RISK AND PILLAR III REPORT

2016

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Risk & Pillar III Report 2016

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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 IFRS accounting standard and the recommendations of the Financial Stability Forum, these recent texts introduce new requirements:

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

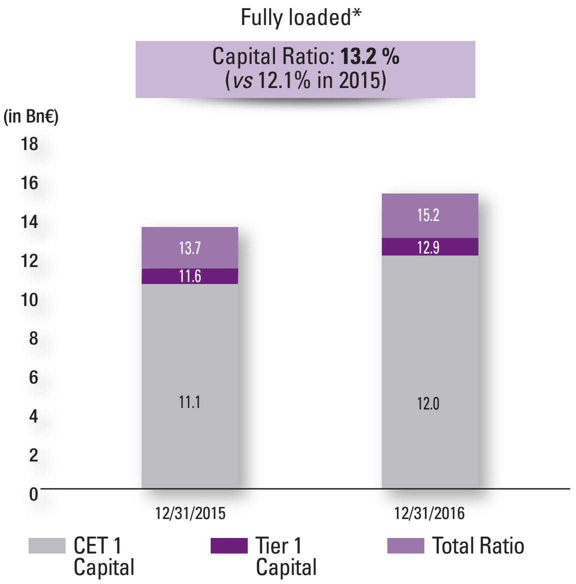
The Natixis Pillar III report already includes a section on changes proposed by the EBA and is also based on the provisions from the Enhanced Disclosure Task Force (EDTF) implemented by the Financial Stability Board.

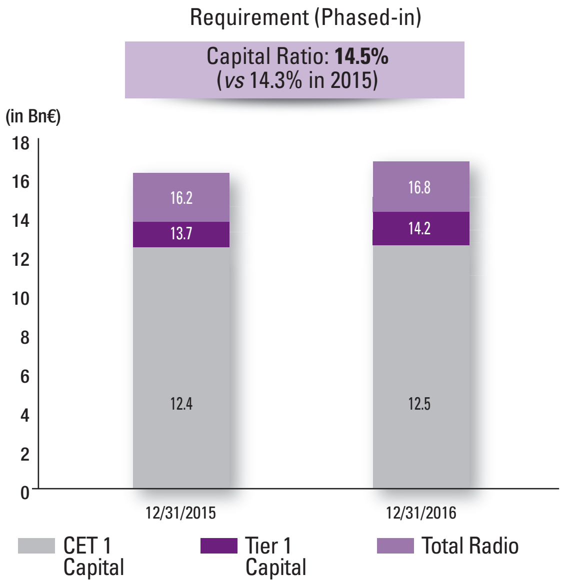
Governance

The policy on disclosing Pillar III information was recorded and adopted by the Natixis Senior Management Committee. In addition, the Natixis Senior Management Committee approved the principle of disclosing all or some of the EBA's future recommendations.

2016 EXECUTIVE SUMMARY

MAIN CAPITAL AND SOLVENCY RATIO FIGURES

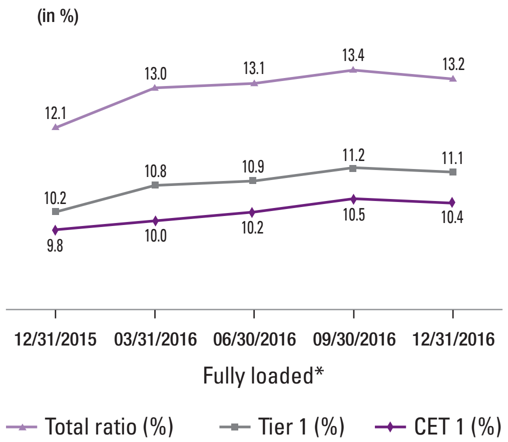


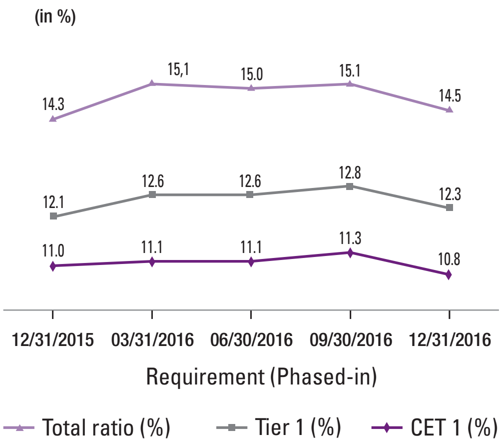


* Fully loaded, i.e. applying all CRD IV rules without transitionnal measures.

	Fully loaded		Requirement (Phased-in)	
(in million of euros)	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Common equity (CET1)	12,034	11,094	12,474	12,432
Tier 1	12,872	11,554	14,244	13,733
Total capital	15,248	13,674	16,799	16,245
Risk weighted assets	115,524	113,331	115,524	113,331
Ratio CET1	10.4%	9.8%	10.8%	11.0%
Ratio Tier 1	11.1%	10.2%	12.3%	12.1%
TOTAL CAPITAL RATIO	**13.2%**	**12.1%**	**14.5%**	**14.3%**

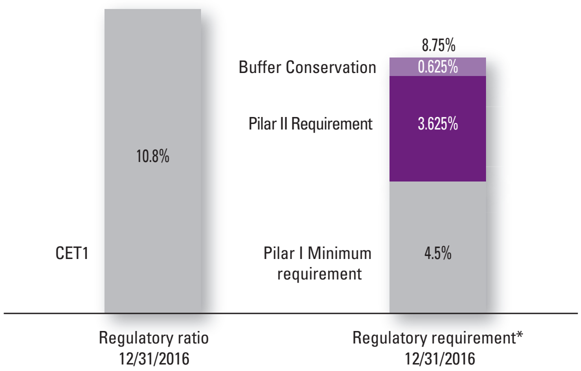
CHANGES IN MAIN CAPITAL RATIO FIGURES





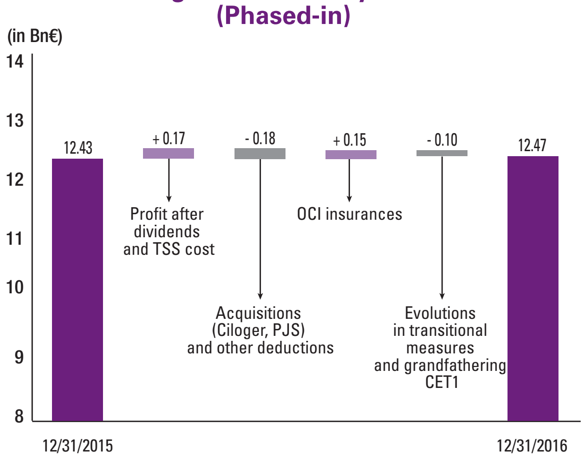
* Fully loaded, i.e. applying all CRD IV rules without transitionnal measures.

REGULATORY CAPITAL

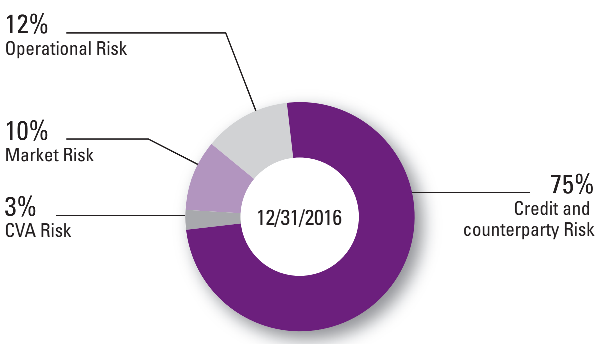


* ECB Minimum prudential requirements based on the supervisory review and evaluation process (SREP).

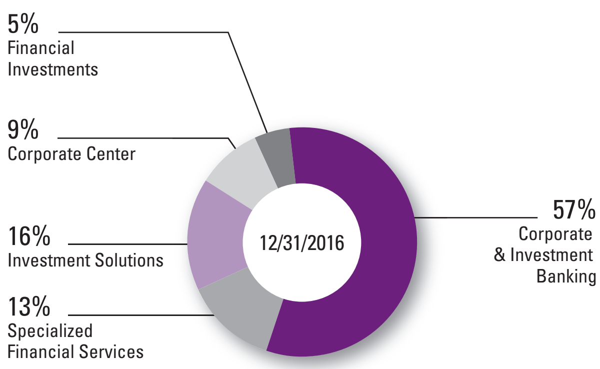
Changes in CET1 fully loaded (Phased-in)



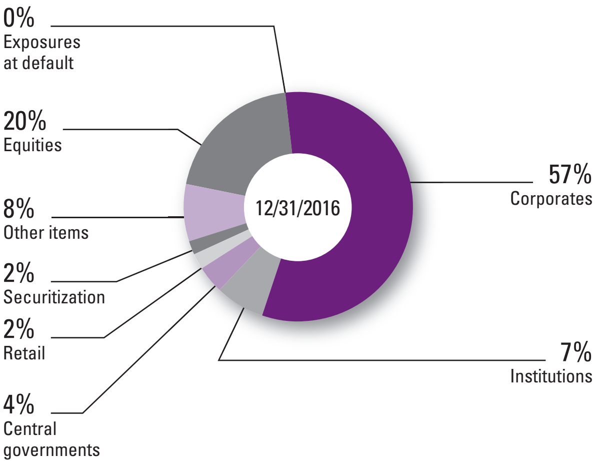
CAPITAL REQUIREMENTS BY RISK TYPE



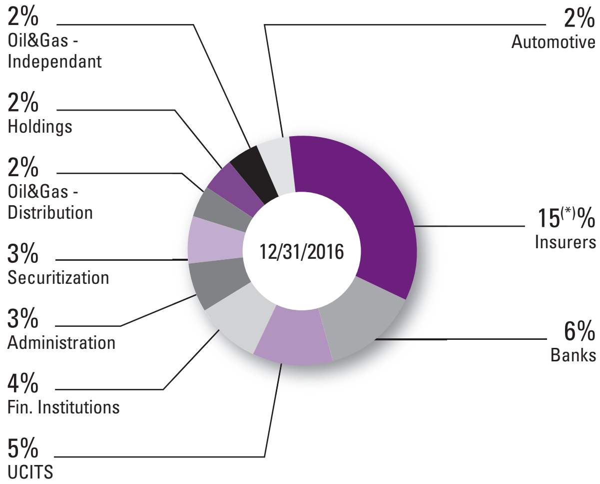
CAPITAL REQUIREMENTS BY KEY BUSINESS LINE



CREDIT AND COUNTERPARTY RWA BY CATEGORY OF EXPOSURE

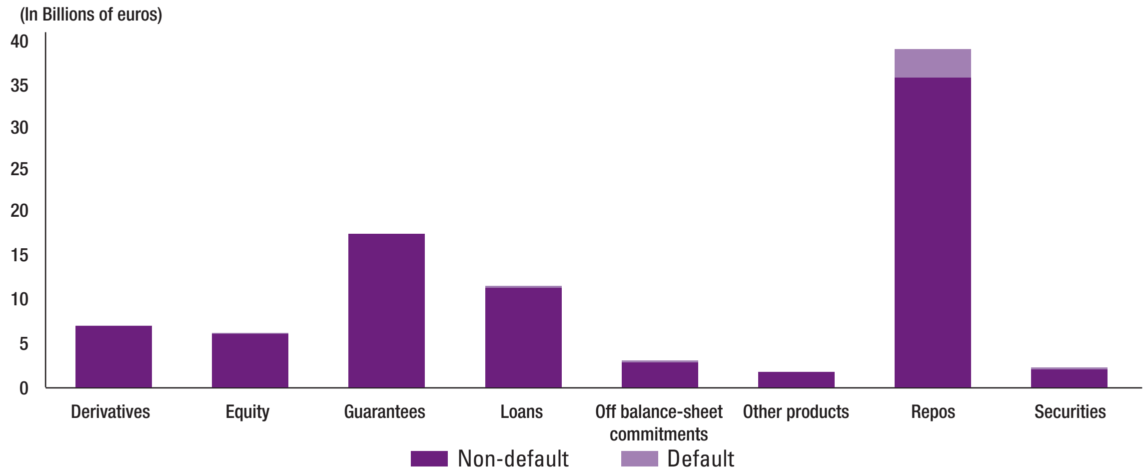


CREDIT AND COUNTERPARTY RWA BY BUSINESS SECTOR



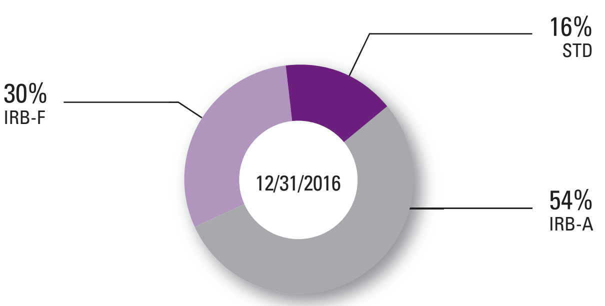
* Including participations in insurance companies.

CREDIT AND COUNTERPARTY RWA BY TYPE OF EXPOSURE WITH DEFAULT/NON DEFAULT* AT 12.31.2016

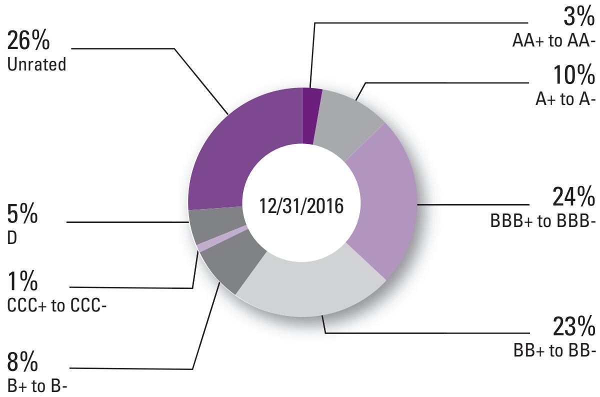


* Excluding contributions to the default fund of a CCP.

CREDIT AND COUNTERPARTY RWA BY APPROACH

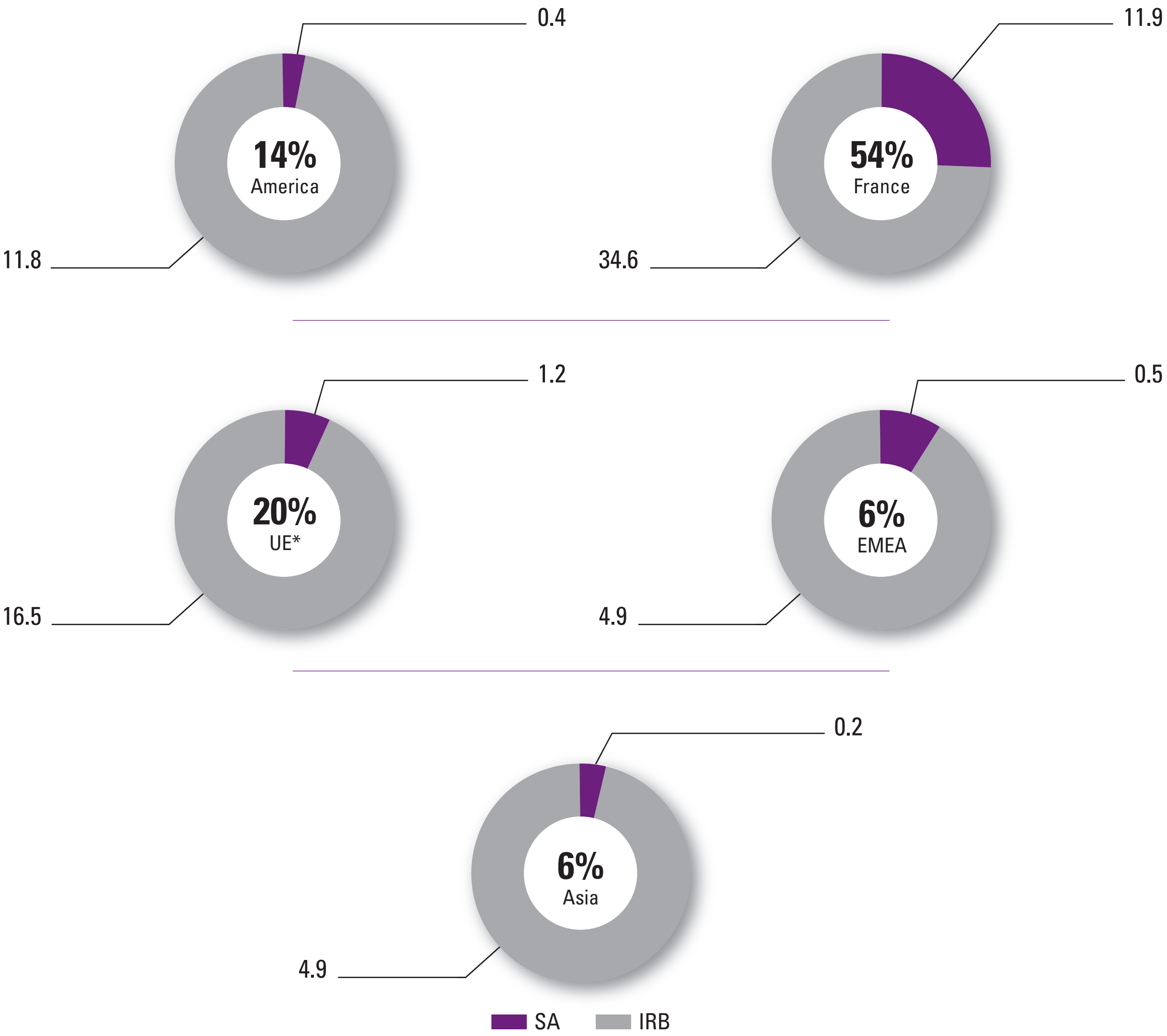


CREDIT AND COUNTERPARTY RWA BY S&P* GRADE AT 12.31.2016



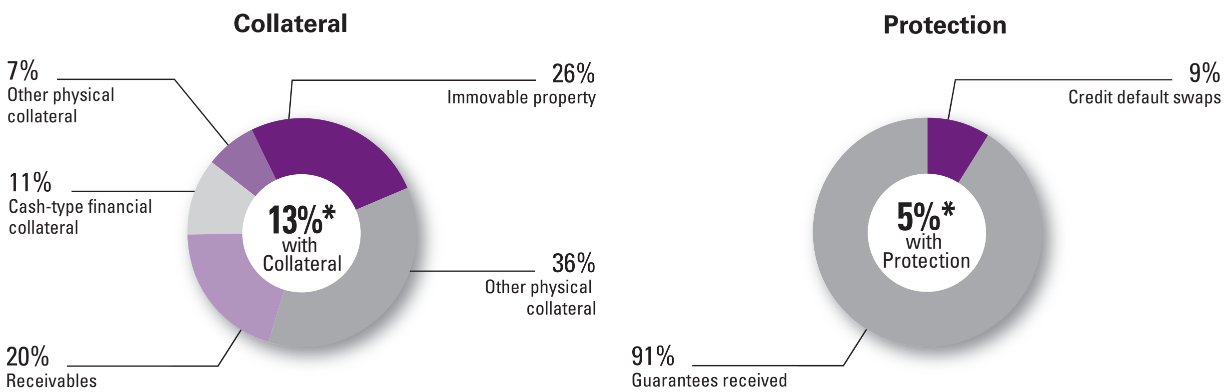
* Excluding exposure to the French state (deferred tax assets - DTAs) and investments, and CCP default fund exposure.

CREDIT AND COUNTERPARTY RWA (IN €Bn) BY GEOGRAPHICAL AREA AND APPROACH AT 12.31.2016



* UE: supranational counterparties are also disclosed in this category.
** Country risk.

EXPOSURE BY CREDIT RISK MITIGATION TECHNIQUE AT 12.31.2016



* Total exposure net of provisions.

* Total exposure net of provisions.

LEVERAGE RATIO PHASED-IN

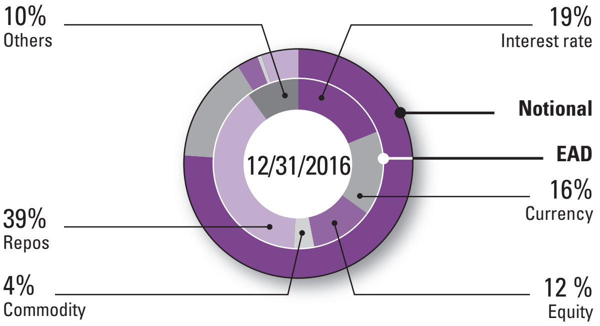
(in billion of euros)	Delegated Act 12/31/2016
Capital CET 1	14.2
Total assets on the prudential balance sheet	442.7
Adjustments for derivative financial instruments	(38.8)
Adjustments for securities financing transactions "SFTs"	(20.2)
Adjustment for off-balance sheet items	37.0
Other adjustments	(19.1)
TOTAL LEVERAGE RATIO EXPOSURE	**401.6**
Regulatory Ratio	**3.5%**
of which deals with BPCE affiliates	(50.5)
Ratio without affiliates*	**4.1%**

* *Following the article 429(7) of the delegated act vision allowing Institutions to exclude exposures with affiliates (BPCE and subsidiaries, Banques Populaires, Caisses d'Epargne), (pending approval request from BCE).*

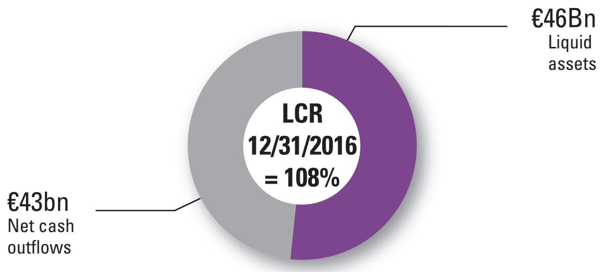
Excluding BPCE affiliates (BPCE and subsidiaries, Banques Populaires, Caisses d'Epargne), the pro forma, delegated act leverage ratio was 4.1 % as of 31st of December 2015 (3.5 % including BPCE affiliates).

COUNTERPARTY RISK

Notional and EAD by type 12.31.2016

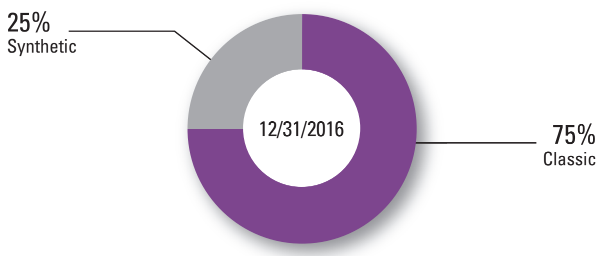


LIQUIDITY COVERAGE RATIO

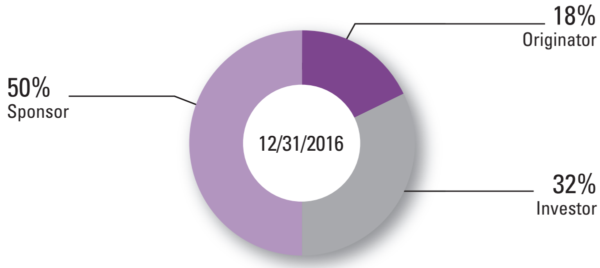


SECURIZATION EXPOSURES IN THE BANKING BOOK AT 12.31.2016

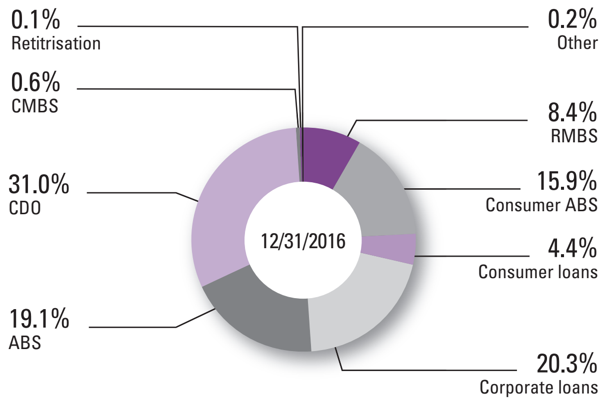
RWA by type of securitization



RWA BY ROLE

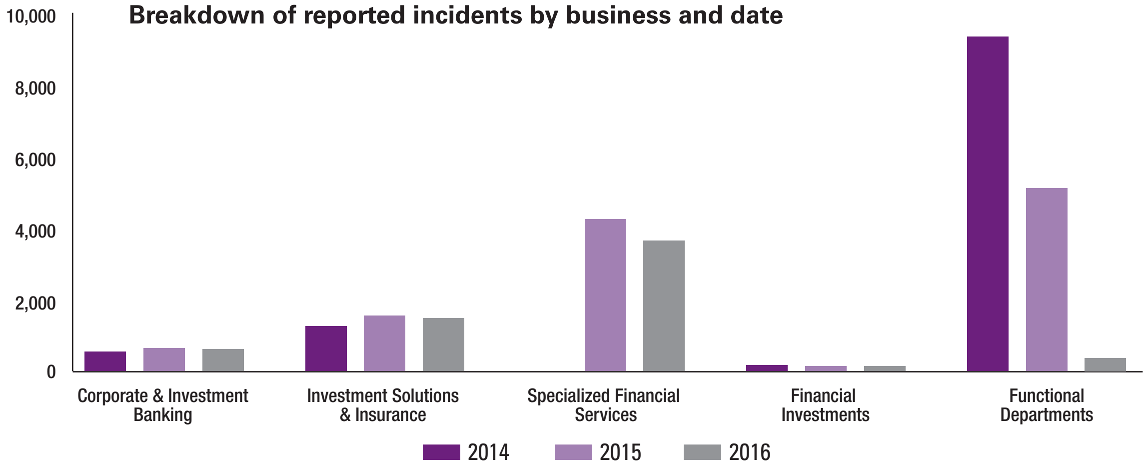


RWA by underlying

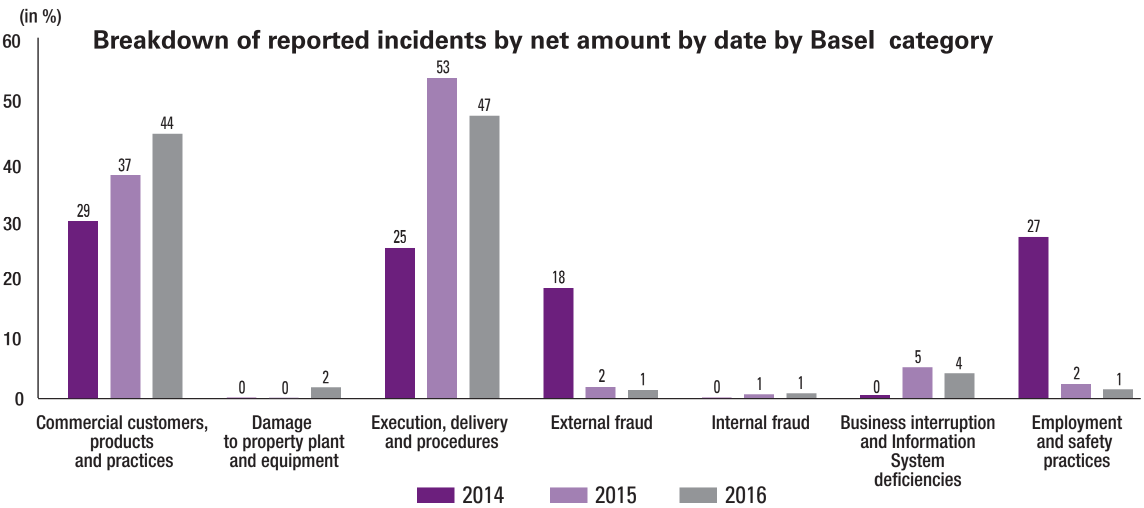


OPERATIONAL RISKS

Breakdown of reported incidents by business and date



Breakdown of reported incidents by net amount 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 Special Committees (Risk Committee, Audit Committee, etc.);
- the Executive Managers ("Dirigeants effectifs") and the Special Committees on Risk they chair within the bank;
- the central divisions, independent of the businesses;
- and the businesses (Corporate & Investment Banking, Investment Solutions & 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 eight times in fiscal year 2016.

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 U.S. operations").

The core duties of Natixis' Audit Committee are:

- to check the clarity of information published by Natixis and assess the relevance of the accounting methods used for preparing Natixis' individual and consolidated financial statements; and
- to assess the quality of internal controls, and in particular the consistency of the systems for measuring, monitoring and managing risk, and to suggest additional actions to this end where required.

The Audit Committee met six times in fiscal year 2016.

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 Watch List 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 Finance and Risk Officer,

- the **Risk Division** is responsible for measuring, monitoring and managing the risks inherent to the business activities, in particular market risk, credit risk and operational risk;
- 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 **Compliance Division,** reporting to the Corporate Secretary, is responsible mainly for managing non-compliance risk and for overseeing the control system.

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

The **Internal Audit Division** 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** contributes to the compensation policy and oversees its application.

The central divisions report necessary information on risk developments and the bank's oversight thereof to Senior Management.

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 division namely the Risk Division, the Compliance Division and the Accounting and Regulatory Review unit within the Accounting and Ratios Division.

2.1.4 THE BUSINESS LINES

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 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 Groupe BPCE to Senior Management for approval, and to the executive body proposes principles and rules regarding:

- 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 Groupe BPCE. 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 fulfil these responsibilities, the Risk Division uses an IT system tailored to the activities of Natixis' core business lines 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 SA 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 Management function's guiding principles, as set out in the Risk Charter. Its priorities are threefold:

- harmonization of best 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 risks) and outline the bank's strategic vision and risk appetite;
- implementation of e-learning campaigns addressing operational risks;
- promotion of training for every employee on topics related specifically to regulatory changes.

In addition, the Compliance Manual is an effective means of embedding the risk culture by promoting enhanced supervision in key areas including professional ethics, putting client interests first, enhanced corruption and fraud prevention, combating the financing of terrorism and the management of embargoes, information system security, and business continuity. Training on compliance matters is also dispensed to all the bank's staff.

Lastly, Natixis' compensation policy is structured in a way that encourages employees' long-term commitment 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 Groupe 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 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, and specialized financial services) in response to the needs of its clients and those of Groupe BPCE.

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

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

Natixis follows a strategy of diversifying its sources of financing as well as those of Groupe BPCE, and manages its capital adequacy ratio in order to be able to cope with stress situations.

Natixis' most important asset is its reputation and its relationship with its clients. The client's interest is therefore put first, and the bank is committed to operating at the highest level of ethical standards, and in line with the highest standards of transaction execution and security in all its activities, entities and geographic regions of operation.

Natixis is committed to strictly observing the laws, regulations and norms governing its activities, in France and internationally, and in the realm of financial security (anti-money laundering, terrorism, corruption and fraud), compliance and client protection.

2.4.2 RISK APPETITE FRAMEWORK

The risk appetite operating mechanism works on two successive levels for each identified risk and selected indicator:

- an overall limit setting the risk envelope allocated to the business lines;
- and a warning threshold on the maximum risk which, if exceeded, would pose a risk to Natixis' 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 and consolidated, and is presented to the Board of Directors' Risk Committee.

The Risk Appetite Framework forms part of Natixis' overall processes, and is used:

- for 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 whose indicators 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 activities, which may change, particularly as a result of regulatory requirements.

Credit risk

Credit risk is the risk of loss on Natixis' receivables 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 whereby the credit risk inherent to a set of exposures is housed in special-purpose entity (usually a securitization fund or "conduit"), which is then divided into tranches, usually for the purposes 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, or due to external events, whether deliberate, accidental or natural occurrences. Internal procedures include, but are not limited to, human resources and information systems. External events include, but are not limited to, natural disasters, fraud or terrorist attacks. Furthermore, any interruptions or failures of Natixis or third party information systems may result in lost earnings and thus generate losses. Similarly, unforeseen events may cause an interruption in the continuity of Natixis' operations, thus generating material losses and additional costs.

Legal risk is also a component of operational risk.

The Insurance department, which reports to Natixis' Insurance Division, is tasked with analyzing insurable operational risks and taking out appropriate insurance coverage. Insurance policies bought from leading insurers provide coverage 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 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 and reputational risk (including legal and tax risks)

Non-compliance risk is defined by French regulations as the risk of a legal, administrative or disciplinary penalty, accompanied by significant financial losses, that arises from a failure to comply with the provisions specific to banking and financial activities, whether these are stipulated by laws or regulations, with professional or ethical standards, 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. Non-compliance risk may have consequences that go beyond a pure loss of economic value, however, and may damage the institution's reputation. The bank handles non-compliance risk accordingly.

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.

Natixis is also exposed to the following risks:

Risk related to insurance activities 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).

Strategy 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: Natixis' environmental and social risks arise from the operations of the clients and companies in which Natixis invests.

2.6 Risk factors

Natixis is exposed to a number of different risk factors that may be classified into the following categories:

- risks related to the macroeconomic environment and the financial crisis;
- risks related to its ties with BPCE;
- risks related to Natixis' operations and the banking sector;
- other risks including risks related to Natixis' reputation and image, and changes to laws and regulations.

A description of Natixis' risk management systems is detailed in the following chapters of this report, and in the Report of the Chairman of the Board of Directors on Internal Control and Risk Management Procedures *(See Natixis 2016 Registration Document - Chapter 2, Section 2.5)*.

The risk factors listed below are not the only factors incurred by Natixis. Other risks and uncertainties of which Natixis is not aware or which are not deemed material may also have an adverse impact on Natixis' operations, financial position or results.

2.6.1 RISKS RELATED TO THE MACROECONOMIC ENVIRONMENT AND THE FINANCIAL CRISIS

Adverse market or economic conditions and increased regulatory requirements may negatively affect the net revenues, profitability and financial position of Natixis

Natixis' businesses are sensitive to changes in the financial markets and more generally to economic conditions in France, Europe and the rest of the world.

Global trade slowed further in 2016 as commodities made a comeback, with the price of Brent oil gaining 90% over its low point in January 2016. This rebound loosened the grip on exporting economies, especially in emerging countries. However, by halting the inflation freefall in importing countries, the upturn also eroded consumer capacity in developed countries. The resulting lower growth in these countries weighed on the global economy as a whole.

Against this backdrop, the French economy improved only mildly. While growth was above 1% for the second year running, French GDP was only 4% above its 2008 pre-crisis peak. Nevertheless, company profits picked up again and real estate began making a comeback.

Aside from the ongoing uncertainty and instability of the economic situation, the financial and banking markets were highly focused on other major events such as the Brexit vote in the UK, the referendum on Senate reform in Italy, the Austrian presidential elections in December, and the surprise election of the Republican candidate as the next US president. As the equity markets hit peaks of volatility sparked by the Brexit vote and the US presidential election, the fixed income markets underwent a reversal towards the end of the year that saw yield curves steepen substantially.

The global economic outlook promises to remain mediocre for both 2016 and 2017, with an economic downturn in Europe and especially France (return of inflation, slowdown in consumer spending, profit erosion for companies with energy-intensive production lines) liable to have repercussions on provisions for credit losses and adversely affect Natixis' capital adequacy. Furthermore, election results in the euro zone (Germany, France, Netherlands) may have a long-term upward effect on European sovereign debt risk premiums, thus impacting growth and fiscal solvency in euro zone countries.

The Brexit process is another big question mark. Its economic and political consequences remain uncertain, with the potential to trigger huge disruptions on the financial markets. Such developments could potentially have a negative impact on the environment in which financial institutions operate, and consequently may have an impact on Natixis' financial position.

In response to the financial crisis and under the impetus of international and domestic regulators, governments (including countries in which Natixis entities operate) have either adopted, or are in the process of submitting to parliament, a number of regulatory measures which are a breakaway from the current framework (MiFID 2, the review of the standardized approach on credit risk, the fundamental review of the trading book, etc.).

The implementation and observation of these measures could result in:

- an increase in capital and liquidity requirements;
- a structural increase in funding costs;
- an increase in some of Natixis' costs (compliance costs, restructuring, etc.);
- a change in tax laws in Natixis' countries of operation.

It is too early to accurately determine the scale and the impact these measures (in particular those still being examined or not yet finalized) could have on financial markets in general and on Natixis in particular.

2.6.2 RISKS RELATED TO TIES WITH BPCE

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

At December 31, 2016, Natixis' main shareholder, BPCE, held 71% of its share capital (and 71.03% 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

As the central institution, BPCE is required to ensure that the whole Groupe BPCE – to which Natixis belongs – 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-Groupe BCPE customers as non-performing loans. BPCE’s interests (on behalf of Groupe BPCE) concerning risk management may differ from those of Natixis.

Natixis refinances through BPCE

Natixis refinances medium- and long-term public and private-sector vanilla issues (senior and subordinate) at Groupe BPCE level through BPCE S.A. In the event market conditions deteriorate in the future, BPCE, which obtains financing on the international debt markets, among other sources, may have difficulty issuing debt instruments under reasonable terms and conditions.

2.6.3 RISKS RELATED TO NATIXIS’ OPERATIONS AND THE BANKING SECTOR

Natixis is exposed to risks intrinsically associated with its Corporate & Investment Banking, Insurance, Asset Management and Specialized Financial Services activities:

- credit risk is the risk of loss on Natixis' loans due to a debtor's inability to honor its contractual obligations. It includes counterparty risk inherent in market transactions, country risk (including sovereign risk) and risk associated with securitizations.
- market risk is the risk of loss generated by any negative fluctuations in market inputs caused by corporate and investment banking activities.
- operational risk is the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences.
- 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.
- structural interest rate and foreign exchange risks are defined as the risks of loss triggered by interest rate fluctuations in the banking book or adverse movements in exchange rates in the scope of banking activities.
- non-compliance and reputational risk (including legal and tax-related risks) are generated by the failure to observe provisions specific to banking and financial activities, including legislative or regulatory provisions, or in terms of professional and ethical standards.
- insurance risk is the risk to profits by any discrepancy between expected and incurred claims.

These risks are described in greater detail in Pillar 3, Chapter 2, and in Chapter 3 of the Registration Document dealing with the extent of these risks and impact the impact they may have on Natixis’ results and on the organization and management of these risks.

2016 was clearly an eventful year, which started off with deep concerns gripping the financial markets over the Chinese economic slowdown, followed by the unexpected outcome of the Brexit referendum, then by the US elections, which generated major volatility throughout the entire campaign, while the year ended with the Italian referendum on constitutional reform.

Emerging risks

This series of events took place amid widespread uncertainty, which has given risk to new types of risk in recent years:

- cyber risk is the risk 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 customers.

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 generate 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, the regulatory and supervisory authorities have begun highlighting the importance of ICT (Information and Communication Technology) risk management.

Natixis has taken ICT risk on-board and has made the resilience of its technical infrastructures, business continuity, and data transmission security a top priority, both in terms of anticipating and being capable of responding to threats.

The bank is constantly strengthening its data protection resources and incident management processes. Oversight of cyber risk, based on strict management of information systems and the associated risks, is part of an integrated system involving the IS, Operational Risk, Information System Security Risk and Business Continuity Risk departments.

- Interest rate conditions: from a structural standpoint, Natixis’ banking operations have relatively low sensitivity to absolute interest rate levels due to the structure of their portfolios, consisting predominantly of floating-rate assets, which are quickly rotated on the balance sheet and subject to very low risk tolerance. Persistently low interest rates may nevertheless have consequences on Natixis’ profitability, and particularly on its insurance activities. Indeed, a very low interest rate environment could heavily dilute the returns of Natixis Assurances’ main fund and therefore reduce the margins we earn on euro-denominated policies.

2.6.4 OTHER RISKS

New strategy

The New Frontier 2014-2017 strategic plan, the guidelines of which are in line with Groupe BPCE's plan, aims to create a value-added customer solutions bank dedicated entirely to customers. The strategy focuses on four strengths: to become an "asset-light" bank; to pursue and step up the internationalization of the business lines; to create a single Insurance division at the service of Groupe BPCE; and further the development of synergies with the Caisse d'Epargne and Banque Populaire networks.

While Natixis believes that these strategic directions provide a number of opportunities, it will continue to face uncertainties given the current state of the global economy, and there is no guarantee that it will achieve the goals of this new strategy.

Should Natixis decide to sell some of its operations, the selling price could be lower than expected and Natixis might continue to bear significant risks stemming from these operations as a result of liability guarantees or indemnities that it might have to grant to the buyers.

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 in across the financial services industry and the competition to attract qualified employees is intense. Natixis' results depend on its ability to attract new employees and to retain and motivate existing employees.

Future events may differ from those reflected in the assumptions used by management to prepare Natixis' financial statements, which may expose Natixis to unexpected future losses

Pursuant to the IFRS standards and interpretations currently in force, Natixis is required to use certain estimates to prepare its financial statements, including accounting estimates to determine provisions relating to loans and non-performing debts, provisions relating to possible litigation, and the fair value of certain assets and liabilities. If the values used for these items by Natixis should prove significantly inaccurate, particularly in the event of major and/or unexpected market trends, or if the methods by which they are determined should change under future IFRS standards or interpretations, Natixis may be exposed to unexpected losses.

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, as management fees charged by Natixis to its customers are often based on the value or performance of the portfolios, any market downturn that reduces the value of these portfolios or increases the amount of redemptions would reduce Natixis' revenues from its Asset Management and Private Banking 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.

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, an acquisition or joint venture may not live up to expectations, 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.

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

Natixis' primary business areas 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 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 accounts, 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 would be able to offer more competitive products and services.

Technological advances and the growth of e-commerce have made it possible for non-deposit taking 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.

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 several 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 usual manner. 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 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.

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 of time, 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.

Natixis is subject to significant regulation in France and in several other countries around the world where it operates; regulatory actions and changes could adversely affect Natixis' business and results

Several supervisory and regulatory regimes apply to Natixis in all the countries where it conducts its business. In addition to reputational risk, failure to comply with these regulations could expose Natixis to significant intervention by regulatory authorities and to fines, public warnings by the authorities, suspensions of operations or, in extreme cases, withdrawal of Natixis' operating authority. The Financial Services industry has been under increased scrutiny from several regulatory authorities in recent years, and the penalties and fines imposed by these regulatory authorities have increased – a trend that may be accelerated in the current financial context. Natixis' operations and income may be affected by various measures and actions taken by French and European regulatory authorities, by the European Union, by foreign governments, or by other international organizations. Such constraints could limit Natixis' ability to develop its businesses or to pursue certain operations. The nature and impact of these potential changes in regulatory policies and actions are unpredictable and Natixis has no way of controlling them. Such changes could include, but are not limited to, the following:

- monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policies liable to significantly influence investor decisions, in particular in markets where Natixis operates;
- general changes in regulatory requirements, notably prudential rules relating to the regulatory capital adequacy framework;
- changes in rules and procedures relating to internal controls;
- changes in the competitive environment and prices;
- changes in financial reporting rules;
- expropriation, nationalization, price controls, exchange controls, confiscation of assets and changes in legislation relating to foreign ownership rights; and
- any adverse change in the political, military or diplomatic environments creating social instability or an uncertain legal situation capable of affecting the demand for the products and services offered by Natixis.

Tax laws applicable to business sectors in which Group entities operate around the world, such as the banking, insurance and financial services sectors, have a material impact on Natixis' results

Natixis is subject to the tax regulations in force in its various countries of operation. Changes in these regulations may have a material impact on the effective tax rate on its activities. Natixis aims to create value in serving its customers by drawing on the synergies and sales capacities of its various entities. Its operations are managed locally, in accordance with national, regional and international tax rules, depending on the type of operation in question. 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.

The structuring of Natixis' intra-group transactions and financial products sold to customers is rooted in Natixis' own interpretations of applicable tax laws and regulations, based on the opinions received from independent tax advisers and occasionally on authorizations or rulings by the tax authorities. 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 adjustments.

Natixis' profitability and business outlook could be adversely affected by reputational and legal risk

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 cause an increase in the number of legal proceedings and the amount of damages claimed against Natixis, or expose Natixis to sanctions from the regulatory authorities.

Natixis shareholders may suffer losses if Natixis must undergo resolution proceedings

The EU directive for bank recovery and resolution (BRRD) and the Single Resolution Mechanism (defined below) as enacted into French law by a legislative decree dated August 20, 2015 (Order 2015-1024 of August 20, 2015, setting forth various provisions for adapting French legislation to comply with European Union financial law) empower resolution authorities to write down Natixis securities or, in the case of debt securities, to convert them into equity.

Resolution authorities can write down or convert Natixis equity instruments, if the issuing institution or group to which it belongs goes into default or is likely to do so (and if there is no reasonable prospect that another measure may prevent this default within a reasonable time), or becomes unsustainable or requires exceptional public assistance (with some exceptions). They must write down or convert equity instruments before launching resolution proceedings, or if such steps are necessary to ensure the institution remains sustainable. Equity instruments must be written down or converted in order of priority, so that Common Equity Tier 1 instruments are written down first, then additional Tier 1 instruments are written down or converted into equity instruments, followed by Tier 2 instruments.

After initiating resolution proceedings, resolution authorities have the ability (known as bail-in power) to write down or convert remaining equity instruments (including those issued when converting equity instruments before resolution). If writing down or converting equity instruments is not enough to restore financial stability to the institution, bail-in power may be applied to the write-down or conversion of eligible liabilities, such as Natixis senior non-preferred securities or preferred securities. Taking eligible liabilities into account, bail-in power would initially apply to the write-down or conversion of subordinated debt other than Tier 2 instruments, then to senior debt in the same order used for liquidation proceedings, so that senior non-preferred securities would be written down or converted before senior preferred securities.

Resolution proceedings may be initiated against Groupe BPCE if (i) the Group's default has been established or can be predicted, (ii) there is no reasonable prospect that another measure may prevent this default within a reasonable time and (iii) a resolution measure is required to achieve the resolution's objectives: (a) guarantee continuity of critical services, (b) ensure there is no major negative impact on financial stability, (c) protect the government's resources by minimizing the use of exceptional public financial assistance and (d) protecting the funds and assets of customers, especially depositors. An institution is considered to be in default when it does not comply with the terms of its approval to operate, whether it requests exceptional public financial assistance (with a limited number of exceptions) or the value of its liabilities exceeds that of its assets.

Aside from bail-in powers, resolution authorities have been granted expanded powers so that they can implement other resolution measures for institutions in default or, in some cases, for the groups to which they belong. These measures include but are not limited to: the sale of all or some of the institution's businesses to a third party or to a bridge bank, separation of assets, replacement or substitution of the institution as a debtor to debt instruments, changes to the terms of debt instruments (including modification of the maturity and/or the amount of interest payable and/or the temporary suspension of payments), suspension of its ability to trade or officially list financial instruments, the dismissal of management, or the appointment of a temporary administrator (special manager) and issuance of capital or equity.

The resolution authorities are currently the Resolution College of the Autorité de Contrôle Prudentiel et de Résolution (ACPR - French Prudential Supervisory Authority for the Banking and Insurance Sector) and the Single Resolution Board established by Regulation (EU) No. 806/2014 of the European Parliament and the Council of July 15, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions in the framework of a Single Resolution Mechanism and a Single Resolution Fund (the "Single Resolution Mechanism"). Under the Single Resolution Mechanism, the ACPR's Resolution College is responsible for implementing resolution plans in accordance with the instructions of the Single Resolution Board.

The resolution authorities' use of the powers described above may lead to the write-down or conversion of all or some of the debt and equity instruments issued by Natixis, or may significantly affect the resources available to Natixis to pay such instruments. In addition, under certain market conditions, the interpretation held by market stakeholders regarding the existence of such powers may negatively influence the market value of debt and equity instruments issued by Natixis.

2.7 Stress tests

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

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

The stress test mechanism is structured as follows:

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

Global internal stress tests

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

The scenarios are prepared by the Economic Research team in collaboration with Natixis' various support functions, and are approved by Senior Management.

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

The results are reported to the Group's Senior Management and to the Risk Committee.

The adverse scenario used for 2016 was based on a political and economic crisis in the euro zone: withdrawal of Greece, widening sovereign credit spreads, growth in unemployment rates, increased easing of monetary policies to tackle deflation.

The impact of this adverse scenario was presented at the Senior Management Committee and Risk Committee meeting, and was 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 two regulatory exercises were performed in 2014 and 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, Section 8.3 on "Methodology for measuring market risk" and Section 8.3.4 on "Stress tests and operational indicators").

3

RISKS 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 capital requirements;
- reinforced own funds requirements, in particular for counterparty risk on derivatives;
- higher ratios to observe, 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), such as BPCE. 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 - Maximum Distributable Amount).

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 methodologies and minimum observable requirements,
- Pillar II: a mechanism governing the role of the banking supervisory authorities, allowing them to define specific capital requirements for each institution in accordance with their risks and internal oversight systems,
- 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 continued in 2016. Drawing on the Supervisory 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 2016 process, Natixis must observe a phased-in CET1 ratio of 7.75% in 2017, 2% of which in respect of Pillar II (excluding P2G) and 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 12/31/2016 and whose measurement 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 regulatory consolidation scope 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 2016 Natixis Registration document Note 17 of Chapter 5.1) are included in the regulatory consolidation scope; the Group's insurance companies are accounted for under the equity method in the regulatory consolidation scope.

Appendix 1 to this report contains a table detailing the transition from the consolidated accounting balance sheet view to the regulatory balance sheet view of assets and liabilities. The main difference between the two views is the restatement of insurance companies, as explained above.

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

			Carrying values of items				
(in millions of euros) **Assets**	**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 capital requirements or subject to deduction from capital**
Cash, central banks	26,704	26,704	26,704				
Financial assets designated at fair value through profit or loss	187,628	170,324	2,244	116,745	812	166,337	
Hedging derivatives	1,220	1,219		1,219		989	
Available-for-sale financial assets	54,990	11,287	11,261		92	12	14
Loans and receivables due from banks	58,783	57,647	43,406	11,312	3,414	11,212	
Customer loans and receivables	140,303	130,445	86,443	43,996	62	43,972	
Revaluation adjustments on portfolios hedged against interest rate risk							
Held-to-maturity financial assets	2,066						
Current tax assets	436	310	310				
Deferred tax assets	1,908	1,914	1,132				782
Accrual accounts and other assets	46,109	34,227	34,227		6		
Non-current assets held for sale	947	241	200				41
Deferred profit-sharing							
Investments in associates	666	3,974	3,722				252
Investment property	1,084	101	101				
Property, plant and equipment	672	609	609				
Intangible assets	744	510					510
Goodwill	3,600	3,213					3,213
TOTAL ASSETS	**527,860**	**442,725**	**210,359**	**173,272**	**4,386**	**222,521**	**4,812**

Note: Carrying values under scope of regulatory consolidation (column b) do not equal the sum of risk type breakdown (column c to g). An exposure can be subject to several risk types.

(in millions of euros) **Liabilities**	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 capital requirements or subject to deduction from capital
Due to central banks							
Financial liabilities at fair value through profit or loss	146,226	145,763		102,616	293	134,344	6,846
Hedging derivatives	2,011	2,011		2,011		1,022	
Due to banks	101,374	97,947		15,756		14,758	82,192
Customer deposits	86,472	86,675		45,624		45,519	41,050
Debt securities	48,922	48,515					48,515
Revaluation adjustments on portfolios hedged against interest rate risk	193	193					193
Current tax liabilities	555	456					456
Deferred tax liabilities	685	449					449
Accrual accounts and other liabilities	44,464	35,309					35,309
Liabilities on non-current assets held for sale	813	107					107
Insurance companies' technical reserves	68,810						
Contingency reserves	1,994	1,804	51				1,753
Subordinated debt	4,209	3,570					3,570
Shareholders' equity (Group share):	**19,836**	**19,836**					**19,836**
Share capital and reserves	10,895	10,895					10,895
Consolidated reserves	6,417	6,417					6,417
Unrealized or deferred gains or losses	1,323	1,323					1,323
Other gains or losses	(174)	(174)					(174)
Net income	1,375	1,375					1,375
Non-controlling interests	1,296	90					90
TOTAL LIABILITIES	**527,860**	**442,725**	**51**	**166,007**	**293**	**195,643**	**240,365**

Note: Carrying values under scope of regulatory consolidation (column b) do not equal the sum of risk type breakdown (column c to g). An exposure can be subject to several risk types.

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 1 (CET1)

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

- deductions not subject to the 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 the phase-in arrangements:
  - non-bank non-controlling interests,
  - bank non-controlling 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 1 capital (see below).

ADDITIONAL TIER 1 (AT1)

AT1 capital comprises:

- subordinated debt instruments recognized as Additional Tier 1 after applying phase-in arrangements;
- deductions made to this category via the phase-in provisions applied to CET1;
- any surplus deduction of Tier 2 capital (see below).

Appendix 2 to this report contains a breakdown of debt instruments recognized in Additional Tier 1 capital and their characteristics, at December 31, 2016, as required by Commission Implementing Regulation No. 1423/2013 (Appendix II).

TIER 2 (T2) CAPITAL

Tier 2 capital comprises:

- subordinated debt instruments recognized as Tier 2 capital after applying phase-in arrangements;
- deductions made to this category via the phase-in provisions applied to CET1;
- any surplus provision in relation to expected losses.

Appendix 2 to this report contains a breakdown of debt instruments recognized in Tier 2 capital and their characteristics, at December 31, 2016, as required by Commission Implementing Regulation No. 1423/2013 (Appendix II).

At December 31, 2016, 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 2 : TRANSITION FROM SHAREHOLDER'S EQUITY TO PRUDENTIAL CAPITAL AFTER APPLYING PHASE-IN ARRANGEMENTS

(in millions of euros)	12.31.2016
Shareholders' equity	
Capital	5,019
Issue premium	4,210
Retained earnings	6,471
Treasury shares	0
Other, including items of comprehensive income	1,150
Other instruments to be reclassified as Additional Tier 1 capital	1,611
Net income	1,374
Total shareholders' equity – Group share	**19,836**
Reclassification as Additional Tier 1 capital	(1,611)
Translation adjustments	(86)
Restatement of dividend forecast (dividend for previous year)	0
Prudential filters after phase-arrangements	
Own credit risk: Gain on reclassification of hybrid securities	(257)
Own credit risk: liabilities and derivatives net of deferred taxes	9
Prudent valuation adjustment	(257)
Unrealized gains and losses	(8)
Total prudential filters	**(513)**
Deductions after phase-in arrangements	
Dividend proposed for current year and related expenses	(1,130)
Goodwill	
Amount as per accounting base	(3,213)
Amount of related deferred tax liabilities	530
Amount included in value of investments in associates and non-current assets	(262)
Intangible assets	
Amount as per accounting base (including non-current assets: 11)	(521)
Non-controlling interests	
Amount as per accounting base	90
Prudential adjustment including phase-in arrangements	(89)
Deferred tax assets (tax loss carry-forwards)	
Amount as per accounting base	(1,914)
o/w portion not including tax loss carry-forwards and impact of netting	799
Prudential adjustment including phase-in arrangements	669
Shortfall of provisions to expected losses	0
Investments in the share capital of financial sector entities	0
Other prudential adjustments including phase-in arrangements	(112)
Total deductions	**(5,152)**
Total Common Equity Tier 1 (CET1)	**12,474**
Hybrid capital instruments	
Amount as per accounting base	
Other equity instruments	1,611
Residual gain on reclassification as equity	257
Nominal value adjustment during the period	111
Early redemption through exercise of call option	0
Leveling due to the grandfathering limit	0
Total hybrid instruments	1,979
Deductions	*(62)*
Other prudential adjustments including phase-in arrangements	(146)
Total Additional Tier 1 (AT1)	**1,770**
Total Tier 1 capital	**14,244**
Subordinated debt instruments	
Amount as per accounting base (before elimination of company-controlled stock)	3,591
Regulatory adjustment	(509)
Transfer of grandfathering leveling on hybrid capital instruments	0
Total Tier 2 instruments	3,082
Surplus of provisions to expected losses	100
Deductions	(760)
Other prudential adjustments including phase-in arrangements	*133*
Total Tier 2 capital	**2,555**
TOTAL PRUDENTIAL CAPITAL	**16,799**

Pursuant to Implementing Regulation No. 1423/2013, the audit trail of prudential capital as described in **Appendix VI** of the regulation is provided below.

TABLE 3 : PRUDENTIAL 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	9,229	26 (1), 27, 28, 29, EBA list 26 (3)	
	o/w ordinary shares	9,229	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	6,377	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	1,158	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)	2	84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	244	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**17,010**		**0**
Common Equity Tier 1 capital: instruments and reserves				
7	Additional value adjustments (negative amount)	(257)	34.105	
8	Intangible assets (net of related tax liability) (negative amount)	(3,466)	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)	(446)	36 (1) (c), 38, 472 (5)	(699)
11	Fair value reserves related to gains or losses on cash flow hedges	255	33 (a)	0
12	Negative amounts resulting from the calculation of expected loss amounts	(77)	36 (1) (d), 40, 159, 472 (6)	0
13	Any increase in equity that results from securitized assets (negative amount)	0	32 (1)	0
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(248)	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)	0	36 (1) (f), 42, 472 (8)	0
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 1250%, 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)	(34)	48 (1)	(23)
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	(20)	36 (1) (i), 48 (1) (b), 470, 472 (11)	(13)
24	Empty set in the EU			
25	o/w deferred tax assets arising from temporary differences	(14)	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	(9)
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	(263)		
	o/w filter for unrealized loss	0	467	
	o/w filter for unrealized gain	(263)	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)**	**(4,536)**		
29	**Common Equity Tier 1 (CET1)**	**12,474**		

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		900	51, 52	
31	o/w classified as equity under applicable accounting standards	900		
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	1,079	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**	**1,979**		
Additional Tier 1 (AT1) capital: regulatory adjustments				
37		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)	(50)	56 (d), 59, 79, 475 (4)	(12)
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	(7)	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (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	(7)		
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	(152)	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	(152)		
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	
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**	**(208)**		
44	**Additional Tier 1 (AT1) capital**	**1,770**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**14,244**		
Tier 2 (T2) capital: instruments and provisions				
46		3,037	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 1st, 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	100	62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustments**	**3,183**		
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(1)	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)	(608)	66 (d), 69, 79, 477 (4)	(152)
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	(7)	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	(7)		

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	(12)	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	(12)		
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**	**(628)**		
58	**Tier 2 (T2) capital**	**2,555**		
59	**Total capital (TC = T1 + T2)**	**16,799**		
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)	14		
	o/w adjustment of the 15% threshold, part of the significant investments of the CET1, items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)	14	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	o/w adjustment of the 15% threshold, deferred tax assets part, 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**	**14**		
Capital ratios and buffers				
61		10.8%	92 (2) (a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	12.3%	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	14.5%	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 0-SII buffer), expressed as a percentage of risk exposure amount)	0.633%	CRD 128, 129, 130	
65	o/w capital conservation buffer requirement	0.625%		
66	o/w countercyclical buffer requirement	0.008%		
67	o/w systemic risk buffer requirement	0.000%		
67a	o/w global Systemically Important Institution (G(511) or Other Systemically Important Institution (0-SII) buffer	0.000%	BP 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	2.67%	BP 128	
69	[not relevant in EU Regulation]			
70	[not relevant in EU Regulation]			
71	[not relevant in EU Regulation]			
Capital ratios and buffers				
72		240	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)	1,077	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)	738	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	14,278	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)	100	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	54,1110	62	
Capital instruments subject to phase-out arrangements (only applicable between January 1st, 2013 and January 1st, 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	0	484 (3), 486 (2) & (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	1,089	484 (4), 486 (3) & (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	
84	Current cap on T2 instruments subject to phase-out arrangements	1,312	484 (5), 486 (4) & (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	

3.4 Changes in regulatory capital, regulatory own funds requirements and ratios in 2016

Regulatory capital and capital adequacy ratio:

The CET1, Tier 1 and total ratios are presented below by major component. The same ratios for 2015 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 5.125%, 6.625% and 8.625%, respectively for 2016, and 5.75%, 7.25% and 9.25%, respectively for 2017.

TABLE 4 : REGULATORY CAPITAL AND CAPITAL ADEQUACY RATIO

(in millions of euros)	12.31.2016	12.31.2015
Shareholders' equity (Group share)	**19,836**	**19,160**
Deeply subordinated notes (DSN)	1,611	1,213
Perpetual subordinated notes (PSN)	0	0
Consolidated shareholders' equity group share, net of DSNs and PSNs	**18,225**	**17,947**
Non-controlling interests (amount before phase-in arrangements)	90	116
Intangible assets	(521)	(522)
Goodwill	(2,945)	(2,904)
Dividends proposed to the General Shareholders' Meeting and expenses	(1,130)	(1,127)
Deductions and prudential restatements and phase-in arrangements	(1,245)	(1,079)
Total Common Equity Tier 1 capital	**12,474**	**12,432**
Deeply subordinated notes (DSN) and preference shares	1,979	1,571
Additional Tier 1 capital	0	0
Tier 1 deductions and phase-in arrangements	(208)	(269)
Total Tier 1 capital	**14,244**	**13,733**
Tier 2 instruments	3,082	3,020
Other Tier 2 capital	100	58
Tier 2 deductions and phase-in arrangements	(628)	(567)
Overall capital	**16,799**	**16,245**
Total risk-weighted assets	**115,524**	**113,331**
Credit-risk weighted assets	90,704	88,356
Market-risk weighted assets	11,111	12,257
Operational risk-weighted assets	13,709	12,719
Capital adequacy ratio		
Common Equity Tier 1 ratio	10.8%	11.0%
Tier 1 ratio	12.3%	12.1%
Overall ratio	14.5%	14.3%

TABLEAU 5 (CCYB1): GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES USED IN THE COUNTERCYCLICAL BUFFER

(in millions of euros) Breakdown by country	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		
HK – HONG KONG		1,377	468		
NO – NORWAY	1.5%	128	52		
SE – SWEDEN	1.5%	261	187		
Sub-total		**1,766**	**707**		
Other countries with a 0% risk weight		204,532	78,714		
TOTAL		**206,298**	**79,421**	**0.0082%**	**9**

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

TABLE 6 : CHANGES IN REGULATORY CAPITAL AFTER APPLYING PHASE-IN ARRANGEMENTS

(in millions of euros)	2016
Common Equity Tier 1 (CET1)	
Amount at start of period	12,432
New instruments issued (including issue premiums)	28
Instruments redeemed	0
Retained earnings from previous periods	(253)
Net income/(loss) for the period	1,374
Gross dividend proposed	(1,130)
Dividend payout in new shares	0
Changes in other comprehensive income	
Translation adjustments	125
Available-for-sale assets	170
Cash flow hedging reserve	34
Others	(95)
Others	2
Non-controlling interests	0
Filters and deductions not subject to the phase-in arrangements	
Goodwill and intangible assets	(40)
Own credit risk	112
Other comprehensive income CFH	(34)
Prudent valuation adjustment	33
Other	(2)
Other, including prudential adjustments and phase-in arrangements	
Deferred tax assets that rely on future earnings (excluding temporary differences)	672
Deductions in respect of breaches of capital thresholds	(66)
Others	12
Impact of phase-in arrangements	(897)
o/w impact of changes in phase-in rate	(88)
o/w impact of change in base subject to phase-in arrangements	(809)
Amount of Common Equity Tier 1 (CET1) at end of period	**12,474**
Additional Tier 1 (AT1) capital	
Amount at start of period	1,302
New eligible instruments issued	400
Redemptions during the period	(4)

(in millions of euros)	**2016**
Other, including prudential adjustments and phase-in arrangements	73
o/w impact of changes in phase-in rate	76
o/w other impact of changes base	(3)
Amount of Additional Tier 1 (AT1) capital at end of period	**1,770**
Tier 1 capital	**14,244**
Tier 2 capital	
Amount at start of period	2,512
New eligible instruments issued	300
Redemptions during the period	0
Other, including prudential adjustments and phase-in arrangements	(257)
o/w impact of changes in phase-in rate	(74)
o/w other impact of changes base	(183)
Amount of Tier 2 capital at end of period	**2,555**
TOTAL PRUDENTIAL CAPITAL	**16,799**

The following changes in Basel3/CRR regulatory capital were recorded in 2016, after applying phase-in arrangements:

Common Equity Tier 1 (CET1) capital totaled €12.5 billion at December 31, 2016, up €0.1 billion over the year.

The €0.68 billion increase in accounting shareholders' equity, group share, to €19.8 billion was mainly due to the incorporation of +€1.37 billion in net income for the year, the positive impact of the dollar's appreciation on translation adjustments, amounting to +€0.1 billion, and the positive change in unrealized gains and losses on insurance company portfolios, amounting to +€0.15 billion. These items were partially offset by the dividend payment for 2015 (-€1.1 billion), payment of interest on subordinated equity instruments (€0.08 billion) and the cumulative impact of the Ciloger and PJ Solomon acquisitions (-€0.15 billion). Finally, the issuance of €0.4 billion in subordinated instruments recognized as equity was prudentially reclassified as AT1.

CET1 capital included a provision for 2016 dividends payable in cash in the amount of €1.1 billion (i.e. €0.35 per share). It also reflects the impact of the gradual application of phase-in arrangements (-€0.1 billion over the year), and particularly the entry into force on October 1, 2016 of revised phase-in arrangements on the deduction of deferred tax assets for unrealized losses.

In addition to the above items, **AT1 capital** increased by €0.5 billion, stemming mainly from a €400 million issuance. 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.

T2 capital was stable over the year: the positive impact of the issuance of €0.3 billion in T2-eligible instruments (via BPCE) was offset by the gradual run-off of instruments ineligible for grandfathering arrangements, and by the change in the impact of phase-in arrangements over the period.

At €115.5 billion, **risk-weighted assets** climbed €2.2 billion over the year. It should be noted that the BPCE guarantee on ex GAPC exposures no longer has an impact on Natixis RWA.

TABLE 7: RISK-WEIGHTED ASSETS AT DECEMBER 31, 2016

(in billions of euros)	Credit risk	CVA	Market risk	Operational risk	Total RWA
BASEL 3 AT 12.31.2015	**83.7**	**4.7**	**12.2**	**12.7**	**113.3**
Changes in exchange rates	0.4				0.4
Changes in business activity	4.0	(0.3)		1.0	4.7
Improvement in risk parameters	(0.9)	(1.0)	(1.6)		(3.5)
Acquisitions and disposals of financial investments					
Impact of guarantees	(0.3)	0.4	0.4		0.9
BASEL 3 AT 12.31.2016	**86.9**	**3.8**	**11.1**	**13.7**	**115.5**

The +€3.2 billion year-on-year rise in credit risk was primarily due to the following factors:

- an increase in outstandings (+€4.0 billion) notably due to a higher level of activity (+€2.5 billion) and an increase in the book value of investments in insurance companies (+€1.4 billion);
- the impact of the dollar's appreciation (+€0.4 billion);
- an improvement in risk inputs (improved ratings, shortening of maturities), amounting to -€0.9 billion;
- a guarantee effect of -€0.3 billion.

The -€0.9 billion decrease in CVA risk can be primarily attributed to changes in volumes and the establishment of a hedge.

Market risk fell -€1.1 billion, with the change in risk inputs (-€1.6 billion) offset by the elimination of the aforementioned BPCE guarantee of +€0.4 billion.

Operational risk was up +€1.0 billion as the benchmark indicator for fiscal year 2016 was replaced with that of fiscal year 2013 (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 business line profitability accordingly.

In accordance with our strategic plan, Natixis' capital planning set a target fully loaded CET1 ratio of 9.5% to 10.5%, without taking into account phase-in measures except for those concerning deferred tax, as the target fully loaded CET1 ratio for the end of the current plan (i.e., December 31, 2017) is 10.5%.

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;
- projecting capital requirements specific to business line activity, within the framework of Natixis' overall capital adequacy policy;
- implementing a system for analyzing the capital consumption of the business lines and their profitability on the basis of Basel 3/CRR risk-weighted assets;
- allocating capital to the business lines, within the framework of strategic plan and annual budget procedures, taking into account business requirements, profitability and balance between the core business divisions.

Outlook

While total loss-absorbing capacity (TLAC) requirements only apply to global systemically important banks (G-SIBs) such as Groupe BPCE (a resolution entity), the European MREL (minimum requirements for eligible liabilities) ratio introduced by the BRRD directive should apply to Natixis, although the target level has yet to be defined.

Accordingly, Natixis helped collect detailed data on liabilities, as required by the Single Resolution Board (SRB) in 2016. The oversight and projection mechanisms applicable to this new ratio are currently being developed.

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 2016.

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 accounting 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. After an observation period, the leverage ratio may become more restrictive under Pillar 1 as of 2018.

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 AND COUNTERPARTY RISKS

4.1 Credit and counterparty risks

TABLE 8 (NX01): EAD, RWA AND CAPITAL REQUIREMENT BY APPROACH AND BY BASEL EXPOSURE CATEGORY

	12.31.2016			12.31.2015*		
(in millions of euros)	EAD	RWA	Capital requirement	EAD	RWA	Capital requirement
Credit risk						
Internal approach	**175,830**	**65,643**	**5,251**	**157,675**	**60,867**	**4,869**
Equities	5,620	16,826	1,346	5,485	16,380	1,310
Central governments or central banks	36,305	748	60	30,801	562	45
Other items	934	233	19	893	234	19
Retail	813	217	17	778	231	18
Corporates	115,021	43,496	3,480	103,529	39,367	3,150
Institutions	9,632	2,719	217	8,568	3,093	247
Securitization	7,505	1,404	112	7,621	1,000	80
Standardized approach	**70,860**	**13,526**	**1,082**	**82,239**	**14,866**	**1,189**
Equities	118	259	21	87	87	7
Central governments or central banks	8,503	2,027	162	5,262	1,899	152
Other items	7,306	6,538	523	8,151	8,094	648
Retail	2,571	1,892	151	2,390	1,709	137
Corporates	1,916	1,257	100	2,318	1,491	119
Institutions	46,759	538	43	61,162	581	46
Exposures at default	206	215	17	588	649	52
Exposures secured by mortgages on immovable property	221	97	8	199	92	7
Collective investment undertaking	282	282	23	5	5	
Exposures to institutions and corporates with a short-term credit assessment	2,315	124	10	1,855	151	12
Securitization	663	297	24	222	108	9
CCP default fund exposure	**285**	**273**	**22**	**213**	**196**	**16**
Sub-total credit risk	**246,975**	**79,442**	**6,355**	**240,127**	**75,929**	**6,074**
Counterparty Risk						
Internal approach	**36,048**	**7,047**	**564**	**34,207**	**6,932**	**555**
Central governments or central banks	4,069	195	16	3,473	22	2
Corporates	15,579	4,371	350	14,186	4,225	339
Institutions	15,528	2,364	189	15,952	2,580	206
Securitization	872	117	9	596	105	8
Standardized approach	**19,093**	**479**	**38**	**21,434**	**816**	**65**
Central governments or central banks	2,150	134	11	1,518	86	7
Retail	2	1				
Corporates	140	5		1,934	141	11
Institutions	16,639	298	24	17,566	281	22
Exposures at default				284	285	23
Exposures to institutions and corporates with a short-term credit assessment	162	41	3	132	23	2
Securitization						
Sub-total counterparty risk	**55,141**	**7,526**	**602**	**55,641**	**7,748**	**620**
Market risk						
Internal approach		**5,437**	**435**		**6,863**	**549**
Standardized approach		**5,646**	**452**		**5,371**	**430**
Equity risk		414	33		285	23
Foreign exchange risk		2,916	233		2,588	207
Commodities risk		708	57		1,110	89
Interest rate risk		1,608	129		1,388	111
Sub-total market risk		**11,083**	**887**		**12,234**	**979**
CVA	**11,129**	**3,736**	**299**	**12,297**	**4,678**	**374**
Settlement-delivery risk		**28**	**2**		**23**	**2**
Operational risk (standardized approach)		**13,709**	**1,097**		**12,719**	**1,017**
TOTAL		**115,524**	**9,242**		**113,331**	**9,066**

** : pro forma 2015: transfer of 37 079 M€ EAD from "Exposures to institutions and corporates with a short-term assessment" to "Institutions"*

TABLE 9 (EU OV1): OVERVIEW OF RWAS

	RWA		Minimum capital requirements
(in millions of euros)	12.31.2016	12.31.2015	12.31.2016
Credit risk (excluding CCR)	**74,776**	**72,288**	**5,982**
Of which the standardized approach	12,995	14,757	1,040
Of which the foundation IRB (F-IRB) approach	7,914	6,359	633
Of which the advanced IRB (A-IRB) approach	39,499	37,128	3,160
Of which equity IRB under the simple risk-weighted approach or the IMA	14,368	14,044	1,149
CCR	**11,418**	**12,517**	**914**
Of which mark to market	5,687	6,300	455
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	273	196	22
Of which CVA	3,736	4,678	299
Settlement risk	**28**	**23**	**2**
Securitization exposures in the banking book (after the cap)	**1,818**	**1,213**	**145**
Of which IRB approach	1,365	891	109
Of which IRB supervisory formula approach (SFA)	156	214	12
Of which internal assessment approach (IAA)			
Of which standardized approach	297	108	24
Market risk	**11,083**	**12,234**	**887**
Of which standardized approach	5,646	5,371	452
Of which IMA	5,437	6,863	435
Large exposures			
Operational risk	**13,709**	**12,719**	**1,097**
Of which basic indicator approach			
Of which standardized approach	13,709	12,719	1,097
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)	**2,692**	**2,337**	**215**
Floor adjustment			
TOTAL	**115,524**	**113,331**	**9,242**

TABLE 10 (NX03): EXPOSURE AND EAD BY BASEL CATEGORY OF EXPOSURE

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

	Exposure		EAD		
(in millions of euros)	12.31.2016	o/w off-balance sheet	12.31.2016	o/w off-balance sheet	2016 average
Corporates	**161,916**	**77,809**	**132,656**	**48,708**	**129,380**
Other than SMEs and SF	135,382	68,937	108,606	42,219	106,691
Specialized Financing (SF)	22,744	8,254	20,478	5,988	19,133
SMEs	3,790	618	3,572	501	3,556
Institutions	**92,250**	**38,284**	**88,843**	**34,876**	**68,156**
Governments or central banks	**51,381**	**7,468**	**51,027**	**7,117**	**51,152**
Central governments or central banks	49,048	6,265	48,818	6,035	48,680
Regional governments or local authorities	902	444	899	443	933
Public sector entities	1,431	759	1,310	639	1,539
Retail	**14,350**	**10,922**	**3,386**	**114**	**3,460**
Other than SMEs	13,493	10,859	2,565	83	2,444
SMEs	857	63	821	31	1,016
Securitization	**9,129**	**4,699**	**9,040**	**4,699**	**9,673**
Other items	**8,240**		**8,240**		**7,819**
Equities	**5,747**	**226**	**5,738**	**226**	**5,704**
Collective investment undertaking	**282**		**282**		**125**
Exposures secured by mortgages on immovable property	**235**	**29**	**221**	**14**	**208**
Exposures to institutions and corporates with a short-term credit assessment	**2,478**	**162**	**2,477**	**162**	**17,325**
Exposures at default	**444**	**2**	**206**	**1**	**582**
TOTAL 12.31.2016	**346,452**	**139,601**	**302,116**	**95,917**	**293,584**
TOTAL 12.31.2015	**339,812**	**135,516**	**295,768**	**92,365**	**302,289**

TABLE 11 (NX05): EAD BY GEOGRAPHIC AREA AND BY ASSET CLASS

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

(in millions of euros) **Category of exposure**	France	Europe*	North America	Other	Total
Corporates					
Other than SMEs and SF	46,717	28,865	15,643	17,381	108,606
Specialized Financing (SF)	4,563	6,378	3,868	5,669	20,478
SMEs	2,845	355	19	353	3,572
Sub-total	**54,125**	**35,598**	**19,530**	**23,403**	**132,656**
Institutions	**54,818**	**15,738**	**11,527**	**6,760**	**88,843**
Governments or central banks					
Central governments or central banks	9,029	4,232	27,921	5,308	46,490
International organizations				530	530
Multilateral development banks		28		1,769	1,797
Regional governments or local authorities	539	358		3	900
Public sector entities	912	348	47	3	1,310
Sub-total	**10,480**	**4,966**	**27,968**	**7,613**	**51,027**
Securitization	**3,183**	**1,037**	**4,271**	**549**	**9,040**
Other items	**7,646**	**372**	**162**	**60**	**8,240**
Equities	**4,914**	**460**	**197**	**167**	**5,738**
Retail					
Other than SMEs	2,565				2,565
SMEs	745	5		71	821
Sub-total	**3,310**	**5**		**71**	**3,386**
Exposures secured by mortgages on immovable property	**221**				**221**
Exposures to institutions and corporates with a short-term credit assessment	**752**	**862**	**282**	**581**	**2,477**
Exposures at default	**133**	**70**		**3**	**206**
Collective investment undertaking	**147**	**135**			**282**
TOTAL 12.31.2016	**139,729**	**59,243**	**63,937**	**39,207**	**302,116**
TOTAL 12.31.2015	**160,934**	**60,147**	**38,876**	**35,811**	**295,768**

**Europe = European Union + Europe outside EU*

Note: the change in exposures to France and North America is due to reduced investments with their central banks.

TABLE 12 (NX11BIS): EAD BY CATEGORY AND BY AGENCY –STANDARDIZED APPROACH

The following table shows the breakdown of exposure at risk 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.

(in millions of euros) Category of exposure	FITCH IBCA	MOODYS	S&P	Total
Corporates		**7**	**92**	**99**
Institutions		**428**	**394**	**822**
Governments or central banks				
Central governments or central banks	69	89	201	359
International organizations		261	269	530
Multilateral development banks	28	30	1,740	1,798
Regional governments or local authorities	55	115	186	356
Public sector entities	235	329	725	1,289
Sub-total	**387**	**824**	**3,121**	**4,332**
Exposures guaranteed by mortgages on immovable property			22	22
Exposures to institutions and corporates with a short-term credit assessment	10	158	2,309	2477
Corporates				
TOTAL 12.31.2016	**397**	**1,417**	**5,938**	**7,752**
TOTAL 12.31.2015	**148**	**2,225**	**4,515**	**6,888**

TABLE 13 (NX17): GUARANTEED EXPOSURES BY TYPE AND INTERNAL RATING OF GUARANTOR (S&P EQUIVALENT)

(in %)	Guaranteed Exposures By Type		
Internal Rating Of Guarantor (S&P Equivalent)	Institutions	Corporates	Central governments and central banks
AAA			0.8%
AA+, AA, A			71.0%
A+, A, A	72.6%	36.5%	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 12.31.2016	**100.0%**	**100.0%**	**100.0%**

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

(in %)	Guaranteed Exposures By Type		
Internal Rating Of Guarantor (S&P Equivalent)	Institutions	Corporates	Central governments and central banks
AAA	47.6%		1.1%
AA+, AA, AA	3.6%	19.9%	76.3%
A+, A, A	48.7%	50.9%	12.9%
BBB+, BBB, BBB	0.1%	22.2%	8.9%
BB+, BB, BB		2.1%	0.7%
B+, B, B		0.6%	
Unrated		4.3%	0.1%
TOTAL 12.31.2015	**100.0%**	**100.0%**	**100.0%**

TABLE 14 (NX18): EAD BY CREDIT RISK MITIGATION TECHNIQUE

Protection *(in millions of euros)*	Standardized Approach		Internal Approach	
	Exposure	Protection Amount	Exposure	Protection Amount
Guarantees received	978	556	24,961	14,718
Credit default swaps			1,501	1,501
Total return swaps				
TOTAL 12.31.2016	**978**	**556**	**26,462**	**16,219**
TOTAL 12.31.2015	**973**	**557**	**24,114**	**16,231**

Collateral *(in millions of euros)*	Standardized Approach		Internal approach	
	Exposure	Protection Amount	Exposure	Protection Amount
Cash-type financial collateral	222	82	6,477	5,196
Other financial collateral	328	260	3,32	2,876
Immovable property	407	240	12,043	11,886
Other physical collateral			19,951	16,597
Receivables			9,763	9,155
TOTAL 12.31.2016	**957**	**582**	**51,554**	**45,71**
TOTAL 12.31.2015*	**1,600**	**1,182**	**15,968**	**12,482**

** 2015 figures do not include collateral used in specialized financing, nor the exposures concerned.*

5

CREDIT RISKS

5.1 Credit risk control organization

The risk control framework is driven by the Risk Division with the strong 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. Natixis has set up first- and second-level permanent controls covering credit risk.

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 Senior Management.

Working with the business lines, the main duty of the Risk Division is to provide an opinion, based on all relevant and useful information, on the risks taken by the bank.

Credit decisions are made within the limit authorizations granted jointly to the business lines 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, it 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, starting in 2010-2011, as a component of the bank's overall risk appetite and credit risk control and management system. 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 translating it into the risk appetite by business line or 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, hedge funds, etc.) and the subsidiaries' various activities (e.g. leasing for Natixis Lease and factoring for Natixis Factor, etc.).

The framework laid down by these risk policies makes a distinction between recommendations based on good practices, and strict supervisory criteria (qualitative or quantitative), 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 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 correctly applied. 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 line heads with reports analyzing Natixis' risks: trend analyses, scorecards, stress test results, etc.

Credit risk is supervised by making the various business lines 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, total, duration, business lines 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 line concerned, in accordance with both the counterparty watch list, specific provisioning and alert procedures.

Quarterly monitoring of watch-listed counterparties and the process for determining specific additions to and reversals of provisions are examined simultaneously. This examination relies on preparatory Committees organized by the Risk Division and the managers of the various business lines within the bank.

5.3.2 MONITORING OF NON-PERFORMING AND DISPUTED LOANS AND IMPAIRMENT MECHANISM

Individual provisions

The Natixis Watch List and Provisions Committee meets once a quarter and covers all the bank's business lines. 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 members of the Senior Management Committee in charge of the business lines, Finance and Risk, the Chief Risk Officer 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 business lines.

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, 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 opinion 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. In keeping with market practices, it selects scenarios that replicate plausible crisis situations and high degrees of severity, 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 2016 and presented to the Global Risk 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 Groupe BPCE, and comprising three stress scenarios reviewed for the 2017-2019 period: a reference scenario (i.e. a central scenario of slow economic recovery in a context of deflation) and two credit scenarios (i.e. European crises amid rising petrol prices and a successful Brexit), one of which was implemented as part of overall stress tests (i.e. economic fragility in Europe together with deflationary tension or, again, Brexit);
- specific business line 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 line) based on business line 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 line, 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 collateral is defined according to a strict process comprising:

- an approval framework drawn up by the Legal Division, with a legal document covering the acceptance of the collateral and the Bank's enforcement policy;
- the risk monitoring framework, based on credit risk policies, the loan approval procedure and the mechanism for preventing the concentration of risks on certain collateral. In accordance with regulatory provisions, the bank performs the valuation of guarantees and periodically reviews these valuations should any adjustments be required.

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 Division;
- 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.

In the particular case of mitigators of credit risk generated by derivative and lending/borrowing transactions, their real value is included in current exposure calculations and simulated in accordance with the market risk factor diffusion model for simulated future exposures.

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 15 (EU CR3): CREDIT RISK MITIGATION TECHNIQUES

		a	b	c	d	e	f	g
	(in millions of euros)	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
	IRB Approach							
1	Central government or central banks	33,012	6	2	3,403	3,341		
2	Institutions	10,054	47	34	664	502	124	124
3	Corporates	87,868	43,078	40,404	8,272	5,406	1,377	1,377
4	*Of which: Specialised Lending*	*783*	*2,091*	*2,022*	*252*	*6*		
5	*Of which: SME*	*934*	*20,095*	*19,920*	*98*			
6	Retail		781	781				
7	*Secured by real estate property*		*107*	*107*				
8	*SME*		*107*	*107*				
9	*Non-SME*							
10	*Qualifying Revolving*		*260*	*260*				
11	*Other Retail*		*415*	*415*	*1*			
12	*SME*		*400*	*400*	*1*			
13	*Non-SME*		*14*	*14*				
14	Equity	5,621						
15	Other exposures	4	927	916	3			
16	**Sub-total IRB 12.31.2016**	**136,559**	**44,839**	**42,137**	**12,342**	**9,249**	**1,501**	**1,501**
	Sub-total IRB 12.31.2015	**146,923**	**13,303**	**10,553**	**16,290**	**8,818**	**97**	**97**
	SA							
17	Central governments or central banks	5,954	1		71	71		
18	Regional governments or local authorities	436	12		13			
19	Public sector entities	887	3		23			
20	Multilateral Development Banks	693			29	29		
21	International Organisations	531						
22	Institutions	43,153	35	35	4,872	4,872		
23	Corporates	2,256	682	590	92	9		
24	*Of which: SME*	*259*	*145*	*112*	*12*			
25	Retail	12,898	352	173	206			
26	*Of which: SME*	*255*	*26*	*11*	*36*			
27	Secured by mortgages on immovable property		235	235				
28	*Of which: SME*		*49*	*49*				
29	Exposures in default	189	11	1	8			
30	Items associated with particularly high risk							
31	Covered Bonds							
32	Claims on institutions and corporates with a short-term credit assessment	2,306	10	10				
33	Collective investments undertakings (CIU)	282						
34	Equity exposures	118						
35	Other exposures	7,277	7		22	1		
36	**Sub-total SA 12.31.2016**	**76,980**	**1,348**	**1,044**	**5,336**	**4,982**		
	Sub-total SA 12.31.2015	**88,623**	**1,371**	**1,151**	**5,244**	**4,878**		
37	**TOTAL 12.31.2016**	**213,539**	**46,187**	**43,181**	**17,678**	**14,231**	**1,501**	**1,501**
	TOTAL 12.31.2015	**235,546**	**14,674**	**11,704**	**21,534**	**13,696**	**97**	**97**

TABLE 16 (EU CR7): IRB – EFFECT ON RWA OF CDS USED AS CRM TECHNIQUES

(in millions of euros)		Pre-credit derivatives RWA	Actual RWA
1	**Exposures under Foundation IRB**	**7,904**	**7,904**
2	Central governments or central banks	313	313
3	Institutions	386	386
4	Corporates – SME	437	437
5	Corporates – Specialised Lending	8	8
6	Corporates – Other	6,760	6,760
7	**Exposures under Advanced IRB**	**56,494**	**39,276**
8	Central governments or central banks	435	435
9	Institutions	3,948	2,333
10	Corporates – SME	1,590	1,590
11	Corporates – Specialised Lending	4,682	4,682
12	Corporates – Other	45,622	30,019
13	Retail – Secured by real estate SME	20	20
14	Retail – Secured by real estate non-SME		
15	Retail – Qualifying revolving	78	78
16	Retail – Other SME	85	85
17	Retail – Other non-SME	34	34
18	Equity IRB	16,826	16,826
19	Other items	233	233
20	**TOTAL 12.31.2016**	**81,457**	**64,239**
	TOTAL 12.31.2015	**60,517**	**59,867**

5.5 Credit risk exposures

TABLE 17 (EU 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				
1	Central government or central banks	50	36,423	52	36,421
2	Institutions	74	10,880	65	10,889
3	Corporates	5,062	138,100	2,567	140,595
4	*Of which: Specialised Lending*	*294*	*3,047*	*215*	*3,126*
5	*Of which: SME*	*996*	*20,472*	*341*	*21,127*
6	Retail	110	772	100	782
7	*Secured by real estate property*	*14*	*99*	*6*	*107*
8	*SME*	*14*	*99*	*6*	*107*
9	*Non-SME*				
10	*Qualifying Revolving*	*35*	*263*	*38*	*260*
11	*Other Retail*	*61*	*410*	*56*	*415*
12	*SME*	*30*	*393*	*22*	*401*
13	*Non-SME*	*31*	*17*	*34*	*14*
14	Equity	19	5,610	9	5,620
15	Other items		934		934
16	**Sub-total IRB 12.31.2016**	**5,315**	**192,719**	**2,793**	**195,241**
	Sub-total IRB 12.31.2015	**4,978**	**174,330**	**2,695**	**176,613**
	SA				
17	Central governments or central banks		6,026		6,026
18	Regional governments or local authorities		461		461
19	Public sector entities		913		913
20	Multilateral Development Banks		722		722
21	International Organisations		531		531
22	Institutions		48,060		48,060
23	Corporates		3,033	3	3,030
24	*Of which: SME*		*416*		*416*
25	Retail		13,467	11	13,456
26	*Of which: SME*		*319*	*2*	*317*
27	Secured by mortgages on immovable property		235		235
28	*Of which: SME*		*49*		*49*
29	Exposures in default	444		236	208
30	Items associated with particularly high risk				
31	Covered Bonds				
32	Claims on institutions and corporates with a short-term credit assessment		2,316		2,316
33	Collective investments undertakings (CIU)		282		282
34	Equity exposures		118		118
35	Other items		7,306		7,306
36	**Sub-total SA 12.31.2016**	**444**	**83,470**	**250**	**83,664**
	Sub-total SA 12.31.2015	**1,016**	**94,659**	**437**	**95,238**
37	**TOTAL 12.31.2016**	**5,759**	**276,189**	**3,043**	**278,905**
	TOTAL 12.31.2015	**5,994**	**268,989**	**3,132**	**271,851**

TABLE 18 (EU CRB – B): TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

		a	b
(in millions of euros)		Net exposure at the end of the period	Average net exposure over the period*
	IRB Approach		
1	Central government or central banks	34,171	40,091
2	Institutions	9,418	25,351
3	Corporates	119,303	130,729
4	*Of which: Specialised Lending*	*4,838*	*4,880*
5	*Of which: SME*	*20,805*	*20,716*
6	Retail	1,422	1,406
7	*Secured by real estate property*	*113*	*114*
8	*SME*	*113*	*114*
9	*Non-SME*		
10	*Qualifying Revolving*	*229*	*192*
11	*Other Retail*	*1,080*	*1,100*
12	*SME*	*1,032*	*1,048*
13	*Non-SME*	*48*	*52*
14	Equity	5,620	5,607
15	Other exposures	935	933
16	**Sub-total IRB approach 12.31.2016**	**170,869**	**204,117**
	Sub-total IRB approach 12.31.2015	**153,425**	**212,321**
	SA		
17	Central governments or central banks	5,929	4,401
18	Regional governments or local authorities	479	962
19	Public sector entities	880	1,642
20	Multilateral Development Banks	693	1,223
21	International Organizations	531	508
22	Institutions	42,310	51,975
23	Corporates	1,970	3,825
24	*Of which: SME*	*485*	*500*
25	Retail	2,912	3,007
26	*Of which: SME*	*364*	*558*
27	Secured by mortgages on immovable property	221	208
28	*Of which: SME*	*49*	*43*
29	Exposures in default	237	614
30	Items associated with particularly high risk		
31	Covered Bonds		
32	Claims on institutions and corporates with a short-term credit assessment	2,306	2,187
33	Collective investments undertakings (CIU)	282	125
34	Equity exposures	118	97
35	Other items	7,306	6,886
36	**Sub-total SA 12.31.2016**	**66,174**	**77,660**
	Sub-total SA 12.31.2015	**78,026**	**78,196**
37	**TOTAL 12.31.2016**	**237,043**	**281,777**
	TOTAL 12.31.2015	**231,453**	**290,517**

(*) Quarterly average realized over 1 year

TABLE 19 (EU CRB – C): GEOGRAPHICAL BREAKDOWN OF EXPOSURES

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
		EU	EU	EU	EU	EU	EU	North America	North America	Asia	Asia	Latin America	Rest of Europe	Middle-East	Africa	Oceania	Total
	(in millions of euros)	France	Others	Germany	United Kingdom	Luxembourg	Italy	USA	Others	Others	Singapore	Others	Others	Others	Others	Others	
	IRB approach																
1	Central governments or central banks	2,429	2,075	590	122		206	25,796	201	522	379	473	26	323	1,028	1	34,171
2	Institutions	1,857	908	360	531	180	130	1,411	24	2,478	159	75	255	780	161	109	9,418
3	Corporates	49,008	9,856	6,057	3,475	3,330	4,033	15,130	632	3,942	3,745	7,425	4,394	3,580	2,923	1,773	119,303
4	*o/w Specialized Lending*	*3,989*	*115*	*12*	*44*	*76*	*103*	*3*	*19*	*124*		*20*	*3*		*330*		*4,838*
5	*o/w SME*	*4,724*	*2,119*	*437*	*845*	*707*	*1,618*	*3,654*	*316*	*1,573*	*181*	*1,759*	*62*	*1,382*	*135*	*1,293*	*20,805*
6	Retail	1,422															1,422
7	*Secured by real estate property*	*113*															*113*
8	*SME*	*113*															*113*
9	*Non-SME*																
10	*Qualifying Revolving*	*229*															*229*
11	*Other Retail*	*1,080*															*1,080*
12	*SME*	*1,032*															*1,032*
13	*Non-SME*	*48*															*48*
14	Equity	4,912	45	13	72	287	10	179	22	35		32	13				5,620
15	Other items	922	4		2	3	3								1		935
16	**Sub-total IRB approach 12.31.2016**	**60,550**	**12,888**	**7,020**	**4,202**	**3,800**	**4,382**	**42,516**	**879**	**6,977**	**4,283**	**8,005**	**4,688**	**4,683**	**4,113**	**1,883**	**170,869**
	Sub total IRB approach 12.31.2015	**68,159**	**11,727**	**5,504**	**3,254**	**3,620**	**4,008**	**23,568**	**882**	**7,376**	**2,842**	**8,395**	**5,124**	**3,779**	**3,824**	**1,363**	**153,425**
	SA																
17	Central governments or central banks	5,149				125				612					43		5,929
18	Regional governments or local authorities	262		69									142	6			479
19	Public sector entities	549	192	45					24						71		881
20	Multilateral Development Banks	114	17		28	183		271		44					36		693
211	International Organizations					531											531
22	Institutions	41,309	24	14	618	23	21	134		35		88			44		42,310
23	Corporates	1,433	173			2	94			73		52	3		133	7	1,970
24	*o/w SME*	*477*	*2*			*2*	*1*						*3*				*485*
25	Retail	2,836	2			1	2								71		2,912
26	*o/w SME*	*288*	*2*			*1*	*2*								*71*		*364*
27	Secured by mortgages on immovable property	221															221
28	*o/w SME*	*49*															*49*
29	Exposures in default	164	65			1	4								3		237
30	Items associated with particularly high risk																
31	Covered Bonds																
32	Claims on institutions and corporates with a short-term credit assessment	743	101		750	10		282		419			1				2,306
33	Collective investments undertakings (CIU)	147				135											282
34	Equity exposures	21						3							94		118
35	Other items	6,723	43	18	263		35	162	1	32	4	1	1	1	20	1	7,305
36	**Sub-total SA 12.31.2016**	**59,671**	**617**	**146**	**1,659**	**1,011**	**156**	**852**	**25**	**1,215**	**4**	**141**	**147**	**7**	**515**	**8**	**66,174**
	Sub-total SA 12.31.2016	**69,719**	**475**	**170**	**3,542**	**628**	**159**	**1,608**	**3**	**583**	**4**	**484**	**174**	**17**	**452**	**8**	**78,026**
37	**TOTAL 12.312016**	**120,221**	**13,505**	**7,166**	**5,861**	**4,811**	**4,538**	**43,368**	**904**	**8,192**	**4,287**	**8,146**	**4,835**	**4,690**	**4,628**	**1,891**	**237,043**
	TOTAL 12.31.2015	**137,878**	**12,202**	**6,796**	**5,674**	**4,248**	**4,167**	**25,176**	**885**	**7,959**	**2,846**	**8,879**	**5,298**	**4,276**	**3,797**	**1,372**	**231,453**

Note: The "Others" zone in each region includes countries with less than 4 Billion EAD.

TABLE 20 (EU CRB – D): CONCENTRATION OF EXPO BY INDUSTRY OR COUNTERPARTY TYPES

	(in millions of euros)	Finance	Administrations	Oil/gas	Real estate	International trade, commodities	Transportation	Consumer goods	Base industries	Electricity	=Others (EAD <€5 billion)	Total
	IRB Approach											
1	Central governments or central banks	181	33,683	60							247	34,171
2	Institutions	8,740			35			79			564	9,418
3	Corporates	15,120	56	13,466	11,838	9,344	8,508	5,571	5,749	5,376	44,275	119,303
4	*o/w Specialized Lending*	*34*	*11*	*3*	*1,110*	*9*	*324*	*464*	*196*	*324*	*2,363*	*4,838*
5	*o/w SME*	*11*		*1,784*	*7,513*	*28*	*5,199*	*73*	*3,757*	*582*	*1,858*	*20,805*
6	Retail	4	3	1	79		140	118		68	1,009	1,422
7	*Secured by real estate property*	*1*	*1*		*37*		*1*	*18*		*5*	*50*	*113*
8	*SME*	*1*	*1*		*37*		*1*	*18*		*5*	*50*	*113*
9	*Non-SME*											
10	*Qualifying Revolving*										*229*	*229*
11	*Other Retail*	*3*	*3*	*1*	*42*		*138*	*100*		*63*	*730*	*1,080*
12	*SME*	*3*	*3*	*1*	*42*		*138*	*100*		*63*	*682*	*1,032*
13	*Non-SME*										*48*	*48*
14	Equity	4,327		2	66		1				1,224	5,620
15	Other items	41	5	2	221		62	59	9	11	525	935
16	**Sub-total IRB approach 12.31.2016**	**28,413**	**33,747**	**13,531**	**12,239**	**9,344**	**8,711**	**5,827**	**5,758**	**5,455**	**47,844**	**170,869**
	SA											
17	Central governments or central banks	87	5,842									5,929
18	Regional governments or local authorities		459				17				3	479
19	Public sector entities	186	452	90	46		82				25	881
20	Multilateral Development Banks	579	114									693
21	International Organizations		531									531
22	Institutions	42,302									8	42,310
23	Corporates	380	1	60	203		8	59		18	1,241	1,970
24	*o/w SME*	*7*		*60*	*71*		*5*	*8*		*16*	*318*	*485*
25	Retail	1	1	2	22		10	14	4	5	2,853	2,912
26	*o/w SME*	*1*	*1*	*1*	*20*		*10*	*14*	*4*	*5*	*308*	*364*
27	Secured by mortgages on immovable property		41	5	37			4		1	133	221
28	*Of which: SME*			*5*	*23*			*2*			*19*	*49*
29	Exposures in default	3	7	12	11		1	4	1	2	196	237
30	Items associated with particularly high risk											
31	Covered Bonds											
32	Claims on institutions and corporates with a short-term credit assessment	2,306										2,306
33	Collective investments undertakings (CIU)	282										282
34	Equity exposures	98									20	118
35	Other items	330	403		11		2	1			6,558	7,305
36	**Sub-total SA 12.31.2016**	**46,554**	**7,851**	**169**	**330**		**120**	**82**	**5**	**26**	**11,037**	**66,174**
37	**TOTAL 12.31.2016**	**74,967**	**41,598**	**13,700**	**12,569**	**9,344**	**8,831**	**5,909**	**5,763**	**5,481**	**58,881**	**237,043**

TABLE 21 (EU CRB – E): MATURITY OF EXPOSURES

		a	b	c	d	e	f
	(in millions of euros)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
	IRB Approach						
1	Central governments or central banks	26,285	1,622	3,023	2,677		33,607
2	Institutions	4,084	2,711	1,046	254		8,095
3	Corporates	6,501	35,686	26,343	18,795		87,325
4	*o/w Specialized Lending*	*127*	*394*	*1,864*	*1,942*		*4,327*
5	*o/w SME*	*510*	*2,009*	*4,068*	*9,362*		*15,949*
6	Retail		256	793	300		1,349
7	*Secured by real estate property*			*17*	*85*		*102*
8	*SME*			*17*	*85*		*102*
9	*Non-SME*						
10	*Qualifying Revolving*		*173*				*173*
11	*Other Retail*		*83*	*776*	*215*		*1,074*
12	*SME*		*35*	*776*	*215*		*1,026*
13	*Non-SME*		*48*				*48*
14	Equity		4,327	891	176		5,394
15	Other items		81	297	557		935
16	**Sub-total IRB 12.31.2016**	**36,870**	**44,683**	**32,393**	**22,759**		**136,705**
	SA						
17	Central governments or central banks	1,602	464	3,855	1		5,922
18	Regional governments or local authorities	27	118	78	254		477
19	Public sector entities	30	13	151	560		754
20	Multilateral Development Banks		28	257	407		692
21	International Organizations			109	422		531
22	Institutions	28,734	1,850	2,325	8,750		41,659
23	Corporates	249	344	414	683		1,690
24	*o/w SME*	*53*	*45*	*88*	*287*		*473*
25	Retail	32	1,897	702	225		2,856
26	*o/w SME*	*18*	*94*	*165*	*65*		*342*
27	Secured by mortgages on immovable property		26	52	129		207
28	*o/w SME*			*11*	*38*		*49*
29	Exposures in default	87	89	24	36		236
30	Items associated with particularly high risk						
31	Covered Bonds						
32	Claims on institutions and corporates with a short-term credit assessment	2,295	10				2,305
33	Collective investments undertakings (CIU)		282				282
34	Equity exposures		7	3	108		118
35	Other items	732	6,528	18	27		7,305
36	**Sub-total SA 12.31.2016**	**33,788**	**11,656**	**7,988**	**11,602**		**65,034**
37	**TOTAL 12.31.2016**	**70,658**	**56,339**	**40,381**	**34,361**		**201,739**
38	**TOTAL 12.31.2015**	**76,646**	**52,312**	**35,502**	**32,973**		**197,433**

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

Asset classes	Rating agency	Bucket	Grade	Risk weight
Central governments or central banks	FITCH	AAA to AA-	1	0
				20*
		A+ to A-	2	0
	MOODYS	Aaa to Aa3	1	0
				20*
		Ba1 to Ba3	4	100
	S&P	A-1 to A-1+	1	0
				20*
		AAA to AA-	1	0
				20*
		A+ to A-	2	50*
		BBB+ to BBB-	3	0
				100*
Corporates	MOODYS	Baa1 to Baa3	3	70
	S&P	AAA to AA-	1	20
		A+ to A-	2	35
				50
				100
Institutions	MOODYS	Aaa to Aa3	1	20
		A1 to A3	2	20
		Baa1 to Baa3	3	2
	S&P	AAA to AA-	1	20
				100
		A+ to A-	2	50
				100
		BBB+ to BBB-	1	20
				35
				100
Exposure secured by mortgages on immovable property	S&P	AAA to AA-	1	50
		A+ to A-	2	50
Exposure to institution and corporate with short-term credit assessment	FITCH	F1+ to F1	1	20
	MOODYS	P-1	1	2
	S&P	A-1 to A+1	1	2
				20
		A-2	2	2
				35
				50
		<A-3	4	150

** Concerns exposures classified as RGLA or PSE*

5.6.2 CREDIT RISK EXPOSURES: STANDARDIZED APPROACH

TABLE 23 (EU CR4): SA – CR EXPOSURE AND CRM EFFECTS

	a	b	i	j	k	l
	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 amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central governments or central banks	5 993	33	5 993	7	1 850	31%
Regional governments or local authorities	457	4	457	2	114	25%
Public sector entities	672	241	671	121	63	8%
Multilateral Development Banks	720	2	720	1		
International Organizations	531		531			
Institutions (*)	45 811	2 249	45 811	1 232	811	2%
Corporates	1 797	1 235	1 639	278	1 257	66%
Retail	2 682	10 784	2 526	45	1 892	74%
Secured by mortgages on immovable property	207	29	207	14	97	44%
Exposures in default	443	2	205	1	215	105%
Items associated with particularly high risk						
Covered Bonds						
Claims on institutions and corporates with a short-term credit assessment	2 315	1	2 315		124	5%
Collective investments undertakings (CIU)	282		282		282	100%
Equity exposures	118		118		259	219%
Other items	7 306		7 306		6 538	89%
TOTAL 12.31.2016	**69 334**	**14 580**	**68 781**	**1 701**	**13 502**	**19%**
TOTAL 12.31.2015	**81 982**	**13 693**	**81 253**	**977**	**14 954**	**18%**
(*) : O/w exposures related to affiliates	**88%**	**66%**	**88%**	**53%**		

TABLE 24 (EU CR5): SA – EXPOSURES (EAD) BY ASSET CLASSES AND RISK WEIGHTS

		Risk Weight																	Of which unrated (*)
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	
1	Central governments or central banks	5,257									5		738					6,000	787
2	Regional governments or local authorities	46				315		95			3							459	243
3	Public sector entities	507				277					8							792	9
4	Multilateral Development Banks	721																721	
5	International Organizations	531																531	
6	Institutions	45,562	370			345	28	4	13		450					271		47,043	43,994
7	Corporates	372	80			11	206	9	188		1,051							1,917	1,648
8	Retail									2,571								2,571	2,571
9	Secured by mortgages on immovable property						78	143										221	199
10	Exposures in default										187	19						206	206
11	Items associated with particularly high risk																		
12	Covered Bonds																		
13	Claims on institutions and corporates with a short-term credit assessment		1,904			399	9	2				1						2,315	
14	Collective investments undertakings (CIU)										282							282	282
15	Equity exposures										118							118	118
16	Other items	594	139	2	1	11		1			6,528					30		7,306	6,764
17	**TOTAL 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**
	TOTAL 12.31.2015	**63,463**	**2,977**	**2**	**8**	**1,095**	**245**	**294**	**377**	**2,390**	**10,275**	**165**	**702**			**237**		**82,230**	**15,938**

(*) : Of which €43,907 million in exposure to Groupe BPCE affiliates at December 31, 2016.

5.7 Credit risk: internal ratings-based approach

5.7.1 RISK MEASUREMENT 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 is expressed as 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 which cap 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 25 (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	0.05%
A-	A-	A3	0.10%
BBB+	BBB+	Baa1	0.20%
BBB	BBB	Baa2	0.36%
BBB-	BBB-	Baa3	0.60%
BB+	BB+	Ba1	0.95%
BB	BB	Ba2	1.43%
BB-	BB-	Ba3	2.10%
B+	B+	B1	3.00%
B	B	B2	4.16%
B-	B-	B3	5.63%
CCC+	CCC+	Caa1	7.51%
CCC	CCC	Caa2	9.82%
CCC-	CCC-	Caa3	12.65%
CC	CC	Ca	16.10%
C	C	C	20.24%

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 26 (NX16): PD AND LGD BY GEOGRAPHIC AREA

(in %)	12.31.2016		
Geographic areas	**EAD** *(in millions of euros)*	**PD**	**LGD**
Africa	4,811	6.9%	28.1%
Europe outside EU	6,468	3.5%	15.0%
Others	8,243	2.0%	25.2%
Asia	13,240	2.4%	25.1%
European Union	43,079	2.6%	27.7%
America	66,000	1.7%	27.5%
France	70,037	3.6%	28.9%
TOTAL 12.31.2016	**211,878**	**3.6%**	**28.9%**
TOTAL 12.31.2015	**281,714**	**2.1%**	**20.5%**

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 risk. This model validation phase is required for their use.

Accordingly, an internal and independent validation team within the Corporate Secretariat of the Risk Division, reporting to the Chief Risk Officer, ensure the relevance and consistency of the models, as well the accuracy of the data used. The validation process comprises four steps, in accordance with the delegation of competence of Groupe BPCE:

- *quantitative analysis:* analysis of proxies, sizing methods, risk indicators, aggregation rules, etc.
- *performance and governance analysis:* model backtesting, precision and consistency analysis, stress tests, analysis of model suitability, 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, that ex-post controls are performed, etc.

The conclusions and results of the model validation process are presented to the Risk Model Governance Committee and submitted to the Global Risk Committee before being sent to the Groupe BPCE Standards and Methods Committee for approval.

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 LGD estimates and rating models and LGD grids or probability of default scales (Corporate, Banks, Sovereign and LGD Secured). 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 tool performance monitoring and backtesting of PD

The rating systems are periodically checked and undergo external benchmarking to ensure the consistency of ratings produced using the expert appraisal and quantitative methods, as well as their robustness over time according the 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 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 the Rating Analysis 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. This aspect of the analysis process gives an overview of the positioning of the Bank's credit portfolio.

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.

Rating Analysis Committee Meetings (CANO) 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

LGD are backtested by the Risk Division teams to:

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

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

The losses given default 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 an asset.

Losses given default, which are determined using internal methods for calculating capital requirements, are also monitored quarterly during Rating Analysis Committee Meetings (CANO).

The LGD, ELBE *(see glossary)* and CCF *(see glossary)* levels for the different lending scopes are backtested at least once a year based on the updated internal data), as are the rating models and the associated PD, to verify the reliability of the estimates over Time. The parameters of the models for the Specialized Financing and Financial Collateral scope are regularly updated, so that they reflect the business lines' actual conditions as accurately as possible. Both the market parameters and the recovery parameters are updated.

The indicators defined for backtesting are used both to measure the model's performance and to validate the model currently used. 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.

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.

5.7.3 NATIXIS'S MAIN INTERNAL MODELS

TABLE 27 (EU CRE): MAIN INTERNAL MODELS: PD, LGD AND CFF

Modeled input	Portfolio	Number of models	Description/Methodology
PD	Sovereigns	2	Expert analysis-based rating models using macroeconomic criteria and the assessment of legal and political risks.
	Institutions	4	Expert analysis-based rating models using quantitative criteria (accounting balance sheet) and qualitative criteria (questionnaire). One model per type of counterparty and per geographic area
	Corporates (incl. SMES)	14	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.
	Institutions	2	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)	9	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.
	Retail SMEs	2	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	Sovereigns	1	Model calibrated on internal defaults and segmentation by type of product and type of counterparty.
	Institutions	1	Model calibrated on internal defaults and segmentation by type of product and type of counterparty.
	Corporates (incl. SMEs)	1	Model calibrated on internal defaults and segmentation by type of product and type of counterparty.
	Specialized Financing	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.

5.7.4 EXPOSURE TO CREDIT RISK ACCORDING TO THE INTERNAL RATING SYSTEM

TABLE 28: (EU CR8): RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH

(in millions of euros)	RWA amounts	Capital requirements
RWAs as at the end of the previous reporting period (12.31.2015)	**59,867**	**4,789**
Asset size	5,266	421
Asset quality	(109)	(9)
Model updates	592	48
Methodology and policy	361	29
Acquisitions and disposals		
Foreign exchange movements	299	24
Other	(2,037)	(163)
RWAs as at the end of the reporting period (12.31.2016)	**64,239**	**5,139**

TABLE 29 (EU CR6): IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

F-IRB

(in millions of euros)	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF (%)	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density (%)	EL	Provisions
Central governments or central banks												
0.00 to <0.15	15		100%	15		5	45%	371	2	12%		
0.25 to <0.50	481		100%	481		2	45%	2	311	65%	1	
Sub-total Central governments or central banks	**496**		**100%**	**496**		**7**	**45%**	**13**	**313**	**63%**	**1**	
Institutions												
0.00 to <0.15	527	29	96%	541		83	46%	93	114	21%		
0.15 to <0.25	16	30	51%	30		19	45%	857	19	62%		
0.25 to <0.50	82	5	96%	84		11	45%	80	70	83%		
0.50 to <0.75	2	197	56%	149	1%	36	12%	1,684	41	28%		
0.75 to <2.50	18	130	62%	116	1%	10	17%	1,774	52	45%		
2.50 to <10.00	54		100%	54	3%	12	45%	90	90	166%	1	
100.00 (default)	10		100%	11	100%	1	45%	71			5	
Sub-total Institutions	**709**	**391**	**83%**	**985**	**1%**	**172**	**37%**	**553**	**386**	**39%**	**6**	
Corporates												
0.00 to <0.15	14,941	102	100%	15,016		777	59%	119	2,583	17%	5	
0.15 to <0.25	2,443		100%	2,443		214	45%	162	999	41%	2	
0.25 to <0.50	1,625		100%	1,625		230	45%	84	1,069	66%	3	
0.50 to <0.75	497		100%	497	1%	182	45%	135	395	79%	1	
0.75 to <2.50	698	105	89%	739	2%	2,602	42%	1,049	736	100%	5	
2.50 to <10.00	537	91	88%	570	4%	3,448	43%	732	743	130%	10	
10.00 to <100.00	313	29	93%	323	12%	1,097	44%	375	673	208%	17	
100.00 (default)	245	2	100%	245	100%	177	44%	1,159			109	
Sub-total Corporates	**21,299**	**329**	**99%**	**21,458**	**2%**	**8,727**	**55%**	**186**	**7,198**	**34%**	**152**	**164**
Corporates – SME												
0.25 to <0.50			100%			4	45%	433		40%		
0.50 to <0.75	11		100%	10	1%	38	37%	1,629	7	63%		
0.75 to <2.50	104	40	78%	121	1%	1,317	42%	1,096	90	75%	1	
2.50 to <10.00	205	48	84%	224	4%	2,216	42%	1,089	257	115%	4	
10.00 to <100.00	44	12	82%	49	15%	873	42%	1,307	83	169%	3	
100.00 (default)	36	2	97%	37	100%	135	43%	1,065			16	
Sub-total Corporates – SME	**400**	**102**	**83%**	**441**	**13%**	**4,583**	**42%**	**1,125**	**437**	**99%**	**24**	**46**
Corporates - Other												
0.00 to <0.15	14,941	102	100%	15,016		777	59%	119	2,583	17%	5	
0.15 to <0.25	2,442		100%	2,442		214	45%	162	999	41%	2	
0.25 to <0.50	1,625		100%	1,625		226	45%	84	1,069	66%	3	
0.50 to <0.75	487		100%	487	1%	144	45%	104	388	80%	1	
0.75 to <2.50	595	65	92%	618	2%	1,284	42%	1,040	646	104%	4	
2.50 to <10.00	331	43	90%	346	4%	1,232	44%	502	486	140%	6	
10.00 to <100.00	269	17	95%	274	12%	224	45%	208	589	215%	14	
100.00 (default)	209		100%	209	100%	42	45%	1,176			94	
Sub-total Corporates – Other	**20,899**	**227**	**99%**	**21,017**	**1%**	**4,143**	**55%**	**166**	**6,760**	**32%**	**129**	**118**
Equity	5,403	226	100%	5,620		465		283	16,826	299%	77	
Sub-total Equity	**5,403**	**226**	**100%**	**5,620**		**465**		**283**	**16,826**	**299%**	**77**	**9**
F- IRB (excl. equity)											**2**	
0,00 à < 0,15	15,483	131	100%	15,572		865	58%	118	2,698	17%	5	
0,15 à < 0,25	2,458	30	99%	2,473		233	45%	170	1,018	41%	2	
0,25 à < 0,50	2,187	6	100%	2,190		243	45%	66	1,451	66%	4	
0,50 à < 0,75	499	197	87%	646	1%	218	37%	493	436	67%	1	
0,75 à < 2,50	717	235	85%	855	1%	2,612	39%	1,147	788	92%	5	
2,50 à < 10,00	591	91	89%	624	4%	3,460	43%	677	833	133%	11	
10 à < 100	314	29	93%	323	12%	1,097	44%	375	672	208%	17	
100,00 (default)	255	1	100%	256	100%	178	44%	1,115			114	
TOTAL IRB-F (EXCL. EQUITY)	**22,504**	**720**	**98%**	**22,939**	**2%**	**8,906**	**54%**	**198**	**7,896**	**34%**	**159**	**164**

A-IRB

(in millions of euros)	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
Central governments or central banks												
0.00 to <0.15	34,761	906	99%	35,501		497	9%	560	202	1%		
0.15 to <0.25	127	2	100%	128		37	37%	1,055	48	38%		
0.25 to <0.50	27	13	100%	40		17	47%	1,367	28	68%		
2.50 to <10.00	72	13	97%	83	3%	45	48%	1,425	121	147%	1	
10.00 to <100.00	6		100%	7	25%	5	81%	2,115	36	478%	2	
100.00 (default)	50		100%	50	100%	14	104%	975			49	
Sub-total Central governments or central banks	**35,043**	**934**	**99%**	**35,809**		**615**	**9%**	**565**	**435**	**1%**	**52**	**52**
Institutions												
0.00 to <0.15	5,752	996	95%	6,463		1,740	18%	433	565	9%	1	
0.15 to <0.25	237	139	75%	296		142	26%	361	80	27%		
0.25 to <0.50	449	186	91%	586		95	39%	576	387	66%	1	
0.50 to <0.75	617	517	63%	780	1%	240	30%	159	385	4%	1	
0.75 to <2.50	201	230	51%	256	1%	193	68%	95	362	142%	2	
2.50 to <10.00	125	341	32%	201	4%	440	88%	249	554	27%	7	
100.00 (default)	64		100%	65	100%	14	91%	584			58	
Sub-total Institutions	**7,445**	**2,409**	**85%**	**8,647**	**1%**	**2,864**	**25%**	**402**	**2,333**	**27%**	**70**	**65**
Corporates												
0.00 to <0.15	15,479	24,374	58%	27,374	1%	3,867	30%	1,213	4,408	16%	5	
0.15 to <0.25	3,820	4,206	73%	6,626		1,050	27%	1,389	2,008	30%	4	
0.25 to <0.50	7,403	7,841	70%	11,982		3,103	20%	1,277	3,577	30%	9	
0.50 to <0.75	9,139	8,344	67%	13,353	1%	5,160	23%	1,100	5,342	40%	19	
0.75 to <2.50	13,825	11,118	72%	20,048	1%	11,849	20%	1,412	9,938	50%	58	
2.50 to <10.00	6,342	3,289	79%	8,241	4%	16,526	23%	1,557	6,114	74%	72	
10.00 to <100.00	1,054	476	83%	1,350	14%	2,814	24%	1,543	1,634	121%	46	
100.00 (default)	3,940	875	94%	4,580	100%	2,307	35%	1,204	3,269	71%	2,023	
Sub-total Corporates	**61,002**	**60,523**	**68%**	**93,554**	**6%**	**46,676**	**25%**	**1,295**	**36,290**	**39%**	**2,234**	**2,402**
Corporates – SME												
0.00 to <0.15	27	24	100%	50		43	12%	3,257	5	8%		
0.15 to <0.25	51	1	100%	52		80	13%	663	6	11%		
0.25 to <0.50	69	56	99%	125		428	24%	1,570	42	34%		
0.50 to <0.75	196	50	95%	235	1%	2,555	19%	1,739	65	28%		
0.75 to <2.50	570	85	99%	650	1%	6,664	24%	1,709	307	47%	2	
2.50 to <10.00	1,105	177	99%	1,275	4%	7,782	20%	2,371	752	59%	10	
10.00 to <100.00	128	45	96%	167	13%	964	22%	2,338	166	99%	5	
100.00 (default)	245	11	99%	254	100%	1,004	3%	1,366	247	97%	154	
Sub-total Corporates – SME	**2,390**	**449**	**99%**	**2,808**	**12%**	**19,520**	**22%**	**2,021**	**1,590**	**57%**	**172**	**169**
Corporates – Specialized Lending												
0.00 to <0.15	1,626	363	97%	1,944		96	32%	2,579	312	16%		
0.15 to <0.25	832	503	95%	1,291		103	10%	2,517	194	15%		
0.25 to <0.50	1,955	1,042	91%	2,801		258	11%	2,160	575	21%	1	
0.50 to <0.75	2,447	1,598	83%	3,549	1%	396	13%	1,930	910	26%	3	
0.75 to <2.50	5,479	3,114	78%	7,251	1%	614	10%	2,110	2,051	28%	11	
2.50 to <10.00	1,064	300	88%	1,255	4%	165	13%	2,152	607	48%	7	
10.00 to <100.00	103	38	78%	119	12%	9	5%	2,930	33	27%	1	
100.00 (default)	977	19	98%	984	100%	82	51%	821			258	
Sub-total Corporates – Specialized Lending	**14,482**	**6,977**	**85%**	**19,194**	**6%**	**1,723**	**15%**	**2,101**	**4,682**	**24%**	**281**	**341**
Corporates – Others												
0.00 to <0.15	13,827	23,986	56%	25,380	1%	3,728	30%	1,104	4,091	16%	5	
0.15 to <0.25	2,938	3,702	68%	5,283		867	31%	1,120	1,809	34%	3	
0.25 to <0.50	5,378	6,743	64%	9,056		2,417	23%	1,000	2,960	33%	7	
0.50 to <0.75	6,496	6,696	62%	9,569	1%	2,209	27%	776	4,366	46%	16	
0.75 to <2.50	7,775	7,919	68%	12,147	1%	4,571	26%	979	7,580	62%	45	
2.50 to <10.00	4,173	2,812	74%	5,712	4%	8,579	26%	1,244	4,755	83%	54	
10.00 to <100.00	823	393	82%	1,064	14%	1,841	27%	1,264	1,436	135%	40	
100.00 (default)	2,720	844	92%	3,342	100%	1,221	31%	1,305	3,022	90%	1,611	
Sub-total Corporates – Others	**44,130**	**53,095**	**63%**	**71,553**	**6%**	**25,433**	**28%**	**1,050**	**30,019**	**42%**	**1,781**	**1,893**

(in millions of euros)	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	**Original on-balance sheet gross exposure**	**Off-balance sheet exposures pre-CCF**	**Average CCF**	**EAD post CRM and post-CCF**	**Average PD**	**Number of obligors**	**Average LGD**	**Average maturity**	**RWA**	**RWA density**	**EL**	**Provisions**
Retail												
0.00 to <0.15		5	19%	2		4	33%	271		2%		
0.15 to <0.25		39	26%	20		3	33%	182	1	4%		
0.25 to <0.50	77	2	99%	78		6,112	22%	1,286	8	11%		
0.50 to <0.75	85	27	77%	92	1%	6,045	24%	1,151	13	14%		
0.75 to <2.50	159	38	85%	177	2%	9,830	24%	1,286	35	20%	1	
2.50 to <10.00	184	18	98%	198	5%	6,848	26%	1,118	68	34%	3	
10.00 to <100.00	131	7	99%	136	24%	5,387	22%	1,407	63	47%	7	
100.00 (default)	110		100%	110	100%	1,828	39%	676	29	26%	60	
Sub-total Retail	**746**	**136**	**89%**	**813**	**19%**	**36,057**	**26%**	**1,138**	**217**	**27%**	**71**	**99**
Retail – qualifying revolving (QRRE)												
0.00 to <0.15		5	18%	3		3	33%	182		2%		
0.15 to <0.25		39	26%	20		3	33%	182	1	4%		
0.25 to <0.50		2	38%	1		2	33%	182		6%		
0.50 to <0.75	9	27	30%	16	1%	3	33%	182	2	11%		
0.75 to <2.50	24	37	52%	41	2%	9	33%	182	9	21%		
2.50 to <10.00	79	13	95%	88	6%	14	33%	182	40	46%	2	
10.00 to <100.00	26	2	93%	26	25%	16	33%	182	23	88%	2	
100.00 (default)	35		99%	34	100%	6	66%	182	3	10%	23	
Sub-total Retail – qualifying revolving (QRRE)	**173**	**125**	**68%**	**229**	**20%**	**56**	**38%**	**182**	**78**	**34%**	**27**	**38**
Retail – SME												
0.25 to <0.50	75		100%	74		6,069	22%	1,274	7	11%		
0.50 to <0.75	70		100%	70	1%	5,961	22%	1,293	11	15%		
0.75 to <2.50	110		100%	110	2%	9,667	22%	1,284	23	21%	1	
2.50 to <10.00	78		100%	78	5%	6,676	22%	1,338	21	27%	1	
10.00 to <100.00	60		100%	60	21%	5,261	22%	1,289	23	38%	3	
100.00 (default)	30		100%	31	100%	1,735	23%	930			21	
Sub-total Retail – SME	**423**		**100%**	**423**	**12%**	**35,369**	**22%**	**1,269**	**85**	**20%**	**26**	**22**
Retail – Residential mortgage exposures												
0.00 to <0.15			100%			1	10%	2,716		2%		
0.25 to <0.50	3		100%	3		41	13%	2,065		6%		
0.50 to <0.75	6		100%	6	1%	81	15%	2,036	1	10%		
0.75 to <2.50	25	1	100%	26	1%	154	15%	3,066	4	14%		
2.50 to <10.00	26	5	100%	32	4%	158	16%	3,197	6	20%		
10.00 to <100.00	28	5	100%	32	19%	108	16%	3,299	9	28%	1	
100.00 (default)	14		100%	14	100%	83	15%	2,367			6	
Sub-total Retail – Residential mortgage exposures	**102**	**11**	**100%**	**113**	**20%**	**626**	**16%**	**2,998**	**20**	**17%**	**7**	**6**
Other retail items												
10.00 to <100.00	17		100%	17	40%	2	17%	182	8	49%	1	
100.00 (default)	31		100%	31	100%	4	37%	182	26	82%	10	
Sub-total Other retail items	**48**		**100%**	**48**	**79%**	**6**	**30%**	**182**	**34**	**70%**	**11**	**34**
Equity												
Sub-total Equity												
A-IRB												
0.00 to <0.15	55,992	26,281	79%	69,340		6,108	18%	806	5,174	7%	6	
0.15 to <0.25	4,184	4,386	73%	7,070		1,232	27%	1,336	2,138	30%	4	
0.25 to <0.50	7,956	8,042	71%	12,687		9,327	21%	1,245	4,000	32%	10	
0.50 to <0.75	9,841	8,888	67%	14,226	1%	11,445	23%	1,049	5,740	40%	20	
0.75 to <2.50	14,185	11,386	72%	20,481	1%	21,872	21%	1,394	10,336	50%	60	
2.50 to <10.00	6,723	3,661	78%	8,724	4%	23,859	25%	1,515	6,857	79%	82	
10.00 to <100.00	1,192	483	85%	1,493	15%	8,206	24%	1,534	1,733	116%	54	
100.00 (default)	4,164	875	94%	4,803	100%	4,163	37%	1,181	3,298	69%	2,191	
TOTAL A-IRB	**104,237**	**64,002**	**76%**	**138,824**	**4%**	**86,212**	**21%**	**1,050**	**39,276**	**28%**	**2,427**	**2,619**

Total

(in millions of euros)	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
TOTAL												
0.00 to <0.15	71,474	26,412	82%	84,912		6,973	26%	680	7,873	9%	11	
0.15 to <0.25	6,642	4,415	79%	9,543		1,465	32%	1,034	3,156	33%	6	
0.25 to <0.50	10,143	8,048	74%	14,876		9,570	25%	1,072	5,450	37%	13	
0.50 to <0.75	10,340	9,085	68%	14,872	1%	11,663	24%	1,024	6,176	42%	22	
0.75 to <2.50	14,902	11,622	72%	21,336	1%	24,484	22%	1,384	11,125	52%	65	
2.50 to <10.00	7,314	3,752	78%	9,348	4%	27,319	26%	1,459	7,689	82%	92	
10.00 to <100.00	1,505	512	86%	1,816	14%	9,303	28%	1,328	2,405	132%	72	
100.00 (default)	4,420	876	94%	5,059	100%	4,341	37%	1,178	3,298	65%	2,305	
TOTAL 12.31.2016	126,740	64,722	79%	161,762	4%	95,118	26%	929	47,172	29%	2,586	2,783

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TABLE 30 (EU CR10): IRB - SPECIALIZED LENDING AND EQUITIES (EXCLUDING IMPACT OF THRESHOLDS)

Regulatory categories *(in millions of euros)*	Remaining maturity	On-balance sheet and amount	Off-balance sheet and amount	Risk weight	Exposure amount	RWA	Expected losses
Good	Equal to or more than 2.5 years	8		90	8	8	

Categories *(in millions of euros)*	On-balance sheet and amount	Off-balance sheet and amount	Risk weight	Exposure amount	RWA	Capital requirements
Exchange-traded equity exposures	891	204	190	1,096	2,082	167
Private Equity exposures	1,019		290	1,019	2,954	236
Other equity exposures	2,510	22	370	2,522	9,332	746
TOTAL 12.31.2016	**4,420**	**226**		**4,637**	**14,368**	**1,149**

TABLE 31 (NX23): BREAKDOWN BY KEY NATIXIS BUSINESS LINE

Business line	12.31.2016		12.31.2015	
(in millions of euros)	Fair value (MTM)	EAD	Fair value (MTM)	EAD
Investment Solutions	2,817	2,846	2,414	2,459
Financial Investments	1,262	1,437	1,270	1,390
Corporate Center	578	593	771	827
Specialized Financial Services	669	669	623	623
Corporate & Investment Banking	199	193	273	274
TOTAL	**5,525**	**5,738**	**5,351**	**5,573**

TABLE 32 (NX24): EAD BY TYPE AND NATURE OF EXPOSURE (EXCLUDING IMPACT OF THRESHOLDS)

Type and Nature of exposition *(in millions of euros)*	Equities	Mutual fund Investments	Investments	Total 12.31.2016	Total 12.31.2015
Private Equity held in sufficiently diversified portfolios	1,094		2	1,096	1,115
Other equity exposures	272	18	2,232	2,522	2,453
Listed equities	59	372	587	1,018	983
Equity – standardized approach	12		13	25	87
TOTAL	**1,437**	**390**	**2,834**	**4,661**	**4,638**

TABLE 33 (NX25): RWA BY WEIGHTING (EXCLUDING IMPACT OF THRESHOLDS)

Type and Nature of exposition *(in millions of euros)*	IRB approach	Standardized approach	Total 12.31.2016	Total 12.31.2015
Private Equity held in sufficiently diversified portfolios	2,082		2,082	2,119
Other equity exposures	9,332		9,332	9,076
Listed equities	2,954		2,954	2,849
Equity – standardized approach		25	25	87
TOTAL	**14,368**	**25**	**14,393**	**14,131**

6

COUNTERPARTY RISKS

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. For example, these adjustments are applied to counterparties not subject to a daily margin call.

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 defined 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 26 June 2013 on prudential requirements for credit institutions and investment firms) and to prior approval of specific limits. General wrong-way risk is covered through WWR stress scenarios by asset class.

6.2 Counterparty risk exposure

TABLE 34 (EU CCR1): ANALYSIS OF THE CCR EXPOSURE BY APPROACH

	(In millions of euros)	Notional	Replacement cost	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
1	Mark to Market		9,005	11,881			20,886	5,451
2	Original Exposure							
3	Standardized approach							
4	Internal Model Method (for derivatives and SFTs)							
5	Securities Financing Transactions							
6	Derivatives & Long Settlement Transaction							
7	From Contractual Cross Product Netting							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (SFTs)						18,889	1,668
10	VaR for SFTs							
11	**TOTAL 12.31.2016**							**7,119**
	TOTAL 12.31.2015							**7,349**

TABLE 35 (EU 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%**	**Others**	**Total EAD**	**Of which unrated (*)**
Central governments or central banks	116											116	3
Regional governments or local authorities	119				321							440	300
Public sector entities	169				349							518	12
Multilateral Development Banks	1,076											1,076	
International Organizations													
Institutions	2,269	14,358				2			10			16,639	15,544
Corporates		135				4			1			140	136
Retail								2				2	3
Secured by mortgages on immovable property													
Exposures in default													
Higher-risk categories													
Covered bonds													
Institutions and corporates with a short-term credit assessment					133	29						162	
Collective Investment undertakings (CIU)													
Equity exposures													
Other items													
TOTAL 12.31.2016	**3,749**	**14,493**			**803**	**35**		**2**	**11**			**19,093**	**15,998**
TOTAL 12.31.2015	**8,167**	**12,035**			**769**	**83**			**614**			**21,668**	**13,326**

(*) of which €14,409 million in exposures to central counterparties (weighted at 2% in accordance with current regulations) and €2,065 million to Group BPCE affiliates

TABLE 36 (EU CCR4): IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

IRB-F

(in millions of euros)	a	b	c	d	e	f	g
PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (days)	RWAs	RWA density (%)
Institutions							
0.00 to <0.15	1		32	45%	1,188		22%
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 Institutions	**1**		**32**	**45%**	**1,188**		**22%**
Corporates							
0,00 to <0.15	503		2	45%	1,231	101	20%
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 Corporates	**503**		**2**	**45%**	**1,231**	**101**	**20%**
Total IRB-F							
0,00 to <0.15				45%	1,231	101	20%
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)							
TOTAL IRB-F	**504**		**34**	**45%**	**1,231**	**101**	**20%**

IRB-A

PD scale	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	3,918		649	12%	317	14	0%
0.15 to <0.25							
0.25 to <0.50	8		14	47%	39	3	39%
0.50 to <0.75							
0.75 to <2.50							
2.50 to <10.00	143	3%	1	47%	314	178	124%
10.00 to <100.00		21%	1	57%	5		303%
100.00 (default)							
Sub-total Central governments or central banks	**4,069**		**665**	**13%**	**316**	**195**	**5%**
Institutions							
0,00 to <0.15	12,146		16,645	17%	400	964	8%
0.15 to <0.25	2,639		4,154	25%	673	771	29%
0.25 to <0.50	297		1,030	32%	555	145	49%
0.50 to <0.75	187	1%	1,032	28%	667	101	54%
0.75 to <2.50	198	1%	748	58%	496	252	127%
2.50 to <10.00	60	3%	254	77%	164	131	218%
10.00 to <100.00		13%	3	104%	5		514%
100.00 (default)							
Sub-total Institutions	**15,527**		**23,866**	**20%**	**453**	**2,364**	**15%**
Corporates							
0,00 to <0.15	9,226		3,966	34%	432	1,049	11%
0.15 to <0.25	1,539		1,121	33%	845	501	33%
0.25 to <0.50	1,321		2,043	28%	1,629	570	43%
0.50 to <0.75	931	1%	1,275	30%	1,189	456	49%
0.75 to <2.50	1,293	1%	2,892	30%	1,249	885	69%
2.50 to <10.00	622	5%	1,385	30%	1,072	628	101%
10.00 to <100.00	52	13%	963	34%	1,334	89	169%
100.00 (default)	92	100%	138	43%	2,170	92	100%
Sub-total Corporates	**15,076**	**1%**	**13,783**	**32%**	**736**	**4,270**	**28%**
Corporates –SME							
0,00 to <0.15	1		3	44%	1,542		50%
0.15 to <0.25	1		2	44%	637		34%
0.25 to <0.50	6		4	30%	1,899	4	61%
0.50 to <0.75	8	1%	64	44%	2,426	7	92%
0.75 to <2.50	1	1%	185	44%	815	1	73%
2.50 to <10.00	8	3%	209	44%	574	9	103%
10.00 to <100.00	6	12%	307	44%	1,033	12	193%
100.00 (default)	2	100%	24	44%	3,035		40%
Sub-total Corporates – SME	**33**	**7%**	**798**	**41%**	**1,477**	**33**	**103%**
Corporates –Specialized Lending							
0,00 to <0.15	47		15	28%	3,489	13	29%
0.15 to <0.25	102		26	29%	3,270	43	42%
0.25 to <0.50	365		144	14%	3,291	98	27%
0.50 to <0.75	271	1%	149	23%	3,135	145	54%
0.75 to <2.50	321	1%	168	18%	2,803	176	55%
2.50 to <10.00	127	4%	39	21%	3,484	106	84%
10.00 to <100.00			1				
100.00 (default)	43	100%	7	54%	3,649		
Sub-total Corporates – Specialized Lending	**1,276**	**4%**	**549**	**21%**	**3,172**	**581**	**46%**
Corporates –Others							
0,00 to <0.15	9,178		3,948	34%	416	1,035	11%
0.15 to <0.25	1,436		1,093	33%	673	458	32%
0.25 to <0.50	950		1,895	33%	990	468	49%
0.50 to <0.75	652	1%	1,062	33%	366	305	47%
0.75 to <2.50	970	1%	2,539	34%	734	708	73%
2.50 to <10.00	486	5%	1,137	33%	452	513	106%
10.00 to <100.00	47	13%	655	33%	1,373	77	166%
100.00 (default)	48	100%	107	34%	809	92	192%
Sub-total Corporates – Others	**13,767**	**1%**	**12,436**	**33%**	**508**	**3,656**	**27%**
IRB-A							
0,00 to <0.15	25,291		21,260	22%	399	2,027	8%
0.15 to <0.25	4,178		5,275	28%	737	1,272	31%

PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (days)	RWA	RWA density (%)
0.25 to <0.50	1,625		3,087	29%	1,426	718	44%
0.50 to <0.75	1,118	1%	2,307	30%	1,101	557	50%
0.75 to <2.50	1,491	1%	3,640	34%	1,149	1,137	76%
2.50 to <10.00	825	4%	1,640	37%	874	937	114%
10.00 to <100.00	52	13%	967	34%	1,333	89	170%
100.00 (default)	92	100%	138	43%	2,170	92	100%
TOTAL IRB-A	34,672	1%	38,314	24%	560	6,829	20%

Total

PD scale	EAD post-CRM	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (days)	RWA	RWA density (%)
Total							
0,00 to <0.15	25,795		21,294	23%	415	2,128	8%
0.15 to <0.25	4,178		5,275	28%	737	1,272	31%
0.25 to <0.50	1,625		3,087	29%	1,426	718	44%
0.50 to <0.75	1,118	1%	2,307	30%	1,101	557	50%
0.75 to <2.50	1,491	1%	3,640	34%	1,149	1,137	76%
2.50 to <10.00	825	4%	1,640	37%	874	937	114%
10.00 to <100.00	52	13%	967	34%	1,333	89	170%
100.00 (default)	92	100%	138	43%	2,170	92	100%
TOTAL	35,176	1%	38,348	25%	569	6,930	20%

TABLE 37 (EU CCR6): CREDIT DERIVATIVES EXPOSURES

	12.31.2016	
	a	b
(in millions of euros)	Protection bought	Protection sold
Notional		
Single-name credit default swaps	10,325	11,497
Credit-linked notes		
Total return swaps	678	
Collateralized debt obligations	47	76
Index credit default swaps	5,484	5,546
Other credit derivatives	6,710	5,703
Total notional	**23,244**	**22,822**
Fair values		
Positive fair value (asset)	126	100
Negative fair value (liability)	(195)	(152)

6.3 Credit valuation adjustment (CVA) capital charge

TABLE 38 (EU CCR2): CVA CAPITAL CHARGE

(in millions of euros)		EAD post-CRM techniques	RWA
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3×multiplier)		
3	(ii) Stressed VaR component (including the 3×multiplier)		
4	**All portfolios subject to the standardized method**	**11,129**	**3,736**
EU4	Based on Original Exposure Method		
5	**TOTAL SUBJECT TO THE CVA CAPITAL CHARGE 12.31.2016**	**11,129**	**3,736**
6	**TOTAL SUBJECT TO THE CVA CAPITAL CHARGE 12.31.2015**	**12,297**	**4,478**

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 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.

Market value is established using the principles set out in Note 5.6 to the consolidated financial statements. 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.

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 for securitization transactions, 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 watch list 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 Groupe 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

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

TABLE 39 (NX33BIS): BANKING BOOK EAD BY AGENCY

On securitization positions in the banking book (including counterparty risk)

Rating agency *(in millions of euros)*	IRB approach	Standardized approach	Total
Moody's	1,767		1,767
DBRS	3,073		3,073
Fitch IBCA	145		145
Standard & Poor's	1,518		1,518
Not rated	127		127
Transparency		663	663
Regulatory method	1,747		1,747
TOTAL 12.31.2016	**8,377**	**663**	**9,040**
TOTAL 12.31.2015	**8,217**	**222**	**8,439**

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' regulatory consolidation scope: Versailles and Bleachers/Mountcliff.

For both vehicles, Natixis plays a decisive role in the selection and management of acquired receivables as well as in 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' regulatory consolidation scope.

7.3 Natixis' securitization exposures

TABLE 40 (EU 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
SPV WITH RISK TRANSFER									
RMBS				1		1	762		762
Consumer ABS				764		764	669		669
Consumer loans				332		332	67		67
Re-securitization									
RETAIL (TOTAL) – OF WHICH:				**1,097**		**1,097**	**1,498**		**1,498**
Corporate loans		1,610	1,610	190		190	33		33
ABS				1,701		1,701	26		26
CDO				1,566		1,566	1,235		1,235
CMBS	28		28				29		29
Other wholesale							22		22
Re-securitization							5		5
WHOLESALE (TOTAL) – OF WHICH:	**28**	**1,610**	**1,638**	**3,457**		**3,457**	**1,350**		**1,350**
TOTAL SPV WITH RISK TRANSFER	**28**	**1,610**	**1,638**	**4,554**		**4,554**	**2,848**		**2,848**
SPV without risk transfer									
Consumer loans (RETAIL)	722		722						
Corporate loans (WHOLESALE)	3,020		3,020						
TOTAL EAD SPV CONSOLIDATED	**3,742**		**3,742**						

TABLE 41 (SEC2): SECURITIZATION EXPOSURES IN THE TRADING BOOK

	Bank acting as originator			Bank acting as sponsor			Banks acting as investor		
(in millions of euros)	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
RMBS							75		75
Consumer ABS							33		33
Consumer loans									
Re-securitization									
TOTAL RETAIL							**108**		**108**
Corporate loans									
ABS									
CDO							51		51
CMBS									
Other wholesale							88		88
Re-securitization									
TOTAL WHOLESALE							**139**		**139**

TABLE 42 (NX31-A): EAD ACCORDING TO THE ROLE OF NATIXIS IN THE BANKING BOOK

(in millions of euros)	EAD	RWA	Capital requirement
Investor	**2,848**	**990**	**79**
On-balance sheet and exposure	1,363	758	60
Off-balance sheet and exposure	1,485	232	19
Originator	**1,638**	**159**	**13**
On-balance sheet and exposure	1,638	159	13
Sponsor	**4,554**	**669**	**53**
On-balance sheet and exposure	1,340	125	10
Off-balance sheet and exposure	3,214	544	43
TOTAL 12.31.2016	**9,040**	**1,818**	**145**
TOTAL 12.31.2015	**8,439**	**1,213**	**97**

TABLE 43 (NX31-B): SECURITIZATION POSITIONS IN THE TRADING BOOK

(in millions of euros)	EAD	RWA	Capital requirement
Investor	248	79	6
Originator			
Sponsor			
TOTAL 12.31.2016	**248**	**79**	**6**
TOTAL 12.31.2015	**516**	**129**	**11**

TABLE 44 (NX34): RE-SECURITIZATION EXPOSURES BEFORE AND AFTER SUBSTITUTION

Guarantor rating *(in millions of euros)*	Exposure	Protection	EAD (after substitution)
AA	101	101	
A	123	123	
Sub-total	**224**	**224**	
Not guaranteed	**5**		**5**
TOTAL 12.31.2016	**229**	**224**	**5**
TOTAL 12.31.2015	**441**	**433**	**8**

7.4 Capital requirements

TABLE 45 (SEC3): SECURITIZATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS ORIGINATOR OR AS SPONSOR

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (EAD by RW bands)					Exposure values (EAD 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	1250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1250%
Total exposures	5,725	154	313			4,006	1,727	459		484	154	190		39	12	15	
Traditional securitization	**4,115**	**154**	**313**			**4,006**	**117**	**459**		**484**	**8**	**190**		**39**	**1**	**15**	
o/w securitization	4,115		313			4,006	117	459		484	8	190		39	1	15	
o/w retail underlying	1,091	154	6			1,097				144				12			
o/w wholesale	3,024	154	307			2,909	117	459		340	8	190		27	1	15	
o/w re-securitization																	
o/w senior																	
o/w non-senior																	
Synthetic securitization	**1,610**						**1,610**				**146**				**11**		
o/w securitization	1,610						1,610				146				11		
o/w retail underlying																	
o/w wholesale	1,610						1,610				146				11		
o/w re-securitization																	
o/w senior																	
o/w non-senior																	

TABLE 46 (SEC4): SECURITIZATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure values (EAD by RW bands)					Exposure values (EAD by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
	<= 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%
Total exposures	1,992	587	105	16	148	1,624	20	204		881	1	107		70		9	
Traditional securitization	**1,992**	**587**	**105**	**16**	**148**	**2,624**	**20**	**204**		**881**	**1**	**107**		**70**		**9**	
o/w securitization	1,992	587	105	14	145	2,619	20	204		830	1	107		66		9	
o/w retail underlying	1,034	238	105	14	107	1,318		181		304		107		24		9	
o/w wholesale	958	349			38	1,302	20	23		526	1			42			
o/w re-securitization				2	3	5				51				4			
o/w senior					3	3				37				3			
o/w non-senior				2		2				14				1			
Synthetic securitization																	
o/w securitization																	
o/w retail underlying																	
o/w wholesale																	
o/w re-securitization																	
o/w senior																	
o/w non-senior																	

8

MARKET RISKS

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 line targets and market trends and relies on an 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 ORGANIZATION OF MARKET RISK MANAGEMENT

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 analysis and daily control of market risks and the corresponding reporting for each business;
- the validation of valuation models (pricers);
- examines annual limit reviews (including risk appetite) and ad hoc requests (VaR, stress tests, operational indicators, loss alerts);
- the definition of provisioning and fair value adjustment policies (for liquidity risks, risks related to non-hedgeable parameters, model risks, etc.);
- the drawing up and communication of all consolidated reports presented to management and to control and supervisory bodies;
- the introduction of standards and procedures common to all entities (subsidiaries and branches) carrying market risks;
- the production of the VaR, the stressed VaR, the IRC (the Incremental Risk Charge, see Glossary), the stress tests and the backtesting;
- the production of monitoring indicators in accordance with the French Law on the Separation and Regulation of Banking and the Volcker Rule;
- the continued use of activities mapping in accordance with regulatory requirements.

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 2016 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 P&L division's IPV teams, which 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 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 second-level 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 the Market Risk section.

This validation verifies the evaluation of financial instruments traded and the suitability of the model. In accordance with its charter, this validation covers the following aspects:

- the theoretical and mathematical validation of the model;
- the analysis of the stability and consistency of the numerical method used;
- the model's stability in a stress scenario;
- the assessment of implied risk factors;
- the measurement of modeling risk;
- the definition of the reserve policy in terms of modeling risk;
- the assessment of the model's observability.

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 by the Model Validation Committee, which meets once every quarter. This Committee is tasked with verifying that the bank's model risks have been properly identified, quantified and supervised, and with documenting the follow-up on the recommendations issued in model validation notes.

Through benchmarking, these models are compared with marketplace practices, thus reinforcing the validation of internal modeling choices.

8.2.3 NATIXIS' ADJUSTMENT POLICY

The Market Risk section 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 senior management. A quarterly summary of changes in methodology applied to the calculation of adjustments is presented at Market Risk Committee Meetings.

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 in January 2009. Natixis uses VaR to calculate capital requirements for market risks within approved scopes, and to manage and supervise market risks.

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 rates 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).

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. 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 Standard and Poor's, 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 (ACPR – French Prudential Supervisory Authority) 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 and operational indicators:

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 reviewed on a continuous basis. They are performed daily and can be grouped into two categories:

   - **historic stress tests** consist of reproducing sets of changes in market parameters 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 gage the exposure of the portfolio to known scenarios,
   - **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 Department, the front office and the Economic Research,

   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 line, 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 47 (EU MR1): MARKET RISK UNDER THE STANDARDIZED APPROACH

	(in millions of euros)	a	b
	Nature of risk	**RWA**	**Capital requirements**
	Outright products	**5,269**	**422**
1	Interest rate risk (general and specific)	1,230	99
2	Equity risk (general and specific)	414	33
3	Foreign exchange risk	2,916	233
4	Commodity risk	709	57
	Options	**298**	**24**
5	Simplified approach		
6	Delta-plus method	298	24
7	Scenario approach		
8	**Securitization (specific risk)**	**79**	**6**
9	**TOTAL 12.31.2016**	**5,646**	**452**
	TOTAL 12.31.2015	**5,371**	**430**

TABLE 48 (MR3): VAR, STRESSED VAR AND IRC ON THE REGULATORY SCOPE

(in millions of euros) – **Period from January 1 to December 31, 2016**	
VaR (10 days, 99%)	
Maximum value	9,1
Average value	6,3
Minimum value	4,7
Value at end of period	9,1
Stressed VaR (10 days, 99%)	
Maximum value	25,3
Average value	18,0
Minimum value	12,1
Value at end of period	21,7
Incremental Risk Charge (99.9%)	
Maximum value	171,0
Average value	**80,8**
Minimum value	**29,2**
Value at end of period	37,4

TABLE 49 (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:

For the period from January 1, 2016 to December 31, 2016.

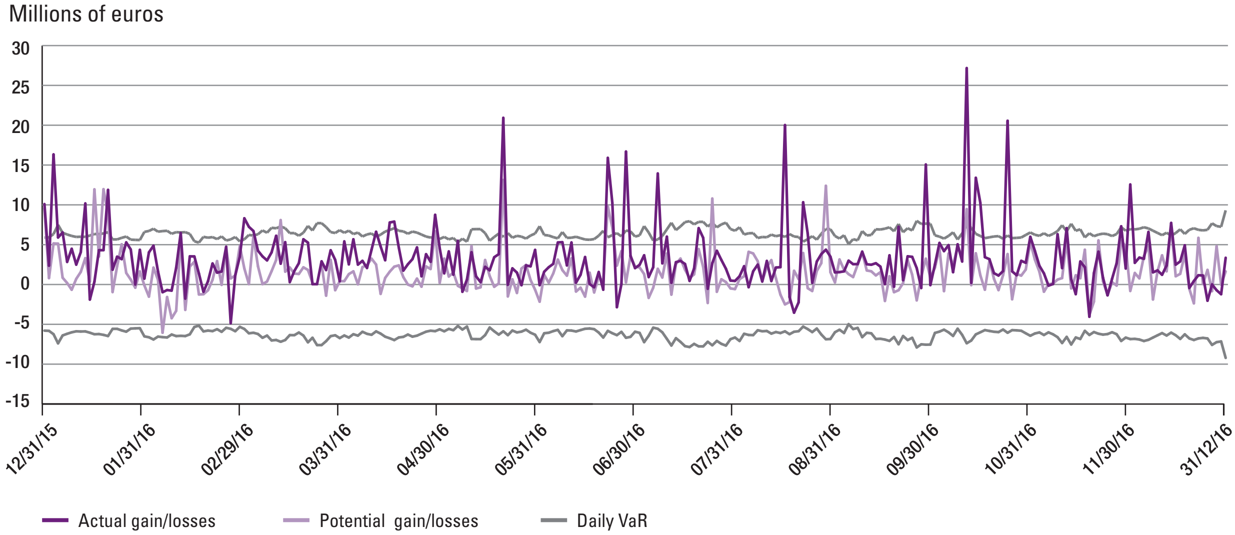


TABLE 50 (EU MR2-A): EXPOSURE TO MARKET RISK USING THE INTERNAL MODELS APPROACH

		a	b
	(in millions of euros)	RWA	OFR
1	**Value at risk (Maximum of both values a and b)**	**1,300**	**104**
a	Previous day's measurement	366	29
b	Multiplier Coefficient * Average of past 60 working days	1,300	104
2	**Stressed VaR (SVaR)**	**3,254**	**260**
a	Last SVaR measurement	871	70
b	Multiplier Coefficient * Average of past 60 working days	3,254	260
3	**Additional default and migration risk**	**883**	**71**
a	Last measurement	668	53
b	Average Measurement over 12 weeks	883	71
4	**Additional default risk on the correlation portfolio**		
a	Last measurement		
b	Average measurement over 12 weeks on the correlation portfolio		
c	Own fund requirements for specific risk		
5	**TOTAL 12.31.2016**	**5,437**	**435**
6	**TOTAL 12.31.2015**	**6,863**	**550**

9

OVERALL INTEREST RATE, LIQUIDITY, 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**) chaired by the Chief Executive Officer, and composed of the members of the Senior Management Committee in charge of Finance and Risks and of the Corporate & Investment Banking Division, the Head of Global Markets, the Chief Risk Officer, 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**, which is responsible for updating ALM principles, standards, conventions and limits, and submits them to the ALM Committee for approval, under the oversight of the Risk Department, and which 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, the regulatory liquidity ratios and the 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), 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 Department**, in charge of 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, 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 refinancing 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 regulatory requirements;
- 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, in 2015 Natixis set up governance, an overall limit and an alert threshold applied specifically to a coverage ratio, proposed by the ALM Committee and validated by the Board of Directors;
- simulations of liquidity stress scenarios: the purpose of these scenarios is to measure the Group's ability to continue to meet its commitments and operate 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 9.2.4);
- 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

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 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 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).

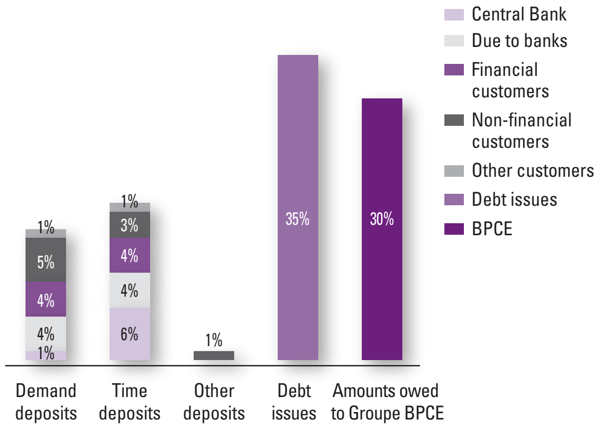
Over the course of the year, in line with Group policy, Natixis continued to diversify its funding sources as in 2015, Efforts were focused on developing customer deposits in term and current accounts and structured issues placed with investors.

The strategy to collect and diversify customer funds that began four years ago continued into 2016, mainly through the Liquidity Line of the Corporate & Investment Banking division, focused on customer inflows. The funds collected by this business line continued to grow compared to last year, with increased diversification (particularly through the product offer of the "Natixis Deposit" fund) and the improved efficiency of these resources from a "regulatory liquidity" standpoint.

Finally, the weight of net 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.

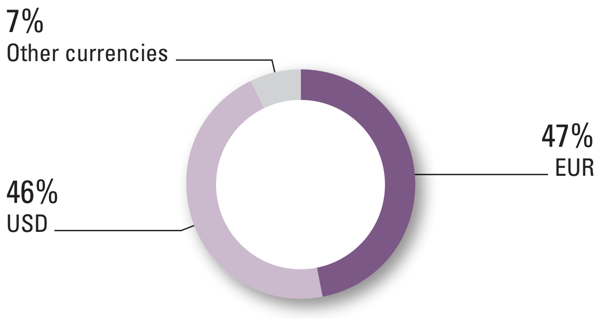
The following charts are established on the basis of management data.

■ GROSS WEIGHT OF THE BANK'S ON-BALANCE SHEET FUNDING SOURCES, BY MAJOR CATEGORY OF VEHICLE AND/OR BY CUSTOMER SEGMENT AT END-2016

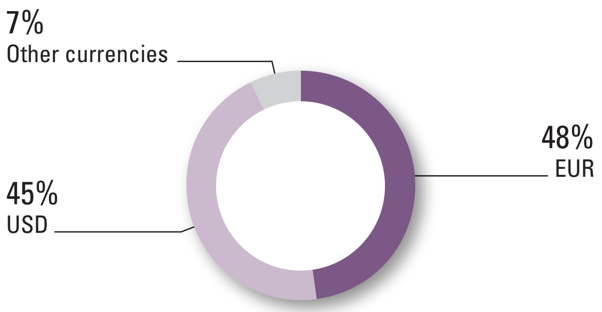


The funding structure was stable overall at December 31, 2016, in terms of gross resources, with a slight increase in the percentage represented by foreign currency. This was due to the rise in USD-denominated structured issues carried out for diversification purposes, and due to the currency effect.

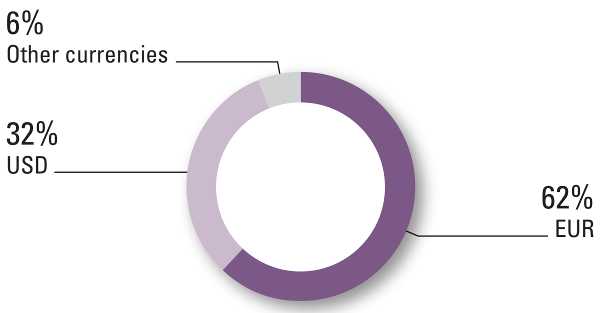
12.31.2016: BREAKDOWN OF GROSS FUNDING STRUCTURE BY CURRENCY, AT CURRENT USD EXCHANGE RATES



12.31.2016: BREAKDOWN OF GROSS FUNDING STRUCTURE BY CURRENCY, AT CONSTANT USD EXCHANGE RATES

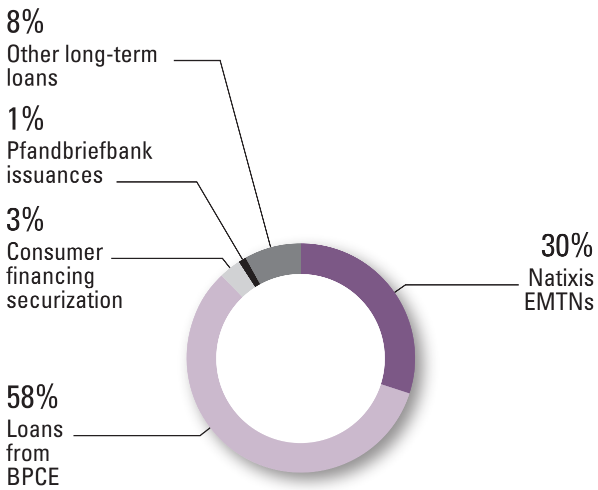


12.31.2015: BREAKDOWN OF GROSS FUNDING STRUCTURE BY CURRENCY, AT CURRENT USD EXCHANGE RATES

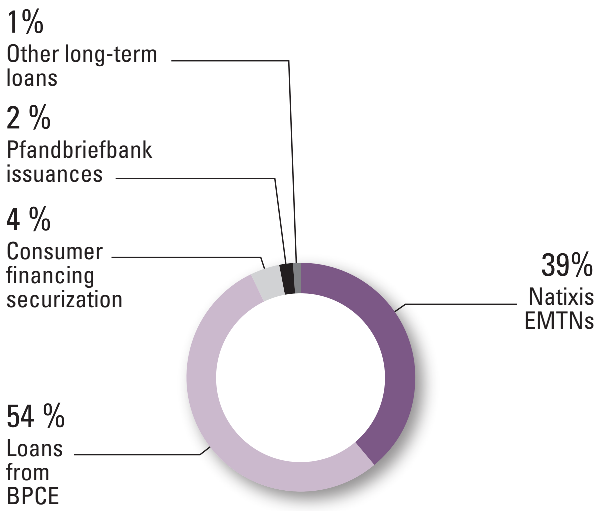


Under its annual medium-term funding program, in 2016 Natixis raised €18.6 billion in resources in net with a term of more than one year (versus €14.2 billion in 2015) and an average lifespan of approximately three years. 30% of this program was achieved via structured private placements, with the remainder predominantly provided by BPCE as part of the Group's medium-term funding policy approved by the Group ALM Committee.

2016 NET MLT FUNDING PROGRAM



2015 NET MLT FUNDING PROGRAM



9.2.4.2 Bank funding

Short-term funding

Election results in 2016 called the worldwide shift to economic globalization into question. The United Kingdom's likely exit from the European Union, combined with the election of a new administration in the United States, have heightened uncertainties.

In Europe, the European Central Bank warded off looming deflation by slightly lowering its key interest rates in March (cutting the key interest rate to 0% and the deposit facility rate to -0.40%). It also expanded its bond buying (quantitative easing) program by increasing monthly purchases from €60 billion to €80 billion from March 2016 to March 2017, and extending the facility to at least the end of 2017.

These developments were accompanied by a new bank debt refinancing facility (TLTRO II), which offers preferential terms to banks that increase their outstanding loans in the non-financial sector. These decisions contributed to a slight decrease in euro zone yields that nevertheless took the short end of the curve into negative territory. In this unfavorable environment, Natixis' NEU CP [(a)]issuance outstandings fell by just under €3 billion. However, investors still largely preferred long investment periods for this type of instrument, focusing their purchases on the one-year maturity range.

In the United States, the Fed, having long considered that external risks and a fragile financial environment justify stable interest rates, finally raised its key interest rates by 25 bp in December. Meanwhile, the short-dated debt market in the United States was rattled by the enactment of the money market reform, triggering a massive shift of assets from prime funds to funds invested in government bonds (for over $1 trillion). However, the emergence of a new type of investor (previously more accustomed to debt with longer maturities, now drawn by the higher yields offered by the money market segment) softened the impact of this reform, thereby boosting outstandings in our US programs in 2016.

NATIXIS' SHORT-TERM ISSUANCE PROGRAM OUTSTANDINGS

(in millions of euros or euro equivalents)	Certificates of Deposit	Commercial Paper
Program amount	45,000*	26,230
Outstandings at 12.31.2016	26,352**	13,282

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

Long-term funding

The beginning of 2016 saw marked volatility on the financial markets on the back of disappointing macroeconomic data from China, which cast doubt over the strength of its economic growth and global growth potential on the whole. The movement in favor of safe-haven assets caused long rates on US government bonds - as well as those of certain euro zone countries (Germany in particular) - to decline in the first two months of the year.

As inflation forecasts were pared down on both sides of the Atlantic after commodity prices plunged, in March the European Central Bank decided to take action by lowering the deposit facility rate by 10 bp to -0.40%, and by raising the amount of its asset purchase (quantitative easing) program from €60 billion to €80 billion. Long rates continued to decline in the first half of the year. The yield on the German 10-year Bund, which stood at 0.63% at the start of the year, hit a low of -0.18% in early July. US government bonds fell 89 bp to 1.36% over the same period.

In the second half of the year, encouraging macroeconomic data out of the US (GDP, improved household consumption) pushed up US long rates. In November rates were further boosted with the election of Donald Trump whose program to revive economic activity in the US includes, among other things, a 10-year $1 trillion infrastructure investment plan. In Europe, long rates followed suit, albeit to a lesser extent. The US 10-year ended the year at +2.44%, and yield on the German 10-year Bund at 0.20%.

In the credit market in Europe, bank spreads on unsecured senior debt widened at the start of the year but tightened overall in 2016 following the European Central Bank's quantitative easing asset purchase program and the implementation of TLTRO II.

In France, systemically important banks (BNP, BPCE, Crédit Agricole, Société Générale) were able to issue senior non-preferred bonds - a new type of debt security passed into French law in December 2016. The bonds that banks choose to issue under this new type of debt security will be eligible for application of the new TLAC ratio. In the hierarchy of creditors, holders of these instruments will be ranked "senior" to subordinated debt, but "junior" to "senior preferred debt".

Against these market conditions, Natixis raised a gross total of €22.8 billion under its medium- and long-term funding program (versus €14.5 billion in 2015). As the only long-term issuer in the public issues segment, BPCE provided Natixis with financing for a total euro-equivalent amount of €10.7 billion.

(a) *NEU CP: "Negotiable European Commercial Paper," the new commercial name for CDNs, used on the marketplace (reform enacted by decree on May 30, 2016 subsequent to the opinion of the European Central Bank issued on March 30, 2016).*

NATIXIS' MEDIUM- AND LONG-TERM DEBT ISSUANCE PROGRAM

(in millions of euros or euro equivalents)	EMTN	NEU MTN*	USMTN	Bond issues
Issues at 12.31.2016	6,353	0	66	3,407
Outstandings at 12.31.2016	12,289	575	272	7,714

** NEU MTN: "Negotiable European Medium Term Note," the new commercial name of BMTNs, used on the marketplace (reform enacted by decree on May 30, 2016 subsequent to the opinion of the European Central Bank issued on March 30, 2016).*

9.2.5 REGULATORY LIQUIDITY RATIOS

In 2010, the Basel Committee introduced the following 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 new 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; the minimum requirement, which was initially set at 60%, was 70% on December 31, 2016 and will rise to 80% on January 1, 2017, ultimately reaching 100% on 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 51 : LIQUIDITY RATIO (LCR) AT 12.31.2016

	12.31.2016	
(in millions of euros)	Non risk-weighted value*	Risk-weighted value*
Liquid assets	**51,429**	**46,119**
Cash and central bank deposits (Level 1)	25,099	25,099
Sovereign securities and equivalents (Level 1)	10,166	10,166
Other liquid assets (in accordance with the CRR)	16,164	10,854
Cash outflows	**(267,554)**	**(101,723)**
Non-financial customer deposits	(27,901)	(9,913)
Financial customer deposits	(33,346)	(33,346)
Debt issued	(16,274)	(16,274)
Transactions collateralized by securities	(91,420)	(11,759)
Credit and liquidity facilities	(46,111)	(8,721)
Other cash outflows	(52,502)	(21,710)
Cash inflows	**125,550**	**59,085**
Transactions collateralized by securities	68,456	6,415
Loans	35,825	33,279
Other cash inflows	21,269	19,391
TOTAL NET CASH OUTFLOWS		**(42,638)**
Liquidity Coverage Ratio (%)		**108%**

* *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 108% at December 31, 2016, with total liquid assets of €46.1 billion according to the eligibility rules of the Delegated Act, i.e. surplus liquidity of €3.5 billion. The liquid asset buffer consists predominantly of central bank deposits (€25.1 billion) and sovereign securities (€10.2 billion). In the denominator, cash outflows (€101.7 billion) are primarily generated by the run-off of deposits (€43.3 billion), repurchase agreements maturing within 30 days (€11.8 billion) and other cash outflows (€21.7 billion). Other cash outflows mainly include outflows related to market-stressed collateral requirements and outflows subsequent to a 3-notch downgrade in Natixis' credit rating by the rating agencies. Nearly half of the cash inflows recorded (€59.1 billion) were due to loans (including BPCE or financial customers) reaching maturity (€33.3 billion) and to repurchase agreements maturing within 30 days (€6.4 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 have been under discretionary management 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 portfolio under discretionary management 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 €3 billion to €5 billion in order to deal with any last-minute contingencies through BPCE adjustments. The structural over-hedge of the Group's LCR, i.e. around 15% to 20% above the 100% threshold for a 70% regulatory limit at end-2016, 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, in 2015 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 achieved its target leverage ratio, which is higher than the regulatory requirement that will enter in to force in 2018. For that purpose, after restatement of exposures toward Groupe BPCE affiliate[(1)]s, Natixis has maintained a leverage ratio above 4% in 2016. As in 2015, 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 52 (LR1): COMPARISON OF ACCOUNTING EXPOSURES AND LEVERAGE EXPOSURES

(in millions of euros)		12.31.2016
1	**Total consolidated assets reported in the financial statements**	**442,725**
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
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	(38,832)
5	Adjustment for securities financing transactions (SFT)	(20,183)
6	Adjustment for off-balance sheet items (i.e. conversion of off-balance sheet exposures to credit equivalent amounts)	37,038
7	Other adjustments	(19,129)
8	**LEVERAGE RATIO EXPOSURE (*)**	**401,619**
(*)	***O/w exposure related to affiliates***	***50,540***
	Excluding exposure related to affiliates	***351,079***

(1) *As part of leverage ratio oversight, and for the purposes of financial communication, transactions with affiliates (i.e. BPCE and its subsidiaries, the Banque Populaire banks and Caisses d'Epargne) are excluded from leverage exposure measurement, in accordance with Article 429 (7) of the Delegated Act. This treatment is upon prior authorization from the ECB, which is currently in progress as per the conditions set out in Article 113(6).*

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. The Committee sets an acceptable variation range on the dollar for this sensitivity and a monitoring report is presented during its meetings.

The following table shows the impact that a 10% depreciation or appreciation in the main foreign currencies would have on the CET 1 ratio at December 31, 2016.

TABLE 53 : IMPACT ON CET1 RATIO (IN BASIS POINTS)

Currency	Impact on the CET1 ratio of 10% depreciation	Impact on the CET1 ratio of 10% appreciation
USD	1.19	(1.40)
GBP	1.16	(1.41)
AUD	(0.27)	0.33
BRL	(0.56)	0.69
CNY	(0.32)	0.40
DZD	(0.63)	0.77
HKD	(0.73)	0.89
RUB	(0.43)	0.53
SGD	(1.34)	1.64

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 Groupe 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 DISCLOSURES

The sensitivity of the major Natixis entities to a variation in interest rates represented a total of €87 million (for an immediate parallel shift of +1% in the yield curve) at December 31, 2016. This sensitivity is primarily due to the effect of the spread on USD accreting transactions.

This indicator is calculated monthly.

TABLE 54 (CRR 448): MEASURE OF SENSITIVITY TO A +100 BP VARIATION IN INTEREST RATES, BY MATURITY AT DECEMBER 31, 2016

(in millions of euros)	< 1 year	1-5 years	> 5 years	Total sensitivity
EUR	(11.2)	69.5	(59.9)	(1.6)
USD	27.4	(6.2)	(67.8)	89.0
Other	0.8	(2.8)	1.4	(0.7)

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 55 : INTEREST RATE GAP BY MATURITY AT DECEMBER 31, 2016

(in millions of euros)

Maturity	1 year	3 years	5 years	7 years
Interest rate gap (fixed-rate)	706	972	(2,164)	(669)

Finally, Natixis analyzes the sensitivity of net interest income (ΔNII) to changes in market interest rates using NII stress tests. At December 31, 2016, the sensitivity of the Bank's NII to changes in interest rates was as follows:

TABLE 56 (IRRBB – TABLE B): NII SENSITIVITY AND ECONOMIC VALUE

(in millions of euros)	ΔEVE		ΔNII
Period from 12.31.2015 to 12.31.2016	2016	2015	12.31.2016
Parallel upward shift (+200 bp)	127	214	137.5
Parallel downward shift (-200 bp)	(205)	(271)	(56.7)

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 €205 million in the portfolio's economic value at December 31, 2016. 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 2016 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 1.2% 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 57: ENCUMBERED AND UNENCUMBERED ASSETS AT 12.31.2016 (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	**75,936**		**364,235**	
Equity instruments	23,470	23,470	8,710	8,710
Debt securities	23,488	23,488	8,152	8,152
Other assets	27,758		348,016	

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	**119,002**	**72,135**
Equity instruments	25,889	34,457
Debt securities	93,113	35,966
Other guarantees		4,804
Debt securities issued besides own secured bonds or own asset-backed securities		1,611

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	182,702	193,490

Template D – Information on the extent of asset encumbrance

At December 31, 2016, Natixis' encumbered assets amounted to €75,936 million, of which:

- €48,204 million in encumbered securities for corporate actions and issues of securities;
- €4,692 million in encumbered receivables in mechanisms other than secured bonds;
- €745 million in receivables securing secured bond issues;
- €22,296 million in encumbered assets in respect of margin calls on derivatives.

9.5.2 BREAKDOWN OF FINANCIAL LIABILITIES BY CONTRACTUAL MATURITY

TABLE 58 : BREAKDOWN OF FINANCIAL LIABILITIES BY CONTRACTUAL MATURITY

(in billions of euros)	12.31.2016									
Liabilities	**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	-	-
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.

	12.31.2015									
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	93	-	30	14	3	6	4	5	9	24
o/w repurchased securities	*48*	-	*30*	*11*	*2*	*2*	*2*	*1*	-	-
Secured liabilities	*4*	-	-	-	-	*1*	-	*1*	-	-
o/w senior debt	-	-	-	-	-	-	-	-	-	-
Unsecured liabilities	*15*	-	-	*1*	*1*	*2*	*1*	*2*	*8*	-
o/w senior debt	-	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	-
Trading derivatives	70	-	-	-	-	-	-	-	-	70
Hedging derivatives	2	-	-	-	-	-	-	-	-	2
Due to banks	115	14	16	29	22	6	10	16	2	-
o/w repurchased securities	*14*	*5*	*3*	*6*	-	-	-	-	-	-
Customer deposits	64	29	20	6	2	2	-	-	2	2
Debt securities	41	-	4	17	4	9	4	-	3	-
o/w secured liabilities	-	-	-	-	-	-	-	-	-	-
Covered bonds	*1*	-	-	-	-	-	-	-	-	-
Insurance companies' technical reserves	-	-	-	-	-	-	-	-	-	-
Revaluation adjustments on portfolios hedged against interest rate risk	-	-	-	-	-	-	-	-	-	-
Subordinated debt	6	-	-	-	-	1	-	-	4	-
TOTAL	**392**	**43**	**70**	**67**	**31**	**24**	**18**	**21**	**20**	**98**

The information contained in 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 3.1 billion in EUR equivalent at December 31, 2016, versus 3.5 billion at December 31, 2015.

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 five operational risk management criteria:

- four quantitative indicators: one historical indicator measuring the cost of risk, one forward indicator measuring the cost of risk, 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.

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.

The main tasks and governance of the Operational Risk function are described in Chapter 2, Section 2.5, "Chairman's report on internal control procedures", of the 2016 Natixis Registration Document.

10.2 Organization

The structure of the Operational Risk function mirrors the organization of:

- the core businesses 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 50 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, often involving several operational risk managers where the support or control functions are involved, or where the processes have an impact on several teams, whether in the front, middle or back office.

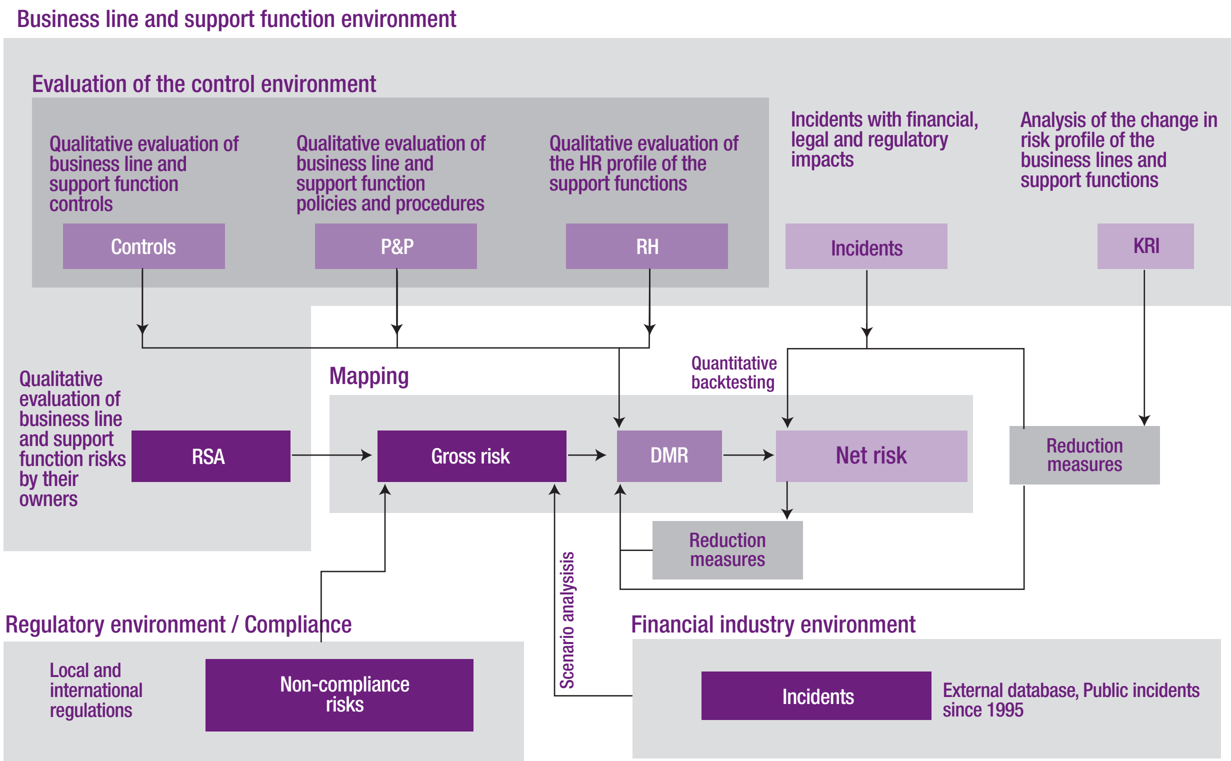
Overseeing this framework is a single overarching information system that has been deployed across the Company's entities, business lines and support functions in France and internationally. It is available in French and English and hosts all the components required to manage operational risk (incidents, 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 against information from other functions (accounting, compliance, legal, IT systems security, 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 in certain major-risk situations. The methodology uses a VaR calculation based on risk mapping, and factors in identified incidents for backtesting and known external losses.

10.3 Operational risk monitoring

10.3.1 RISK MAPPING

OPERATIONAL RISK MAPPING FRAMEWORK



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 section, in conjunction with the other control functions, works with each business line, entity and support function to map operational risks. The exercise entails identifying and descriptively analyzing risks, quantifying the risk situations (average frequency, average and maximum loss), and taking into account existing risk management mechanisms. It is carried out for all the bank's business activities and it is checked for consistency through backtesting by drawing on incident history.

The risk mapping process serves to identify Natixis' exposed business lines and its biggest risks in order to be able to manage them. The mapping of extreme risk situations (occurring infrequently, such as major natural disasters, pandemics and terrorist 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 600 key risk indicators (KRIs) in place with corresponding limits, and 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 risk indicators are submitted to the Operational Risk Committee for approval, and any breach of their thresholds, triggering a systematic alert, may result in an 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

Losses are listed without a threshold and as they are incurred. 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 section) are reported immediately to the business line's management and to Natixis' Chief Risk Officer.

Once an investigation has been carried out on all relevant parties, the Operational Risk manager compiles a standardized full report with 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 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 2016 over 6,000 reported incidents (a single incident potentially comprising several individual incidents) were entered into the collection tool by the business lines. The losses had a low-to-nil impact, and concerned primarily the back office and IT support functions.

The Specialized Financial Services division makes up close to half of the number of reported incidents, but accounts for only 13% of impacts. However, the Corporate & Investment Banking activities in France and abroad account for more than half of the amount of losses and provisions reported in 2016, with these activities representing only 10% of the listing in number.

TABLE 59 (OR1): CHANGE IN OPERATIONAL LOSSES EXCLUDING FRONTIER CREDIT RISK[1] - SMA APPROACH[2]

(in millions of euros)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total loss amount	9	15	40	478	14	15	13	4	46	91	36
Total loss amount exceeding €1 million	2	3	21	460	3	3	0	21	30	73	13

TABLE 60 (OR3): CHANGE IN OPERATIONAL LOSSES DECLARED IN 2016 - COREP APPROACH[3]

	December 2014	December 2015	December 2016
Total number of losses exceeding €1 million	10	18	17
Total loss amount exceeding €1 million	42	115	123
Total amount of the five biggest losses in millions of euros	33	74	103

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, of which there were approximately 150 at end-2016, are monitored by the business line and central Operational Risk Committees. A central alert system has been set up to detect corrective actions that are taking too long to implement.

(1) Frontier credit risk : operational risk aggravating or triggering a credit risk incident

(2) Including losses and provisions net of recoveries except for insurance (status validated or closed) and recorded in 2016 (excluding aggregated incidents)

(3) Gross impact of incidents reported or modified in 2016 (status validated or closed)

10.4 Risk profile

In 2016 a risk analysis was performed on all of Natixis’ business lines and support functions. It included a plan to strengthen the independent control functions’ mapping. 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.

The Bank’s risk profile features two main risk categories: business line risk, concentrated under Corporate & Investment Banking, and overall risk (loss of access to premises or information systems, or of availability of employees).

10.5 Operational risk insurance

The Insurance Department, which reports to Natixis’ Insurance division, is tasked with analyzing insurable operational risks and taking out appropriate insurance coverage (direct insurance and/or transfer).

- The main risks analyzed are:
  - internal or external fraud;
  - drop in the value of securities;
  - liability risk (civil operating and professional liability, as well as executive officers' and directors' civil liability);
  - damage to operating assets (buildings and their contents, IT hardware and data), and loss of banking business resulting from this damage.
- The insurance plans were renewed on January 1, 2016, and have been pooled in whole or in part with Groupe BPCE.

Natixis and its subsidiaries benefit from the guarantees provided by the combined "Banker’s Blanket Bond" (securities and fraud) and Company Civil Liability policies providing coverage of €148 million per claim per insurance year, of which €133 million have been pooled with Groupe BPCE.

This coverage applies worldwide, except for professional civil liability, where the guarantee does not extend to permanent establishments in the United States (coverage for US operations is purchased locally by subsidiaries or branches).

- “Civil Operating Liability” coverage is provided by the civil operating liability group insurance plan taken out by BPCE SA, for up to €100 million per claim;
- “Executive Officers' Civil Liability” coverage is provided by the executive officers’ and directors’ civil liability group insurance plan taken out by BPCE S.A., for up to €200 million per claim per insurance year;
- Coverage for the buildings housing Natixis' operations in France, their contents, IT risks and the resulting loss of banking business is provided by the "All Risks & Resulting Loss of Banking Business" group insurance policy taken out by BPCE S.A. (reconstruction and/or replacement cost, capped at €300 million per claim).
- Coverage for intangible computer damage (damage to data without physical damage to the hardware containing it) and the resulting loss of banking business is provided by the “Intangible Computer Damage/Loss of Banking Business” group insurance policy taken out by BPCE S.A., for coverage of up to €60 million per claim and per year.

All the insurance policies mentioned above were taken out with reputable, creditworthy insurance companies.

All the insurance policies mentioned above are purchased with deductibles (accepted retention level) in accordance with Natixis' retention capacity.

11

COMPLIANCE AND REPUTATIONAL RISK, LEGAL RISK

11.1 Compliance and reputational risk

11.1.1 ORGANIZATION OF COMPLIANCE AT NATIXIS

Functional structure

The Compliance Department is in charge of establishing best practices to prevent and manage the risk of non-compliance with banking and financial regulations. It also oversees IT Systems Security and business continuity. Reporting to the Corporate Secretary, the Compliance Department functions independently of the operational departments. It acts in accordance with the rules set out by Groupe BPCE. Its scope of action encompasses all the business lines and support functions of Natixis, the subsidiaries and branches in France and abroad.

The operating rules of the Compliance and Permanent Control function are set out in a charter approved by Natixis' Senior Management Committee. For the business lines operating within the parent company, the Heads of Compliance report hierarchically to Natixis' Chief Compliance Officer. There is a "direct" reporting line between the subsidiary and branch compliance heads and Natixis' Chief Compliance Officer. Through this line, Natixis' Chief Compliance Officer issues prior approval for the assignment, appointment or removal of subsidiaries' compliance heads, participates in annual performance and career advancement reviews, approves annual work plans and fulfills reporting and alert requirements vis-à-vis Natixis' Compliance Department.

Responsibilities

The function advises and assists all employees on how to prevent compliance risks when performing their duties, and participates in establishing new standards, policies and procedures. To ensure the proper oversight of new activities, structures and new or modified products, the function issues formal notices to help secure Natixis' activities.

The function carries out second-level controls to ensure the compliance of transactions with banking and financing regulations, and ensures that anomalies detected by the relevant business lines are remedied. Training and awareness-raising initiatives are regularly conducted so that employees can demonstrate adequate levels of knowledge and vigilance.

Lastly, it reports to the members of the Senior Management Committee and the Board of Directors (Risk Committee) on the main risks detected and on the implementation and effectiveness of the means to address these risks.

Tools

The function is equipped with a set of tools to cover all the areas under its responsibility, including:

- behavioral analysis tools, used in conjunction with KYC tools, to detect money laundering and internal fraud, verify compliance with embargoes and prevent terrorist financing;
- tools to monitor sensitive transactions, keep lists of insiders and manage conflicts of interest.

11.1.2 EMPLOYEES AND PROFESSIONAL ETHICS

Conflicts of interest

The prevention of conflicts of interest is ensured through:

- employee compliance with professional obligations;
- the set-up and monitoring of information barriers;
- the use of risk maps to identify situations posing a risk of conflict of interest;
- the verification of compensation policies;
- the keeping of a conflict of interest catalog; and
- compliance with Natixis' employee Code of conduct, which covers gifts and invitations received or offered, personal transactions, the performance of duties outside of Natixis and offices and investments held in a personal capacity.

Conflicts of interest are 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 arising at various levels;
- lose monitoring by Compliance with the help of ODEON, a transactional conflict detection tool;
- an escalation process for mediating unresolved conflicts of interest if needed; and
- a conflict of interest management commission tasked with 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 watch list or on the prohibition list, as well as employees to be placed on the insider list.

Common provisions

The provisions concerning conflicts of interest and the circulation of information are enforced through formalized procedures, regular training and follow-up controls using a risk-based approach.

Whistleblowing policy

Since 2005, Natixis has implemented a procedure that allows employees to report any action or professional activity that they suspect as improper or incompatible with banking provisions.

The whistleblowing policy provides for an internal procedure that makes it possible to report anomalies with respect to the implementation of banking compliance obligations. The procedure is optional. There is no penalty imposed on employees who do not use this procedure. Employees who do use the procedure are entitled to strict confidentiality, and they may not be penalized or subject to unfair treatment as a result of their report. This procedure is not intended to replace conventional reporting methods at Natixis, such as the escalation of anomalies to the higher levels of the organization. Alerts raised using this procedure are addressed to the compliance head and/or Chief Compliance Officer.

11.1.3 CUSTOMER PROTECTION

Defending the primacy of customer interests is a defining principle 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.

Handling of customer complaints

Natixis has established a system that ensures that:

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

Know Your Customer (KYC) and customer information

In addition, Natixis has established a policy governing new client relationships. The procedures are in line with the various regulatory requirements governing money laundering, terrorist financing and international embargoes for the entities in question.

In 2016, Natixis implemented the Automatic Exchange of Tax Information regulation across all its French and international operations concerned and located in countries that have 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.

Prevention of corruption

The prevention of corruption is handled by an overall system of financial security. Natixis is a signatory to the United Nations Global Compact and upholds its principles.

Processes and procedures are implemented to prevent, manage and supervise:

- conflicts of interest;
- fraud and money laundering;
- political contributions and contributions to public officials;
- donations, patronage and sponsorship; and
- gifts and benefits.

All employees are called upon to exercise vigilance against pressure and solicitation and in situations such as those involving abnormally high or overcharged commissions and informal and private interactions with public companies.

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

11.1.4 FINANCIAL SECURITY

The purpose of the Financial Security section, which is part of the Compliance Department, is to organize anti-money laundering and counter-terrorist financing (AML – CTF) measures and to ensure compliance with embargoes and anti-fraud measures, both for Natixis and its subsidiaries.

In addition to this standing supervisory task, it may directly spearhead special efforts on behalf of certain business lines.

Anti-money laundering and terrorist financing

To combat money laundering, Natixis has introduced:

- due diligence and KYC obligations on customer onboarding and throughout the customer relationship;
- a procedure for reporting "suspicious" transactions to the relevant financial intelligence unit;
- and regular employee training and information to ensure compliance with these obligations.

Regarding terrorist financing, funds, financial assets or economic resources identified as likely to benefit persons or entities linked to terrorist-related activities are automatically frozen. Natixis must meet two obligations:

- continuously checking that customers do not appear on the official lists of persons or entities suspected of participating in terrorist financing; and
- promptly introducing permanent control procedures to detect and freeze funds belonging to persons or entities appearing on these lists.

Anti-fraud measures

Natixis is fully committed to guaranteeing a secure environment for customers, partners and employees. Natixis' anti-fraud culture is also continuously reinforced and deployed through regular awareness-building campaigns for employees and customers and specific controls of activities that are especially at risk.

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

More specifically, the risk associated with Capital markets activities is subject to close monitoring and specific first-level and second-level controls, with the help of the SAFIR Compliance tool. Social engineering-type payment fraud is subject to constant vigilance and specific prevention measures, as this continuously evolving fraud is particularly widespread. Concerning the risk of information leakage, a specific control, investigation and resolution mechanism is in place, employing the expertise of fraud and IS security experts as well as the legal and HR functions as necessary.

11.1.5 SYSTEMS SECURITY AND BUSINESS CONTINUITY

The ITSS-BC Department coordinates its activities according to risks incurred. It employs a method which identifies, in terms of operational risk, areas risk for the business lines and their IT assets that may be vulnerable. Based on this cross-checking, a map of IT system security and business continuity risks is produced and an action plan to reduce these risks defined. The IT Department implements the technical solutions devised to respond to the security and continuity needs expressed by the business lines.

The main issues addressed are business line support (particularly with their digital transformation), the prevention of cyber-threats, the user authorization management framework and the reinforcement of our control plan.

The overhaul of user authorization management was initiated in 2012 to review all management processes, tools, the documentation of application profiles, the setting of business line profiles and the reauthorization of user rights and the associated controls.

At the end of 2016, all business line entities had been reviewed except for several foreign entities. In terms of advice and support to business lines, all projects submitted to the IT Commitment Committee are required to undergo security analysis. At the start of the project, the business lines express their security requirements to the IT Department, which responds by implementing the appropriate technical solutions.

11.1.6 PROTECTION OF PERSONAL DATA

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

- processes involving the use of personal data are conducted pursuant to the French Data Protection Act and, in most cases, are declared to the Commission Nationale de l'Informatique et des Libertés (CNIL – French Data Protection Authority) in France or to the competent authorities internationally;
- 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 (Legal Department) and local CNIL representatives in every business line.

In 2016, the following actions were taken:

- all processes declared to CNIL were integrated in a shared tool for referencing the use of personal data;
- awareness-building measures were taken to take stock of regulatory changes and to integrate personal data protection in all new projects;
- the organizational standardization process in place to ensure compliance with the General Data Protection Regulation upon its entry into force was initiated.

11.2 Legal risk

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, 2016, 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.

11.2.1 LEGAL AND ARBITRATION PROCEEDINGS

Class action lawsuits in the United States relating to Municipal Guaranteed Investment Contract transactions

In March 2008, Natixis and Natixis Funding Corp. were named among the defendants in multiple class-action and individual lawsuits filed by and on behalf of certain state, county and municipal bond issuers in the US federal courts in New York, Washington D.C. and California. The plaintiffs alleged that providers and brokers of municipal derivatives conspired to fix prices, rig bids and allocate customers beginning in 1992. The various lawsuits, as initially filed, named more than 30 other US and European banks and brokers as defendants in all. The lawsuits were grouped in federal court (the United States District Court for the Southern District of New York) under the caption "Municipal Derivatives Antitrust Litigation."

Some plaintiffs sought to certify a class of all state, local and municipal government entities, independent government agencies and private entities that purchased municipal derivatives from the banks and brokers named as defendants beginning in 1992, and sought to recover alleged damages resulting from the alleged anticompetitive activities.

These civil claims arose out of investigations in the industry that were performed beginning in late 2006 by certain government agencies, including the US Internal Revenue Service ("IRS"), the Department of Justice ("DOJ") Anti-Trust division, the US Securities and Exchange Commission ("SEC") and state prosecutors.

Over the course of the litigation, several defendants entered into settlements with the plaintiffs. Although Natixis denied and continues to deny the allegations of wrongdoing and any liability in these proceedings, Natixis Funding Corp., together with other remaining class action defendants, reached a final settlement in early 2016. The class, under the terms of this settlement, includes all state, local and municipal government entities, independent government agencies and private entities that purchased, by negotiation, competitive bidding or auction, municipal derivatives from Natixis Funding Corp. or any other provider defendant or alleged co-conspirator, or municipal derivative transactions brokered by any broker or alleged co-conspirator, in the US or its territories. Natixis Funding Corp. paid $28,452,500 in respect of the class action and $1,497,000 to a group of 22 state Attorneys General.

The settlement is applicable to Natixis and its affiliates and encompasses all claims that were or could have been included in the nationwide consolidated class action or submitted by the group of Attorneys General, and is binding on all class members except for certain individual claimants who chose to exclude themselves from the class. The class action settlement received court approval in July 2016, bringing an end to the legal proceedings.

Furthermore, by the end of 2016 Natixis had negotiated agreements with each of the individual claimants outside the class, none of which involved a material amount.

Madoff fraud

Outstanding Madoff assets, net of insurance, were estimated at €479.9 million at December 31, 2016, 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 (primarily legal) measures taken by the bank. 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. 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 the insurers is ongoing. In January and February 2017, both of the first-line insurers submitted an appeal to the Court of Cassation.

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 recent ruling (November 2016) by the bankruptcy court dismissed a number of restitution claims initiated by the trustee on the grounds of extraterritoriality. The case is still in progress.

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 and established a procedural timetable until May 2017 for the defendants to respond.

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 being conducted.

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 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. The timetable for court proceedings is still unknown.

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.

SEEM

In January 2013, Natixis received a compulsory third-party joinder at the request of SEEM. This company seeks a joint sanction against Natixis, asking that Cube Energy SCA and its general partner Natixis Environnement & Infrastructures Luxembourg SA (NEIL - a Natixis subsidiary at the time) be ordered to pay approximately €30 million, alleging that Cube Energy SCA, via its general partner NEIL, acted in breach of its duty of loyalty to its partner SEEM.

The Commercial Court of Paris acquitted Natixis in its ruling handed down on November 8, 2016.

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 €103 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.

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 still in progress.

Securitization in the United States

Since 2012, 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 of them has been dismissed as time-barred. Some claims related to the second proceedings have already been dismissed for exceeding deadlines. Furthermore, Natixis has appealed the decision for not dismissing the entirety of the claims.

Three further claims have been brought against Natixis, purportedly on behalf of certificate holders. Natixis considers the claims brought against it to be unfounded for multiple reasons, not least because the statute of limitation has expired and the claimants do not have the legal standing to file the suit, and intends to defend itself vigorously.

Another lawsuit has been 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, which examined the case upon notification of the complaint in August 2016, also considers these claims to be unfounded and intends to defend itself vigorously.

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

An inspection by the AMF (French Financial Markets Authority) took place in February 2015 on Natixis Asset Management's compliance with its professional obligations, particularly the management of its formula funds. In July 2016, the AMF issued a statement of objections to Natixis Asset Management for non-compliance with its professional obligations, alleging the unwarranted and unjustified charging of redemption fees to unit-holders, exceeding the maximum rate for management fees in relation to these redemption fees and structuring margins, and inaccurate and misleading reporting of these management fees in annual reports. Natixis Asset Management denies these allegations and submitted its observations to the AMF on November 14, 2016. The case is ongoing.

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.

11.2.2 SITUATION OF DEPENDENCY

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

12

INFORMATION ON REMUNERATION

12.1 Description of the compensation policy at Natixis

Natixis' compensation policy is a key driver for implementing Company strategy. The policy aims to offer competitive levels of compensation relative to the market benchmark and is structured to encourage the long-term commitment of the Company's employees while ensuring appropriate risk management. It reflects the individual and collective performance of its business lines and employees.

Natixis regularly compares its practices to those of comparable French and international banking operators to ensure that its compensation policy is competitive and appropriate for each of its businesses.

The overall compensation of Natixis employees is structured around the following three components:

- fixed compensation, which reflects the expected skills, responsibilities and expertise for a particular position as well as the position's role and weight within the organization. It is determined based on the particularities of each business line in its local market;
- variable compensation, awarded based on the company's results and on the achievement of predetermined quantitative and qualitative targets;
- collective compensation associated with employee savings plans, especially in France.

All employees benefit from some or all of these different components based on their responsibilities, skills and performance.

Natixis strives to ensure a sufficient level of fixed pay to compensate its employees for their professional duties, based on their seniority and expertise.

12.2 Decision-making process used to define the compensation policy

12.2.1 GENERAL PRINCIPLES

The system of corporate governance set up by Natixis provides for a complete review of its compensation policies and ensures they are implemented in compliance with the guidelines. The policy is developed by the Human Resources Department, in conjunction with the business lines. It is reviewed each year and complies with the principles defined by the regulators as well as the social security and tax laws in force in Natixis' countries of operation.

There are several stages of approval in the decision-making process, starting with the subsidiaries, business lines and divisions, then Natixis' Human Resources Department and senior management, and finally Natixis' Board of Directors on the recommendation of the Compensation Committee. Variable compensation budgets are defined according to the annual economic performances generated by the business lines, including provisions for credit losses, liquidity and capital costs, and in accordance with the decisions taken regarding Natixis' ability to meet its regulatory capital obligations. The definition of overall budgets, and their breakdown by business line, also include the aforementioned economic factors referred, other qualitative analytical aspects such as competitor practices, general conditions on the markets in which the results were obtained, factors liable to have temporarily impacted the business line's performance or the development stage of the business lines in question.

The individual components of variable compensation packages are based on the achievement of individual quantitative and qualitative targets established at the start of the year. For regulated categories of staff and Front Office employees in the Capital markets activities, individual targets systematically include the observation of risk and compliance rules.

The compensation system for risk control and compliance staff, and, in general, support staff and staff tasked with the validation of transactions, is based on specific objectives. It is independent of the system for the business lines whose transactions they validate or control.

The Risk Department and the Compliance Department are involved in the regulated employee identification process and in the determination of specific annual risk and compliance targets applied to regulated categories of staff, Front Office staff in the Capital markets activities or the employees referred to by French Law No. 2013-672 on the Separation and Regulation of Banking Activities ("SRAB") and Section 619 of the US Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Volcker Rule").

The Risk Department and the Compliance Department are also involved in any decisions to reduce or eliminate deferred variable compensation components currently being vested, in the event of behavior liable to expose Natixis to an unusual material risk.

The compensation policy is also independently reviewed each year by the Internal Audit Department.

12.2.2 COMPOSITION AND ROLE OF THE NATIXIS COMPENSATION COMMITTEE

During 2016, the Compensation Committee comprised six members.

As of March 1, 2017, those members were as follows:

Nicolas de Tavernost	**Chairman**
Alain Condaminas	**Member**
Alain Denizot	**Member**
Michel Grass *(position previously held by Philippe Sueur until February 9, 2017)*	**Member**
Anne Lalou	**Member**
Henri Proglio	**Member**

Three of the six members are independent (Ms. Lalou and Messrs. Proglio and de Tavernost). The number of independent directors on the Compensation Committee is not greater than half the total number of members, as recommended by the AFEP-Medef Corporate Governance Code. It has a balanced composition (50% independent, 50% non-independent), and the Committee is chaired by an independent director. *(see Summary table on compliance with AFEP-Medef code recommendations in section 2.3 of this chapter).*

- No change was made to the Compensation Committee in 2016.
- One change has been made to the Compensation Committee since January 1, 2017.

Director	Capacity	Date of change	Replaced by
Philippe Sueur	**Member**	**02.09.2017**	**Michel Grass**

The role of Natixis' Compensation Committee is to prepare the decisions that Natixis' Board of Directors issues with regard to compensation, including Natixis employees who have a significant impact on the Company's risk. The Compensation Committee's powers and operating procedures are detailed in the Internal Rules, the latest version of which was approved on February 9, 2017 by the Board of Directors.

The Compensation Committee is responsible for submitting proposals to Natixis' Board of Directors concerning:

- the level and terms of compensation paid to the Chairman of the Board of Directors of Natixis, including benefits in kind, pension plans and collective personal protection insurance, as well as the allocation of stock options or share purchases;
- the level and terms of compensation paid to the CEO and, where applicable, one or more Deputy CEOs, including benefits in kind, pension plans and collective personal protection insurance, as well as the allocation of stock options or share purchases;
- rules for allocating directors' fees to Natixis' directors and the total amount submitted to a decision by Natixis' General Shareholders' Meeting;
- the compliance of Natixis' compensation policy with regulations, including for the category of staff addressed in the French Ministerial Order of November 3, 2014, as well as for employees addressed in French Law No. 2013-672 on the Separation and Regulation of Banking Activities ("SRAB") and Section 619 of the US Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Volcker Rule"), or regulated categories of staff within Asset Management activities (AIFMD) or insurance activities (Solvency II);
- the annual review of Natixis' compensation policy, specifically those employee categories whose professional activities are likely to have a significant impact on the risk profile of Natixis or the Group;

The Compensation Committee may have cause to review and issue an opinion on the insurance taken out by Natixis to cover its officers' liability.

The Compensation Committee reviews proposals related to the employee savings plan, including plans for a capital increase reserved for Natixis employees, and, where applicable, plans for a stock subscription or purchase, or for an allocation of free shares to be submitted to the Board of Directors or the General Shareholders' Meeting for approval.

Natixis' CEO provides the Compensation Committee with any documents that may assist it in performing its duties and to ensure it is fully informed.

It confers with Natixis' internal control departments or outside experts as appropriate.

Work of the Compensation Committee in 2016

The Compensation Committee met four times in fiscal year 2016. Its members' attendance rate was 100% for the year as a whole (identical to that of 2015).

Each director's attendance record for Compensation Committee meetings appears in Chapter 2 of the Natixs 2016 Registration Document.

At least four days before each meeting, each director usually received via a secure website a file containing the items on the agenda in order to be able to review and analyze the topics addressed.

In 2016, the Committee focused on the following areas:

Executive corporate officers Senior Management Committee members	▪ Deciding on the fixed compensation of the Chief Executive Officer for fiscal year 2016 ▪ Deciding on the fixed compensation of the Chairman of the Board for fiscal year 2016 ▪ Deciding on the variable compensation of the Chief Executive Officer for fiscal year 2015 and paid in 2016 ▪ Deciding on the criteria to be applied in calculating the variable compensation of the Chief Executive Officer for fiscal year 2016 ▪ Consulting with shareholders on the individual compensation of executive corporate officers (“Say on pay”) ▪ Review of agreements and commitments made on behalf of the Chief Executive Officer ▪ Renewal of the principle of the award of a long-term incentive plan for members of the Senior Management Committee ▪ Analyzing the recommendations of the AFEP-Medef in terms of compensating directors
Directors' fees	▪ Reviewing the provisions on disbursing the directors' fees allocated to members of the Board
Compensation policy and regulations	▪ Reviewing the compliance of Natixis’ compensation policy with regulations, including for the “regulated population” addressed in the European CRD IV Directive of June 26, 2013, its enactment into French law in the French Monetary and Financial Code by the Ordinance of February 20, 2014 and by the Ministerial Decree and Order of November 3, 2014, and the Commission Delegated Regulation (EU) of March 4, 2014, as well as for employees addressed in French Law No. 2013-672 on the Separation and Regulation of Banking Activities ("SRAB"), and Section 619 of the US Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Volcker Rule”) or identified categories of staff within Asset Management activities (European AIFMD Directive) and insurance activities (European Solvency II Directive) ▪ Reviewing Natixis’ compensation policy, including a review of the structure and the amounts of variable compensation by business line ▪ Reviewing specific Risk and Compliance targets (2015 review / 2016 targets) ▪ Analyzing compensation awarded to the highest-paid employees ▪ Reviewing and monitoring the achievement of performance conditions applicable to deferred variable compensation and long-term profit-sharing plans established within Natixis ▪ Variable compensation budget and structure for the “regulated” population for fiscal years 2015 and 2016 ▪ Analyzing the compensation of the heads of control functions ▪ Policy on salary and professional equality
Employee savings and shareholding	▪ Presenting the existing employee savings plans at Natixis ▪ Analyzing the procedures for the capital increase reserved for employees (Mauve 2016)
Other	▪ Report on the audit carried out by BPCE’s Internal Audit Department on the regulated categories of staff

12.3 Compensation of employees whose professional activities have a material impact on Natixis' risk profile ("regulated" categories of staff)

The compensation policy applicable to Natixis' regulated employees is aligned with the general compensation principles adopted by Natixis and those set forth by Directive 2013/36/EU (CRD IV), enacted into French law in the French Monetary and Financial Code by the Ordinance of February 20, 2014 and the Ministerial Decree and Order of November 3, 2014. The scope of employees covered is defined in accordance with Delegated Regulation 604/2014 of March 4, 2014.

12.3.1 2016 SCOPE OF REGULATED CATEGORIES OF STAFF

Regulated categories of staff are identified either by applying qualitative criteria based on the employee's position, level of responsibility and authority to make material binding commitments on behalf of the bank in terms of credit or market risk, or based on the employee's total level of compensation for the previous fiscal year.

The employees in question are notified of their status.

Regulated categories of staff at Natixis during the 2016 fiscal year came to a **total of 328 employees, including:**

264 employees identified based on qualitative criteria:

- directors, i.e. **15** individuals;
- members of the Natixis Senior Management Committee, i.e. **11** individuals;
- key staff responsible for control functions (Internal Audit, Risk, Compliance) and other support functions who are not members of the management bodies listed above, i.e. **52** individuals;
- key staff responsible for major business lines and foreign operations (excluding Asset Management and Insurance) who have not already been identified based on the above criteria, i.e. **28** individuals;
- individuals with authority to take, approve or veto a decision on credit risk exposure and who are responsible for market risk exposure exceeding materiality thresholds established by regulations and who have not already been identified based on the above criteria, i.e. **158** individuals.

64 employees identified based on quantitative criteria:

Employees whose total gross compensation allocated during the previous fiscal year exceeded €500,000 or placed them among the 0.3% of the highest earning employees, and who have not already been identified using qualitative criteria.

The positions in question include senior bankers, employees of structured finance activities and, in Capital markets activities, structured product engineers and heads of sales.

12.3.2 COMPENSATION POLICY APPLIED TO "REGULATED" CATEGORIES OF STAFF

Natixis applies regulatory provisions governing compensation, such as those set forth by the European CRD IV Directive of June 26, 2013, its enactment into French law in the French Monetary and Financial Code by the Ordinance of February 20, 2014, and the Ministerial Decree and Order of November 3, 2014.

The compensation granted to members of the Board of Directors consists exclusively of directors' fees, the amount of which is predetermined. They do not receive variable compensation in respect of their corporate office.

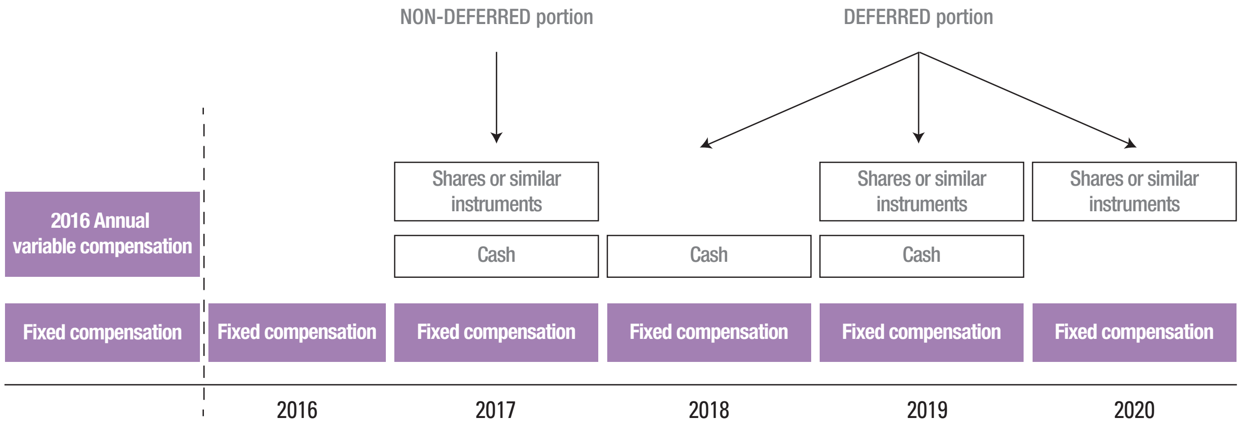
For other "regulated" categories of staff, the amount and conditions of payment of variable compensation are submitted to the Compensation Committee, then validated by the Board of Directors.

Above a given threshold (€100k for the euro zone), payment of a fraction of variable compensation is subject to conditions and deferred over time. This payment is divided evenly over at least the three fiscal years following the year in which the variable compensation is awarded.

The deferred portion of the variable compensation awarded represents at least 40% of the variable compensation granted and 70% for those receiving the highest amounts of variable compensation. Variable compensation awarded in the form of shares or similar instruments represents 50% of variable compensation awarded to employees who are members of regulated categories of staff. This rule applies to both the deferred and conditional component of variable compensation awarded and the non-deferred portion of the variable compensation. The vesting period for this component of deferred variable compensation is supplemented by an additional holding period of six months.

The members of the Senior Management Committee are also eligible for performance share awards under long-term plans, the four-year vesting period of which is contingent on the relative performance of the Natixis share.

2016 COMPENSATION STRUCTURE FOR REGULATED CATEGORIES OF STAFF - RECORD OF PAYMENTS



The vesting of deferred components of variable compensation is contingent on satisfying performance requirements linked to the results of the Company, and/or the business line, and/or the product line, on Natixis' compliance with its regulatory obligations in terms of capital requirements. These conditions are clearly indicated when this compensation is awarded.

The components of deferred variable compensation in the process of being vested may be canceled or eliminated, in the event of behavior liable to expose Natixis to an unusual material risk.

Furthermore, regulated categories of staff, as well as Front Office employees in the Capital markets activities, are specifically required to meet predetermined annual objectives in terms of risks and compliance: adherence to risk and compliance rules is systematically taken into consideration when awarding annual variable compensation.

Guaranteed variable compensation is not authorized, except when hiring outside Groupe BPCE. In such cases, the guarantee is strictly limited to one year.

All recipients of deferred variable compensation are prohibited from using individual hedging or insurance strategies during both the vesting period and lock-up period.

Finally, the variable components granted to all regulated categories of staff comply with the rules governing caps on variable compensation relative to fixed compensation, as defined by regulations.

As a reminder, Directive 2013/36/EU ("CRD IV") caps the variable component at 100% of the fixed component of total compensation for regulated categories of staff, unless the General Shareholders' Meeting approves a higher percentage, which in any case may not exceed 200%. On May 19, 2015, Natixis' General Shareholders' Meeting capped the variable component at 200% of the fixed component of total compensation for regulated categories of staff.

This threshold allows Natixis to maintain the necessary flexibility between variable compensation and real performance, and to hire and retain employees by offering them competitive pay packages. In this respect, it should be noted that Natixis operates on highly specialized labor markets, both outside the European Economic Area where local operators are not subject to regulatory caps on variable compensation, and within the European financial community vis-à-vis financial operators unaffected by CRD IV. In 2016, 42% of "regulated" categories of staff received variable compensation ranging from 100% to 200% of their fixed compensation.

Finally, Natixis applies variable compensation governance mechanisms to the Front Office employees of its capital market activities, similar to those applied to regulated categories of staff (i.e. variable compensation partially deferred over three years and partial payment in shares or equivalent instruments), except for the performance condition applicable to the deferred portion of compensation and the capping of variable compensation in relation to fixed compensation.

12.4 Compensation for members of management bodies

12.4.1 COMPENSATION AND BENEFITS OF ANY KIND FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS

Since 2009 and each year thereafter, the Chairman of the Board has consistently waived any and all compensation for his position as Chairman of the Board.

12.4.2 COMPENSATION AND BENEFITS OF ANY KIND FOR MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Natixis received directors' fees for the 2016 fiscal year subject to the terms and conditions set out below.

The overall annual budget for directors' fees to be allocated to members of the Board of Directors is €650,000 *(see the 36th resolution of the Combined General Shareholders' Meeting of May 19, 2015).*

Directors' fees are granted according to the following rules:

- Members of the Board of Directors:
  - fixed portion: €8,000 per year (prorated to the term of office),
  - variable portion: €2,000 per meeting, capped at seven meetings, i.e. €22,000 maximum in total;
- Members of the Special Committees:
  - Audit Committee:

    Chairman:
  - fixed portion: €17,000 per year (prorated to the term of office),
  - variable portion: €2,000 per meeting, capped at six meetings,

    Members of the Audit Committee:
  - fixed portion: €3,000 per year (prorated to the term of office),
  - variable portion: €1,000 per meeting, capped at six meetings,
  - Risk Committee:

    Chairman:
  - fixed portion: €17,000 per year (prorated to the term of office),
  - variable portion: €2,000 per meeting, capped at six meetings,

    Members of the Risk Committee:
  - fixed portion: €3,000 per year (prorated to the term of office),
  - variable portion: €1,000 per meeting, capped at six meetings,
  - Compensation Committee:

    Chairman:
  - fixed portion: €15,000 per year (prorated to the term of office),
  - variable portion: €2,000 per meeting, capped at four meetings,

    Members of the Compensation Committee:
  - fixed portion: €2,000 per year (prorated to the term of office),
  - variable portion: €1,000 per meeting, capped at four meetings,
  - Appointments Committee:

    Chairman:
  - fixed portion: €15,000 per year (prorated to the term of office),
  - variable portion: €2,000 per meeting, capped at two meetings,

    Members of the Appointments Committee:
  - fixed portion: €2,000 per year (prorated to the term of office),
  - variable portion: €1,000 per meeting, capped at two meetings,
  - Strategic Committee:

    Chairman: variable portion: €12,000 per meeting, capped at one meeting.

    Members of the Strategic Committee: variable portion: €2,000 per meeting, capped at one meeting.

Furthermore, in accordance with the rules applicable within Groupe BPCE, the portion of directors' fees going to BPCE directors (including that of the Chairman) is granted and paid to BPCE and not to the directors.

As of January 1, 2013, directors' fees are subject to total withholding tax of 36.5% for residents of France.

12.4.3 COMPENSATION AND BENEFITS OF ANY KIND FOR LAURENT MIGNON IN CONNECTION WITH HIS DUTIES AS CHIEF EXECUTIVE OFFICER OF NATIXIS

Monetary compensation

Fixed compensation

The fixed gross annual compensation of Laurent Mignon in connection with his duties as CEO of Natixis was €800,000 for the 2016 fiscal year and has remained unchanged since he took office in 2009.

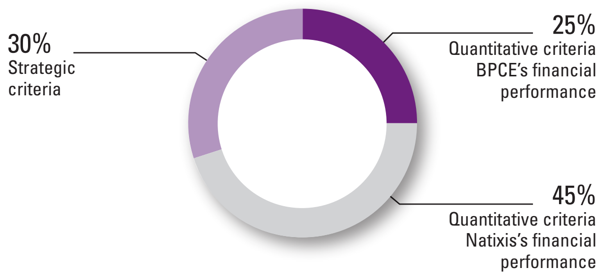
Annual variable compensation

The structure of annual variable compensation has been determined based on quantitative and strategic criteria submitted for review beforehand to the Compensation Committee and subsequently approved by the Board of Directors.

For the 2016 fiscal year, the variable compensation target was set at €960,000, i.e. 120% of Laurent Mignon's fixed compensation, with a range of between 0% and 156.75% of the target and consists of:

- quantitative targets (70%), of which 25% is based on the financial performance in relation to the Groupe BPCE budget (net revenues [4.2%], net income Group share [12.5%] and cost/income ratio [8.3%]) and 45% based on the financial performance of Natixis (net revenues [11.25%], net income Group share [11.25%], cost/income ratio [11.25%] and ROTE - Return on Tangible Equity [11.25%]);
- individual strategic targets (30%), of which 5% is for each of the following three targets: the continued development of the asset-light model, synergies with the Banque Populaire and Caisse d'Epargne networks, and managerial performance. The final strategic target, namely the digital transformation of Natixis and its businesses, accounts for the remaining 15%.

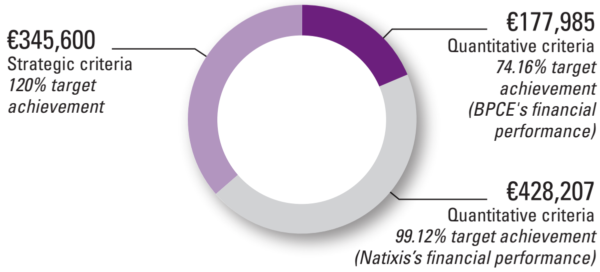
RULES FOR DETERMINING ANNUAL VARIABLE COMPENSATION FOR 2016



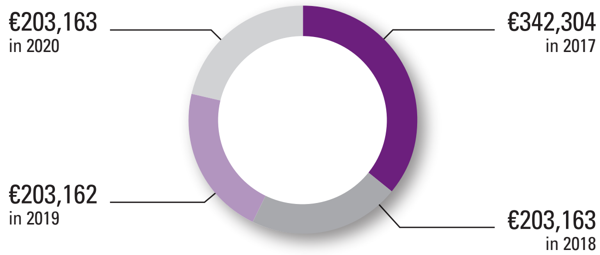
The amount of variable compensation for fiscal year 2016 was set by the Natixis Board of Directors, upon the recommendation of the Compensation Committee, at €951,792, i.e. 99.14% of the target variable compensation:

- €342,304 will be paid in 2017, 50% of which will be indexed to the Natixis share price;
- €609,488 will be deferred over three years, 50% of which will be indexed to the Natixis share price, and will be paid in thirds in 2018, 2019 and 2020, provided that the employment and performance conditions are met.

ANNUAL VARIABLE COMPENSATION FOR THE 2016 FISCAL YEAR



BREAKDOWN OF ANNUAL VARIABLE COMPENSATION FOR THE 2016 FISCAL YEAR BY VESTING DATE



64% deferred over 2018-2019-2020, of which 50% is indexed to the Natixis share price.

Compensation paid to the CEO in the form of stock options or performance shares

- No stock options were granted to Laurent Mignon during fiscal year 2016.
- In order to align shareholders' interests with those of executive officers over time, based on the positive opinion of the Compensation Committee, Natixis' Board of Directors, at its meeting of July 28, 2016, granted the free allocation of: 47,463 performance shares, i.e. 0.00151% of the share capital at the allocation date, to the Chief Executive Officer of Natixis, with a vesting period of four years. This grant fell within the authorization granted by Natixis' General Shareholders' Meeting held on May 24, 2016 in its 19th resolution. The Chief Executive Officer of Natixis is thus aligned with the relative performance of the Natixis share and the consistency of this performance. Relative performance is tested annually: if Natixis' annual TSR is higher than the median annual TSRs of the institutions in the EuroStoxxBank index for four consecutive years, 80% of the allocated shares will be vested. For each year where the annual TSR is lower than the median, a penalty of 20% will be applied. Moreover, if the relative performance of Natixis' TSR measured over the whole vesting period is lower than the top two thirds of the TSR of the institutions in the EuroStoxxBank index, 20% of the allocated shares will be lost. Furthermore, 30% of the shares delivered to the executive corporate officer at the end of the vesting period will be subject to a lock-in period ending with the termination of the office as Chief Executive Officer of Natixis.

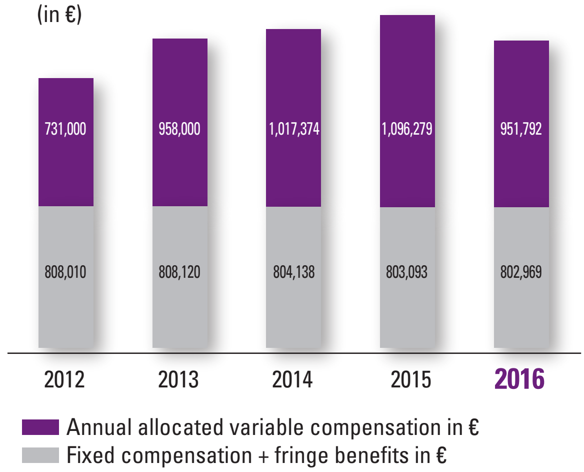
As a reminder, the executive corporate officer received the following free performance share allocations in respect of previous fiscal years:

- At its February 18, 2015 meeting, Natixis' Board of Directors granted 27,321 free performance shares to the Chief Executive Officer of Natixis, subject to a vesting period of four years.
- At its July 31, 2014 meeting, Natixis' Board of Directors granted 31,955 performance shares to the executive corporate officer of the Company.

The total of the annual variable compensation and performance share grants in favor of the Chief Executive Officer during the fiscal year cannot exceed twice his fixed gross annual compensation.

CHANGE IN THE ANNUAL FIXED AND VARIABLE COMPENSATION OF THE CHIEF EXECUTIVE OFFICER SINCE 2012

(in €)



RULES FOR DETERMINING VARIABLE COMPENSATION OF THE CHIEF EXECUTIVE OFFICER FOR 2017

At its meeting on February 9, 2017, and on the advice of the Compensation Committee, for fiscal year 2017 the Board of Directors approved the increase of the Chief Executive Officer's fixed compensation which, at €960,000, is unchanged since taking this position in 2009, and is not aligned with market practice for similar positions. Moreover, Groupe BPCE plans to take out an "article 82" type life insurance policy for Group executive officers who do not have a supplementary pension plan. Accordingly, the Chief Executive Officer of Natixis has committed to a yearly payment of €160,000 into this "article 82" type life insurance policy.

Quantitative and strategic criteria for determining the Chief Executive Officer's annual variable compensation for 2017 were approved by the Board of Directors on February 9, 2017 after review by the Compensation Committee, as was the target which was set at 120% of fixed compensation, with a range of 0% to 156.75% of the target.

Rules for determining annual variable compensation for 2017

Quantitative criteria BPCE's financial performance	**25%**	▪ 12.5% net income, Group share ▪ 8.3% cost/income ratio ▪ 4.2% net revenues
Quantitative criteria Natixis' financial performance	**45%**	▪ 11.25% net revenues ▪ 11.25% net income, Group share* ▪ 11.25% cost/income ratio ▪ 11.25% ROTE*
Strategic criteria	**30%**	▪ 10% development and launch of the 2018-2020 Strategic Plan ▪ 10% ongoing digital transformation of Natixis and its businesses ▪ 5% development of Natixis' collaboration with the Groupe BPCE networks ▪ 5% managerial performance

* *Excluding non-recurring items.*

The Chief Executive Officer, like the rest of Natixis' Senior Management Committee, is eligible for performance shares awarded by the Board of Directors of Natixis, aligning the CEO with the relative performance of the Natixis share price, in order to gradually align shareholders' interests with those of executive officers.

As a reminder, the CEO is prohibited from using hedging or insurance strategies, both during the vesting period for components of deferred variable compensation and during the lock-up period.

Benefits in kind

Laurent Mignon receives a family allowance (€2,969 in 2016), in accordance with the same rules as those applied to Natixis employees in France.

Other benefits

As a reminder, at its February 10, 2016 meeting, the Board of Directors approved a change to the personal protection insurance and supplemental health insurance of CEO Laurent Mignon, so that he would benefit from similar social protection as the other members of BPCE's Management Board, with the implementation of a scheme to maintain compensation for a period of 12 months in the event of temporary incapacity to work. In 2016, benefits in kind related to this plan amounted to €15,895.

Post-employment benefits

CEO's group pension plan and severance payments

Pension Plan

Laurent Mignon does not benefit from a supplementary pension plan.

Severance payments and consideration for non-compete agreement

It should be noted that, at its February 19, 2014 meeting, the Board of Directors approved a change to its agreement on severance payment, and the establishment of a non-compete agreement. These obligations and agreements were submitted to a vote by the shareholders and approved during the Ordinary General Shareholders' Meeting of May 20, 2014 (fifth resolution). At its February 18, 2015 meeting, the Board of Directors approved the renewal of the severance payment and the non-compete agreement upon the Chief Executive Officer's reappointment.

Rules for calculating the severance payment

The Monthly Reference Compensation is equal to one-twelfth of the sum of the fixed compensation paid in respect of the last calendar year in activity and the average variable compensation paid over the last three calendar years of activity.

The amount of severance pay is equal to: Monthly Reference Compensation x (12 months + 1 month per year of seniority).

The Chief Executive Officer will not receive severance payments in the event of gross negligence or willful misconduct, if he leaves the Company at his initiative to take another position or changes his position within Groupe BPCE.

Furthermore, in line with the provisions of the AFEP-Medef Corporate Governance Code, the right to a benefit is contingent on meeting performance criteria and requirements, such as net income, Group share, ROE and the cost/income ratio reported for the two years prior to leaving the Company. The fulfillment of these criteria will be verified by the Board of Directors.

A non-compete indemnity should the CEO leave office

The non-compete agreement is limited to a period of six months and carries an indemnity equal to six months of fixed compensation, as in force on the date on which the CEO leaves office.

In accordance with the recommendations of the AFEP-Medef code, upon the departure of the Chief Executive Officer, the Board of Directors must make a decision regarding whether to enforce the non-compete clause provided for under this agreement.

The amount of the severance payment, together with the non-compete indemnity, if applicable, received by the Chief Executive Officer is capped at twenty-four (24) months of the monthly reference pay (both fixed and variable).

All these commitments were approved by the General Shareholders' Meeting of May 19, 2015 when Laurent Mignon was re-appointed as Chief Executive Officer.

12.4.4 STANDARDIZED TABLES IN COMPLIANCE WITH AMF RECOMMENDATIONS

AMF TABLE NO. 1

Summary of the compensation, stock options and shares granted to each executive corporate officer

	FY 2016	FY 2015
Laurent Mignon, CEO		
Compensation due or granted for the fiscal year	€1,754,761 [(a)]	€1,899,372
Value of options granted during the fiscal year	0	0
Value of performance shares granted during the fiscal year	€160,000 [(b)]	€160,000 [(b)]
TOTAL	**€1,914,761**	**€2,059,372**

(a) *o/w a family allowance of €2,969.*

(b) *Value of shares at the grant price.*

AMF TABLE NO. 2

Summary of the compensation granted to each executive corporate officer

In the tables below:

- the expression "amounts due or granted" refers to compensation and benefits allocated to directors in connection with their duties over the year, irrespective of the payment date;
- the expression "amounts paid" refers to compensation and benefits actually paid to directors in connection with their duties over the year, irrespective of the date of allocation.

	FY 2016		FY 2015	
Laurent Mignon, CEO (office held since May 14, 2009)	**Amounts due or granted [(a)]**	**Amounts paid**	**Amounts due or granted [(a)]**	**Amounts paid**
Fixed compensation for corporate office duties	€800,000	€800,000	€800,000	€800,000
Annual variable pay	€951,792	€984,113 [(b)]	€1,096,279	€1,083,450 [(b)]
Extraordinary compensation	€0	€0	€0	€0
Directors' fees	€0	€0	€0	€0
Benefits in kind	€2,969 [(c)]	€2,969 [(c)]	€3,093	€3,093
TOTAL	**€1,754,761**	**€1,787,082**	**€1,899,372**	**€1,886,542**

(a) *At its February 18, 2015 meeting, the Board of Directors also awarded the CEO 27,321 performance shares valued at €160,000 and, at its July 28, 2016 meeting, it awarded 47,463 performance shares valued at €160,000.*

(b) *This amount includes payment of deferred variable compensation in respect of previous years.*

(c) *The reported amount comprises the family allowance.*
In addition, under social protection €15,895 in benefits in kind were declared.

Compensation paid to Laurent Mignon in 2016 was composed of €802,969 in fixed compensation and fringe benefits and €984,113 in variable compensation, the components of which are broken down below. The performance condition for the deferred portion of variable compensation granted to Laurent Mignon is that Natixis' net operating income should be strictly positive. As this condition was met for the 2016 fiscal year, the portion relating to the three previous periods was paid to the beneficiary. The difference between amounts granted and the amounts actually paid is correlated: the cash portion is correlated to the market capitalization at the Euribor rate, and the portion indexed to the Natixis share price is correlated to the change in the share price.

	Deferred securities or similar instruments portion of variable compensation for fiscal year 2012	Deferred cash portion of variable compensation for fiscal year 2012	Deferred securities or similar instruments portion of variable compensation for fiscal year 2013	Deferred cash portion of variable compensation for fiscal year 2013	Deferred securities or similar instruments portion of variable compensation for fiscal year 2014	Deferred cash portion of variable compensation for fiscal year 2014	Cash portion of variable compensation for fiscal year 2015 paid in March 2016	Securities or similar instruments portion of variable compensation for fiscal year 2015 paid in October 2016	Total
Paid in 2016	€126,310	€73,158	€100,825	€103,256	€84,331	€110,594	€189,738	*€195,901*	€984,113
Granted (initial amount)	€72,174	€72,174	€102,442	€102,442	€110,333	€110,333	€189,738	*€189,738*	€949,374

AMF TABLE NO. 3

Directors' fees and other compensation received by non-executive directors of Natixis from January 1 to December 31, 2016

(in euros) Non-executive directors	FY 2016 [1] Amounts due	FY 2016 [1] Amounts paid	FY 2015 [1] Amounts due	FY 2015 [1] Amounts paid
BPCE				
Directors' fees				
Natixis Director	60,000	60,000	62,000	62,000
In respect of Natixis subsidiaries	49,900	49,900	42,500	42,000
Daniel Karyotis (term of office ended May 1, 2016)				
Directors' fees				
Natixis Director			N/A	N/A
In respect of BPCE and its subsidiaries			N/A	N/A
BPCE corporate office[2]	167,833	167,833	500,000	500,000
BPCE annual variable compensation	112,667 [3]	362,865 [4]	401,191 [5]	283,586 [6]
Multi-year variable compensation	0	0	0	0
BPCE extraordinary compensation	0	0	0	0
Benefits in kind in respect of BPCE (company car, housing, other)	0	0	0	0
Marguerite Bérard-Andrieu (office held since May 2, 2016)				
Directors' fees				
Natixis Director			N/A	N/A
In respect of BPCE and its subsidiaries			N/A	N/A
BPCE corporate office	331,989	331,989	N/A	N/A
BPCE annual variable compensation	225,333 [7]	0	N/A	N/A
Multi-year variable compensation	0	0	N/A	N/A
BPCE extraordinary compensation	0	0	N/A	N/A
Benefits in kind in respect of BPCE (company car, housing, other)	0	0	N/A	N/A
Thierry Cahn				
Directors' fees				
Natixis Director	22,000	22,000	22,000	22,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
In respect of BPCE and its subsidiaries	22,050	22,050	23,625	23,625
Other compensation				
Alain Condaminas				
Directors' fees				
Natixis Director	22,000	22,000	20,000	20,000
Member of the Natixis Appointments Committee	4,000	4,000	4,000	4,000
Member of the Natixis Compensation Committee	6,000	6,000	5,000	5,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
In respect of Natixis subsidiaries	4,800	4,800	2,857	2,857
In respect of BPCE and its subsidiaries	23,250	23,250	7,016.67	7,016.67
Other compensation				
Laurence Debroux (term of office ended December 13, 2016)				
Directors' fees				
Natixis Director	12,000	12,000	12,000	12,000
Member of the Natixis Audit Committee	5,000	5,000	6,000	6,000
Member of the Natixis Risk Committee	5,000	5,000	6,000	6,000
Member of the Natixis Strategic Committee	0	0	12,000	12,000
Other compensation				
Alain Denizot				
Directors' fees				
Natixis Director	22,000	22,000	11,333	11,333
Member of the Natixis Appointments Committee	4,000	4,000	2,333	2,333
Member of the Natixis Compensation Committee	6,000	6,000	2,333	2,333
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
In respect of Natixis subsidiaries	1,800	1,800	1,800	1,800
In respect of BPCE and its subsidiaries	2,400	2,400	13,391.67	12,191.67
Other compensation				
Sylvie Garcelon (office held since February 10, 2016)				
Directors' fees				
Natixis Director	21,333	21,333	N/A	N/A
Member of the Natixis Audit Committee	7,750	7,750	N/A	N/A
Member of the Natixis Risk Committee	8,750	8,750	N/A	N/A
Member of the Natixis Strategic Committee	2,000	2,000	N/A	N/A

(in euros) **Non-executive directors**	FY 2016 [1] Amounts due	FY 2016 [1] Amounts paid	FY 2015 [1] Amounts due	FY 2015 [1] Amounts paid
In respect of BPCE and its subsidiaries	1,000	1,000	N/A	N/A
Other compensation				
Michel Grass				
Directors' fees				
Natixis Director	22,000	22,000	22,000	22,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
In respect of Natixis subsidiaries	3,600	3,600	4,800	4,800
In respect of BPCE and its subsidiaries	24,125	24,125	23,266.67	23,266.67
Other compensation				
Anne Lalou				
Directors' fees				
Natixis Director	22,000	22,000	19,333	19,333
Member of the Natixis Appointments Committee	4,000	4,000	3,833	3,833
Member of the Natixis Compensation Committee	6,000	6,000	3,833	3,833
Member, then Chairman, of the Natixis Strategic Committee	12,000	12,000	2,000	2,000
Other compensation				
Françoise Lemalle				
Directors' fees				
Natixis Director	22,000	22,000	10,000	10,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
In respect of BPCE and its subsidiaries	24,450	24,450	16,266.67	15,666.67
Other compensation				
Bernard Oppetit				
Director's fees [8]				
Natixis Director	22,000	22,000	22,000	22,000
Chairman of the Natixis Audit Committee	29,000	29,000	27,000	27,000
Chairman of the Natixis Risk Committee	29,000	29,000	29,000	29,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
Other compensation				
Stéphanie Paix				
Directors' fees				
Natixis Director	22,000	22,000	22,000	22,000
Member of the Natixis Audit Committee	9,000	9,000	8,000	8,000
Member of the Natixis Risk Committee	9,000	9,000	9,000	9,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
In respect of BPCE and its subsidiaries	26,550	32,550	33,891.67	33,891.67
Other compensation				
Catherine Pariset (office held since December 14, 2016)				
Directors' fees				
Natixis Director	2,000	2,000	N/A	N/A
Member of the Natixis Audit Committee	N/A	N/A	N/A	N/A
Member of the Natixis Risk Committee	N/A	N/A	N/A	N/A
Member of the Natixis Strategic Committee	N/A	N/A	N/A	N/A
Other compensation				
François Pérol				
Directors' fees				
Natixis Director	0	0	0	0
Member of the Natixis Strategic Committee	0	0	0	0
In respect of BPCE and its subsidiaries	0	0	0	0
Other compensation				
BPCE corporate office	550,000	550,000	550,000	550,000
BPCE annual variable compensation	697,125 [9]	855,160 [10]	827,457 [11]	732,556 [12]
Multi-year variable compensation	0	0	0	0
BPCE extraordinary compensation	0	0	0	0
Benefits in kind in respect of BPCE (company car, housing[13], other)	0	0	5,288	5,288
Henri Proglio				
Directors' fees				
Natixis Director	22,000	22,000	20,000	20,000
Chairman of the Natixis Appointments Committee	19,000	19,000	19,000	19,000
Member of the Natixis Compensation Committee	6,000	6,000	5,000	5,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
Other compensation				

(in euros) Non-executive directors	FY 2016 (1) Amounts due	FY 2016 (1) Amounts paid	FY 2015 (1) Amounts due	FY 2015 (1) Amounts paid
Philippe Sueur				
Directors' fees				
Natixis Director	22,000	22,000	20,000	20,000
Member of the Natixis Appointments Committee	4,000	4,000	4,000	4,000
Member of the Natixis Compensation Committee	6,000	6,000	5,000	5,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
In respect of BPCE and its subsidiaries	9,900	10,500	7,500	7,500
Other compensation				
Nicolas de Tavernost				
Directors' fees				
Natixis Director	22,000	22,000	22,000	22,000
Member of the Natixis Appointments Committee	4,000	4,000	4,000	4,000
Chairman of the Natixis Compensation Committee	23,000	23,000	21,000	21,000
Member of the Natixis Strategic Committee	2,000	2,000	2,000	2,000
Other compensation				

(1) Amounts before 36.5% withholding tax.

(2) Housing allowance of €66,000 for 2015 and €22,000 for 2016 is included in the fixed compensation in connection with his corporate office.

(3)Variable compensation for fiscal year 2016, of which €56,533 (50%) paid in 2017 and the balance (50%) deferred over three years in equal shares of €18,778.

(4) Amount paid in 2016 for the variable compensation for fiscal year 2015, i.e. €200,596, for the deferred portion of the variable compensation for fiscal year 2014, i.e. €76,554 and for the deferred portion of the variable compensation for fiscal year 2013, i.e. €85,715.

(5) Variable compensation for fiscal year 2015, of which €200,596 (50%) paid in 2016 and the balance (50%) deferred over three years in equal shares of €66,865. The final allocated amount in 2017 will be €74,608 (after application of an index ratio).

(6) Amount paid in 2015 for the variable compensation for fiscal year 2014, i.e. €206,511, and for the deferred portion of the variable compensation for fiscal year 2013, i.e. €77,075.

(7) Variable compensation for fiscal year 2016, of which €112,667 (50%) paid in 2017 and the balance (50%) deferred over three years in equal shares of €37,556.

(8) Before 30% withholding tax.

(9) Variable compensation for fiscal year 2016, of which €278,850 (40%) paid in 2017 and the balance (60%) deferred over three years in equal shares of €139,425.

(10) Amount paid in 2016 for the variable compensation for fiscal year 2015, i.e. €330,983, for the deferred portion of the variable compensation for fiscal year 2014, i.e. €189,470, for the deferred portion of the variable compensation for fiscal year 2013, i.e.€212,146 and for the deferred portion of the variable compensation for fiscal year 2012, i.e. €122,561.

(11) Variable compensation for fiscal year 2015, of which €330,983 (40%) paid in 2016 and the balance (60%) deferred over three years in equal shares of €165,491. The final allocated amount in 2017 will be €184,655 (after application of an index ratio).

(12) Amount paid in 2015 for the variable compensation for fiscal year 2014, i.e. €340,743, for the deferred portion of the variable compensation for fiscal year 2013, i.e. €190,762, for the deferred portion for fiscal year 2012, i.e. €110,207 and for the deferred portion for fiscal year 2011, i.e. €90,844.

(13) Housing allowance waived since 2010.

AMF TABLE NO. 4

Subscription or call options granted during the period to each executive corporate officer by the issuer and by any group companies

Name of executive corporate officer	No. and date of plan	Type of options (call or subscription)	Valuation of options according to the method adopted for the consolidated financial statements	Number of options granted during the period	Exercise price	Exercise period
Laurent Mignon	n/a	n/a	€0	0	n/a	n/a
TOTAL	**n/a**	**n/a**	**€0**	**0**	**n/a**	**n/a**

No subscription or call options were granted in fiscal year 2016.

AMF TABLE NO. 5

Subscription or call options exercised during the period by each executive corporate officer

Name of executive corporate officer	No. and date of plan	Number of options exercised during the period	Exercise price
Laurent Mignon	n/a	0	n/a
TOTAL	**n/a**	**0**	**n/a**

No subscription or call options were granted in fiscal year 2016.

TABLE NO. 6

Free shares granted to each executive corporate officer

Free shares granted by the General Shareholders' Meeting during the period to each executive corporate officer by the issuer and by all Group companies	Plan date	Number of options granted during the period	Value of options according to the method adopted for the consolidated financial statements	Date vested	Date of transferability [b]	Performance conditions
Laurent Mignon [a]	07.28.2016	47,463	€160,000	07.28.2020	07.28.2020	Yes

(a) *Free shares awarded to Laurent Mignon by Natixis and every Natixis group company for his duties as CEO of Natixis. Indicated valuation based on grant price.*

(b) *30% of the vested shares must be held for the full term of office as Chief Executive Officer of Natixis or any other executive office at Natixis, including as a Member of the Natixis Senior Management Committee.*

AMF TABLE NO. 7

Free shares that became transferable during the period for each executive corporate officer

Free shares that became transferable during the period for each executive corporate officer	No. and date of plan	Number of shares that became transferable during the period	Vesting conditions
Laurent Mignon	n/a	0	n/a
TOTAL	**n/a**	**0**	**n/a**

No free shares became transferable for the executive corporate officers in fiscal year 2016.

Note: the 90 free shares granted by the Board of Directors at its November 6, 2013 meeting and delivered March 1, 2016 are non-transferable during the entire term of office as Chief Executive Officer.

AMF TABLE NO. 8

Group (Natixis, BPCE, Caisse d'Epargne, Banque Populaire) – Record of purchase or subscription options granted

Information on purchase and subscription options	Plan
Date of General Shareholders' Meeting	n/a
Date of Management Board decision	n/a
Number of exercisable options, including those exercisable by:	n/a
1) Natixis Directors in 2016:	**n/a**
Marguerite Bérard-Andrieu	n/a
Thierry Cahn	n/a
Alain Condaminas	n/a
Laurence Debroux	n/a
Alain Denizot	n/a
Michel Grass	n/a
Daniel Karyotis	n/a
Anne Lalou	n/a
Françoise Lemalle	n/a
Bernard Oppetit	n/a
Stéphanie Paix	n/a
Catherine Pariset	n/a
François Pérol	n/a
Henri Proglio	n/a
Philippe Sueur	n/a
Nicolas de Tavernost	n/a
2) Natixis CEO in 2016:	**n/a**
Laurent Mignon	n/a
Vesting date	n/a
Expiry date	n/a
Subscription price in euros	n/a
Terms of exercise (for plans with several tranches)	n/a
Number of shares subscribed at 12.31.2016	n/a
Cumulative number of lapsed and canceled subscription options	n/a
Cumulative number of outstanding subscription options at end of period	n/a

AMF TABLE NO. 9

Subscription or purchase options granted to the top ten non-director employees and options exercised by them

	Total number of options granted/shares subscribed or bought	Weighted average price	Plan
Options granted during the fiscal year by the issuer and any company included in the scope of allocation, to the top ten salaried employees of the issuer and of any company included in this scope holding the highest number of options granted	0	n/a	n/a
Options held in respect of the issuer and the companies referred to above, exercised during the period, by the top ten salaried employees of the issuer and of these companies holding the highest number of options purchased or subscribed	0	n/a	n/a
	0	n/a	n/a

No subscription or call options were granted or exercised by Natixis employees in fiscal year 2016.

AMF TABLE NO. 10

Record of the award of free shares for each executive corporate officer

Information on free shares awarded	Date of General Shareholders' Meeting	Date of Board of Directors' meeting	Total number of free shares awarded [(a)] o/w number allocated to:	Share vesting date	End of lock-in period	Number of shares subscribed at 12.31.2016	Cumulative number of lapsed or canceled shares	Allocated shares remaining at the end of the fiscal year
Laurent Mignon	05.21.2013	11.06.2013	90	03.01.2016	03.01.2018 [(b)]	90	-	90
Laurent Mignon	05.21.2013	07.31.2014	31,955	08.01.2018	08.01.2018 [(c)]	31,955	-	31,955
Laurent Mignon	05.21.2013	02.18.2015	27,321	02.18.2019	02.18.2019 [(c)]	27,321	-	27,321
Laurent Mignon	05.24.2016	07.28.2016	47,463	07.28.2020	07.28.2020 [(d)]	47,463	-	47,463

(a) *No performance conditions are attached to the 90 shares allocated in 2013. The 31,955 shares awarded in 2014, 27,321 shares awarded in 2015 and 47,463 shares awarded in 2016 are subject to performance conditions.*

(b) *All vested shares are subject to a lock-in requirement for the full term of office.*

(c) *30% of vested shares are subject to a lock-in requirement for the full term of office.*

(d) *30% of the vested shares are subject to a lock-in requirement for the full term of office as Chief Executive Officer of Natixis or any other executive office at Natixis, including as a Member of the Natixis Senior Management Committee.*

AMF TABLE NO. 11

Situation of executive corporate officers

FY 2016 Executive corporate officers	Employment contract Yes	Employment contract No	Supplementary pension plan Yes	Supplementary pension plan No	Payments or benefits due, or likely to be due, as a result of the termination or change of office [(b)] Yes	Payments or benefits due, or likely to be due, as a result of the termination or change of office [(b)] No	Consideration paid relative to a non-compete clause [(b)] Yes	Consideration paid relative to a non-compete clause [(b)] No
Laurent Mignon, CEO Term of office began: May 14, 2009 [(c)] Term of office expires: after the May 2019 General Shareholders' Meeting		X		X [(a)]	X		X	

(a) *Pension plan benefits for all personnel.*

(b) *See Section 2.4.3.3 "Severance payments and consideration for non-compete agreement."*

(c) *Re-appointed at the February 18, 2015 Board of Directors' meeting.*

12.4.5 COMPONENTS OF COMPENSATION DUE OR GRANTED IN RESPECT OF THE FISCAL YEAR ENDED DECEMBER 31, 2016 TO LAURENT MIGNON, CHIEF EXECUTIVE OFFICER OF NATIXIS

In accordance with the AFEP-Medef Corporate Governance Code, the components of the compensation due or granted to each executive corporate officer in respect of fiscal year 2016 must be submitted to Natixis' General Shareholders' Meeting for approval. For Natixis, this recommendation concerns the compensation of Laurent Mignon.

The components of compensation in question are:

- fixed compensation;
- annual variable compensation;
- deferred annual variable compensation;
- multi-year variable compensation;
- extraordinary compensation;
- stock options/performance shares and any other long-term compensation;
- signing bonuses;
- contract termination payment: severance payment/non-compete payment;
- supplementary pension plan;
- directors' fees;
- benefits of any kind.

Components of compensation due or granted in respect of the fiscal year ended which are subject to approval or have been approved by the General Shareholders' Meeting relating to related-party agreements and commitments procedures	Amount	Comments
Fixed compensation	€800,000	Gross fixed compensation in respect of fiscal year 2016. Laurent Mignon's gross annual fixed compensation in respect of his office as CEO has remained unchanged since he took office.
Annual variable compensation in respect of 2016	€951,792	The variable compensation in respect of fiscal year 2016 was calculated on the basis of quantitative and strategic criteria first reviewed by the Compensation Committee then validated by the Board of Directors. Variable compensation consists of: ▪ quantitative targets (70%), of which 25% is based on the financial performance in relation to the Groupe BPCE budget (net revenues [4.2%], net income Group share [12.5%] and cost/income ratio [8.3%]) and 45% is based on the financial performance of Natixis (net revenues [11.25%], net income Group share [11.25%], cost/income ratio [11.25%] and Return on Tangible Equity [11.25%]); ▪ individual strategic targets (30%) related to the continued development of the asset-light model, synergies with the BP and CE networks, and managerial performance. Each of these three criteria is given a weighting of 5%, while 15% is related to the digital transformation of Natixis and its businesses. Annual variable compensation can represent a maximum of 156.75% of the target variable compensation, which in 2016 was €960,000. Based on the criteria set by the Board of Directors following the proposal of the Compensation Committee and the achievements observed by the Compensation Committee and the Board of Directors, the amount of variable compensation was calculated as follows: ▪ in respect of BPCE quantitative criteria: €177,985, or 74.16% of the target; ▪ in respect of Natixis quantitative criteria: €428,207, or 99.12% of the target; ▪ in respect of strategic criteria: €345,600, or 120% of the target. The amount of variable compensation for fiscal year 2016 was therefore set at €951,792 i.e. 99.14% of the target variable compensation: ▪ €342,304 will be paid in 2017, 50% of which will be indexed to the Natixis share price. ▪ €609,488 will be deferred over three years, 50% of which will be indexed to the Natixis share price, and will be paid by third in 2018, 2019 and 2020, provided that the employment and performance conditions are met.
Multi-year variable compensation	0	In 2016 Laurent Mignon did not receive any multi-year variable compensation.
Extraordinary compensation	0	In 2016 Laurent Mignon did not receive any extraordinary compensation.
Allocation of stock options/performance shares and any other long-term compensation	47,463 shares	▪ No stock options were granted to Laurent Mignon during fiscal year 2016. ▪ Based on the positive opinion of the Compensation Committee, and as approved by Natixis shareholders at the May 24, 2016 General Shareholders' Meeting in the 19th resolution, Natixis' Board of Directors, at its meeting of July 28, 2016, granted the allocation of 47,463 free shares to the Company's Chief Executive Officer, i.e. 0.00151% of Natixis' share capital at the allocation date. The Chief Executive Officer of Natixis is thus aligned with the relative performance of Natixis stocks and the consistency of this performance. Relative performance is tested annually: if Natixis' annual TSR is higher than the median TSRs of the institutions in the EuroStoxxBank index for four consecutive years, 80% of the allocated shares will be vested. For each year where the annual TSR is lower than the median, a penalty of 20% will be applied. Moreover, if the relative performance of Natixis' TSR measured over the whole vesting period is lower than the top two thirds of the TSRs of the institutions in the EuroStoxxBank index, 20% of the allocated shares will be lost. Finally, 30% of the shares delivered to the director at the end of the Vesting Period will be subject to a lock-in period ending with the termination of the office as Chief Executive Officer of Natixis.
Ban on hedging		The CEO is prohibited from using hedging or insurance strategies, both during the vesting period of components of deferred variable compensation and during the lock-up period.

Components of compensation due or granted in respect of the fiscal year ended which are subject to approval or have been approved by the General Shareholders' Meeting relating to related-party agreements and commitments procedures	Amount	Comments
Contract termination payment: severance payment/non-compete payment	-	It should be noted that, at its February 19, 2014 meeting, the Board of Directors approved a change to its agreement relating to a severance payment and the establishment of a non-compete agreement. These undertakings and agreements were subject to a shareholder vote and approved at the Ordinary General Shareholders' Meeting of May 20, 2014 (5th resolution). At its February 18, 2015 meeting, the Board of Directors approved the renewal of severance payment and the non-compete agreement upon the Chief Executive Officer's reappointment. **Rules for calculating severance payment:** The Monthly Reference Compensation is equal to one-twelfth of the sum of the fixed compensation paid in respect of the last calendar year of employment and the average variable compensation paid over the last three calendar years of employment. The amount of severance pay is equal to: Monthly Reference Compensation x (12 months + 1 month per year of seniority). The Chief Executive Officer will not receive severance payments in the event of gross negligence or willful misconduct, if he leaves the Company at his initiative to take another position or changes his position within Groupe BPCE. Furthermore, in accordance with the provisions of the AFEP-Medef Corporate Governance Code, the right to severance pay is subject to a number of criteria and performance conditions, such as net income Group share, ROE and the cost/income ratio over the two years preceding the departure. Satisfaction of these criteria will be verified by the Board of Directors as necessary. **Non-compete indemnity** in the event of termination of the CEO's office. The non-compete agreement is limited to a period of six months and carries an indemnity equal to six months of fixed compensation, as in force on the date on which the CEO leaves office. In accordance with the recommendations of the AFEP-Medef code, upon the departure of the Chief Executive Officer, the Board of Directors must make a decision regarding whether to enforce the non-compete clause provided for under this agreement. The amount of the severance payment, together with the non-compete indemnity, if applicable, received by the Chief Executive Officer is capped at twenty-four (24) months of the monthly reference pay (both fixed and variable).
Supplementary pension plan	-	Laurent Mignon does not benefit from a supplementary pension plan.
Directors' fees	-	In 2016 Laurent Mignon received no director's fees in respect of the 2016 fiscal year as part of his responsibilities within Groupe BPCE.
Benefits of any kind	€2,969	On February 6, 2015, Laurent Mignon relinquished his right to a company car. Laurent Mignon received payment of a family allowance, in accordance with the plan in force for Natixis' employees.
Healthcare scheme/personal protection insurance		At its February 10, 2016 meeting, the Board of Directors approved a change to the personal protection insurance and supplemental health insurance of CEO Laurent Mignon, so that he would benefit from similar social protection as the other members of BPCE's Management Board, with the implementation of a scheme to maintain compensation for a period of 12 months in the event of temporary incapacity to work. The components of the Chief Executive Officer's social protection and complementary scheme are subject to related party agreements. In 2016, the total amount of benefits in kind was €15,895

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, 2016.

TABLE 61: EXPOSURE TO MONO LINE INSURERS

In 2016, value adjustments went down by €33 million (excluding the effect of the BPCE guarantee) to €736 million at December 31, 2016, versus €106 million at December 31, 2015.

	Data at 12.31.2016			Data at 12.31.2015		
(in millions of euros)	Notional amount	Pre-value adjustment exposure	Value adjustments	Notional amount	Pre-value adjustment exposure	Value adjustments
Protection for CLOs	68	4	-	124	7	-
Protection for RMBS	44	7	-	50	8	(1)
Other risks	1,840	342	(73)	2,364	431	(105)
TOTAL	**1,952**	**353**	**(73)**	**2,538**	**446**	**(106)**

(in millions of euros)	12.31.2016	12.31.2015
Pre-value adjustment exposure	353	446
Value adjustments	(73)	(106)
RESIDUAL EXPOSURE	**280**	**340**
Discount (%)	21%	24%

TABLE 62: EUROPEAN RMBS

Net exposure to UK RMBS

(in millions of euros) UK RMBS	Net exposure at 12.31.2015	Change in value in 2016	Other changes	Net exposure at 12.31.2016	AAA	AA	A	BBB	BB	B	CCC	C
Trading book	4	-	36	40	30	7	-	3	-	-	-	-
TOTAL	**4**	**-**	**36**	**40**	**30**	**7**	**-**	**3**	**-**	**-**	**-**	**-**

Net exposure to Spanish RMBS

(in millions of euros) Spanish RMBS	Net exposure at 12.31.2015	Change in value in 2016	Other changes	Net exposure at 12.31.2016
Trading book	13	-	(13)	0
TOTAL	**13**	**0**	**(13)**	**0**

TABLE 63: CMBS

(in millions of euros) C MBS	Net exposure as at 12.31.2015	Change in value in 2016	Other changes	Net exposure as at 12.31.2016
Trading book	3	-	(3)	-
Loans and receivables portfolio	0	-	28	28
TOTAL	**3**	**0**	**25**	**28**

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

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

TABLE 64: EXPOSURES TO COUNTRIES RECEIVING FINANCIAL ASSISTANCE

At December 31, 2016 exposures to sovereign risk in countries receiving financial aid or facing uncertainties (political, currency, etc.) were as follows:

	12.31.2016 [a]				12.31.2015 [a]			
(in millions of euros)	Sovereign securities	Derivatives [b]	Other	Total	Sovereign securities	Derivatives (b)	Other	Total
Spain*	1,088	5	4	1,097	1,076	5	4	1,085
Greece*	2	-	-	2	0	-	-	0
Ireland*	162	-	-	162	172	-	-	172
Portugal*	101	-	-	101	109	-	-	109
Russia	2	2	23	27	14	2	-	16
Venezuela	-	-	70	70	33	(30)	58	61
TOTAL	**1,355**	**7**	**97**	**1,459**	**1,404**	**(23)**	**62**	**1,443**

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

(a) *Excluding corporates.*

(b) *Including credit derivatives.*

At December 31, 2016 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, 2016 [a]					
(in millions of euros)	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
Venezuela	-	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 versus €145 at December 31, 2015.*

	Gross exposure at December 31, 2015 [a]					
(in millions of euros)	Bank**	Asset financing and structured transactions [c]	Corporate	Total gross exposure	Provisions [b]	Net exposure at December 31, 2016
Greece*	36	234	22	291	(59)	232
Russia	474	985	683	2,143	(31)	2,112
Venezuela	3	173	12	188	(18)	169
TOTAL	**513**	**1,392**	**717**	**2,621**	**(108)**	**2,513**

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

** *Amount adjusted versus December 31, 2015.*

(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 versus €145 million at December 31, 2015.*

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 for life insurance, investment and retirement savings, and personal protection 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 Assurances is exposed are financial. The company is also exposed to underwriting risks (life and non-life), as well as counterparty risk.

Market risk

Market risk is in large part borne by the subsidiary BPCE Vie via the financial assets underpinning its principal and guaranteed returns commitments (euro-denominated policies, €45.5 billion on the main fund balance sheet). The company is exposed to asset impairment 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 insufficient capital to meet its guaranteed rate. 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 0.16%.

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, 2016, 61% 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 non-life 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 risks (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 concerns the risk of loss generated by the portfolio of insurance policies. Coface manages credit risk through a number of procedures, whose scope includes the approval of the terms of policies relating to products, pricing, the monitoring of credit risk hedging and portfolio diversification. Traditionally, Coface makes a distinction between frequency risk and event risk:

- frequency risk represents the risk of a sudden and significant increase in delinquency by numerous debtors. This risk is measured for each region and country by monitoring the instantaneous loss ratio and the monthly indicator that breaks down the changes in domestic/export credit by DRA (Debtor Risk Assessment) and business sector, by acceptance rate on the DRA scale, or by product line (deposit, single risks). As regards exposures and portfolios monitoring, the Group has set up a more refined management of its risks through 38 sectors and 5 country risk levels (150 risk levels in total). Missed payments are thus analyzed weekly by the Group Management Board and monthly by Coface's Underwriting Committee. 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. Event risk coverage is the main purpose of Coface Re SA's reinsurance.

In addition to weekly and monthly monitoring at each region and country level, Coface has implemented a system based on:

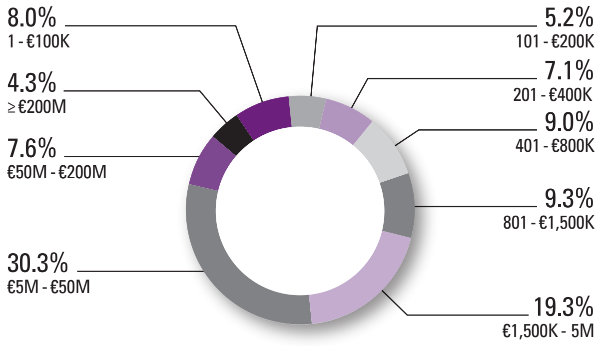
- the centralization of claims reserves exceeding a certain amount per debtor (currently €0.5 million for all of Coface's underwriting centers), which are then analyzed ex-post to improve the information, underwriting and recovery activity's performance;
- at risk underwriting level, monitoring which, above a certain level of DRA-based outstandings, generates an approval and the setting 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 a default by a debtor, a slowdown in a particular sector of activity, or an adverse event in a given country having a disproportionate impact on its overall claims expense. The insurance policies also contain clauses enabling the changing of credit limits 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 borne by Coface at December 31, 2016.



Financial Risk

Coface has implemented an investment policy that incorporates the management of financial risk through the definition of its strategic allocation, 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 regularly reviewed:

- interest rate risk and credit risk: the majority of Coface's allocations are in fixed-income products which guarantee it recurring and stable revenue. The overall maximum sensitivity (1) of the bond portfolio has been deliberately capped at 4 and stood at 3.6 at December 31, 2016. Exposures on sovereign debt of Portugal and Greece are still nil. Coface has limited exposure to Italian, Spanish and Irish sovereign debt as part of a defined risk budget;
- exchange rate 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 2016 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;
- equity risk: the 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, 2016 listed equities represented 4.3% of the investment portfolio and underwent partial, discretionary hedging, through the acquisition of put options on indices, to mitigate any external shocks;
- counterparty risk: the maximum exposure to any given counterparty is set at 5% of the 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 (2) equal to at least BBB-;
- liquidity risk: nearly 52% of the bond portfolio was due to mature in less than three years at December 31, 2016. The vast majority of the portfolio is listed on OECD markets and carries a liquidity risk which is currently considered as weak.

Second-level controls on compliance with Coface's investment policy are also carried out.

(1) The sensitivity of a bond measures the bond's loss in value in the event of an interest rate hike. For example, bonds with a sensitivity of 3 will see a 3% reduction in their market value if interest rates increase by 1%.

(2) Second lowest rating of the three available ratings from the three international rating agencies. If one of the ratings is only provided for two of the agencies, the lowest rating will be considered. If a rating is only available for one of the agencies, this rating will be considered.

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 2016 underwriting risk was managed effectively, reflected by a level of claims 25% below earned premiums. The new risks incurred on the balance sheet, particularly risks on refinanced mortgage loans, have a good risk profile.

The French regulator's plan to tighten prudential requirements on mortgage loan guarantees led CEGC to underwrite a new reinsurance program. The close to €1 billion capacity acquired under the program covers the risk of loss in the event of an economic recession that would exceed CEGC's financial resources within a limit of 2% of outstanding guaranteed mortgage loans.

Underwriting risk

Underwriting risk is the main risk incurred by CEGC. It is essentially a counterparty risk, as the commitments given by CEGC to beneficiaries of guarantees result in direct exposure to underwriters. These regulated commitments recorded on the liabilities side of the balance sheet amounted to €1.60 billion at December 31, 2016 (up 11.8% compared to the end of 2015). This increase was in line with fiscal year 2015, driven mainly by mortgage guarantees for individual customers.

- CEGC'S OUTSTANDINGS (IN MILLIONS OF EUROS)

CEGC's markets	December 2016	Change (December 2016 versus December 2015)
Retail customers	1,426	11.4%
Single-family home builders	17	21.4%
Property administrators – Realtors	9	28.6%
Businesses	21	23.5%
Real estate developers	18	38.5%
Professionals	65	10.2%
Social economy – Social housing	34	21.4%
Run-off activities	8	(27.3%)
TOTAL	**1,598**	**11.8%**

Market risk

CEGC held an investment portfolio of about €1.70 billion on its balance sheet as at December 31, 2016, up (+15.23% since the end of 2015). Market risk from the investment portfolio is limited by the Company's investment choices. Its risk limits are set forth in the portfolio management mandate established with Natixis Asset Management. By collecting surety insurance premiums at the time of commitment, CEGC does not require funding. Nor does CEGC carry transformation risk: the investment portfolio is entirely backed by equity and technical reserves.

	12.31.2016			12.31.2015		
(in millions of euros)	Gross balance sheet value of the provision	% breakdown	Market value	Gross balance sheet value of the provision	% breakdown	Market value
Equities	130	7.7%	155	131	8.9%	154
Bonds	1,244	73.5%	1,387	1,081	73.6%	1,183
Diversified	111	6.6%	115	110	7.5%	117
Cash	119	7.0%	119	54	3.7%	54
Real estate	70	4.2%	99	71	4.8%	93
Private Equity investment funds	18	1.0%	22	20	1.4%	23
Other	1	0.1%	1	1	0.1%	1
TOTAL	**1,693**	**100%**	**1,899**	**1,470**	**100%**	**1,626**

Reinsurance risk

CEGC hedges its liability portfolio by implementing a reinsurance program tailored to its activities.

In loan guarantees, reinsurance is used as a way to manage regulatory capital by protecting guarantee beneficiaries in the event of an economic recession leading to a loss of up to 2% of outstanding guaranteed loans.

In the Corporate segments, the program is used to protect CEGC's capital by covering high-severity risks. It has been calibrated to protect against three individual loss events (loss related to a counterparty or a group of counterparties) which could have a significant impact on the Corporate segment's income statement.

Any modification of the reinsurance program (reinsurers, pricing, structure) is subject to the validation of the Capital and Solvency Management Committee chaired by a director.

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 Standard and Poor's scale.

13.3 Strategy risks

Strategy risks consist of:

- 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 approves the strategies guiding Natixis' activities and reviews them 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 2016 Natixis Registration Document. The Internal Rules of the Board of Directors, including the procedure for calling meetings, can be found in Chapter 2, Section 2.3.1, of the Registration Document.

13.4 Climate risks

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.

Incorporating climate risks

As a financial institution, Natixis is exposed to climate risk in the running of its operations and business activities.

Climate risks with a direct impact on Natixis are addressed in the Business Continuity Plan (BCP), which includes the management of extreme weather events (e.g. storms, heatwaves, flooding of the Seine, etc.) that could affect the company's offices around the world. Maximum impact is estimated as part of the operational risks map, and results in a VaR figure (95% and 99% value at risk) that factors in scenario analyses and external data, the quality of the BCP and insurance.

Environmental/climate risks linked to our business operations are progressively taken into account insofar as Natixis' customers may themselves be subject to climate risks: these include physical risks (exposure to physical consequences caused directly by climate change) and transition risks (exposure of certain sectors to the adjustments brought about by the transition to a low-carbon economy).

Issues linked to global warming are already incorporated in the lending policies of certain business lines. As such, the risk policy in the commodities sector has restrictions in place for transactions with independent producers operating in the Gulf of Mexico on account of the risk of cyclones hitting this region.

In 2016 Natixis took part in industry initiatives to improve the incorporation of these risks. Specifically, and in line with the Autorité de Contrôle Prudentiel et de Résolution (ACPR - French Prudential Supervisory Authority for the Banking and Insurance Sector), BPCE and Natixis participated in industry initiatives addressing Article 173 of the energy transition for green growth act of August 17, 2015, with a view to drawing up stress test scenarios. These initiatives assessed the sectors most exposed to physical risk and to transition risk.

Low-carbon strategy

Natixis has established a number of measures to limit its own impact on the climate, namely:

- energy-efficient buildings that reduce energy consumption;
- optimization of business travel and its vehicle fleet;
- responsible purchasing policies that incorporate environmental criteria.

All these measures have helped steadily reduce Natixis' carbon footprint, which is measured every year (see 2016 Natixis registration document, Chapter 6).

In addition, Natixis draws on its investment and financing operations as its key means of action in the fight against climate change, both in terms of risk management and business opportunities. Natixis has put in place a low-carbon strategy for all its business activities: Corporate & Investment Banking, Investment Solutions and Insurance, Specialized Financial Services.

- **Financing of green growth:** Natixis is a market leader in renewable energy and sustainable infrastructure financing, and in green bonds.
- **Investment products helping to combat climate change:** Mirova, the investment firm of Natixis Asset Management, and specialized in responsible investment, offers a range of vehicles dedicated to the fight against climate change.
- **Management of the climate risks of major projects financed by Natixis:** as a signatory of the Equator Principles, Natixis takes climate change into account when assessing the environmental impact of its major projects. Borrowers are required to present an analysis of the possible alternatives to their projects, and to report annually on the project's CO_2 emissions once it is in operation.
- **Sector and exclusion policies:** Natixis has drawn up specific policies for the following sensitive sectors: energy, mining, offshore oil platforms, nuclear, defense and palm oil. Where necessary, these policies address issues related to the energy transition.

Since 2015 Natixis has also committed itself to no longer finance coal-fired plants or thermal coal mines, nor companies that conduct more than 50% of their business in this sector. This decision is the result of considering the credit risks associated with this sector, and of the desire to support the energy transition. The policy was the subject of a detailed report that covered financing, asset management and insurance.

New strategic guidelines

At the end of 2016 work was begun to make CSR a cross-business component of Natixis' next strategic plan. As a result, CSR risks should be factored into the company's lending policies for the most sensitive sectors, and the business lines should adopt a low-carbon requirement that will include governance and adapted resources.

13.5 Environmental and social risks

The identification and management of these risks are presented in Chapter 6 of 2016 Natixis registration document.

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APPENDIX

Appendix 1: Transition from the accounting balance sheet to the prudential balance sheet at December 31, 2016

(in millions of euros) Assets	Accounting balance sheet	Restatement of insurance companies	Prudential balance sheet
Cash, central banks	26,704	0	26,704
Financial assets designated at fair value through profit and loss	187,628	(17,304)	170,324
Hedging derivatives	1,220	(1)	1,219
Available-for-sale financial assets	54,990	(43,703)	11,287
Loans and receivables due from banks	58,783	(1,136)	57,647
Customer loans and receivables	140,303	(9,859)	130,445
Revaluation adjustments on portfolios hedged against interest rate risk	0	0	0
Held-to-maturity financial assets	2,066	(2,066)	0
Current tax assets	436	(125)	310
Deferred tax assets	1,908	6	1914
Accrual accounts and other assets	46109	(11,882)	34,227
Non-current assets held for sale	947	(706)	241
Deferred profit-sharing	0	0	0
Investments in associates	666	3,308	3,974
Investment property	1,084	(983)	101
Property, plant and equipment	672	(63)	609
Intangible assets	744	(233)	510
Goodwill	3,600	(387)	3,213
TOTAL ASSETS	**527,860**	**(85,135)**	**442,725**

(in millions of euros) Liabilities	Accounting balance sheet	Restatement of insurance companies	Prudential balance sheet
Due to central banks	0	0	0
Financial liabilities at fair value through profit and loss	146,226	(464)	145,763
Hedging derivatives	2,011	0	2,011
Due to banks	101,374	(3,426)	97,947
Customer deposits	86,472	202	86,675
Debt securities	48,921	(407)	48,515
Revaluation adjustments on portfolios hedged against interest rate risk	193	0	193
Current tax liabilities	554	(98)	456
Deferred tax liabilities	685	(236)	449
Accrual accounts and other liabilities	44,464	(9,155)	35,309
Liabilities on non-current assets held for sale	813	(706)	107
Insurance companies' technical reserves	68,810	(68,810)	0
Contingency reserves	1,994	(191)	1,804
Subordinated debt	4,209	(639)	3,570
Shareholders' equity (Group share):	19,836	0	19,836
Share capital and reserves	10,895	0	10,895
Consolidated reserves	6,417	0	6,417
Unrealized or deferred gains or losses	1,323	0	1,323
Other gains or losses	(174)	0	(174)
Net income	1,374	0	1,374
Non-controlling interests	1,296	(1,205)	90
TOTAL LIABILITIES	**527,860**	**(85,135)**	**442,725**

Appendix 2: Issuance of capital instruments at December 31, 2016

ISSUANCE OF AT1 CAPITAL INSTRUMENTS

Capital instruments – main features *(in millions of euros)*		Additional Tier 1 instruments		
1	Issuer	NATIXIS (formerly NBP)	NATIXIS (formerly NBP)	NATIXIS (formerly NBP)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0010154278	FR0010347880	FR0010531012
3	Governing law(s) of the instrument	French	French	French
3a		n/a		n/a
Regulatory treatment	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)			
	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 152m	EUR 237m (USD 250m)	EUR 364m
9	Nominal amount of instrument	EUR 156m	USD 250m	EUR 364m
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	18.10.2007
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 for the full issue at par at 1/25/2010 Contingent call date at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of interest expenses, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)	Call date for the full issue at par at 6/30/2016 Contingent call date at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of interest expenses, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)	Call date for the full issue at par at 10/18/2017 Contingent call date at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of interest expenses, 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 10.18, 01.18, 04.18 and 07.18 of each year)

	Additional Tier 1 instruments			
	NATIXIS	NATIXIS	NATIXIS	NATIXIS
	FR0010600163	USF6483LHM57	FR0012858827	FR0013126851
	French	State of New York (except regulatory status governed under French law)	French	French
	n/a	n/a	n/a	n/a
	Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments	Additional Tier 1 instruments
	Ineligible	Ineligible	Additional Tier 1 instruments	Additional Tier 1 instruments
	Consolidated	Consolidated	Consolidated	Consolidated
	CRR Article 52	CRR Article 52	CRR Article 52	CRR Article 52
	EUR 150m	EUR 176m (USD 186m)	EUR 500m	EUR 400m
	EUR 150m	USD 186m	EUR 500m	EUR 400m
	100%	100%	100%	100%
	100%	100%	100%	100%
	Shareholders' equity	Shareholders' equity	Shareholders' equity	Shareholders' equity
	28/03/2008	30/04/2008	20/07/2015	25/02/2016
	Perpetual	Perpetual	Perpetual	Perpetual
	n/a	n/a	n/a	n/a
	yes	yes	yes	yes
	Call date for the full issue at par at 03.28.2018 Contingent call date at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of interest expenses, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)	Call date for the full issue at par at 04.30.2018 Contingent call date at any time, at par and for the full issue in the event of a change in tax legislation (loss of deductibility of interest expenses, imposition of withholding tax) or regulatory legislation (loss of Tier 1 issue status)	Call date for the full issue at par at 07.20.2021 Contingent call date 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 expenses, imposition of withholding tax) or regulatory legislation (capital event, loss of AT1 issue status)	Call date for the full issue at par at 02.25.2022 Contingent call date 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 expenses, imposition of withholding tax) or regulatory legislation (capital event, loss of AT1 issue status)
	At each coupon payment date (on 03.28, 06.28, 09.28 and 12.28 of each year)	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)

Capital instruments – main features *(in millions of euros)*		Additional Tier 1 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%	6,307%
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 conversion	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 instruments			
Fixed	Fixed	Floating	Floating
8,65%	10%	3M Euribor +6.41%	3M Euribor 7.35%
no	no	no	no
Partially discretionary, existence of dividend pushers	Partially discretionary, existence of dividend pushers	Fully discretionary	Fully discretionary
Mandatory	Mandatory	Fully discretionary	Fully discretionary
yes (step up)	yes (step up)	no	no
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
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
yes	yes	yes	
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)	Capital ratio event (CET1 ratio below 5.125%)	Capital ratio event (CET1 ratio below 5.125%)
Partial	Partial	Partial	Partial
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 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, but 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, but the write-up amount cannot exceed the "Maximum Distributable Amount" nor the "Maximum Write-Up amount"
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
n/a	n/a	n/a	n/a

ISSUANCE OF T2 CAPITAL INSTRUMENTS

	Capital instruments – main features *(in millions of euros)*	Tier 2 instruments						
1	Issuer	Natixis (formerly BFCE)	Natixis (formerly NBP)	Natixis	Natixis (formerly CDC-IXIS)	Natixis	Natixis	Natixis
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000047722	FR0010410068	Subordinated loan contract	XS01709333047	Subordinated loan contract	FR0010405894	XS0301168281
3	Governing law(s) of the instrument	French	English	French	English	French	French	English
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	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	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	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated	Consolidated	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	CRR Article 63	CRR Article 63
8	Amount recognized in regulatory capital	EUR 36m	EUR 5m	EUR 7m	EUR 2m	EUR 900m	EUR 491m	EUR 105m
9	Nominal amount of instrument	EUR 36m	EUR 500m	EUR 40m	EUR 10m	EUR 900m	EUR 500m	EUR 100m
9a	Issue price	100%	98,977%	n/a	100%	n/a	100%	100%
9b	Redemption price	120%	100%	n/a	100%	n/a	100%	100%
10	Accounting classification	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - amortized cost	Liability - fair value option
11	Original date of issuance	11.25.1985	12.22.2006	11.06.2007	06.30.2003	06.27.2014	12.15.2006	05.31.2007
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	01.20.2017	12.07.2017	03.31.2018	06.27.2026	12.15.2021	05.31.2022
14	Call option for issuer subject to prior supervisory approval	yes	n/a	n/a	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	Contingent call date at any time, at par and for the full issue in the event of a change in tax legislation	n/a	n/a	Early redemption date for the full issue at par on 06.27.2021	Contingent call date 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	n/a	n/a

Tier 2 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
English	French	English	English	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 20m	EUR 100m	EUR 46m	EUR 60m	EUR 10m	EUR 1,000m	EUR 300m
EUR 20m	EUR 100m	EUR 46m	EUR 60m	EUR 10m	EUR 1,000m	EUR 300m
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
09.06.2002	06.27.2014	11.29.2002	01.09.2003	06.30.1994	07.29.2015	02.25.2016
Dated	Dated	Dated	Dated	Perpetual	Dated	Dated
09.06.2022	06.27.2024	11.29.2027	01.09.2033	n/a	07.29.2027	02.25.2028
n/a	n/a	n/a	n/a	Yes (early redemption)	yes	yes
Contingent call date at any time, at par and for the full issue in the event of a change in tax/regulatory legislation	Contingent call date at any time, at par and for the full issue in the event of a change in tax/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)	Tier 2 instruments						
	Coupons/dividends							
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	Structured coupon between 95% and 120% of average bond market rate	4,125%	4,88%	6M Euribor +0.28%	3M Euribor +2%	10Y CMS	10Y CMS
19	Dividend stopper exercised	no	no	no	no	no	no	no
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	no	no	no	no	no	no	no
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	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	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	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	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	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	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down features	no	n/a	n/a	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	n/a	n/a
32	If write-down, full or partial	n/a	n/a	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	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34a	Type of subordination	n/a	n/a	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	Unsecured creditors	Unsecured creditors
36	Non-compliant transition features	n/a	n/a	n/a	n/a	n/a	n/a	n/a
37	If so, specify non-compliant features							

Tier 2 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)

(in millions of euros)		12.31.2016
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	269,576
2	(Asset amounts deducted in determining Tier 1 capital)	(4,487)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**265,089**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	10,175
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	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)	(14,642)
8	**(Exempted CCP leg of client-cleared trade exposures)**	
9	Adjusted effective notional amount of written credit derivatives	25,607
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(24,437)
11	**Total derivative exposures (sum of lines 4 to 10)**	**17,447**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	102,227
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(27,432)
14	Counterparty credit risk exposure for SFT assets	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)**	**82,045**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	85,713
18	(Adjustments for conversion to credit equivalent amounts)	(48,675)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**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	14,244
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)(*)**	**401,619**
Leverage ratio		
22	**Leverage ratio**	**3.5%**
Choice on phase-in arrangements and amount of derecognised 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	
(*)	**O/W EXPOSURE RELATED TO AFFILIATES**	**50,540**
	LEVERAGE RATIO EXCLUDING EXPOSURE RELATED TO AFFILIATES	**4.1%**
	Excluding BPCE affiliates (BPCE and subsidiaries, Banques Populaires, Caisses d'Epargne), the leverage ratio pro forma of the Delegated Act stood at 4.1% at December 31, 2015 (3.5% incl. BPCE affiliates).	

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	12-13	119-121
		2.4 Risk appetite	14	120
		2.7 Stress tests	24	121
Article 435 (1)	(EBA) CRA - General information about credit risk	5.1. Credit risk control organization	48	133
		5.2. Credit policy	48	133
Article 435 (1)	(EBA) CCRA - Qualitative disclosure related to counterparty credit risk	6.1. Counterparty risk management	74	134
Article 435 (1)	(EBA) MRA - Qualitative disclosure requirements related to market risk	8.1. Market risk management	88	148
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	27-28	125-126
Article 436 (b) and article 455 (c)	EU LIA – Explanations of differences between accounting and regulatory exposure amounts	3.2 Prudential consolidation scope	26	
Macro-prudential supervisory measures				
Article 458	(BCBS March 2016) CCyB1 – Geographical distribution of credit exposures used in the countercyclical buffer	Table 5	35	
Leverage ratio				
Article 451	(BCBS March 2016) LR1 – Comparison of accounting exposures and leverage exposures	Table 55	103	166
	(BCBS March 2016) LR2 – Leverage ratio	Annex 3	164	
Capital requirements				
Article 438 (c) (f)	(EBA) EU OV1 - Overview of RWA	Table 9	41	
Article 438, last paragraph	(EBA) EU CR10 - IRB (specialized lending and equities)	Table 30	72	
Art. 438 (c), (d), (e) and (f)	NX01 - EAD, RWA and EFP by approach and by Basel exposure class	Table 8	40	142
Art. 442 (c)	NX03 - Exposures and EAD and by Basel exposure class	Table 10	42	
Art. 442 (d), (e) and (f)	NX05 - EAD by geography and by exposure class	Table 11	43	
Art. 444 (a), (b) and (c)	NX11BIS - EAD by exposure class and by agency – Standardized approach	Table 12	44	
Art. 453 d)	NX17 - Secured exposure by rating and by type of guarantor	Table 13	44	
Art. 453 (f) and (g)	NX18 - EAD by credit risk mitigation technique	Table 14	45	
Credit risk and credit risk mitigation techniques				
Article 442 (a) and (b)	CRBA - Additional disclosure related to the credit quality of assets			239-259
Article 442 (c), (g) and (h)	(EBA) EU CR1 - Credit quality of assets	Table 17		
Article 453 (a) (e)	(EBA) CRC - Qualitative disclosure requirements related to credit risk mitigation techniques	5.4 Credit risk mitigation techniques	50-51	139-140

CRR Article	Basel Committee/EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of Registration document
Article 453 (f) and (g)	(EBA) EU CR3 - Credit risk mitigation techniques – Overview	Table 15	52	
Article 442 (c)	(EBA) EU CRB-B - Total and average net amount of exposures	Table 18	55	
Article 442 (d)	(EBA) EU CRB-C - Geographical breakdown of exposures	Tableau 19	56	
Article 442 (e)	(EBA) EU CRB-D - Concentration of exposures by industry or counterparty type	Table 20	57	
Article 442 (f)	(EBA) EU CRB-E - Maturity of exposures	Table 21	58	
Credit risk and credit risk mitigation – Standardized approach				
Article 444 (a) (d)	(EBA) CRD - Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk	5.6. Credit risk: standardized approach	59	135-136
Article 453 (f) and (g)	(EBA) EU CR4 - Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	Table 23	61	
Article 444 (e)	(EBA) EU CR5 - EAD by asset class and risk weight	Table 24	61	135
Credit risk and credit risk mitigation – IRB				
Article 452 (a) (c)	(EBA) CRE - Qualitative disclosures related to IRB models	5.7. Credit risk: internal ratings-based approach	62	134-139
Article 452 (e)(h) and (j)	(EBA) EU CR6 - IRB – Credit risk exposures by portfolio and PD range	Table 29	68	
Article 453 (g)	(EBA) EU CR7 - Internal rating – Effect on RWA of credit derivatives used as CRM techniques	Table 16	53	
Article 92 (3) and 438 (d)	(EBA) EU CR8 - RWA flow statements of credit risk exposures under IRB	Table 28	67	
Art. 452 (j)	Average weighted PD and average weighted LGD by geography	Table 26	63	
Counterparty risk				
Article 439(e), (f) and (i)	(EBA) EU CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach	Table 34	75	
Article 439 (e) and (f)	(EBA) EU CR2 - Credit valuation adjustment (CVA) capital charge	Table 38	80	
Article 444 (e)	(EBA) EU CCR3 - Standardized approach of CCR exposures by regulatory portfolio and risk weight	Table 35	76	
Article 452 (e)	(EBA) EU CCR4 - CCR exposures by portfolio and PD scale	Table 36	77	
Article 439 (g) and (h)	(EBA) EU CCR6 - Credit derivative exposures	Table 37	79	
Securitization				
Article 449	(BCBS) SECA – Qualitative disclosure requirements related to securitization exposures	7.2. Management of risks related to securitization transactions	82-83	147
	(BCBS) SEC1 - Securitization exposures in the banking book	Table 40	84	
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CRR Article	Basel Committee/EBA tables and statements	Reference in Pillar III report	Page of Pillar III report	Page of Registration document
Market risk				
Art. 445	(EBA) EU MR1 - Market risk under standardized approach	Table 47	92	
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	90-91	148-151
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	90-91	148-151
Article 455 (e)	(EBA) EU MR2 – A - Market risk under internal models approach	Table 55	93	
Article 455 (d)	(EBA) MR3 - IMA values for trading portfolios	Table 53	92	151-154
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Article 446	(BCBS) OR3 – Historical losses	Table 60	114	158
Interest rate risk				
	(BCBS) Table A – IRRBB management policies and objectives	9.4. Management of structural interest rate risk	105-106	166-168
Article 448	(BCBS) Table B – NII sensitivity	Table 56	106	168
Remuneration				
Article 450	(BCBS) REMA – Remuneration policy	12. Disclosures on remuneration		
Article 435 (1)	(EBA) MRA - Qualitative disclosure requirements related to market risk	8.1. Market risk management	88	148

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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
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 assessing the effectiveness of trading strategies and the accuracy of value at risk (VaR) compared to risks actually incurred.
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 seven 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 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
BRRD	Banking Recovery and Resolution Directive
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.
CNCE	Caisse Nationale des Caisses d'Epargne

Acronym/Term	Definition
CNIL	*Commission Nationale de l'Informatique et des Libertés* (an independent administrative authority protecting privacy and personal data)
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.
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.
District Court	The lower tier of the US federal judicial system.

Acronym/Term	Definition
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 euro zone'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
GRI	Global Reporting Initiative
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).
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

Acronym/Term	Definition
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.
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.

Acronym/Term	Definition
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
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.
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.
NGAM	Natixis Global Asset Management
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.

Acronym/Term	Definition
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 transitional 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).
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.

Acronym/Term	Definition
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 (see Basel terms: maturity, probability of default and loss given default).
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
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

Acronym/Term	Definition
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 prudential 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.
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, except for 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

Acronym/Term	Definition
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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