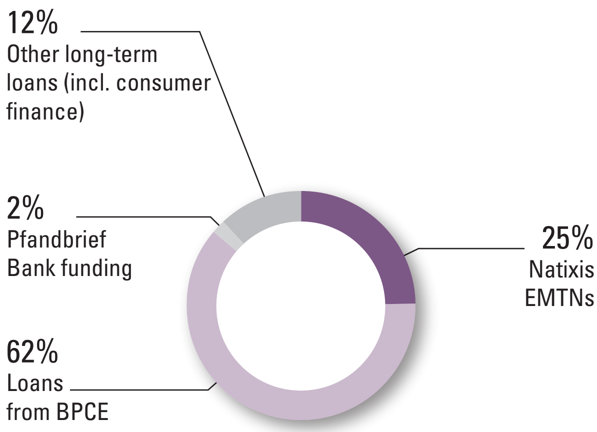


Under its annual medium-term funding program, in 2017 Natixis raised €12.2 billion net in resources with a term of more than one year (versus €17.3 billion in 2016). 32% of this program was achieved via structured private placements, with the remainder predominantly provided by BPCE as part of the Group's medium-term funding policy approved by the Group ALM Committee.

■ 2017 NET MLT FUNDING PROGRAM



■ 2016 NET MLT FUNDING PROGRAM



9.2.4.2 Bank funding

Short-term funding

The year 2017 was marked by strong global growth, with inflation remaining moderate in the developed economies.

The stock markets rose throughout the year, boosted by prospects of lower taxes and deregulation by the US administration.

One notable highlight was the relatively mild reaction by the financial markets to political shakeups like the French elections, geopolitical tension between the United States and North Korea and difficulties faced by the Trump administration.

The dangers of sudden deflation subsided over the year, allowing central banks to proceed more confidently with the monetary policy normalization called for by the current economic environment. The Federal Reserve hiked its key rate on three occasions in 2017, raising it to 1.5%, while the Bank of England made do with just one 0.25% increase.

While the European Central Bank (ECB) has yet to start raising its key rates, it cut in half its asset purchasing program (to €30 billion a month) effective the beginning of 2018.

For now, the impact of these moves by central banks on long rates has remained modest and yield curves have significantly flattened, suggesting that the markets are awaiting the moment when economic activity calls for significant, long-lasting monetary stimulus.

Investor interest in bank issues has remained strong in this context of regular and abundant liquidity. Search for yield in money market funds in the current low interest rate environment favors liabilities with maturities above six months. Natixis has scaled down the use of its refinancing programs. Outstandings on its short-term programs fell by €13.42 billion compared with the end of 2016 (a reduction of €5.45 billion on CDs and €7.97 billion on ECP), reflecting a reduction in its external financing requirements.

NATIXIS' SHORT-TERM ISSUANCE PROGRAM OUTSTANDINGS

(in millions of euros or euro equivalents)	Certificates of Deposit	Commercial Papers
Program amount	45,000*	24,507
Outstandings at 12.31.2017	20,897**	5,312

* *NEU CP program only.*

** *Outstandings of the NEU CP and US CD programs.*

Long-term funding

In 2017, growth figures for the United States and Europe reaffirmed the strength of their respective economies, with the IMF estimating GDP growth of 2.2% in the United States and 2.1% in Europe in 2017. However, the accommodative monetary policies of the Federal Reserve and ECB have yet to achieve target inflation (PCE US price index 1.8%, Eurozone PCI 1.5%). The persistent weakness of inflation can be largely attributed to moderate rises in wages and oil prices.

In the United States, the positive economic situation led the Federal Reserve to gradually raise interest rates (+25 bp in March and again in June and December). On the long end of the curve, 10-year US Treasuries dropped 4 bp to 2.41% in 2017. The near-stagnant performance of long rates is due to low inflation. The curve's flattening is attributable to doubts surrounding US policy and its effect on medium-term growth.

In Europe, the ECB announced in October 2017 that it would extend its quantitative easing program an additional nine months to September 2018 while reducing its monthly purchases from €60 billion to €30 billion. The yield on the 10-year Bund, which was at -0.18% at the start of the year, ended the year at 0.43%. There was high volatility in the 10Y yield in the first half of the year mainly due to France-related risk in the months preceding the presidential election.

On the European credit market, bank spreads on unsecured senior debt continued to narrow throughout the year. The five-year credit spread of French banks on senior unsecured preferred debt ended the year at Euribor3M+15 bp, a decline of 29 bp from 2017. For the first time, the volume of non-preferred debt (MREL/TLAC eligible) issued by European banks (€104 billion) exceeded that of preferred debt (€80 billion).

Against this market backdrop, Natixis raised a total of €22.3 billion in funding in 2017 under its medium- and long-term refinancing program. As the only long-term issuer in the public issues segment, BPCE provided Natixis with financing for a total euro-equivalent amount of €6.5 billion.

NATIXIS' MEDIUM- AND LONG-TERM DEBT ISSUANCE PROGRAM

(in millions of euros or euro equivalents)	EMTN	NEU MTN	USMTN	Bond issues
Issues at 12.31.2017	8,237	500	44	5,821
Outstandings at 12.31.2017	13,649	730	213	8,806

9.2.5 REGULATORY LIQUIDITY RATIOS

In 2010, the Basel Committee introduced new liquidity risk measures:

- the Liquidity Coverage Ratio (LCR, January 2013) is a short-term liquidity ratio whose aim is to ensure that, in stress scenarios, banks hold enough liquid assets to cover their net cash outflows for a 30-day period;
- the Net Stable Funding Ratio (NSFR, October 2014) is a long-term structural liquidity ratio developed to strengthen the resilience of the banking sector by requiring banks to maintain a stable funding profile and by limiting maturity transformation to less than one year.

These rules were enacted in the European Union through regulation (EU) No. 575/2013 of June 26, 2013, which laid down the filing obligations in force during the observation period from January 1, 2014 and set forth the conditions of implementation of these prudential requirements. For the LCR, Delegated regulation (EU) No. 2015/61, published on October 10, 2014, entered into force on October 1, 2015. The NSFR, which the Basel Committee wished to establish as a minimum requirement as from 2018, is still in the observation period; a legislative proposal was submitted by the European Commission on November 23, 2016 to enact the NSFR within the European Union.

To date, European regulations require:

- compliance with the LCR as from October 1, 2015; required minimum ratio of 80% on January 1, 2017 and 100% from January 1, 2018;
- quarterly statements on stable funding, which are entirely descriptive (amounts and terms) without any weighting applied.

Natixis determines its LCR on a consolidated basis and operationally manages its liquidity position and liquidity coverage requirements relative to these new metrics, having set a minimum ratio of 100%. Natixis regularly assesses its contribution to the Group's NSFR based on its interpretation of known legislation.

Liquid asset buffers

The Delegated Act on the LCR, adopted on October 10, 2014, defined liquid assets and the criteria they must meet to be eligible for the liquidity buffer used to cover funding needs in the event of a short-term liquidity crisis.

Liquid assets must meet a number of intrinsic requirements (issuer, rating, market liquidity, etc.) and operational requirements (availability of assets, diversification, etc.) in a 30 calendar day liquidity stress scenario.

The liquid asset buffer – in the regulatory sense – is the numerator of the LCR (HQLA) and predominantly consists of:

- Level 1 liquid assets, i.e. cash deposited with central banks;
- other Level 1 liquid assets consisting mainly of marketable securities representing claims on, or guarantees by, sovereigns, central banks and public sector entities, and high-rated covered bonds;
- Level 2 liquid securities consisting mainly of covered bonds and debt securities issued by sovereigns or public sector entities not eligible for Level 1, corporate debt securities and equities listed on active markets that satisfy certain conditions.

TABLE 54: LIQUIDITY RATIO (LCR) AT 12.31.2017

	12.31.2017	
(in millions of euros)	**Non risk-weighted value***	**Risk-weighted value***
TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)		
Total high quality liquid assets (HQLA)		55,008
CASH OUTFLOWS		
Retail deposits and deposits from small business customers	1,875	187
Unsecured wholesale funding, of which:	55,586	40,691
Operational deposits	5,021	1,255
Non-operational deposits	45,608	34,478
Unsecured debt	4,957	4,957
Secured wholesale funding		24,023
Additional requirements, of which:	52,710	14,159
Outflows related to derivative exposures and other collateral requirements	5,512	5,010
Credit and liquidity facilities	47,198	9,149
Other contractual funding obligations	14,601	12,198
Other contingent funding obligations	30,703	799
TOTAL CASH OUTFLOWS		**92,058**
CASH INFLOWS		
Transactions collateralized by securities	75,101	8,600
Inflows from fully performing exposures	27,063	24,934
Other cash inflows	12,886	8,266
TOTAL CASH INFLOWS	**115,049**	**41,799**
TOTAL HQLA		**55,008**
TOTAL NET CASH OUTFLOWS		**50,259**
Liquidity Coverage Ratio (%)		**109%**

* *Weighting refers to the discounts applied to liquid assets and to inflow/outflow rates applied to the cash inflow/outflow base. Non risk-weighted liquid assets are presented at market value. The non risk-weighted value of cash inflows/outflows is the outstanding value at 30 days or was determined in accordance with the calculation methods recommended by regulations.*

Natixis' LCR was 109% at December 31, 2017, with total liquid assets of €55.0 billion according to the eligibility rules of the Delegated Act, i.e. surplus liquidity of €4.7 billion. The liquid asset buffer consists predominantly of central bank deposits and sovereign securities.

In the denominator, cash outflows (€92.1 billion) are primarily generated by the run-off of deposits (€40.7 billion), repurchase agreements maturing within 30 days (€24.0 billion) and other cash outflows (€14.2 billion). Other cash outflows include outflows related to market-stressed collateral requirements and outflows that would be subsequent to an up to 3-notch downgrade in Natixis' credit rating by the rating agencies. The cash inflows recorded (€41.8 billion) were due to loans (including BPCE or financial customers) reaching maturity (€24.9 billion) and to repurchase agreements maturing within 30 days (€8.6 billion).

9.2.6 RESERVES AND OPERATIONAL MANAGEMENT OF RATIOS

9.2.6.1 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) and New York (approximately $3 billion at the FRB discount window);
- 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 Asset Management from 2015 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.

HQLA assets reported in the LCR numerator also include unencumbered HQLA securities temporarily carried by the Capital markets activities. These securities are not considered as part of the ringfenced liquidity reserve and are not meant to be held over the long term. The outstanding amount and composition of these portfolios may vary considerably from one reporting date to the next, as prices fluctuate. However, they can be monetized on the repo and securities borrowing/lending market, and this monetization may be forced in the event the Group liquidity-stressed BCP is activated and executed.

In addition to these buffers, the aim of the internal policy governing the investment of residual surplus liquidity is to reserve this liquidity for the deposit facility to ensure its continuous availability; accordingly, this surplus liquidity is also included in the amount of assets reported in the LCR numerator.

9.2.6.2 Oversight of the short-term liquidity ratio

In June 2013, Natixis established a governance system for the management of the LCR (*see section 9.2.5*), having set an LCR limit higher than 100% from the end of 2013 (greater than the regulatory requirements in force). The oversight of the LCR is part of a Groupe BPCE framework under the aegis of the BPCE Group Finance division. Natixis' LCR hedging is organized in close cooperation with BPCE and is managed by the Joint Refinancing Pool, acting with the authorization of the Financial Management Department on the basis of its forecasts. Within this framework, the strategy for the Natixis scope aims to hedge the LCR above 100% with a safety buffer of around €5 billion in order to deal with any last-minute contingencies, through BPCE adjustments. The structural over-hedge of the Group's LCR above the 100% threshold for a 80% regulatory limit at end-2017, is borne by BPCE.

9.2.6.3 Oversight of the leverage ratio

Under the French Ministerial Order of November 3, 2014 on internal control by companies in the banking, payment services and investment services sector subject to the supervision of the ACPR, the companies in question are required to set overall limits and establish policies and processes to detect, manage and monitor excessive leverage risk.

Accordingly, Natixis established:

- a governance system under the authority of the ALM Committee, chaired by the CEO, for managing and monitoring excessive leverage risk (*see section 9.1*);
- a dedicated risk policy for excessive leverage risk; notably, the ALM Committee decided on early adoption of a target leverage ratio well above the 3% minimum requirement currently recommended by the Basel Committee, in keeping with the Bank's transformation strategy towards an asset-light model, as advocated by the New Frontier plan;
- an overall limit and an alert threshold applied to Natixis' leverage ratio, proposed by the ALM Committee and approved by the Risk Committee.

In accordance with the operational oversight established by the Financial Management Department in partnership with the business lines, Natixis successfully achieved its target leverage ratio. This target ratio is higher than the regulatory requirement, which will enter into force in Europe on a still-unknown date. As such, Natixis maintained a leverage ratio of above 4% in 2017. As in 2016, management and oversight of this ratio were achieved by setting constraints for activities (such as repos and securities lending transactions, derivative contracts, etc.) that are not RWA-intensive but are balance sheet-intensive.

TABLE 55 (LR1): COMPARISON OF ACCOUNTING EXPOSURES AND LEVERAGE EXPOSURES

	(in millions of euros) **Description**	**12.31.2017**	**12.31.2016**
1	**Total consolidated assets reported in the financial statements**	**519,987**	**527,860**
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(94,937)	(85,135)
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measurement, in accordance with Article 429 (13) of regulation (EU) No. 575/2013 "CRR")		
4	Adjustments for derivative financial instruments	(29,265)	(38,832)
5	Adjustment for securities financing transactions (repurchase transactions and other types of collateralized loans)	(19,927)	(20,183)
6	Adjustment for off-balance sheet items (i.e. conversion of off-balance sheet exposures to credit equivalent amounts)	36,079	37,038
7	Other adjustments	(15,661)	(19,129)
8	**LEVERAGE RATIO EXPOSURE***	**396,276**	**401,619**
	***o/w exposure related to affiliates**	***47,251***	***50,540***
	***Excluding exposure related to affiliates**	***349,025***	***351,079***

9.3 Structural foreign exchange risk

9.3.1 TARGETS AND POLICY

Given the presence of risk-weighted assets in foreign currencies (mostly USD), the aim of Natixis' structural foreign exchange risk policy is to protect the Common Equity Tier 1 ratio (CET 1) against exchange rate fluctuations. To this end, it establishes a "structural" foreign-exchange position that is restated for translation adjustments when it purchases foreign currencies to fund strategic long-term net investments in foreign entities, while non-strategic net investments in local currencies are funded with loans.

9.3.2 MONITORING SYSTEM

The CET 1 ratio's sensitivity to exchange rate fluctuations is regularly assessed by the ALM Committee.

9.4 Overall interest rate risk

9.4.1 GENERAL POLICY

Natixis' policy for managing overall interest rate risk is not aimed at structurally holding directional interest rate positions in the banking book over the long term.

Barring exceptions, fixed-rate financial assets and liabilities are returned against bank offered rates via interest rate swaps and are predominantly housed in Treasury portfolios subject to ongoing management of interest rate risk. Accounting treatment of the hedging system is in accordance with international accounting standards.

9.4.2 OVERALL INTEREST RATE RISK MANAGEMENT SYSTEM

This risk is measured in terms of the sensitivity of a portfolio's economic value by bp on the yield curve and by currency. For the largest portfolios it is controlled through limits approved and monitored by the Market Risk Committee, chaired by the CEO. In accordance with the French Ministerial Order of November 3, 2014, an overall limit was also defined and approved by the Board of Directors.

The Treasury Department, which centralizes most positions, also performs yield curve distortion stress tests which are also governed by limits.

These stress tests aim to estimate potential economic losses in the event of extreme market configurations. They are performed daily in the management systems and were defined to account for differentiated or non-differentiated shocks on the IBOR, OIS, deposit and repo curves with steepening and/or translation scenarios.

The Risk division calculates indicators and monitors limits daily for Treasury and monthly for balance sheet management operations and credit subsidiaries.

The Bank's interest rate risk monitoring framework is based on economic sensitivity measures subject to an overall limit. It is supplemented by two other measurements that are periodically reported to the Group as part of the overall interest rate risk monitoring consolidation process: interest rate gap measurements (fixed-rate assets-liabilities) and measurements of NII sensitivity to interest rate variations.

9.4.3 QUANTITATIVE INFORMATION

(Data certified by the Statutory Auditors in accordance with IFRS 7)

The sensitivity of the major Natixis entities to a variation in interest rates represented a total of €1.8 million (for an immediate parallel shift of +1bp in the yield curve) at December 31, 2017. This sensitivity is primarily due to the effect of the spread on USD accreting transactions.

This indicator is calculated monthly.

TABLE 56 (CRR 448) : MEASURE OF SENSITIVITY TO A +1BP VARIATION IN INTEREST RATES, BY MATURITY AT DECEMBER 31, 2017

(in millions of euros)	< 1 year	1-5 years	> 5 years	Total sensitivity
EUR	(255)	119	(239)	(375)
USD	137	66	1,975	2,178
Other	7	(33)	54	28

Interest rate gap indicators factor in all asset and liability positions and variable-rate positions until the next interest reset date: they compare the amount of liability exposures to the amount of asset exposures using the same interest rate index and over different maturities.

The maturity schedule is determined statically. The interest rate gap indicator is calculated quarterly.

TABLE 57: INTEREST RATE GAP BY MATURITY AT DECEMBER 31, 2017

Maturity *(in millions of euros)*	1 year	3 years	5 years	7 years
Interest rate gap (fixed-rate)	1,553	658	(15)	315

Finally, Natixis analyzes the sensitivity of net interest income (ΔNII) to changes in market interest rates using NII stress tests. At December 31, 2017, the sensitivity of the Bank's NII to changes in interest rates was as follows:

TABLEAU 58: NII SENSITIVITY AND ECONOMIC VALUE OF EQUITY (IRRBB – TABLE B)

	ΔEVE		ΔNII	
(in millions of euros)	12.31.2017	12.31.2016	12.31.2017	12.31.2016 pro forma
Parallel upward shift (+200 bp)	331	127	159.3	137.5
Parallel downward shift (-200 bp)	(467)	(205)	(159.3)	(137.5)

Given its nature, overall interest rate risk is a marginal risk for Natixis and calls for no special comments. The Basel 2 normative shock (immediate +/-200 bp shift in the yield curves) would lead to a variation of €467 million in the portfolio's economic value at December 31, 2017. This sensitivity is very low given the size of the banking book and represents less than 2% of the bank's CET1 capital.

The sensitivity of Natixis' NII to interest rate variations under various stress scenarios in 2017 was relatively low. In the event of a parallel upward shift of +200 bp in the yield curve, sensitivity was positive and represented less than 1.3% of net revenues.

9.5 Other information

9.5.1 ENCUMBERED AND UNENCUMBERED ASSETS

As part of its refinancing activities, and repurchase agreements in particular, Natixis is required to pledge part of its assets as collateral. It also receives collateral, some of which can be reused as collateral.

The purpose of this appendix is to show the portion of assets pledged as a guarantee or collateral, and the corresponding liabilities, in accordance with the requirements of the Ministerial Order of December 19, 2014.

TABLE 59 : ENCUMBERED AND UNENCUMBERED ASSETS AT 12.31.2017 (IN MILLIONS OF EUROS)

Template A – Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**51,815**		**369,251**	
Equity instruments	20,554	20,554	14,582	14,582
Debt securities	10,805	10,805	14,864	14,864
Other assets	21,766		341,440	

Template B – Collateral received	Fair value of encumbered collateral received and own debt securities issued	Fair value of collateral received and own debt securities issued and available for encumbrance
Collateral received by the reporting institution	**143,288**	**65,920**
Equity instruments	32,279	37,944
Debt securities	109,682	17,635
Other guarantees		10,814
Debt securities issued besides own secured bonds or own asset-backed securities		2,447

Template C – Encumbered assets/collateral received and associated liabilities	Associated liabilities, contingent liabilities or securities lent	Assets, collateral received and debt securities issued besides secured bonds or securities backed by encumbered assets
Carrying amount of selected financial liabilities	190,373	194,162

Template D – Information on the extent of asset encumbrance

At December 31, 2017, Natixis' encumbered assets amounted to €194,612 million, of which:

- €174,370 million in encumbered securities for corporate actions and issues of securities;
- €4,936 million in encumbered receivables in mechanisms other than secured bonds;
- €1,005 million in receivables securing secured bond issues;
- €15,780 million in encumbered assets in respect of margin calls on derivatives.

9.5.2 BREAKDOWN OF FINANCIAL LIABILITIES BY CONTRACTUAL MATURITY

(Data certified by the Statutory Auditors in accordance with IFRS 7)

TABLE 60: BREAKDOWN OF FINANCIAL LIABILITIES BY CONTRACTUAL MATURITY

	12.31.2017									
Liabilities *(in billions of euros)*	**Total**	**Demand**	**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**	**Undated**
Due to central banks	-	-	-	-	-	-	-	-	-	-
Other financial liabilities at fair value through profit or loss	87	2	22	15	3	3	3	8	5	26
o/w repurchased securities	*35*	*2*	*21*	*10*	*1*	-	-	*1*	-	-
o/w secured liabilities	*1*	-	-	-	-	-	-	*1*	-	-
o/w unsecured liabilities	*21*	-	*1*	*2*	*2*	*2*	*2*	*7*	*5*	-
Trading derivatives	60	-	-	-	-	-	-	-	-	60
Hedging derivatives	1	-	-	-	-	-	-	-	-	1
Due to banks	105	13	27	17	5	14	6	20	3	-
o/w repurchased securities	*20*	*5*	*7*	*6*	*1*	*1*	-	-	-	-
Customer deposits	96	27	40	11	4	6	1	-	2	5
Debt securities	33	-	6	10	6	9	1	1	-	-
o/w covered bonds	*1*	-	-	-	-	-	-	*1*	-	-
Subordinated debt	4	-	-	-	-	-	-	3	1	-
TOTAL	**385**	**42**	**96**	**54**	**18**	**31**	**11**	**31**	**10**	**92**

The information contained in the above table excludes insurance activities.

	12.31.2016									
Liabilities *(in billions of euros)*	Total	Demand	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	Undated
Due to central banks	-	-	-	-	-	-	-	-	-	-
Other financial liabilities at fair value through profit or loss	85	1	27	10	3	3	3	6	9	23
o/w repurchased securities	*37*	*1*	*26*	*7*	*1*	*1*	-	*1*	-	-
o/w secured liabilities	*3*	-	-	-	-	-	-	*1*	*2*	-
o/w unsecured liabilities	*19*	-	-	*2*	*1*	*2*	*2*	*4*	*8*	-
Trading derivatives	65	-	-	-	-	-	-	-	-	65
Hedging derivatives	2	-	-	-	-	-	-	-	-	2
Due to banks	103	16	25	17	6	9	10	17	3	-
o/w repurchased securities	*19*	*4*	*6*	*6*	*1*	*2*	-	-	-	-
Customer deposits	87	26	36	11	2	6	1	1	1	3
Debt securities	49	-	17	12	7	12	1	1	-	-
o/w covered bonds	*1*	-	-	-	-	-	-	*1*	-	-
Subordinated debt	5	-	-	-	-	-	-	1	4	-
Total	396	43	105	50	18	30	14	26	16	93

The information contained in the above table excludes insurance activities.

9.5.3 MONITORING OF RATING TRIGGERS

In the event the Bank's external credit rating is downgraded, it may be required to provide additional collateral to investors under agreements that include rating triggers. In particular, in calculating the liquidity coverage ratio (LCR), the amounts of these additional cash outflows and additional collateral requirements are measured. These amounts comprise the payment the bank would have to make within 30 calendar days in the event its credit rating were downgraded by as much as three notches.

They are covered under the LCR management policy and were estimated at 2 billion in EUR equivalent at December 31, 2017, versus 3.1 billion at December 31, 2016.

10

OPERATIONAL RISKS

10.1 Targets and policy

As part of the definition of its risk appetite, and in accordance with the French Ministerial Order of November 3, 2014, Natixis defined its operational risk tolerance policy with a view to limiting losses related to operational risks and regularly reviewing actions to reduce risks. The policy sets out the governance established, the quantitative and qualitative management framework, and the monitoring performed thus far.

It defines six operational risk management criteria:

- four quantitative indicators: one historical indicator measuring the cost of risk, one forward indicator measuring the risk exposure, one individual indicator identifying the occurrence of major incidents to be reported to the regulator, and an operational risk management indicator measuring the progress of corrective actions;
- a qualitative indicator measuring the compliance of the framework;
- a new indicator for cyber risk.

The operational risk management framework identifies, measures, monitors and controls the level of operational risks for all the Company's business lines and support functions in France and abroad.

10.2 Organization

The Operational Risk function is responsible for monitoring and managing risks arising from failures attributable to operating procedures, employees and internal systems or arising from outside events.

Its duties as described in the operational risk policies and procedures validated by the Natixis Operational Risk Committee include:

- recording incidents via a network of Operational Risk Officers across all business lines and support functions;
- investigating serious incidents including an escalation process;
- qualitative and quantitative mapping of potential risks;
- links with other control functions;
- establishing key risk indicators and environmental variables of a predictive nature.

The mechanism is managed by Natixis' Operational Risk Committee, a specialized body that oversees operational risk policy, monitors Natixis' exposure and makes final decisions on hedging and reduction. It is the operational extension of the executive body and, as such, possesses full decision-making powers for issues within its area of responsibility. This Committee meets quarterly and is attended by Compliance, ITSS-BC and the Internal Audit Department. It is chaired by the Chief Executive Officer or his substitute the Chief Risk Officer, with the Head of the Operational Risk Department acting as secretary. The standing members of the Operational Risk function, apart from the Head of the department, are the departments' Heads of Operational Risk and the data & methods officer.

Business-line Operational Risk Committees and support functions are offshoots of Natixis' Operational Risk Committee. They closely manage each business line's operational risk exposure. These Committees are organized according to the function's governance matrix (location and business lines). They are chaired by the Head of the relevant business line with the participation of Compliance and are coordinated by the Operational Risk Department, which acts as Committee secretary.

The structure of the function mirrors the organization of:

- the divisions under the responsibility of the operational risk managers;
- the foreign offices under the responsibility of the operational risk managers of the Americas, EMEA and Asia-Pacific platforms. They report hierarchically to the local Chief Risk Officer, and functionally to the Head of Operational Risk;
- the support and control functions under the responsibility of an operational risk manager covering – in addition to the activities within his or her remit – overall risks (loss of access to premises or information systems, or loss of employee availability) to which Natixis is exposed.

The function has some 60 staff members (operational risk managers) dedicated to operational risk management. Within their designated scopes (subsidiary, business line or support function), they are responsible for instilling the operational risk culture, reporting and analyzing incidents, mapping risks, proposing and following up corrective actions, compiling reports and escalating information to management. Analyses are carried out across the Bank where the support or control functions are involved, or where the processes have an impact on teams, whether in the front, middle or back office.

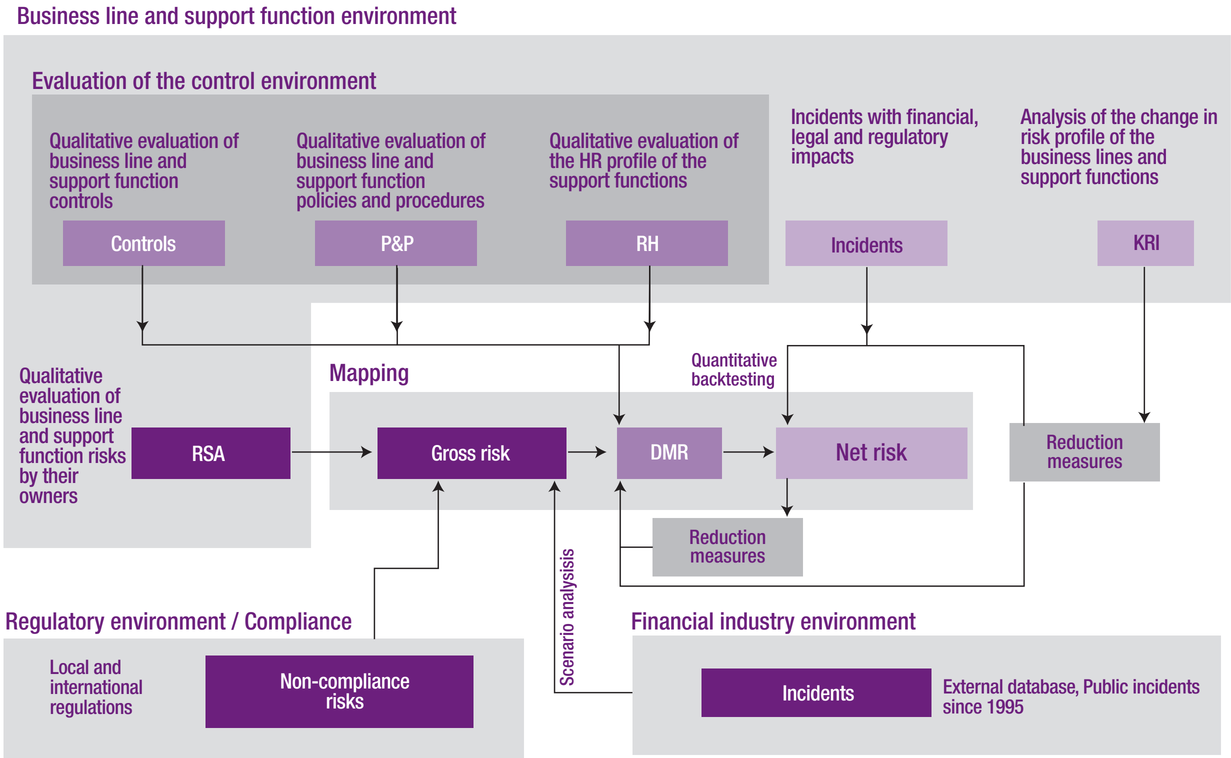
Overseeing this framework is a single overarching information system that has been deployed across the Company's entities, business lines and support functions in France and internationally. It is available in French and English and hosts all the components of the operational risk oversight system (incidents, mapping of quantified potential risks, risk management systems, key risk indicators, corrective actions, Committees, etc.). The accuracy of the information entered or approved by the operational risk managers is ensured through reconciliation with information from other functions (accounting, compliance, legal, IT Systems Security, data quality, insurance, etc.).

The capital requirements for operational risk are calculated using the standardized approach for all of Natixis' operational divisions. However, Natixis uses an internal methodology to obtain an overall estimation of its level of exposure to operational risk by business line entity, geographic region and certain major risk situations. The methodology relies on a VaR calculation based on risk mapping, factoring in identified incidents for backtesting and known external losses.

10.3 Operational risk monitoring

10.3.1 RISK MAPPING

Risk mapping is central to operational risk monitoring:



KRI: Key risk indicator
RMS: Risk management system
RSA: Risk self-assessment
HR: Human Resources
P&P: Policies and Procedures

Every year the Operational Risk Department, in conjunction with the other control functions, works with each business line, entity and support function to map operational risks. The exercise involves identifying and descriptively analyzing risks, quantifying the risk situations (average frequency, average and maximum loss), and taking into account existing risk management mechanisms. This mapping is based on process analysis and is carried out for all of the bank's activities. Its consistency is verified through backtesting, in other words by using the incident history, as well as external data where relevant.

The risk mapping process serves to identify Natixis' exposed business lines and its biggest risks in order to be able to manage them through corrective action and indicators.

The mapping of "global and systemic risks" (extreme risk situations occurring infrequently, such as major natural disasters, pandemics, and attacks) draws on external data on incidents in the financial industry, especially for establishing frequency. Also factored in are assumptions on unrealized net revenue items and the effectiveness of risk management mechanisms, as well as contingency and business continuity plans.

In addition to risk mapping, there are over 700 key risk indicators (KRIs) in place with corresponding limits, and which are monitored regularly. KRIs dynamically detect any changes in the operational risk profile, and cover the seven Basel categories of loss-generating events. They apply either to Natixis (overall indicators), to the business lines, or to the support functions that, with the operational risk manager, set the indicators as relevant early warning indicators during the mapping process. These indicators are submitted to the Operational Risk Committee for approval. Any breach of their thresholds, that is the subject of a systematic alert, may trigger action to be carried out immediately or requiring Committee approval.

10.3.2 IDENTIFYING LOSSES AND INCIDENTS

10.3.2.1 Listing and analyzing incidents

Incidents are listed as they occur. In 2017, an optional reporting threshold of, respectively, €5,000 for the Corporate & Investment Banking and Asset Management business lines and €1,500 for Specialized Financial Services, Insurance and Private Banking was introduced in line with BPCE standards. A single definition of "serious incident" is used, in compliance with Groupe BPCE standards (€300,000 gross). All serious incidents (above the defined threshold or deemed serious by the business line and the Operational Risk Department) are reported immediately to the business line's management and to Natixis' Chief Risk Officer.

Following an investigation involving all relevant parties, the operational risk manager of the business line compiles a standardized full report, including a factual description of the event, the analysis of the initial cause, the description of the impact and the proposed corrective actions. At all levels of the Bank, the business line Operational Risk Committees review their serious incidents, decide on the corrective actions to be implemented, propose the relevant deadlines and targets, and monitor their progress. The entities and business lines can decide to apply these measures to their own threshold, which is lower than that of Natixis and consistent with its activity and level of risk.

Most operational risk incidents occur frequently and have a low impact per incident.

10.3.2.2 Overall trend of reported incidents

In 2017 over 5,300 reported incidents (a single incident potentially comprising several individual incidents) were entered into the collection tool by the business lines. The Specialized Financial Services division makes up close to half of the number of reported incidents, but accounts for only 11% of impacts. However, Corporate & Investment Banking activities in France and abroad account for more than 80% of the amount of losses and provisions reported in 2017, with these activities representing only 10% of the listing in number.

TABLE 61 (OR1): CHANGE IN OPERATIONAL LOSSES[1]

(in millions of euros)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total loss amount	13	38	476	13	12	34	40	73	91	53	72
Total loss amount exceeding €1 million	3	22	460	3	4	23	22	57	74	30	52

TABLE 62 (OR3): CHANGE IN OPERATIONAL LOSSES DECLARED IN 2017 - COREP APPROACH[2]

	December 2015	December 2016	December 2017
Total number of losses exceeding €1 million	18	17	12
Total loss amount exceeding €1 million	115	123	117
Total amount of the five biggest losses in millions of euros	74	103	83

10.3.2.3 Measures to reduce risk

Natixis has implemented measures in every business line and support function to monitor the corrective actions to reduce the Bank's exposure to operational risks. These corrective actions are actively managed by the designated implementation managers (of more than 500 corrective actions set up in 2017, nearly 60% have been completed) and monitored by the business line and central Operational Risk Committees. They are also assigned one of three levels of priority reflecting the risks incurred and whether or not they are associated with a serious incident. An alert system has been set up to prompt assessment by the Natixis Operational Risks Committee of any delays in implementing first-level corrective actions.

(1) Including losses recorded and provisions >=20k€ net of recoveries except for insurance and frontier credit risk

(2) Gross impact of incidents reported or modified in 2017 (status validated or closed).

10.4 Risk profile

In 2017, a risk analysis was performed on all of Natixis' business lines and support and control functions. Verifying consistency with the results from internal audits and the results of permanent controls highlighted the most important risks for each scope and helped prioritize corrective measures to be implemented in order to improve the risk management mechanism. The Corporate and Investment Banking business lines represent the majority of risks under review owing to the extensive nature of the division's activities and operations in both France and internationally.

Natixis' risk profile features two main risk categories in terms of high potential impact: business line risk, concentrated under Corporate & Investment Banking, and overall risk (cyber, regulatory, loss of access to premises or information systems, or of availability of employees) to which the Company as a whole is exposed. Tailored risk management mechanisms have been introduced to cover these risks, including the safeguarding of procedures and controls, raising employee awareness, Business Continuity Plans, IT Systems Security and insurance policies.

10.5 Operational risk insurance

Groupe BPCE's Risk Insurance Department is tasked with:

- analyzing insurable operational risks;
- taking out appropriate insurance coverage (direct insurance and/or transfer).

- Natixis and its subsidiaries benefit from the guarantees provided in the following main insurance programs:
  - to cover its insurable operational risks; and
  - which are pooled with Groupe BPCE (with the exception of the risk described in point a) below).
- Combined "Banker's Blanket Bond" (securities and fraud) and Company Civil Liability policies providing coverage of €148 million per insurance year (of which €133 million have been pooled with Groupe BPCE), including:

a) €15 million per year, combined "Fraud/Professional Civil Liability" insurance available, subordinate to the amounts guaranteed set out in b) and/or c) and/or d) below;

b) €38 million per claim and per year, solely reserved for "Global Banking" risk;

c) €25 million per claim and per year, solely reserved for "Professional Civil Liability" risk;

d) €70 million per claim and per year, combined "Global Banking/Professional Civil Liability" insurance available in addition to or after use of the amounts guaranteed set out in b) and/or c) above.

The maximum amount that can be paid out for any one claim under this arrangement is €109.75 million under "Professional Civil Liability" coverage and €109.75 million under "Fraud" coverage in excess of the applicable deductibles.

- "Regulated Intermediation Liability" (in three areas: Financial Intermediation, Insurance Intermediation, Real Estate Transactions/Management) with a total maximum payout of €10 million per claim and per year.
- "Operating Liability" covering €100 million per claim, as well as a "Subsidiary Owner Civil Liability"/"Post Delivery-Reception Civil Liability" coverage extension for up to €30 million per claim and per year of insurance.
- "Company Directors Liability" for up to €200 million per claim and per year of insurance.
- "Property Damage to Offices and to their content" (including IT equipment) and the consecutive "losses in banking activities", for up to €300 million per claim.
- "Protection of Digital Assets against Cyber-Risks" & the consecutive "losses in banking activities", for up to €100 million per claim and per insured year.

This coverage extends worldwide for initial risk or umbrella risk, subject to certain exceptions, mainly in terms of "Professional Civil Liability" where the policy does not cover permanent institutions based in the United States (where coverage is obtained locally by Natixis' subsidiaries or US branches).

All the insurance policies mentioned above were taken out with reputable, creditworthy insurance companies and in excess of the deductibles and Natixis' risk-retention capacity.

11

NON-COMPLIANCE RISK

See section 2.5 for a definition of non-compliance risk Types of risk

11.1 Organization of compliance

The Compliance Department oversees the non-compliance risk prevention and mitigation system. It also oversees IT Systems Security and business continuity. Its scope of action encompasses Natixis, its subsidiaries and branches in France and abroad thanks to its functional structure. Natixis' Compliance Department has several tools for executing its functions.

The Compliance Department reports to the members of Natixis' Senior Management Committee and the Board of Directors (Risk Committee) on the main risks detected, and on the implementation and effectiveness of the measures to address these risks. It helps draft the reports required by regulators and acts in accordance with the rules set out by Groupe BPCE.

RESPONSIBILITIES

The Compliance Department advises and assists all Natixis employees on how to prevent compliance risks when performing their duties. It plays a key role in implementing the principles set out in Natixis' Code of Conduct (*Chapter 1)*, which are also included, as regards compliance, in the Compliance Manual.

Accordingly, the Compliance Department participates in establishing standards, policies and procedures, and issues its opinion, particularly regarding supervision of new business, products and organizations.

The Compliance Department also performs a regulatory watch and works with the Human Resources Department on staff training. In 2017, it stepped up its training and awareness programs focused on new regulatory developments, including anti-money laundering, terrorist financing, the prevention of corruption, the MiFID II Directive (financial instrument markets), client protection and preventing conflicts of interest. Over 49,000 training and awareness initiatives took place in 2017, either as classroom training or e-learning.

The Compliance Department is responsible for coordinating first-level permanent risk controls, and sets up and implements second-level permanent risk controls to ensure that procedures are applied within the business lines and that non-compliance risks are mitigated, as part of a risk-based approach (see 3.2 Organization of Natixis' internal control system). To this end, the Compliance Department maps non-compliance risk and ensures the resolution of anomalies detected by the relevant business lines.

FUNCTIONAL STRUCTURE

The Compliance Department reports to the Corporate Secretary and functions independently of the operational departments. At Natixis SA level, the Heads of Compliance report hierarchically to Natixis' Chief Compliance Officer. At subsidiary and branch level, there is a direct reporting line between the subsidiary and branch compliance heads and Natixis' Chief Compliance Officer (prior approval for the assignment, appointment or removal of subsidiaries' compliance heads, participation in annual performance and career advancement reviews, approval of annual work plans and fulfillment of reporting and alert requirements vis-à-vis Natixis' Compliance Department).

The operating rules of the Compliance Department are set out in a charter approved by Natixis' Senior Management Committee.

TOOLS

The Compliance Department is equipped with a set of tools to cover all the areas within its remit, namely:

- behavioral analysis tools, used in conjunction with KYC tools, to detect money laundering and internal fraud and prevent terrorist financing;
- data-comparison systems to verify client databases and filter transactions to ensure compliance with embargoes;
- tools to track sensitive transactions, keep insider lists, manage conflicts of interest and detect instances of market abuse.

11.2 Employees and professional ethics

CONFLICTS OF INTEREST

Conflicts of interest are prevented by:

- setting up and monitoring of information barriers;
- using risk maps to identify situations posing a risk of conflict of interest;
- checking compensation policies;
- being compliant with the rules of good conduct applicable to Natixis staff.

Conflict of interest is managed through:

- compliance with the conflict of interest prevention framework;
- cooperation among the business lines, Compliance and Management in order to identify and manage conflicts of interest;
- close monitoring by Compliance with the help of a transactional conflict detection tool; and
- an escalation process for mediating unresolved conflicts of interest if needed.

Whenever the risk of compromising a customer's interests becomes unavoidable in spite of the internal procedures in place, Natixis informs the customer of the nature of the conflict of interest before taking action on the customer's behalf, allowing the customer to make an informed decision on whether to proceed with the transaction.

CIRCULATION OF INFORMATION

Information barriers are put in place and reviewed each time the organizational structure changes in order to prevent the unwarranted circulation of confidential information. These barriers function as partitions between business lines and departments, setting limits to the circulation of information on a need-to-know basis. As such, information is transmitted only in the customer's interest and only to employees who absolutely require the information to carry out their duties. These barriers may be organizational, physical or electronic and may be permanent or temporary. Natixis has set up a permanent and complete information barrier separating its Asset Management business activities within Natixis Asset Management from its other activities.

Pursuant to regulations in force, the entry of sensitive transactions into ODEON allows Compliance to rapidly identify issuers to be placed on the watchlist or on the prohibition list, as well as employees to be placed on the insider list.

11.3 Customer protection

Defending customers' interests is a core concern of Natixis' activities and is reflected in the policies of each entity in France and abroad. In all circumstances, employees are required to serve customers with diligence, loyalty, honesty and professionalism, and to offer financial products and services that are appropriate to customers' abilities and needs. Accordingly, and in the interest of maintaining a high level of customer protection, in the fourth quarter of 2017 Natixis began a cross-functional review of its permanent control system covering this area for completion in the first half of 2018.

CUSTOMER INFORMATION

There is a customer information procedure encompassing all the MiFID II obligations on customer onboarding, as well as pre- and post-trade information due to customers according to their MiFID category.

There is also a specific procedure on costs, expenses, and on key information documents for packaged products to be provided to non-professional customers before trade, thus ensuring Natixis' compliance with PRIIPS obligations.

KNOW YOUR CUSTOMER (KYC)

The procedures for customer onboarding are in line with the various regulatory requirements governing money laundering, terrorist financing, management, financial sanctions and international embargoes for the entities in question.

In 2017, Natixis continued to implement the Automatic Exchange of Tax Information regulation across all its French and international operations concerned and located in a country that has implemented the Common Reporting Standard (CRS). This regulation requires the identification of non-residents who own assets, more specifically financial accounts in the books of Natixis.

HANDLING OF CUSTOMER COMPLAINTS

The system ensures that:

- customers receive transparent information on how their complaints are being handled;
- complaints are handled effectively; and
- corrective action is enforced to remedy any problems identified.

MARKET INTEGRITY

Natixis is equipped with a system to detect transactions that could constitute market abuse. Dedicated teams using a specialist surveillance tool process alerts and analyze potential market abuse. Transactions that could constitute market abuse are reported to the French Financial Markets Authority (AMF) and to local regulators, in accordance with the regulations in force. In 2017, the supervision processes and system underwent an in-depth review, and in 2018 the system will be updated to strengthen their analysis and detection capabilities.

11.4 Financial security

Reporting to Compliance management, the role of the Financial Security Department is to manage the system dedicated to anti-money laundering and counter-terrorist financing (AML/CTF), anti-corruption and anti-fraud, and ensure the compliance of Natixis and its subsidiaries with financial sanctions and embargoes.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING

As part of the fight against money laundering and terrorist financing, and in accordance with regulations, Natixis has set up a framework that builds in:

- KYC and due diligence obligations, in line with a risk-based approach, on customer onboarding, periodic reviews and throughout the business relationship;
- a transaction monitoring and control system based on automated tools or requests that report alerts and suspicions to Natixis' Financial Security Department;
- a procedure for reporting "suspicious" transactions to the relevant financial intelligence unit in a timely manner;
- regular employee training and information to ensure compliance with these obligations.

As regards counter-terrorist financing, heightened vigilance measures have been implemented in the form of behavioral analysis tools. These measures identify risk factors and enable the application of in-depth and adapted due diligence procedures.

Any transaction that is detected as potentially contributing to terrorist activities or potentially benefiting persons or entities linked to such activities warrants a suspicion report to the relevant financial intelligence unit.

COMPLIANCE WITH FINANCIAL SANCTIONS AND EMBARGOES

Natixis has implemented a framework to ensure compliance with regulations on applicable financial sanctions and embargoes.

The framework draws on systems that verify client databases and filter transactions with a view to identify, on an ongoing basis, any person or entity subject to financial sanctions, specifically account freezes or restricted access to bank financing. It can apply account freezes aimed at Natixis clients in a timely manner, as well as prevent any transaction linked to sectors, goods or technologies that are subject to restrictions or bans pursuant to embargo measures. The jurisdictions subject to embargo undergo constant supervision and heightened diligence as part of a prudent and restrictive approach to prevent interpretation of regulatory scope.

A team focused on financial sanctions provide assistance and advice to the Bank's business lines and entities.

ANTI-FRAUD MEASURES

The anti-fraud measures are steered by the Anti-Fraud Coordination Unit in collaboration with the concerned business lines. This unit is also in charge of drafting and implementing standards and principles for fraud risk management and of coordinating the anti-fraud officers' network across the subsidiaries and branches of Natixis in France and abroad.

More specifically, risk linked to capital markets activities is closely monitored and subject to specific first- and second-level controls overseen and implemented by a dedicated team within CIB Compliance. Social engineering-type payment fraud is also subject to constant vigilance and specific prevention measures, as this continuously evolving fraud is particularly widespread and has evolved to impact the different commercial banking business lines. Lastly, the risk of information leakage, which has become a major risk, is subject to a specific control and investigation employing the expertise of fraud and IS security experts as well as the legal and HR functions as necessary.

PREVENTION OF CORRUPTION

To comply with the requirements set out in Article 17 of the law of December 9, 2016 on transparency, prevention of corruption and the modernization of the economy ("Sapin II"), in 2017 Natixis carried out a campaign to strengthen and align some of the rules and procedures of its compliance framework to the best international standards in corruption prevention.

These rules and procedures aim to identify high-risk situations by drawing on prevention and management of situations of conflicts of interest, conducting anti-corruption due diligence when initiating business relationships with third parties (clients, suppliers, intermediaries), and prior to forming partnerships or carrying out merger and acquisition transactions and by supervising recruitments.

They also endeavor to evaluate the situation of third-parties in terms of corruption and influence-peddling issues (reputation and background analysis), identify the factors of exposure to corruption risk (such as the presence of public decision-makers among the direct or indirect beneficiaries of a transaction), ensure the economic justification of the role of various participants in a transaction, check that effective payments of funds are justified, etc.

They also set out to avoid the risk of impropriety through which certain practices could give rise to giving/accepting gifts or invitations, payments as part of patronage or sponsoring initiatives, donations or third-party compensation.

The rules and procedures of this prevention framework are set out in Natixis' anti-corruption Policy that is applicable to all its entities and employees.

Internationally, Natixis ensures strict compliance with local regulations, such as the UK Bribery Act and the Foreign Corrupt Practices Act.

11.5 IT Systems Security and Business Continuity

The objectives of IT Systems Security and Business Continuity Department, which is organized as a function, are to protect Natixis' information assets, identify risks (relating to information availability, integrity, confidentiality and traceability), to request, where applicable, a remediation plan to be put in place, to provide expertise and advice to the business lines and to keep the overall crisis set-up in working order. To meet these objectives, the department draws on its own resources to provide cross-business functions. It also relies on representatives within the business lines (IT Systems Security managers and Business Continuity Plan managers) and the IT Department.

The ITSS-BC Department coordinates its activities based on risks. It employs a method which identifies, in terms of operational risk, the risk situations of concern to the business lines and their IT assets that may be vulnerable. This method has since been adopted by Groupe BPCE. Risk assessments can be conducted during the annual review or can result from supporting a project. In 2017, the ITSS-BC monitored close to 300 business line projects, half of issued specific security requirements in order to better mitigate risks.

In light of these risks, the ITSS-BC Department runs an annual second-level permanent control plan covering all areas of IT System Security, with a tight focus on the control of access rights. The user access management overhaul program that began in 2012 was concluded in 2017. The tool manages approximately 1.2 million access rights for over 21,000 employees and contractors. The controls also check compliance with the security policy. Natixis was an active participant in the review of Groupe BPCE's IT system security policy, which comprised some 400 rules at end-2017.

Close tracking of upgrade requests – set up in the fourth quarter of 2017 – should also reduce Natixis' exposure to ITSS and BC risks.

In addition, Natixis acquired a new tool for monitoring IT security incidents which also makes it easier to report serious incidents to the relevant regulators.

Natixis' departments in charge of IT Systems Security (ITSS-BC and the Information Systems Security Department) defined a joined strategic plan for 2018-2020 which aims to improve measures to mitigate cyber attack risk. The plan sets out to transform our security model: from the current fortress (restricted access and protected by a single line of defense) to a system similar to that used in airports (more open, but with increased protection of sensitive assets).

As regards the Business Continuity Plan, the BCP and IT Contingency Plan (ICP) plans were merged to increase their effectiveness.

The 2017 second-level control plan covered most of the entities and critical IT infrastructures and was supplemented with a large-scale "Telework" test involving almost 700 staff and emergency drills.

The Seine Flooding ("Crue de Seine") project was successfully completed: new protection measures have been installed and successfully tested; the Paris IT network was secured as was most of the access of the international platforms to the network; and a new fallback solution offering greater accessibility for staff was tested. Lastly, the new real estate strategy is being implemented as leases expire.

Natixis is steadily strengthening its business continuity system to contend with cyber threats. A crisis unit is in place, emergency procedures have been distributed on what to do in case of known cyber attacks (ransomware, DDos, etc.), and we are currently reviewing ways of boosting our resilience to extreme shocks.

11.6 Personal data protection

Natixis is committed to protecting the personal data of customers and employees alike. As such:

- processes involving the use of personal data are conducted pursuant to the French Data Protection Act and, when necessary, are declared to the Commission Nationale de l'Informatique et des Libertés (CNIL – French Data Protection Authority) or the international equivalent;
- Natixis takes the necessary measures to guarantee the confidentiality of such data and to keep the persons whose data are being processed informed so that they can fully exercise their rights of access and rectification.

This is ensured at two levels of the organization: CNIL coordination (Compliance) and local CNIL representatives in every business line.

Compliance with the General Data Protection Regulation (GDPR) is in progress: a body of procedures is being established, as is a register of personal data as well as an inventory - for each relevant operation - of security requirements to be compliant, and a deputy manager in charge of personal data protection has been recruited.

12

LEGAL RISKS

Like many banking groups, Natixis and its consolidated subsidiaries are involved in litigation before the courts and may be investigated by regulatory authorities.

As assessed at December 31, 2017, the financial consequences of litigation deemed likely to have, or which have in the recent past had, a material impact on the financial situation of Natixis and/or Natixis and its consolidated subsidiaries as a whole, or on their profitability or their business, have been included in Natixis' consolidated financial statements.

The most significant disputes are described below. Their inclusion in the list does not indicate that they will necessarily have an impact on Natixis and/or its consolidated subsidiaries. The other disputes are deemed unlikely to have a material impact on Natixis' financial situation or profitability and/or that of Natixis and its consolidated subsidiaries as a whole, or have not reached a stage where it can be determined whether they will have such an impact.

12.1 Legal and arbitration proceedings

MADOFF FRAUD

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

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

Furthermore, the liquidators of Fairfield Sentry Limited and Fairfield Sigma Limited have initiated 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 jointly responded in May and June 2017 and are awaiting the announcement of the hearing date.

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 two messages sent in the second half of 2007, at the beginning of the subprime crisis.

The judicial investigation is still ongoing.

NATIXIS ASSET MANAGEMENT (FORMERLY CDC GESTION) – PROFIT SHARING

In 2012, a complaint was filed against Natixis Asset Management before the Paris District Court (Tribunal de Grande Instance de Paris) by 187 former employees of CDC Gestion (current name Natixis Asset Management). The subject of the complaint is the legal recognition of their rights to common law profit-sharing schemes from 1989 to 2001.

Following the application for a priority preliminary ruling on the issue of administrative constitutionality raised by Natixis Asset Management on the interpretation of an article of the French Labor Code, on August 1, 2013 the Constitutional Council declared the first paragraph of Article L.442-9 of the French Labor Code in its version prior to Law No. 2004-1484 of December 30, 2005 to be unconstitutional and ruled that employees of companies whose share capital is predominantly held by public entities cannot call for a profit-sharing scheme to be applicable to them for the period during which the provisions declared unconstitutional were in force.

In September 2014, the Paris District Court ruled in favor of Natixis Asset Management and dismissed all of the employees' complaints. The employees appealed the ruling to the Paris Court of Appeal. On May 9, 2016 the Court of Appeal upheld the ruling and rejected the appeal filed by the plaintiffs. Employees have collectively submitted an appeal to the Court of Cassation. In a ruling on February 28, 2018, the Court of Cassation rejected the employees' collective appeal.

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.

MMR Investment Ltd filed an appeal on March 27, 2017. The case is ongoing.

UNION MUTUALISTE RETRAITE

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

On January 19, 2016, the Commercial Court of Paris ordered a stay of proceedings on the merits of the case, pending a final decision by the Paris Court of Appeal as requested by AEW Europe in early July 2015 in the context of an appeal for annulment ("appel-nullité") submitted against the ruling of the Commercial Court of July 1, 2015, which had declared the legal action by the claimants to be admissible. In an order dated July 17, 2017, the Paris Court of Appeal ruled the AEW Europe annulment to be inadmissible.

On October 25, 2016, the Commercial Court of Paris ordered the two insurance schemes involved to honor, in respect of AEW Europe, 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 Europe. One of the insurers concerned appealed this decision on December 7, 2016.

The case is ongoing.

SECURITIZATION IN THE UNITED STATES

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

Two of these proceedings relate to accusations of fraud. One was dismissed in 2015 as time-barred. Some claims related to the second proceeding were also dismissed as time-barred. That case, for the remaining claims, is currently in the discovery phase, and Natixis believes that it has meritorious defenses.

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

Another lawsuit was filed before a US federal court against Natixis Real Estate Holdings LLC and several subsidiaries, alleging violations of the False Claims Act in RMBS activities. Natixis filed a motion to dismiss the case in January 2017. Its request was granted in September 2017; as such, the dispute is now closed.

EDA - SELCODIS

On June 18, 2013, through two separate complaints, Selcodis and EDA brought proceedings before the Commercial Court of Paris against Compagnie Européenne de Garanties et Cautions for the sudden termination of commercial relations following the refusal by the latter to grant EDA a guarantee.

Through two new complaints filed on November 20, 2013, Selcodis and EDA also brought claims before the Commercial Court of Paris against Natixis, BRED and CEGC for unlawful agreements, alleging that such actions led to the refusal by CEGC to grant a guarantee to EDA and to the termination of various loans by BRED.

Selcodis is asking for compensation for the losses purportedly suffered as a result of the court-ordered liquidation of its EDA subsidiary, and is requesting that the defendants be ordered to pay damages and interest, which it assesses to be €32 million. For its part, EDA is requesting that the defendants be ordered to bear the asset shortfall in its entirety, with its amount being calculated by the court-appointed receiver.

Natixis and CEGC consider all of these claims to be unfounded.

These two cases (EDA – SELCODIS) are ongoing.

MPS FOUNDATION

In June 2014, MPS Foundation (Fondazione Monte dei Paschi di Siena), an Italian foundation, filed a claim against 11 banks, including Natixis, which granted it financing in 2011 at the request of its previous executive officers, on the grounds that the financing thus granted was in violation of its bylaws, which state that MPS Foundation cannot hold debt exceeding 20% of its total balance sheet. The damages claimed by MPS Foundation against the banks and former directors amount to €285 million.

Natixis considers these accusations to be unfounded.

Following an objection as to jurisdiction, the Tribunal of Siena referred the case to the Tribunal of Florence on February 23, 2016. The case is still in progress before the Tribunal of Florence.

FORMULA FUNDS

Following an inspection by the AMF (French Financial Markets Authority) in February 2015 on Natixis Asset Management's compliance with its professional obligations, particularly the management of its formula funds, the AMF's Enforcement Committee delivered its decision on July 25, 2017, issuing a warning and a fine of €35 million. The Enforcement Committee found a number of failings concerning the redemption fees charged to funds and structuring margins.

Natixis Asset Management is mounting a rigorous defense against this decision and has filed an appeal with the French Council of State. The case is ongoing.

In addition, UFC-QUE CHOISIR, in its capacity as a consumers' rights non-profit, brought claims before the Paris District Court (Tribunal de Grande Instance de Paris) on March 5, 2018 against the asset management company to obtain compensation for the financial losses suffered by the holders of the formula funds in question.

SOCIÉTÉ WALLONNE DU LOGEMENT

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

All of SWL's claims were dismissed in a ruling by the Charleroi Commercial Court on November 28, 2014. SWL appealed this ruling to the Mons Court of Appeal on March 2, 2015. On September 12, 2016, the Mons Court of Appeal annulled the contested swap agreement and ordered Natixis to repay to SWL the amounts paid by SWL as part of the swap agreement, less any amounts paid by Natixis to SWL under the same agreement and taking into account any amounts that would have been paid had the previous swap agreement not been terminated.

Natixis submitted an appeal to the Court of Cassation on January 18, 2017.

Furthermore, on March 16, 2017 Natixis filed an appeal with the Paris Court of Appeal challenging the appeal ruling's legal enforceability in France, and on August 3, 2017 Natixis summoned the Walloon regional authority to appear before the Namur Court of First Instance regarding the appeal of its performance bond as part of the aforementioned swap agreement.

12.2 Situation of dependency

Natixis is not dependent on any patent or license, or on any industrial, commercial or financial supply contract.

13

OTHER RISKS

13.1 At-risk exposures

(These data form an integral part of the financial statements certified by the Statutory Auditors.)

Natixis was exposed to the following risks at December 31, 2017.

TABLE 63: EXPOSURE TO MONOLINE INSURERS

In 2017, value adjustments went down by €10 million (excluding the effect of the BPCE guarantee) to €63 million at December 31, 2017, versus €73 million at December 31, 2016.

(in millions of euros)	Data at 12.31.2017 Notional amount	Data at 12.31.2017 Pre-value adjustment exposure	Data at 12.31.2017 Value adjustments	Data at 12.31.2016 Notional amount	Data at 12.31.2016 Pre-value adjustment exposure	Data at 12.31.2016 Value adjustments
Protection for CLOs	-	-	-	68	4	-
Protection for RMBS	36	5	-	44	7	-
Other risks	1,466	257	(63)	1,840	342	(73)
TOTAL	**1,502**	**262**	**(63)**	**1,952**	**353**	**(73)**

(in millions of euros)	12.31.2017	12.31.2016
Pre-value adjustment exposure	262	353
Value adjustments	(63)	(73)
RESIDUAL EXPOSURE	**199**	**280**
Discount (%)	24%	21%

TABLE 64: EUROPEAN RMBS

Net exposure to UK RMBS

UK RMBS *(in millions of euros)*	Net exposure at 12.31.2016	Change in value in 2017	Other changes	Net exposure at 12.31.2017	AAA	AA	A	BBB	BB	B	CCC	CC
Trading book	40	-	(11)	29	8	10	3	7	-	1	-	-
TOTAL	**40**	**-**	**(11)**	**29**	**8**	**10**	**3**	**7**	**-**	**1**	**-**	**-**

Net exposure to Spanish RMBS

Spanish RMBS *(in millions of euros)*	Net exposure at 12.31.2016	Change in value in 2017	Other changes	Net exposure at 12.31.2017	AAA	AA	A	BBB	BB	B	CCC	CC
Trading book	-	-	11	11	-	6	1	3	1	-	-	-
TOTAL	**0**	**0**	**11**	**11**	**-**	**6**	**1**	**3**	**1**	**-**	**-**	**-**

TABLE 65: CMBS

CMBS *(in millions of euros)*	Net exposure as at 12.31.2016	Change in value in 2017	Other changes	Net exposure as at 12.31.2017
Trading book	0	-	1	1
Loans and receivables portfolio	28	-	118	146
TOTAL	**28**	**0**	**119**	**147**

Breakdown by rating	% breakdown
AAA	48%
AA	8%
A	2%
BBB	3%
BB	1%
NR	38%
TOTAL	**100%**

Breakdown by country	% breakdown
USA	99%
Europe	1%
TOTAL	**100%**

TABLE 66: EXPOSURES TO COUNTRIES RECEIVING FINANCIAL ASSISTANCE

At December 31, 2017, exposures to sovereign risk in countries receiving financial aid or facing uncertainties (political, currency, etc.) were as follows:

	12.31.2017 [(a)]				12.31.2016 [(a)]			
(in millions of euros)	Sovereign securities	Derivatives [(b)]	Other	Total	Sovereign securities	Derivatives [(b)]	Other	Total
Spain*	916	4	10	930	1,088	5	4	1,097
Greece*	0			0	2	-	-	2
Ireland*	185	(4)		181	162	-	-	162
Portugal*	154			154	101	-	-	101
Russia	1	0	10	11	2	2	23	27
Venezuela			58	58	-	-	70	70
TOTAL	**1,255**	**0**	**79**	**1,334**	**1,355**	**7**	**97**	**1,459**

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

(a) *Excluding corporates.*

(b) *Including credit derivatives.*

At December 31, 2017 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 December 31, 2017 [(a)]					
(in millions of euros)	Bank	Asset financing and structured transactions [(c)]	Corporate	Total gross exposure	Provisions [(b)]	Net exposure at December 31, 2017
Greece*	5	182	22	209	(25)	185
Russia	525	419	328	1,272	(6)	1,265
Ukraine	0	118	25	143	(8)	134
TOTAL	**530**	**718**	**375**	**1,624**	**(39)**	**1,585**

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

(a) *Gross exposure: gross carrying amount on the balance sheet at December 31, 2017.*

(b) *Individual and collective provisions.*

(c) *Exposure corresponds mainly to the "shipping finance" sector amounting to €81 million at December 31, 2017.*

(in millions of euros)	Gross exposure at December 31, 2016 [(a)]					
	Bank	Asset financing and structured transactions [(c)]	Corporate	Total gross exposure	Provisions [(b)]	Net exposure at December 31, 2016
Greece*	23	228	63	314	(60)	254
Russia	722	619	712	2,053	(5)	2,048
Ukraine	-	207	28	234	(23)	211
TOTAL	**745**	**1,054**	**802**	**2,601**	**(88)**	**2,513**

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

(a) *Gross exposure: gross carrying amount on the balance sheet at December 31, 2016.*

(b) *Individual and collective provisions.*

(c) *Exposure corresponds mainly to the "shipping finance" sector amounting to €134 million at December 31, 2016.*

13.2 Risks related to insurance activities

13.2.1 NATIXIS ASSURANCES

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

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

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

Market risk

Market risk is in large part borne by the subsidiary BPCE Vie on the financial assets that underpin its commitments with guaranteed principal and returns (euro-denominated policies: €48.5 billion on the main fund balance sheet). The Company is exposed to asset depreciation risk (fall in the equity or real estate market, wider spreads, interest rate hikes) as well as the risk of lower interest rates which would generate a shortfall in terms of principal and meeting its the guaranteed rate of return. To deal with this risk, BPCE Vie has only sold policies without a minimum guaranteed return in recent years: more than 90% of the policies have a zero minimum guaranteed return. The minimum guaranteed return averages 0.15%.

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

Credit risk

Credit risk is monitored and managed in compliance with Natixis Assurances' standards and internal limits. As of December 31, 2017, 67% 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 policy products and communication campaigns, and a communication campaign targeting customers and the network.

Non-life insurance underwriting risk

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

- premium risk: in order to ensure that the premiums paid by the policyholders corresponds to the transferred risk, BPCE Assurances implemented a portfolio monitoring policy whereby each policy is given a score based on its track record over three years. Factored in are types of claims, number of claims, their cost and other variables specific to the activity in question (degree of liability and bonuses/penalties for motor insurance, for instance). This monitoring policy also contributes to detecting potential risks arising from large claims, and to arranging adequate reinsurance coverage;
- risk of loss: each time inventory is taken, an actuarial assessment of the reserves for claims to be paid is conducted based on methods widely recognized by the profession and required by the regulator;
- catastrophe risk: catastrophe risk is the exposure to an event of significant magnitude generating a multitude of claims (storm, risk of civil liability, etc.). This risk is therefore reinsured either through the government in the event of a natural disaster or an attack, for example, or through private reinsurers, specifically in the event of a storm or a civil liability claim, or through reinsurance pools.

Counterparty risk

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

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

13.2.2 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

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. Coface manages credit risk through a number of procedures, whose scope includes the approval of the terms of policies relating to products, pricing, monitoring of credit risk hedges and portfolio diversification. Credit risk can be exacerbated due to the concentration of exposure (country, sector, debtor, etc.) and is modeled as premium risk, reserve risk and disaster risk Traditionally, Coface makes a distinction between frequency risk and event risk:

- frequency risk represents the risk of a sudden material increase in delinquency by a large number of debtors. This risk is measured for each region and country by monitoring the instantaneous loss ratio[(1)] and the monthly indicator that breaks down the changes in domestic/export credit by DRA[(2)] and business sector, by acceptance rate on the DRA scale, or by product line (deposit, single risks). As regards exposure and portfolio monitoring, the Group has set up a refined management of its risks based on a sector/country breakdown. Missed payments are thus analyzed weekly by the Group Management Board and monthly by Coface's Underwriting Committee. This risk is mitigated by Coface Re reinsurance. Loss ratios for the different underwriting regions are also monitored at the consolidated Coface level;
- event risk represents the risk of abnormally high losses recorded for the same debtor or group of debtors, or of an accumulation of losses for the same country. Even risk is covered by Coface Re reinsurance.

In addition to weekly and monthly monitoring of each region and country, Coface has implemented a system based on:

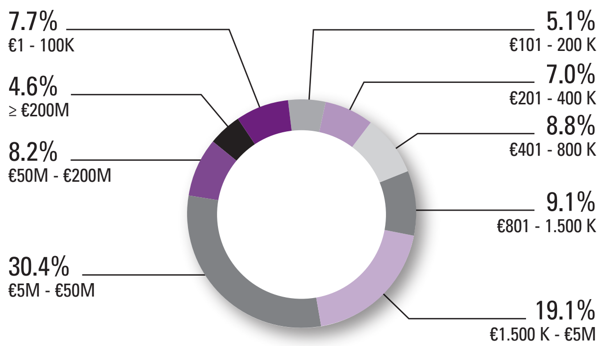
- the centralization of claims reserves exceeding a certain amount per debtor which are then analyzed ex-post to improve the information, underwriting and recovery activity's performance;
- monitoring at the risk underwriting level, which, above a given level of DRA-based outstandings, generates an approval and the establishment of an overall budget by Coface's Underwriting Department; and
- a DRA-based risk assessment system covering all debtors.

Diversification of the credit risk portfolio

Coface maintains a diversified credit risk portfolio, in order to minimize the risk of debtor default, a slowdown in a given business sector, or an adverse event in a given country having a disproportionate impact on its overall claims expense. The insurance policies also contain clauses allowing credit limits to be changed mid-contract. Furthermore, the fact that the great majority of Coface's risks are short-term (95% of total outstandings) allows it to reduce the risk covered for a debtor or a group of debtors relatively quickly and to anticipate a decrease in their solvency.

Second-level controls are set up to ensure that the Group's credit risk standards are observed.

The following chart analyzes the breakdown of debtors by total credit risk exposure incurred by Coface at December 31, 2017:



Financial risk

Coface has implemented an investment policy that incorporates the management of financial risk through the definition of its strategic allocation, as well as regulations governing insurance companies and constraints related to the management of its liabilities. Management of financial risks is thus based on a rigorous system of standards and controls which is constantly reviewed:

- interest rate risk and credit risk: The majority of Coface's allocations are in fixed-income products, ensuring stable and recurring revenues. The overall maximum sensitivity of the bond portfolio has been deliberately capped at 4 and stood at 3.6 at December 31, 2017. Coface still has no exposure to Portuguese and Greek sovereign debt. The Group continued to increase its international diversification in 2017, particularly in the developed countries of North America, in order to benefit from higher rates of return and to follow the various interest rate hikes. Interest rate hedges were applied to a portion of exposure to European sovereign debt;
- foreign exchange risk: the majority of Coface's investment instruments are denominated in euros. Subsidiaries and branches using other currencies must observe the same principles of congruence. In 2017 systematic hedging operations against the euro were arranged in the portfolio containing all of Coface's European entities, to hedge bond investments denominated in dollar, British pound and Australian dollar;

(1) The instantaneous loss ratio is a weekly indicator that reproduces the change in the loss ratio. It is monitored for each region and each country and is reported weekly by Coface, particularly so that underwriters can monitor the change in their portfolio and detect any deterioration in order to introduce corrective actions as early as possible.

(2) Debtor Risk Assessment: Assessment of debtors using a Group-wide grid.

- equity risk: exposure is capped at less than 10% of the portfolio and is concentrated in the euro zone, in connection with its core business. At December 31, 2017, listed equities represented 7.5% of the investment portfolio. These investments were subject to hedging for 30% of the invested portfolio through the purchase of put options on Eurostoxx indices. This hedging can be adjusted in line with investments and the amount of unrealized capital gains or losses on shares held;
- counterparty risk: the maximum exposure to any given counterparty is set at 5% of assets under management, with exceptional exemptions for short-term exposures. More than 89% of the bonds are Investment Grade and therefore have a median rating equal to at least BBB-;
- liquidity risk; At December 31, 2017, 52% of the bond portfolio had a maturity of less than three years. The vast majority of the portfolio is listed on OECD markets and carries a liquidity risk that is currently considered as low.

Level 2 controls on compliance with Coface's investment policy are also carried out.

13.2.3 CEGC

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

In 2017 underwriting risk was managed effectively, reflected by a level of claims 26% of earned premiums. New committed risks on the balance sheet, particularly those on refinanced mortgage loans, made for a good risk profile.

As part of the Solvency 2 supervisory regime, which came into effect on January 1, 2016, CEGC submitted an application to certify its internal assessment model for underwriting risks on mortgage guarantees for retail customers. The ACPR (French Prudential Supervisory Authority for the Banking and Insurance Sector) approved the model in March 2017. CEGC's partial internal model therefore meets the specific requirement applicable to mortgage loan guarantors to improve the robustness of the French banking system for home loans.

CEGC submitted the new annual quantitative statements required by the Solvency II regulations, accompanied by the qualitative and quantitative reports intended for the supervisor (RSR) and the public (SFCR).

Underwriting risk

Underwriting risk is the main risk incurred by CEGC. It is essentially a counterparty risk, as the commitments given by CEGC to beneficiaries of guarantees result in direct exposure to underwriters. These regulated commitments recorded on the liabilities side of the balance sheet amounted to €1.85 billion at December 31, 2017 (up 15.7% compared to the end of 2016). This increase was in line with fiscal year 2016, driven mainly by mortgage guarantees for individual customers.

CEGC'S OUTSTANDINGS (IN MILLIONS OF EUROS)

CEGC's activities	December 2017	Change (December 2017 versus December 2016)
Individual customers	1,658	16.3%
Individual home builders	20	17.6%
Property administrators - Realtors	11	22.2%
Corporates	29	38.1%
Real estate developers	15	(16.7%)
Professional customers	70	7.7%
Social economy - Social housing	42	23.5%
Run-off activities	5	(37.5%)
TOTAL	**1,849**	**15.7%**

Market risk

CEGC holds an investment portfolio of about €1.92 billion on its balance sheet as at December 31, 2017, hedging underwriting provisions. The portfolio is up 13.62% since the end of 2016. In 2017 CEGC set up an investment program in the real estate segment (which has an allocation target of 10%). Market risk from the investment portfolio is limited by the Company's investment choices.

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

(in millions of euros)	12.31.2017 Net balance sheet value of the provision	12.31.2017 % breakdown	12.31.2017 Fair value	12.31.2016 Net balance sheet value of the provision	12.31.2016 % breakdown	12.31.2016 Fair value
Equity	137	7.2%	164	130	7.7%	155
Bonds	1,338	69.8%	1,476	1,244	73.5%	1,387
Diversified	131	6.8%	137	111	6.6%	115
Cash	124	6.5%	124	119	7.0%	119
Real estate	169	8.8%	174	63	4.2%	99
FCPR	14	0.7%	19	18	1.0%	22
Other	3	0.2%	2	1	0.1%	1
TOTAL	**1,915**	**100%**	**2,096**	**1,686**	**100%**	**1,899**

Reinsurance risk

CEGC hedges its liability portfolio by implementing a reinsurance program tailored to its activities.

In loan guarantees, reinsurance is used as a way to manage regulatory capital by protecting guarantee beneficiaries in the event of an economic scenario giving rise to a loss of up to 2% of outstanding guaranteed loans.

In the Corporate segments, the program is used to protect CEGC’s capital by covering high-severity risks. It has been calibrated to protect against three individual loss events (loss related to a counterparty or a group of counterparties) which could have a significant impact on the Corporate segment’s income statement.

Any modification of the reinsurance program (reinsurers, pricing, structure) is subject to the validation of the Capital and Solvency Management Committee chaired by a corporate officer.

Reinsurer default risk is governed by counterparty concentration and rating limits. CEGC's reinsurance programs are underwritten by a broad panel of international reinsurers with a minimum rating of A on the S&P scale.

13.3 Strategy risk

Strategy risks is defined as:

- the risk inherent to the strategy chosen;
- or resulting from Natixis’ inability to implement its strategy.

Strategy risks are monitored by the Board of Directors, supported by its Strategic Committee, which examines the strategies guiding Natixis’ activities at least once a year. The Board of Directors also approves strategic investment projects and any transactions, particularly acquisitions and disposals, that are likely to significantly affect Natixis’ results, the structure of its balance sheet or its risk profile.

Senior Management is in charge of defining and steering Natixis’ strategy, with assistance from the Senior Management Committee.

The membership of these various bodies is presented in Chapter 2 of the 2017 Natixis registration document. The Internal Rules of the Board of Directors, including the procedure for calling meetings, can be found in Chapter 2 paragraph 2.3.1, of the registration document.

13.4 Climate risk

Pursuant to Article 173 of the energy transition act, as of the 2016 fiscal year Natixis is required to report on the risks linked to climate change and on its low-carbon strategy.

The identification and management of risks linked to social and climate change are presented in Chapter 6 of 2017 Natixis registration document.

13.5 Environmental and social risks

The identification and management of these risks are presented in Chapter 6 of 2017 Natixis registration document.

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APPENDIX

Appendix 1: Transition from the accounting balance sheet to the prudential balance sheet at December 31, 2017

ASSETS *(in millions of euros)*	Accounting balance sheet	Restatement of insurance companies	Prudential balance sheet
Cash, central banks	36,901	0	36,901
Financial assets at fair value through profit or loss	184,497	(22,773)	161,725
Hedging derivatives	339	(1)	337
Available-for-sale financial assets	57,885	(46,962)	10,923
Loans and receivables due from banks	45,289	(1,283)	44,006
Customer loans and receivables	136,768	(8,996)	127,773
Revaluation adjustments on portfolios hedged against interest rate risk	0	0	0
Held-to-maturity financial assets	1,885	(1,885)	0
Current tax assets	577	(117)	460
Deferred tax assets	1,585	(95)	1,490
Accrual accounts and other assets	46,624	(13,726)	32,898
Non-current assets held for sale	738	(698)	40
Deferred profit-sharing	0	0	0
Investments in associates	734	3,215	3,949
Investment property	1,073	(949)	124
Property, plant and equipment	758	(60)	698
Intangible assets	732	(221)	511
Goodwill	3,601	(386)	3,215
TOTAL ASSETS	**519,987**	**(94,937)**	**425,049**

Liabilities *(in millions of euros)*	Accounting balance sheet	Restatement of insurance companies	Prudential balance sheet
Due to central banks	0	0	0
Financial liabilities at fair value through profit or loss	144,885	(2,176)	142,710
Hedging derivatives	710	0	710
Due to banks	104,318	(3,160)	101,157
Customer deposits	94,571	198	94,769
Debt securities	32,574	(435)	32,139
Revaluation adjustments on portfolios hedged against interest rate risk	138	0	138
Current tax liabilities	532	(81)	451
Deferred tax liabilities	620	(275)	346
Accrual accounts and other liabilities	37,936	(9,862)	28,073
Liabilities on non-current assets held for sale	698	(698)	0
Insurance companies' technical reserves	76,601	(76,601)	0
Contingency reserves	1,742	(153)	1,589
Subordinated debt	3,674	(639)	3,035
Shareholders' equity (Group share):	19,795	0	19,795
Share capital and reserves	10,976	0	10,976
Consolidated reserves	6,697	0	6,697
Unrealized or deferred gains or losses	772	0	772
Other gains or losses	(318)	0	(318)
Net income	1,669	0	1,669
Minority interests	1,192	(1,054)	137
TOTAL LIABILITIES	**519,987**	**(94,937)**	**425,049**

Appendix 2: Issuance of capital instruments at December 31, 2017

ISSUANCE OF AT1 OF CAPITAL INSTRUMENTS

Capital instruments - main features *(in millions of euros)*		Additional Tier 1 capital instruments		
1	Issuer	NATIXIS (formerly NBP)	NATIXIS (formerly NBP)	NATIXIS
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0010154278	FR0010347880	FR0010600163
3	Governing law(s) of the instrument	French	French	French
3a	Conditions under which the eligibility requirement of Section 13 of the TLAC Term Sheet is met (for other TLAC-eligible instruments governed by the laws of foreign countries)	n/a	n/a	n/a
	Regulatory treatment			
4	CRR phase-in rules	Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments
5	Post-CRR phase in rules	Ineligible	Ineligible	Ineligible
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	CRR Article 52	CRR Article 52	CRR Article 52
8	Amount recognized in regulatory capital	EUR 152 m	EUR 208 m (USD 250 m)	EUR 150 m
9	Nominal amount of instrument	EUR 152 m	USD 250 m	EUR 150 m
9a	Issue price	100%	100%	100%
9b	Redemption price	100%	100%	100%
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	25/01/2005	30/06/2006	28/03/2008
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a
14	Call option for issuer subject to prior supervisory approval	yes	yes	yes
15	Optional call date, contingent call dates and redemption amount	call date of early redemption option at par and for the full issue on 01.25.2010	call date of early redemption option at par and for the full issue on 06.30.2016	call date of early redemption option at par and for the full issue on 03.28.2018
		early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of coupons paid, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of coupons paid, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of coupons paid, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)
16	Subsequent call dates	at each coupon payment date (on 01.25 of each year)	at each coupon payment date (on 03.31, 06.30, 09.30 and 12.31 of each year)	at each coupon payment date (on 03.28, 06.28, 09.28 and 12.28 of each year)

Additional Tier 1 capital instruments				
NATIXIS	NATIXIS	NATIXIS	NATIXIS	NATIXIS
USF6483LHM57	FR0012858827	FR0013126851	FR0013238698	FR0013303641
State of New York (except regulatory status governed under French law)	French	French	French	French
n/a	n/a	n/a	n/a	n/a
Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments
Ineligible	Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments
Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
CRR Article 52	CRR Article 52	CRR Article 52	CRR Article 52	CRR Article 52
EUR 155 m (USD 186 m)	EUR 500 m	EUR 400 m	EUR 416 m (USD 500 m)	EUR 416 m (USD 500 m)
USD 186 m	EUR 500 m	EUR 400 m	USD 500 m	USD 500 m
100%	100%	100%	100%	100%
100%	100%	100%	100%	100%
Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
30/04/2008	20/07/2015	25/02/2016	24/02/2017	18/12/2017
Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
n/a	n/a	n/a	n/a	n/a
yes	yes	yes	yes	yes
call date of early redemption option at par and for the full issue on 04.30.2018	call date of early redemption option at par and for the full issue on 07.20.2021	call date of early redemption option at par and for the full issue on 02.25.2022	call date of early redemption option at par and for the full issue on 02.24.2027	call date of early redemption option at par and for the full issue on 12.18.2023
contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of coupons paid, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (Tax Event, loss of deductibility of interest paid, imposition of withholding tax) or regulatory legislation (Capital Event, loss of AT1 issue status)	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (Tax Event, loss of deductibility of interest paid, imposition of withholding tax) or regulatory legislation (Capital Event, loss of AT1 issue status)	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (Tax Event, loss of deductibility of interest paid, imposition of withholding tax) or regulatory legislation (Capital Event, loss of AT1 issue status)	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation (Tax Event, loss of deductibility of interest paid, imposition of withholding tax) or regulatory legislation (Capital Event, loss of AT1 issue status)
at each coupon payment date (on 01.30, 04.30, 07.30 and 10.30 of each year)	at each coupon payment date (on 01.20, 04.20, 07.20 and 10.20 of each year)	at each coupon payment date (on 02.25, 05.25, 08.25 and 11.25 of each year)	at each coupon payment date (on 02.24, 05.24, 08.24 and 11.24 of each year)	at each coupon payment date (on 03.18, 06.18, 09.18 and 12.18 of each year)

ISSUANCE OF AT1 OF CAPITAL INSTRUMENTS

Capital instruments - main features *(in millions of euros)*		Additional Tier 1 capital instruments		
	Coupons/Dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed
18	Coupon rate and any related index	10Y CMS +1% but with a minimum of 3.75% and maximum of six times the difference between 10Y CMS and 2Y CMS	3M Libor USD +1.25%	8,65%
19	Dividend stopper exercised	no	no	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary, existence of dividend pushers	Partially discretionary, existence of dividend pushers	Partially discretionary, existence of dividend pushers
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	no	no	yes (step up)
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a
27	If convertible, mandatory or optional	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a
30	Write-down features	yes	yes	yes
31	If write-down, write-down trigger(s)	Supervisory Event (non-compliance with regulatory ratios and/or at the discretion of the regulator)	Supervisory Event (non-compliance with regulatory ratios and/or at the discretion of the regulator)	Supervisory Event (non-compliance with regulatory ratios and/or at the discretion of the regulator)
32	If write-down, full or partial	Partial	Partial	Partial
33	If write-down, permanent or temporary	Temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Mandatory after two profitable fiscal years following the end of the supervisory event (subject to compliance with regulatory ratios) or in the case of dividend distribution, the redemption of the issue or the liquidation of the issuer	Mandatory after two profitable fiscal years following the end of the supervisory event (subject to compliance with regulatory ratios) or in the case of dividend distribution or the redemption of the issue	Optional after two profitable fiscal years following the end of the supervisory event (subject to compliance with regulatory ratios) but mandatory in the case of dividend distribution or the redemption of the issue
34a	Type of subordination	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Participating or subordinated loans and securities	Participating or subordinated loans and securities	Participating or subordinated loans and securities
36	Non-compliant transition features	n/a	n/a	n/a
37	If so, specify non-compliant features			

Additional Tier 1 capital instruments				
Fixed	Floating	Floating	Floating	Floating
10%	3M Euribor +6.41%	3M Euribor +7.35%	3M Libor USD +5.94%	3M Libor USD +3.455%
no	no	no	no	no
Partially discretionary, existence of dividend pushers	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
yes (step up)	no	no	no	no
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
yes	yes	yes	yes	yes
Supervisory Event (non-compliance with regulatory ratios and/or at the discretion of the regulator)	Capital Ratio Event (CET1 ratio below 5.125%)	Capital Ratio Event (CET1 ratio below 5.125%)	Capital Ratio Event (CET1 ratio below 5.125%)	Capital Ratio Event (CET1 ratio below 5.125%)
Partial	Partial	Partial	Partial	Partial
Temporary	Temporary	Temporary	Temporary	Temporary
Optional after two profitable fiscal years following the end of the supervisory event (subject to compliance with regulatory ratios) but mandatory in the case of dividend distribution or the redemption of the issue	Optional after one profitable fiscal year following the capital ratio event, bu the write-up amount cannot exceed the "Maximum Distributable Amount" nor the "Maximum Write-Up amount"	Optional after one profitable fiscal year following the capital ratio event, bu the write-up amount cannot exceed the "Maximum Distributable Amount" nor the "Maximum Write-Up amount"	Optional after one profitable fiscal year following the capital ratio event, bu the write-up amount cannot exceed the "Maximum Distributable Amount" nor the "Maximum Write-Up amount"	Optional after one profitable fiscal year following the capital ratio event, bu the write-up amount cannot exceed the "Maximum Distributable Amount" nor the "Maximum Write-Up amount"
n/a	n/a	n/a	n/a	n/a
Participating or subordinated loans and securities	Participating or subordinated loans and securities	Participating or subordinated loans and securities	Participating or subordinated loans and securities	Participating or subordinated loans and securities
n/a	n/a	n/a	n/a	n/a

ISSUANCE OF T2 CAPITAL INSTRUMENTS

	Capital instruments - main features (in millions of euros)	T2 capital instruments				
1	Issuer	Natixis (formerly BFCE)	Natixis (formerly CDC-IXIS)	Natixis	Natixis	Natixis
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000047722	XS01709333047	Subordinated loan contract	FR0010405894	XS0301168281
3	Governing law(s) of the instrument	French	UK	French	French	UK
3a	Conditions under which the eligibility requirement of Section 13 of the TLAC Term Sheet is met (for other TLAC-eligible instruments governed by the laws of foreign countries)	n/a	n/a	n/a	n/a	n/a
	Regulatory treatment					
4	CRR phase-in rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Post-CRR phase in rules	Ineligible	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/solo and (sub-) consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	CRR Article 63	CRR Article 63	CRR Article 63	CRR Article 63	CRR Article 63
8	Amount recognized in regulatory capital	EUR 36 m	EUR 0.5 m	EUR 900 m	EUR 392m	EUR 392m
9	Nominal amount of instrument	EUR 36 m	EUR 10 m	EUR 900 m	EUR 500m	EUR 500m
9a	Issue price	100%	100%	n/a	100%	100%
9b	Redemption price	120%	100%	n/a	100%	100%
10	Accounting classification	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - fair value option
11	Original date of issuance	25/11/1985	30/06/2003	27/06/2014	15/12/2006	31/05/2007
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	31/03/2018	27/06/2026	15/12/2021	31/05/2022
14	Call option for issuer subject to prior supervisory approval	yes	n/a	yes	n/a	n/a
15	Optional call date, contingent call dates and redemption amount	At any time with one month's prior notice and at 120% of the price	n/a	call date of early redemption option at par and for the full issue on 06.27.2021	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax legislation	n/a
16	Subsequent call dates	n/a	n/a	n/a	n/a	n/a

T2 capital instruments						
Natixis (formerly CDC-IXIS)	Natixis	Natixis (formerly CDC-IXIS)	Natixis (formerly CDC-IXIS)	Banque Privée 1818 (formerly VEGA Finance)	Natixis	Natixis
XS0153361026	Subordinated loan contract	XS0158363852	XS0160553441	Issuance contract for perpetual subordinated debt security	Subordinated loan contract	Subordinated loan contract
UK	French	UK	UK	French	French	French
n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Ineligible	Tier 2 capital	Tier 2 capital
Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
CRR Article 63	CRR Article 63	CRR Article 63	CRR Article 63	CRR Article 63	CRR Article 63	CRR Article 63
EUR 19 m	EUR 100 m	EUR 46 m	EUR 60 m	EUR 10 m	EUR 1,000 m	EUR 92 m
EUR 20 m	EUR 100 m	EUR 46 m	EUR 60 m	EUR 10 m	EUR 1,000 m	EUR 100 m
99,302%	n/a	98,4209%	100%	100%	n/a	n/a
100%	n/a	100%	100%	100%	n/a	n/a
Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost
06/09/2002	27/06/2014	29/11/2002	09/01/2003	30/06/1994	29/07/2015	25/02/2016
Dated	Dated	Dated	Dated	Perpetual	Dated	Dated
06/09/2022	27/06/2024	29/11/2027	09/01/2033	n/a	29/07/2027	25/02/2028
n/a	n/a	n/a	n/a	yes(early redemption)	yes	yes
contingent early redemption option at any time, at par and for the full issue in the event of a change in tax or regulatory legislation	contingent early redemption option at any time, at par and for the full issue in the event of a change in tax or regulatory legislation	n/a	n/a	at any time, at par	Early redemption date for the full issue at par on 07.29.2022 (or at any time in the event of a change in regulatory classification or in tax treatment applied to the debt)	Early redemption date for the full issue at par on 02.25.2023 (or at any time in the event of a change in regulatory classification or in tax treatment applied to the debt)
n/a	n/a	n/a	n/a	n/a	n/a	n/a

	Capital instruments - main features *(in millions of euros)*	T2 capital instruments				
	Coupons/Dividends					
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	Structured coupon between 95% and 120% of average bond market rate	6M Euribor +0.28%	3M Euribor +2%	10Y CMS	10Y CMS
19	Dividend stopper exercised	no	no	no	no	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	no	no	no	no	no
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a
30	Write-down features	no	n/a	n/a	n/a	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a
34a	Type of subordination	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated loans and securities	Unsecured creditors	Unsecured creditors	Unsecured creditors	Unsecured creditors
36	Non-compliant transition features	n/a	n/a	n/a	n/a	n/a
37	If so, specify non-compliant features					

T2 capital instruments						
Floating	Floating	Fixed	Fixed	Floating	Floating	Floating
6M Euribor +0.37%	3M Euribor +1.94%	5,375%	5,40%	1M compounded Euribor +0.20%	3M Euribor +2.30%	3M Euribor +2.92%
no	no	no	no	no	no	no
Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
no	no	no	no	no	no	no
Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	yes	n/a	n/a
n/a	n/a	n/a	n/a	Resolution of the Ordinary General Shareholders' Meeting for absorption of losses	n/a	n/a
n/a	n/a	n/a	n/a	Partial	n/a	n/a
n/a	n/a	n/a	n/a	Permanent	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
Unsecured creditors	Unsecured creditors	Unsecured creditors	Unsecured creditors	Unsecured creditors	Unsecured creditors	Unsecured creditors
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Appendix 3: Leverage ratio common disclosure template (LR2)

Provisions governing the leverage ratio *(in millions of euros)*		12.31.2017	12.31.2016
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	267,356	269,576
2	(Asset amounts deducted in determining Tier 1 capital)	(4,401)	(4,487)
3	**TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS) (SUM OF LINES 1 AND 2)**	**262,955**	**265,089**
	Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	7,442	10,175
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	21,650	20,744
EU-5a	**Exposure determined under Original Exposure Method**		
6	**Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework**		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(11,259)	(14,642)
8	**(Exempted CCP leg of client-cleared trade exposures)**		
9	Adjusted effective notional amount of written credit derivatives	16,194	25,607
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(14,199)	(24,437)
11	**TOTAL DERIVATIVE EXPOSURES (SUM OF LINES 4 TO 10)**	**19,828**	**17,447**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	97,341	102,227
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(25,782)	(27,432)
14	Counterparty credit risk exposure for SFT assets	5,855	7,250
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of regulation (EU) No. 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**TOTAL SECURITIES FINANCING TRANSACTION EXPOSURES (SUM OF LINES 12 TO 15A)**	**77,414**	**82,045**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	93,169	85,713
18	(Adjustments for conversion to credit equivalent amounts)	(57,090)	(48,675)
19	**OTHER OFF-BALANCE SHEET EXPOSURES (SUM OF LINES 17 AND 18)**	**36,079**	**37,038**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of regulation (EU) No. 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of regulation (EU) No. 575/2013 (on and off balance sheet))		
	Capital and total exposures		
20	Tier-1 capital	14,271	14,244
21	Total leverage ratio exposures (sum of lines 3, 11, 16 and 19)	396,276	401,619
	Leverage ratio		
22	Leverage ratio	3.60%	3.50%
	Choice on phase-in arrangements and amount of derecognized fiduciary items		
EU-23	Choice on phase-in arrangements for the definition of the capital measure		
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of regulation (EU) NO 575/2013		
	EXPOSURE RELATED TO AFFILIATES	**47,251**	**50,540**
	LEVERAGE RATIO EXCLUDING EXPOSURE RELATED TO AFFILIATES	**4.10%**	**4.10%**

Appendix 4: Table index

Appendix 5: Cross-reference tables

Cross-reference table between articles of the CRR, Basel Committee/EBA tables and statements, and the Pillar III report

CRR Article	Basel Committee/EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of Registration document
Risk governance and management				
Article 435 (1)	(EBA) EU OVA - Bank risk management approach	2.1 Governance & 2.2 Risk management organization 2.4 Risk appetite 2.7 Stress tests	12-13 14-15 27	113-114 114-115 117
Article 435 (1)	(EBA) CRA - General information about credit risk	5.1. Credit risk control organization 5.2. Credit policy	58 58-59	127 127
Article 435 (1)	(EBA) CCRA - Qualitative disclosure related to counterparty credit risk	6.1. Counterparty risk management	84	128
Article 435 (1)	(EBA) MRA - Qualitative disclosure requirements related to market risk	8.1. Market risk management	100	140
Linkages between financial statements and regulatory exposures				
Article 436 (b)	EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	Table 1	31	119-120
Article 436 (b)	EU LI3 - Differences between consolidation scopes (entity by entity)	Table 2	33	
Article 436(b)	EU LIA – Explanations of differences between accounting and regulatory exposure amounts	3.2 Prudential consolidation scope	31 to 35	118 to 120
Macro-prudential supervisory measures				
Article 458	(BCBS March 2016) CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer	Table 6	45	
Leverage ratio				
Article 451	(BCBS March 2016) LR1 – Comparison of accounting exposures and leverage exposures	Table 55	115	157
	(BCBS March 2016) LR2 – Leverage ratio	Appendix 3	160	
Capital requirements				
Article 438 (c) (f)	(EBA) EU OV1 - Overview of RWA	Table 11	53	
Article 438 last paragraph	(EBA) EU CR10 - IRB - Specialized lending and equities	Table 32	81	
Art. 438 c), d), e) and f)	NX01 - EAD, RWA and EFP by approach and by Basel exposure class	Table 10	52	135-136
Art. 442 c)	NX03 - Exposures and EAD and by Basel exposure class	Table 12	54	136
Art. 442 d), e) and f)	NX05 - EAD by geography and by exposure class	Table 13	55	137
Art. 444 a), b) and c)	NX11BIS - EAD by exposure class and by agency – Standardized approach	Table 14	56	
Art. 453 d)	NX17 - Secured exposure by rating and by type of guarantor	Table 15	56	

CRR Article	Basel Committee/EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of Registration document
Credit risk				
Article 442 (a) and (b)	CRBA - Additional disclosure related to the credit quality of assets		59	134; 227 to 247
Article 442 (c), (g) and (h)	(EBA) EU CR1 - Credit quality of assets	Table 18	64	
Article 453 (a) (e)	(EBA) EU CRC - Qualitative disclosure requirements related to credit risk mitigation techniques	5.5. Credit risk mitigation techniques	60-61	133
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Article 442 (c)	(EBA) EU CRB-B - Total and average net amount of exposures	Table 19	65	
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Article 442 (e)	(EBA) EU CRB-D - Concentration of exposures by industry or counterparty type	Table 21	67	
Article 442(f)	(EBA) EU CRB-E - Maturity of exposures	Table 22	68	
Credit risk – Standardized approach				
Article 444 (a) (d)	(EBA) EU CRD - Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk	5.6. Credit risk: standardized approach	69	129
Article 453 (f) and (g)	(EBA) EU CR4 - Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	Table 24	71	
Article 444 (e)	(EBA) EU CR5 - EAD by asset class and risk weight	Table 25	71	
Credit risk – IRB				
Article 452 (a) (c)	(EBA) EU CRE - Qualitative disclosures related to IRB models	5.7. Credit risk: internal ratings-based approach	72 to 76	128 to 132
Article 452 (e)(h) and (j)	(EBA) EU CR6 - IRB – Credit risk exposures by portfolio and PD range	Table 31	77 to 80	
Article 453 (g)	(EBA) EU CR7 - Internal rating – Effect on RWA of credit derivatives used as CRM techniques	Table 17	63	
Article 92 (3) and 438 (d)	(EBA) EU CR8 - RWA flow statements of credit risk exposures under IRB	Table 30	77	
Art. 452(j)	NX16 - Average weighted PD and average weighted LGD by geography	Table 27	73	
Counterparty risk				
Article 439(e), (f) and (i)	(EBA) EU CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach	Table 36	85	
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Article 444 (e)	(EBA) EU CCR3 - Standardized approach of CCR exposures by regulatory portfolio and risk weight	Table 37	86	
Article 452 (e)	(EBA) EU CCR4 - CCR exposures by portfolio and PD scale	Table 36	87 to 89	
Article 439 (g) and (h)	(EBA) EU CCR6 - Credit derivative exposures	Table 39	89	
Article 439 (e) and (f)	(EBA) EU CCR8 - Exposures to CCPs	Table 40	90	

CRR Article	Basel Committee/EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of Registration document
Securitization				
Article 449	(BCBS) SECA – Qualitative disclosure requirements related to securitization exposures	7.2. Management of risks related to securitization transactions	94-95	139
	(BCBS) SEC1 - Securitization exposures in the banking book	Table 43	96	
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	(BCBS) SEC3 - Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	Table 48	98	
	(BCBS) SEC4 - Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as investor	Table 49	98	
Art. 449(k)	NX33BIS - Banking book EAD by agency	Table 42	95	
Market risk				
Art. 445	(EBA) EU MR1 - Market risk own funds requirements	Table 50	104	
Article 105 and article 455 (c)	(EBA) EU MRB A - Qualitative disclosures for banks using the Internal Models Approach (IMA)	8.3 Methodology for measuring market risk	102-103	140 to 142
Article 455 (a) and (b)	(EBA) EU MRB B - Qualitative disclosures for banks using the Internal Models Approach (IMA)	8.3 Methodology for measuring market risk	102-103	140 to 142
Article 455 (e)	(EBA) EU MR2 – A - Market risk under internal models approach	Table 53	105	
Article 455 (d)	(EBA) EU MR3 - IMA values for trading portfolios	Table 51	104	
Article 455 (g)	(EBA) EU MR4 - Comparison of VaR estimates with gains/losses	Table 52	105	145
Operational risk				
Article 446	(BCBS) ORA – General qualitative data on operational risk management	10. Operational risk	124 to 127	147 to 150
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	(BCBS) OR3 – Change in operational losses declared in 2017 - Corep view	Table 63	126	
Interest rate risk (IRRBB)				
Article 448	(BCBS) Table A – IRRBB management policies and objectives	9.4. Management of structural interest rate risk	117	158
	(BCBS) Table B – NII sensitivity	Table 59 (IRRBB – Table B)	118	159
Remuneration				
Article 450	(BCBS) REMA – Remuneration policy	First update of Pillar III Report		

EDTF recommendation cross-reference table

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Appendix 6: Glossary

Acronym/Term	Definition
ABCP	Asset-backed commercial paper, i.e. a marketable debt instrument backed by cash flows from a pool of underlying assets.
ABS	Asset-backed security, i.e. an instrument representing a pool of financial assets (excluding mortgage loans), its performance linked to that of the underlying asset or pool of assets.
ACPR	Autorité de Contrôle Prudentiel et de Résolution (French Prudential Supervisory Authority for the Banking and Insurance Sector), France's banking and insurance supervisor.
ADAM	*Association de Défense des Actionnaires Minoritaires* (Association for the Defense of Minority Shareholders).
ADIE	*Association pour le droit à l'initiative économique*/Association for the right to economic initiative
AFEP-Medef	*Association Française des Entreprises Privées- Mouvement des Entreprises de France* (French Association of Private Sector Companies- French Business Confederation).
AFS	Available-for-sale
AGIRC	*Association Générale des Institutions de Retraite des Cadres* (General Association for Managers' Pension Institutions).
A-IRB	Advanced Internal Ratings-Based Approach
ALM	Asset and liability management - Management of the financial risks borne by an institution's balance sheet (interest rate, currency, liquidity) and its refinancing policy in order to protect the bank's asset value and/or its future Profitability.
ALM (Committee)	Asset and Liability Management Committee
AM	Asset Management
AMF	*Autorité des Marchés Financiers* (French Financial Markets Authority)
AML	Anti-money laundering
AML-CTF	Anti-money laundering and counter-terrorism financing
AQR	Asset quality review, which involves the supervisory assessment of risks, the actual review of the quality of assets and stress tests.
ARRCO	*Association pour le Régime de Retraite Complémentaire des Salariés* (Association for the Employee Complementary Pension Scheme).
AT1	Additional Tier 1 capital
AUM	Assets under management
Back office	An Administrative Department at a financial intermediary that performs support and post-trading functions.
Backtesting	A method of comparing observed actual losses with expected losses of a model.
Bail-in	A mechanism designed to limit the use of public funds by a failing institution still in operation or in the process of liquidation. The bail-in mechanism grants power to the supervisory authorities to require certain creditors of a credit institution on the brink of failure to convert their debt into shares in the institution and/or to take a loss on their holdings. Under the European accord of June 26, 2015, in the event of capital inadequacy (due to losses), creditors holding subordinated debt, then senior creditors, then unsecured deposits by large corporates, then those of SMEs and finally those of individuals exceeding €100,000 will be bailed-in. However, secured deposits, covered bonds, employee compensation, liabilities related to the institution's vital activities and interbank liabilities with a maturity of less than 7 days should not be affected.
BALO	*Bulletin des Annonces Légales Obligatoires* (French Bulletin for Mandatory Legal Announcements).
Basel 1 (the Basel Accords)	A supervisory framework established in 1988 by the Basel Committee aiming to maintain the solvency and stability of the international banking system by establishing uniform minimum capital requirements for banks on the international level. It established a minimum capital adequacy ratio of 8% in relation to all of the risks borne by a bank.
Basel 2 (the Basel Accords)	A supervisory framework aimed at better anticipating and limiting the risks borne by credit institutions. It focuses on banks' credit risk, market risk and operational risk. The terms drafted by the Basel Committee were adopted in Europe through a European Directive and have been applicable in France since January 1, 2008.

Acronym/Term	Definition
Basel 3 (the Basel Accords)	Changes in the supervisory framework for banks, incorporating the lessons drawn from the 2007-2008 financial crisis, meant to complement the Basel II accords by enhancing the quality and quantity of the minimum capital requirements applicable to financial institutions. Basel III also establishes minimum requirements for liquidity risk management (quantitative ratios), defines measures aimed at limiting procyclicality in the financial system (capital buffers that vary according to the economic cycle) and reinforces requirements for financial institutions deemed to be systemically important.
BCBS	Basel Committee on Banking Supervision, an organization bringing together the central bank governors of the G20 countries tasked with reinforcing the solidity of the global financial system and the effectiveness of prudential supervision and cooperation among bank regulators.
BCP	Business Continuity Plan
BFBP	Banque Fédérale des Banques Populaires.
Bond	A portion of a loan issued in the form of an exchangeable security. For a given issue, a bond grants the same debt claims on the issuer for the same nominal value, the issuer being a company, a public sector entity or a government.
Bookrunner	Main runner or lead manager in the issuance of new equity, debt or securities instruments
Borrowing base lending	A means of asset financing whereby the lender is routinely informed of the value of the borrower's assets pledged as collateral.
Bps	Basis points
Broker	Courtier
Brokerage	Courtage
BRRD	Banking Recovery and Resolution Directive
CA	Chiffre d'affaires/conseil d'administration
CAGR	Compound annual growth rate. Mean annual growth rate over a specified period
Capital adequacy ratio	Ratio of total capital (Tier 1 and 2) to risk-weighted assets (RWA).
CCAN	Comité Consultatif des Actionnaires de Natixis (Natixis Shareholders' Consultative Committee).
CCF	Credit Conversion Factor
CDO	Collateralized debt obligations, i.e. debt securities backed by a pool of assets which can be either bank loans (mortgages) or corporate bonds. Interest and principal payments may be subject to subordination (i.e. through the creation of tranches).
CDPC	Credit Derivatives Products Company, i.e. a business specializing in the sale of coverage against credit default through credit derivatives.
CDS	Credit default swap, i.e. insurance against credit risk in the form of a bilateral financial contract whereby the protection buyer periodically pays a premium to the protection seller, who in turn promises to compensate for any losses on a reference asset (a bond issued by a government, financial institution or company) upon the occurrence of a credit event (bankruptcy, default, deferred payment or restructuring).
CECEI	*Comité des Établissements de Crédit et des Entreprises d'Investissement*, *i.e.* the former French Credit Institutions and Investment Firms Committee, which has since been incorporated into the Autorité de Contrôle Prudentiel et de Résolution (French Prudential Supervisory Authority).
CEO	Chief Executive Officer
CESU	*Chèque Emploi Service Universel* (universal service employment voucher).
CET1	Common Equity Tier 1
CFCC	Comité de coordination des fonctions de contrôles (Control Functions Coordination Committee)
CFH	Cash flow hedge
CFO	Chief Financial Officer
CGM	Combined General Shareholders' Meeting
CHSCT	*Comité d'Hygiène, de Sécurité et des Conditions de Travail*/Committee for Hygiene, Safety and Working Conditions
CIB	Corporate & Investment Banking
CIC	Cooperative investment certificates
CISO	Chief Information Security Officer
CLOs	Collateralized loan obligation, i.e. a credit derivative product backed by a homogeneous pool of corporate loans.
CMBS	Commercial Mortgage-Backed Securities
CMS	Constant maturity swap, i.e. a swap that allows the buyer to exchange a short-term interest rate for a longer-term interest rate.

Acronym/Term	Definition
CNCE	Caisse Nationale des Caisses d'Epargne
CNIL	*Commission Nationale de l'Informatique et des Libertés* (an independent administrative authority protecting privacy and personal data)
Code of conduct	The Natixis Code of Conduct (Ethical Principles) reflects Natixis' DNA; it gathers in a single overarching document all Natixis rules and guidelines in four main fields: be client-centric, behave ethically individually and collectively, act responsibly towards society, protect Natixis and Groupe BPCE assets and reputation. The Code of Conduct applies to all Natixis employees, entities and affiliates over the world, across all business lines. It also applies to our suppliers and all our business partners in their dealings with Natixis.
Collateral	A transferable asset or guarantee pledged to secure reimbursement on a loan in the event that the borrower fails to meet its payment obligations.
Combined ratio	Measure of an insurance company's profitability expressed in terms of the ratio of total costs (incurred losses + expenses) divided by total revenue,
COMEX	Executive Committee
Common Equity Tier 1 ratio	Ratio of Common Equity Tier 1 (CET1) capital to risk-weighted assets. The CET1 ratio is a solvency indicator used in the Basel III prudential accords.
Company-controlled stock	A company's ownership share of its own equity, held via its direct or indirect control of one or more other companies. Company-controlled stock does not bestow voting rights and is not included in the calculation of earnings per share.
Cost of risk in basis points	A measure calculated by dividing the net expense of commercial risk by loans outstanding at the beginning of the period.
Cost/income ratio	A ratio indicating the share of net revenues used to cover operating expenses (the Company's operating costs). It is calculated by dividing operating costs by net banking income.
Coverage	Coverage in terms of client support.
Covered bond	A bond for which the reimbursement and payment of interest is backed by returns on a high-quality asset portfolio, often a portfolio of mortgage loans, which serve as collateral. The issuer often manages the payment of cash flows to investors (*obligations foncières* in France, Pfandbriefe in Germany). This product is mainly issued by financial institutions.
CP	Commercial paper. In the United States, commercial paper is a negotiable debt instrument issued by corporations on the money market.
CPI	Consumer Price Index
CPM	Credit Portfolio Management
CRD	Capital Requirements Directive (EU Directive)
CRD III	An EU Directive under which the proposals of the Basel Committee were transposed into French law in July 2010 and enacted as of December 31, 2011. In July 2009, the Basel Committee published a new set of proposals known as Basel 2.5 on the topic of market risk. The aim was to better account for default and credit migration risk on assets in the trading book (both tranched and untranched assets) and to reduce the procyclicality of value at risk.
CRD IV	A European Directive that enacts the proposals of the Basel3 framework into French law.
Credit and counterparty risk	The risk of loss from the inability of clients, issuers or other counterparties to honor their financial commitments. Credit risk includes counterparty risk related to market transactions and securitization.
Credit default swap (CDS)	A bilateral financial contract whereby the protection buyer periodically pays a premium to the protection seller, who in turn promises to compensate for any losses on a reference asset (a bond issued by a government, financial institution or company) upon the occurrence of a credit event (bankruptcy, default, deferred payment or restructuring). It is a mechanism to protect against credit risk.
Credit derivative	A financial product whose underlying asset is a credit obligation or debt security (bond). The purpose of the credit derivative is to transfer credit risk without transferring the asset itself for hedging purposes. One of the most common forms of credit derivatives is the credit default swap (CDS).
CRM	Comprehensive Risk Measure
CRR	Capital Requirement regulation (EU regulation)
CSR	Corporate social responsibility
CVA	Credit valuation adjustment, i.e. the expected loss related to counterparty's default risk. The CVA aims to account for the fact that the full market value of the transactions cannot be recovered. The method for determining the CVA is primarily based on the use of market inputs in connection with the practices of market professionals.
Deleveraging	A reduction in banks' use of leverage, achievable by various means but primarily by a reduction in the size of the balance sheet (by selling assets or slowing down new lending) and/or an increase in equity (through recapitalization or retaining earnings). This financial adjustment process often has negative implications for the real economy, particularly due to the narrowing of the credit channel.
Derivative	A financial security or financial contract whose value changes based on the value of an underlying asset, which may be either financial (equities, bonds, currencies, etc.) or non-financial (commodities, agricultural products) in nature. This change may coincide with a multiplier effect (leverage effect). Derivatives can take the form of either securities (warrants, certificates, structured EMTNs, etc.) or contracts (forwards, options, swaps, etc.). Exchange-traded derivatives contracts are called futures.

Acronym/Term	Definition
District Court	The lower tier of the US federal judicial system.
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act, more commonly known as the Dodd-Frank Act, is the US law on financial regulation adopted in July 2010 in response to the financial crisis. It is an extensive piece of legislation covering numerous subjects including the creation of the Financial Stability Oversight Council, the management of systemically important financial institutions, the regulation of the highest-risk financial activities, a framework for derivatives markets and reinforced regulation of rating agencies. US regulators (Securities and Exchange Commission, Commodity Futures Trading Commission, etc.) are currently developing precise technical standards with regard to these various provisions.
DOJ	US Department of Justice.
DTAs	Deferred tax assets, arising from temporary or timing differences between accounting expenses and tax liabilities.
DVA	Debit Valuation Adjustment, which 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 the entity's own credit quality on the valuation of these instruments.
EAD	Exposure at default, i.e. the value of exposure to the risk of the debtor defaulting within one year.
Earnings per share	The Company's net income (excluding returns on hybrid securities recognized as equity instruments) divided by the weighted average number of shares outstanding.
EBA	European Banking Authority, established by EU regulation No. 1093/2010 of November 24, 2010. It began operating on January 1, 2011 in London, superseding the Committee of European Banking Supervisors (CEBS). This new body has an expanded mandate. It is in charge of harmonizing prudential standards, ensuring coordination among the various national supervisory authorities and performing the role of mediator. The goal is to establish a Europe-wide supervision mechanism without compromising the ability of the national authorities to conduct the day-to-day supervision of credit institutions.
ECAI	External Credit Assessment Institution, i.e. a credit rating agency that is registered or certified in accordance with EU regulation, or a central bank that issues credit ratings.
ECB	European Central Bank
EDTF	Enhanced Disclosure Task Force
EEA	European Economic Area
EGM	Extraordinary General Shareholders' Meeting
EIB	European Investment Bank
EL	Expected loss, i.e. the value of the loss likely to be incurred given the quality of the structure of the transaction and any measures taken to mitigate risk, such as collateral. It is calculated by multiplying exposure at risk (EAD) by Probability of Default (PD) and by Loss Given Default (LGD).
ELBE	Expected Loss Best Estimate, i.e. the institution's best estimate of expected loss for the defaulted exposure. This estimate takes into account current economic circumstances, exposure status and an estimate of the increase of the loss rate caused by possible additional unexpected losses during the recovery period.
EMEA	Europe, Middle East and Africa
EPP	Employment preservation plan
Equity (tranche)	In a securitization arrangement, the equity tranche refers to the tranche that bears the first losses incurred from defaults within the underlying portfolio.
ETF	Exchange-traded fund, i.e. a type of investment fund that tracks a stock market index or asset.
EU	European Union
EUR	Euro
EURIBOR	Euro Interbank Offered Rate, the benchmark interest rate on the eurozone's money market.
European Securities and Markets Authority (ESMA)	An independent European supervisory authority located in Paris. On January 1, 2011, it replaced the Committee of European Securities Regulators (CESR). It forms part of the European System of Financial Supervision. Its expanded mandate includes the supervision of rating agencies in Europe and the development of technical standards for EU regulations on the functioning of the financial markets (EMIR, MiFID, Prospectus Directive).
Expected loss	See EL.
Exposure at default (EAD)	A financial institution's exposure in the event of a counterparty's default. EAD covers on- and off-balance sheet exposures. Off-balance sheet exposures are converted into balance sheet equivalents with the help of internal or regulatory conversion factors (drawdown assumption).
Fair value	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.

Acronym/Term	Definition
FBF	*Fédération Bancaire Française* (French Banking Federation), a professional body representing all banking institutions in France.
FCPR	*Fonds Commun de Placement à Risque* (Private Equity Investment Fund)
FED	Federal Reserve System, i.e. the US central bank.
FINREP	FINancial REPorting
F-IRB	Foundation Internal Ratings-Based Approach
FSB	Financial Stability Board, whose mandate is to identify vulnerabilities in the global financial system and to implement principles for regulation and supervision in the interest of financial stability. Its members are central bank governors, finance ministers and supervisors from the G20 countries. Its primary objective is to coordinate international efforts by national financial authorities and international standard setters in the regulation and supervision of financial institutions. Conceived at the G20 summit in London in April 2009, the FSB functions as the successor to the Financial Stability Forum, which was founded in 1999 under a G7 initiative.
FTE	Full-time equivalent
FTEC	Fixed-term employment contract
Fully-Loaded	Indicates full compliance with Basel III solvency requirements (mandatory from 2019)
FV Adjustment on own senior debt	Calculated using a discounted cash-flow model, contract by contract, including parameters such as swaps curve, and revaluation spread (based on the BPCE reoffer curve).
FX	Foreign exchange
GAAP	Generally accepted accounting principles
GAPC	*Gestion active des portefeuilles cantonnés*/Workout portfolio management
GBP	Pound sterling (British pound)
GDP	Gross Domestic Product
GEC	Global Energy & Commodities
GM	General Shareholders' Meeting
Green bonds	Bonds issued by an approved entity (business, local authority or international organization) to finance an eco-friendly and/or sustainability-driven project or activity. These instruments are often used in connection with the financing of sustainable agriculture, the protection of ecosystems, renewable energy and organic farming.
GRI	Global Reporting Initiative - An organization consisting of stakeholders and partners (businesses, audit firms, human rights, environmental protection, labor organizations, and government representatives) which has created a joint framework for the development of sustainability reporting.
Gross exposure	Exposure before the impact of provisions, adjustments and risk reduction techniques.
G-SIBs	Global systemically important banks
G-SIIs	Global systemically important institutions
GWWR	General Wrong Way Risk
Haircut	The percentage by which a security's market value is reduced to reflect its value under a stressed environment (counterparty risk or market stress). The size of the haircut reflects the perceived risk.
Hedge fund	A hedge fund is a speculative investment fund that seeks to generate absolute return through a high degree of management flexibility.
Holding company	The Company that heads a corporate group.
HQE	*Haute qualité environnementale*/High Environmental Quality
HQLA	High-quality liquid assets
HR	Human Resources
HY	High Yield
IARD	*Incendie, Accidents et Risques Divers* (property and casualty insurance).
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process, a practice required under Pillar II of the Basel Accords to ensure that firms have sufficient capital to cover all their risks
IDFC	Infrastructure Development Finance Company
IFACI	*Institut Français de l'Audit et du Contrôle Internes* (French Institute of Internal Auditing and Control).

Acronym/Term	Definition
IFRIC 21	International Financial Reporting Interpretations Committee (IFRIC) - IFRIC 21, adopted by the European Union in June 2014, is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets."
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Incremental Risk Charge (IRC)	The capital requirement intended to cover issuers' credit migration and default risks for a period of one year for fixed income and loan instruments in the trading book (bonds and CDS). The IRC is a 99.9% value-at-risk measure; i.e. the greatest risk after the elimination of the 0.1% worst-case scenarios.
Insurance risk	Encompasses asset and liability risks (interest rate, valuation, counterparty and forex risk) as well as risks related to the pricing of mortality risk premiums and the risks associated with life and non-life insurance, including pandemics, accidents and natural disasters (such as earthquakes, hurricanes, industrial accidents, acts of terrorism and military conflict).
Investment grade	A long-term rating of a counterparty or underlying issue awarded by a rating agency, ranging from AAA/Aaa to BBB-/Baa3. A rating of BB+/Ba1 or below is considered non-investment grade.
IRB	Internal-ratings based, referring to the Internal Ratings-Based Approach, the measurement of credit risk on the basis of credit ratings as defined by EU regulations.
IRM	Incremental Risk Measure
IRRBB	Interest Rate Risk in the Banking Book. IRRBB designates the current or future risk to which the bank's capital and profits are exposed due to adverse interest rate fluctuations influencing positions in the banking book.
IS	Information system
ISDA	International Swaps and Derivatives Association
ISF	*Impôt sur la fortune* (Wealth Tax)
ISP	Investment service provider
IWMA	Independent wealth management advisor
JV	Joint Venture
L&R	Loans and receivables
LBO	Leveraged buyout
LCR	Liquidity coverage ratio
Leverage effect	The leverage effect accounts for the rate of return on equity based on the after-tax rate of return on invested capital (return on capital employed) and the cost of debt. By definition, it is equal to the difference between the rate of return on equity and the return on capital employed.
Leverage/leveraged financing	Financing through debt
LGD	Loss given default, a Basel 2 credit risk indicator corresponding to loss in the event of default. It is expressed as a percentage (loss rate).
LIBOR	London Interbank Offered Rate
Liquidity	In a banking context, liquidity refers to a bank's ability to cover its short-term commitments. Liquidity also refers to the degree to which an asset can be quickly bought or sold on a market without a substantial reduction in value.
Liquidity coverage ratio (LCR)	A measure introduced to improve the short-term resilience of banks' liquidity risk profiles. The LCR requires banks to maintain a reserve of risk-free assets that can be converted easily into cash on the market in order to cover its cash outflows minus cash inflows over a 30-day stress period without the support of central banks.
Loss alert	A mechanism that warns of loss.
Loss Given Default	See LGD.
Loss ratio	Total losses paid to settle claims divided by premiums paid.
LR	Leverage ratio
LTRO	Long-Term Refinancing Operation, i.e. a long-term loan issued to banks by the ECB.
Market risk	The risk of a loss in value on financial instruments resulting from changes in market parameters, from the volatility of these parameters or from the correlations between these parameters. These parameters are exchange rates, interest rates and the prices of securities (equities, bonds), commodities, derivatives or any other assets, such as real estate assets.

Acronym/Term	Definition
Market stress test	Used in conjunction with internal VaR and SVaR models to assess market risk by calculating potential losses on portfolios in extreme market conditions.
Mark-to-market	A valuation method whereby a financial instrument is appraised at fair value based on its market price.
Mark-to-model	A valuation method whereby, in the absence of a market price, a financial instrument is appraised at fair value based on a financial model using observable and unobservable data.
MDA	Maximum Distributable Amount, a new provision for banks placing restrictions on their dividend, AT1 coupon and bonus payments (under a rule that tightens restrictions as banks deviate from their requirements), if the capital buffers are not met. As these buffers are on top of Pillars I and II, they apply immediately if the bank fails to comply with the combined requirements.
Mezzanine	A form of financing that is a hybrid of equities and debt. In ranking terms, mezzanine debt is subordinated to "senior debt" but still takes priority over equities.
Mid cap	Refers to mid-size market capitalization.
Middle office	A department at a financial intermediary that generally performs risk control functions.
MiFID	Markets in Financial Instruments Directive (EU Directive).
MLA	Mandated lead arranger
Monoline	An insurance company that takes part in a credit enhancement operation, backing a debt security issue (e.g. in securitization transactions) with the aim of improving the issue's rating.
MREL	Minimum requirement for own funds and eligible liabilities - Ratio defined in the European Bank Recovery and Resolution Directive indicating the minimum requirement for own funds and eligible liabilities that have to be available to absorb losses in the event of resolution
MRH	Multi-Risk Homeowners' insurance
MTN	Medium Term Note
MTP	Medium-term plan
Mutual fund	Collective investment fund
Natixis business line ROE	ROE for business lines is calculated based on normative capital to which are added goodwill and intangible assets for the business line. Capital is allocated to Natixis business lines on the basis of 10% of their Basel 3 average risk-weighted assets. Business lines receive interest on the normative capital allocated to them. By convention, the interest rate on normative capital is maintained at 3%.
Natixis leverage ratio	This ratio is calculated based on the rules set forth in the Delegated Act, without phase-in except for DTAs on tax-loss carryforwards 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. The ratio is presented after canceling transactions with affiliates, pending ECB authorization.
Natixis ROE	Results used for ROE 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).
Natixis ROTE	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.
NAV	Net asset value
NEF	A financial cooperative that offers savings and loan solutions targeting projects with a social, environmental and/or cultural purpose.
Net book value	calculated by taking shareholders' equity group share, restated for hybrids and capital gains on reclassification of hybrids as equity instruments. Tangible net book value is corrected for goodwill on associates, restated goodwill and restated intangible fixed assets.
Net stable funding ratio (NSFR)	This ratio is intended to strengthen the longer-term resilience of banks through additional incentives meant to encourage banks to finance their operations using more structurally stable resources. This long-term structural liquidity ratio, applicable to a one-year period, was formulated to provide a viable structure for asset and liability maturities.
Netting agreement	A contract whereby two parties to a financial contract (forward financial instrument), securities loan or repurchase agreement agree to settle their reciprocal claims under these contracts through a single consolidated net payment, particularly in the event of default or contract termination. A master netting agreement extends this mechanism to different categories of transactions subject to different framework agreements through one all-encompassing contract.

Acronym/Term	Definition
NGAM	Natixis Global Asset Management
New Deal	A strategic plan implemented by Natixis for the 2009-2012 period.
New Frontier	A strategic plan implemented by Natixis for the 2014-2017 period.
New Dimension	A strategic plan implemented by Natixis for the 2018-2020 period.
NPE	Natixis Private Equity
NRE	*Loi sur les nouvelles réglementations économiques*/French law on New Economic regulations
OCI	Other comprehensive income, which contains the income and expense items (including reclassification adjustments) not included in net income/loss as required or authorized by IFRS.
OECD	Organization for Economic Cooperation and Development
OFAC	US Office of Foreign Assets Control
OFR	Own Funds Requirement: the amount of capital that is required to be held, i.e. 8% of risk-weighted assets (RWA).
OGM	Ordinary General Shareholders' Meeting
Operational risks (including accounting and environmental risks)	The risk of losses or sanctions arising from the failure of internal systems or procedures, human error or external events.
ORSA	Own Risk and Solvency Assessment. As part of European efforts to reform prudential regulation of the insurance industry, ORSA is an internal process undertaken by the institution to assess risk and solvency. It must show its ability to identify measure and manage factors that could have an impact on its solvency or financial situation.
OTC	Over-the-counter
P&L	Profit & Loss
P3CI	A loan covering CCIs (cooperative investment certificates).
PD	Probability of default, i.e. the likelihood that a counterparty of the bank will default within a one-year period.
PEC	Permanent employment contract
PEP	Politically exposed person
PERP	*Plan d'Epargne Retraite Populaire* (Retirement Savings Plan).
Personal guarantee	Represented by a surety, independent guarantee or letter of intent. In the context of a surety, the guarantor promises to repay the creditor a debtor's obligation in the event the debtor is unable to do so itself. An independent guarantee is a commitment through which the guarantor promises to pay an amount, upon first request or pursuant to agreed terms, in consideration of an obligation taken out by a third party. A letter of intent is an agreement to act or refrain from acting that is intended to support a debtor in meeting its commitment.
Phase-in	Refers to compliance with current solvency requirements, in accordance with the phase-in period for the implementation of Basel III.
Pillar I	Pillar I sets minimum requirements for capital. It aims to ensure that banking institutions hold sufficient capital to provide a minimum level of coverage for their credit risk, market risk and operational risk. The bank can use standardized or advanced methods to calculate its capital requirement.
Pillar II	Pillar II establishes a process of prudential supervision that complements and strengthens Pillar I. It includes:- an analysis by the bank of all of its risks, including those already covered by Pillar I;- an estimate by the bank of the capital requirement for these risks;- a comparison by the banking supervisor of its own analysis of the bank's risk profile with the analysis conducted by the bank, in order to adapt its choice of prudential measures where applicable, which may take the form of capital requirements exceeding the minimum requirements or any other appropriate technique.
Pillar III	Pillar III is concerned with establishing market discipline through a series of reporting requirements. These requirements – both qualitative and quantitative – are intended to improve financial transparency in the assessment of risk exposure, risk assessment procedures and capital adequacy.
Probability of default	See PD.
Rating	An appraisal by a financing rating agency (Moody's, Fitch Ratings, Standard & Poor's) of the creditworthiness of an issuer (company, government or other public entity) or a transaction (bond issue, securitization, covered bond). The rating has a direct impact on the cost of raising capital.
Rating agency	An organization that specializes in assessing the creditworthiness of issuers of debt securities, i.e. their ability to honor their commitments (repayment of capital and interest within the contractual period).

Acronym/Term	Definition
RBC	Risk-based capital
Real security	Securities comprising tangible or intangible assets, movable or immovable assets, such as commodities, precious metals, cash, financial instruments or insurance policies.
Regulatory capital requirement	The amount of capital that banks are required to hold, i.e. 8% of risk-weighted assets (RWA).
Resecuritization	The securitization of an exposure that is already securitized where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitization position.
Risk appetite	The degree of risk, by type and by business, that the institution is prepared to take on in the pursuit of its strategic objectives. Risk appetite can be expressed through either quantitative or qualitative criteria.
Risk Appetite Framework (RAF)	Document describing the interface between the organization's key processes and the implementation of the governance that puts the RAS into action.
Risk Appetite Statement (RAS)	Document setting out, in qualitative and quantitative terms, the risks that the bank is prepared to take.
Risk weight (RW)	The percentage value by which a given exposure is multiplied, used in the calculation of the corresponding risk-weighted assets.
Risk-weighted asset (RWA)	Exposure value multiplied by its risk weight.
RMBS	Residential mortgage-backed security, i.e. a debt security backed by a pool of assets consisting of residential mortgage loans.
ROE (Return On Equity)	Net income (excluding returns on hybrid securities recognized as equity instruments) divided by shareholders' equity (restated for hybrid securities), used to measure the profit generated on capital.
RTT	*Réduction du temps de travail*/Compensatory time off in lieu of overtime pay
RW	Risk weight
RWA	Risk Weighted Assets, or risk-weighted EAD
S&P	Standard & Poor's
SA (Standardized Approach)	Approach used to measure credit risk as defined by EU regulations.
SCPI	*Société civile de placement immobilier*/Real estate investment trust
SEC	US Securities and Exchange Commission
Securitization	A transaction whereby credit risk on loan receivables is transferred to investors by an entity through the issuance of negotiable securities. This may involve the transfer of receivables (physical securitization) or the transfer of risks only (credit derivatives). Some securitization transactions are subordinated through the creation of tranches.
SEF	Structured Export Finance
SEPA	Single Euro Payments Area
SFEF	*Société de Financement de l'Economie Française* (SPV set up by the French government to refinance French banks during the financial crisis).
SFS	Specialized Financial Services
Share	An equity security issued by a corporation, representing a certificate of ownership and conferring on its possessor (the "shareholder") proportional rights in the distribution of any profits or net assets as well as a voting right at the General Shareholders' Meeting.
SIFA	*Société d'Investissement France Active* - The investment company through which France Active receives solidarity-based savings and invests them in the Social and Solidarity-Based Economy and socially innovative companies.
Small cap	Refers to small-size market capitalization.
SMC	Senior Management Committee
SME	Small and medium-sized enterprises
SMI	Small and medium-sized industries
Solvency	Measures the ability of a business or an individual to repay its debt over the medium to long term. For a bank, solvency reflects its ability to cope with the losses that its risk profile is likely to trigger. Solvency analysis is not the same as liquidity analysis. The liquidity of a business is its ability to honor its payments in the normal course of its business, to find new funding sources and to achieve a balance at all times between its incomings and outgoings. For an insurance company, solvency is covered by the Solvency 2 Directive, see Solvency 2.

Acronym/Term	Definition
Solvency 2	European Directive on insurance and reinsurance undertakings intended to ensure that they comply at all times with their commitments towards policyholders in view of the specific risks incurred by such businesses. It aims to achieve an economic and prospective assessment of solvency based on three pillars – quantitative requirements (Pillar 1), qualitative requirements (Pillar 2) and information for the public and the supervisor (Pillar 3). Adopted in 2014, it was enacted into national law in 2015 and came into force on January 1, 2016.
Spread	The difference between the actuarial rate of return on a bond and the actuarial rate of return on a risk-free loan with the same duration.
SREP (Supervisory Review and Evaluation)	Methodology for assessing and measuring the risks for each bank. SREP gives the prudential authorities a set of harmonized tools to analyze a bank's risk profile from four different angles: business model, governance and risk management, risk to capital, and risk to liquidity and funding. The supervisor sends the bank the SREP decisions at the end of the process and sets key objectives. The bank must then "correct" these within a specific time.
SRF	Single Resolution Fund
SRI	Socially Responsible Investment
SRM	Single Resolution Mechanism: An EU-level system to ensure an orderly resolution of non-viable banks with a minimal impact on taxpayers and the real economy. The SRM is one of the pillars of the European Banking Union and consists of an EU-level resolution authority (Single Resolution Board - SRB) and a common resolution fund financed by the banking sector (Single Resolution Fund – SRF).
SSM	Single Supervisory Mechanism
Stress test	A bank stress test simulates the behavior of a bank (or group of banks) under extreme but realistic economic scenarios (i.e. worsened prospects for growth, unemployment and inflation) to assess whether the bank's (or banks') capital reserves are sufficient to absorb such a shock.
Stressed value at risk (stressed VaR)	Like the VaR approach, stressed VaR is calculated based on a fixed econometric model over a continuous 12-month period under a representative crisis scenario relevant to the bank's portfolio, using a "historical simulation" with "one-day" shocks and a confidence interval of 99%. However, unlike VaR, which uses 260 daily fluctuation scenarios on a sliding one-year period, stressed VaR uses a one-year historical window corresponding to a period of significant financial tension.
Structural interest rate and exchange rate risk	The risk of losses or impairment on assets arising from changes in interest rates or exchange rates. Structural interest/exchange rate risks are associated with commercial activities and proprietary transactions.
Structured issue/structured product	A financial instrument combining a bond product and an instrument, such as an option, providing exposure to any asset type (equities, forex, fixed-income, commodities). Such instruments may be backed by a (total or partial) guarantee on the investment. In a different context, the term "structured product" or "structured issue" can also refer to securities resulting from securitization transactions, for which a ranking of bearers is established.
Subordinated notes	Debt securities that are ranked below senior debt in terms of repayment priority.
SVT	*Spécialiste en Valeurs du Trésor* (Government bond primary dealer).
Swap	An agreement between two counterparties to exchange different assets, or revenues from different assets, until a given date.
SWWR	Specific Wrong Way Risk
Systemically important financial institution (SIFI)	The Financial Stability Board (FSB) coordinates the comprehensive measures intended to reduce the moral hazard and risks posed by global systemically important financial institutions (G-SIFIs) to the global financial system. These institutions meet the criteria established by the Basel Committee as outlined in "Global systemically important banks: Assessment methodology and the additional loss absorbency requirement" and identified in a list published in November 2011. The FSB updates this list in November of each year. To date there are 29 such institutions.
Tier 1	Tier 1 (T1) refers to the portion of a financial institution's regulatory capital that is considered to be the most solid. It includes its capital stock and retained earnings allocated to reserves. The ratio of Tier1 capital to risk-weighted assets is a solvency indicator used in the Basel1, Basel2 and Basel3 prudential accords.
Tier 1 capital	Core capital including the financial institution's consolidated shareholders' equity minus regulatory deductions.
Tier 2 capital	Supplementary capital mainly consisting of subordinated securities minus regulatory deductions.
TLAC	Total Loss Absorbing Capacity
TMO	*Taux moyen obligataire* (average bond market rate).
Total Capital Ratio	Ratio of overall capital (Tier1 and Tier2) to risk-weighted assets.

Acronym/Term	Definition
Transformation risk	The risk associated with assets that are financed by liabilities with different maturities. Because banks' traditional activity is to make longer-term use of liabilities with short maturities, they naturally tend to incur transformation risk, which in turn is a source of liquidity and interest rate risks. Positive term transformation occurs when assets have a longer maturity than liabilities. Negative term transformation occurs when assets are financed by liabilities with longer maturities.
Treasury stock	The equity share held by the Company, especially through the share buyback program. Treasury stock does not bestow voting rights and is not included in the calculation of earnings per share, with the exception of securities held in association with a liquidity contract.
TRS	Total return swap, i.e. a transaction whereby two parties exchange the income generated and any change in value on two different assets over a given time period.
TSS	*Titres supersubordonnés*/deeply subordinated notes, i.e. perpetual bonds with no contractual redemption commitment that pay interest in perpetuity. In the event of liquidation, they are repaid after other creditors (subordinated loans). These securities pay annual interest contingent on the payment of a dividend or the achievement of a specific result.
TUP	*Transmission universelle de patrimoine*/Total transfer of assets and liabilities
UK	United Kingdom
US	United States of America
USD	US dollar
Value at risk (VaR)	A measure of market risk on a bank's trading book expressed as a monetary value. It allows the entity performing the calculation to appraise the maximum losses liable to be incurred on its trading book. A statistical variable, VaR is always assigned a confidence interval (generally 95% or 99%) and a specific time frame (in practice, one day or 10 days, as the trading positions involved are meant to be unwound within several days).
Volatility	A measurement of the magnitude of an asset's price fluctuation and thus a measurement of its risk. Volatility corresponds to the standard deviation of the asset's immediate returns over a given period.
VSE	Very small enterprises
WWR	Wrong Way Risk

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