



# Risk and Pillar III Report **2017**

**UPDATE AS OF SEPTEMBER 30, 2018**



## Table of contents

### Update by chapter of the Risk and Pillar III Report 2017

#### Summary

<b>1</b>	<b>Key Figures as of September 30, 2018</b>	<b>4</b>
<b>4</b>	<b>Credit risk and counterparty risk</b>	<b>9</b>
<b>5</b>	<b>Credit risk</b>	<b>12</b>
<b>9</b>	<b>Overall interest rate, liquidity and structural foreign exchange risks</b>	<b>13</b>
<b>12</b>	<b>Legal risks</b>	<b>14</b>
<b>14</b>	<b>Appendix</b>	<b>15</b>



# Risk and Pillar III Report **2017**

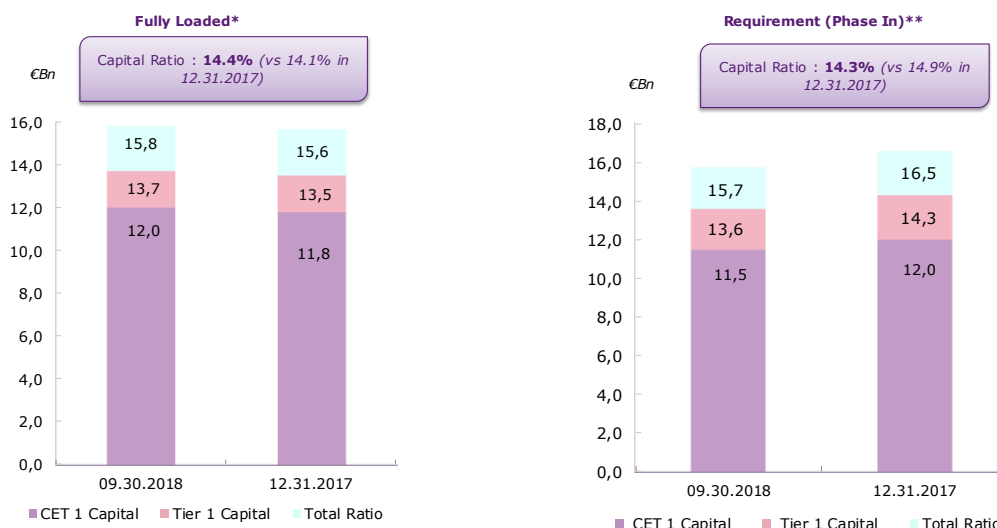
Update as of September 30, 2018



# 1. KEY FIGURES AS OF SEPTEMBER 30, 2018

## EXECUTIVE SUMMARY 09.30.2018

### ■ Main capital and solvency ratio figures

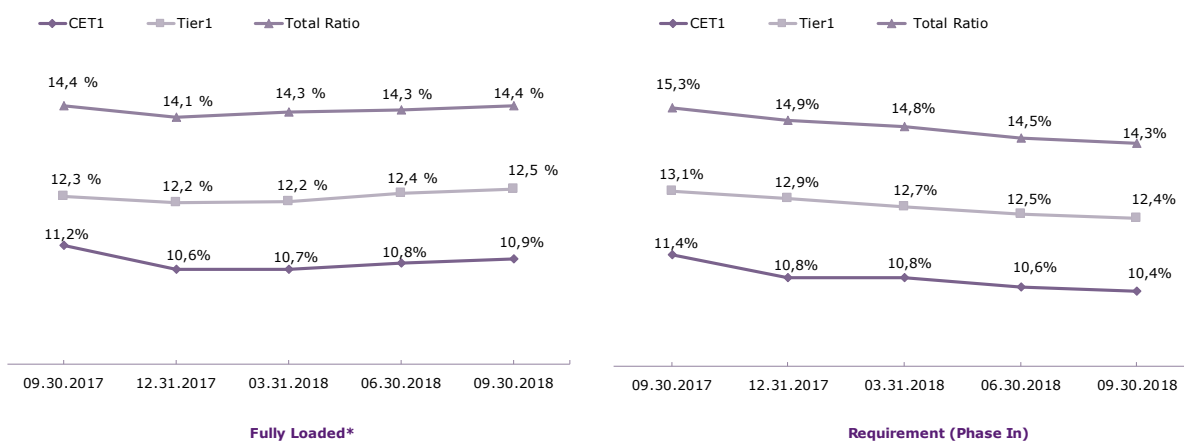


\* Fully loaded, i.e. applying all CRD IV rules without transitional measures, including current period profits, dividend projections at the rate of 60% as of the September 30th 2018 and "Mauve" capital increase reserved for employees performed on July 2018.

\*\* Ratios excluding estimated profits for the period, dividend projections on September 30th 2018 and "Mauve" capital increase reserved for employees of 60 millions performed on July 201

(in Billion of euros)	Fully Loaded*		Requirement (Phase In)**	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Common equity (CET1)	12,0	11,8	11,5	12,0
Tier 1	13,7	13,5	13,6	14,3
Total capital	15,8	15,6	15,7	16,5
Risk weighted assets	109,6	110,7	109,6	110,7
Ratio CET1	10,9 %	10,6 %	10,4 %	10,8 %
Ratio Tier 1	12,5 %	12,2 %	12,4 %	12,9 %
<b>Total capital ratio</b>	<b>14,4 %</b>	<b>14,1 %</b>	<b>14,3 %</b>	<b>14,9 %</b>

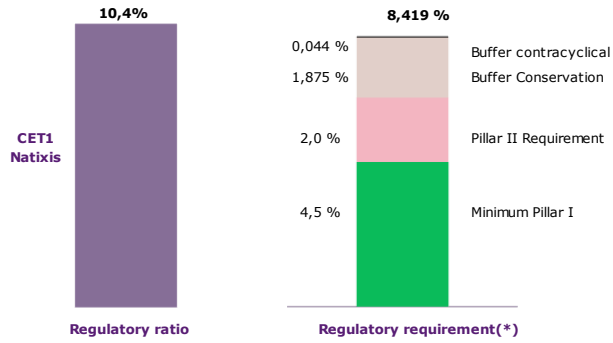
### ■ Changes in main capital ratio figures



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

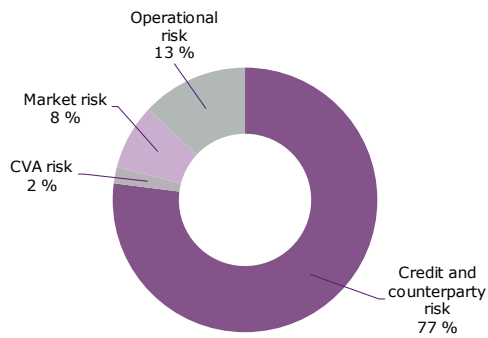
\*\* Ratios excluding estimated profits for the period, dividend projections on September 30th 2018 and "Mauve" capital increase reserved for employees of 60 millions performed on July 201

■ CET1

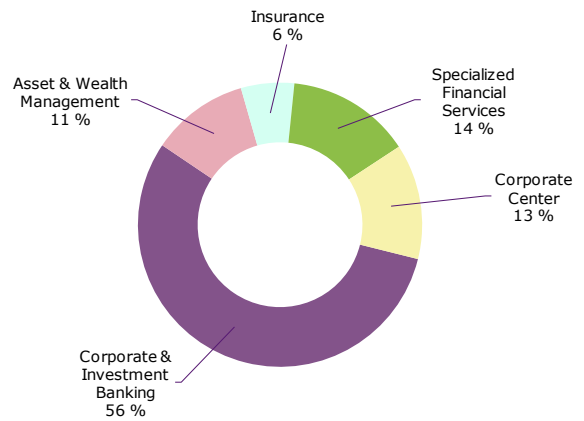


(\*) ECB Minimum prudential requirements based on the supervisory review and evaluation process (SREP).  
Excluding P2G

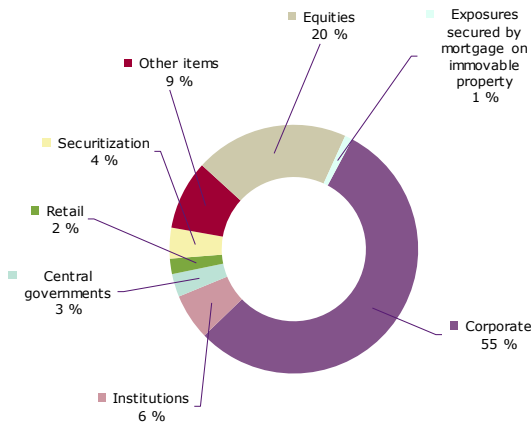
■ Capital requirements by risk type



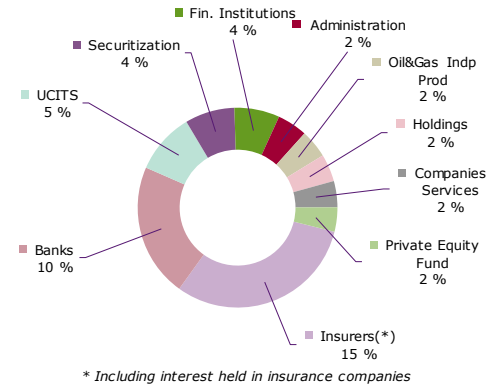
■ Capital requirements by key business line



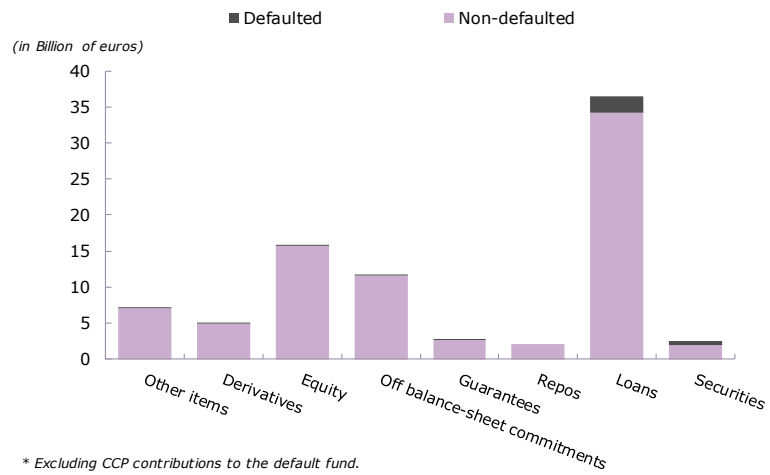
**Credit and counterparty RWA by category of exposure**



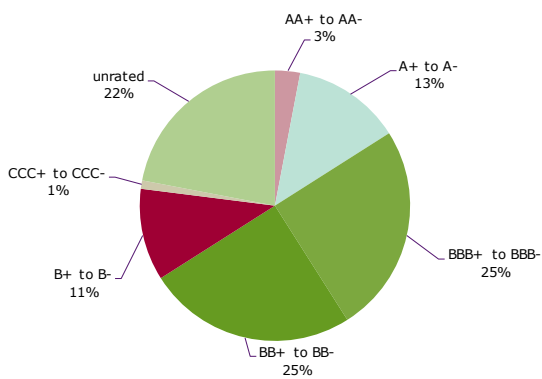
**Credit and counterparty RWA on the 10 main business sectors**



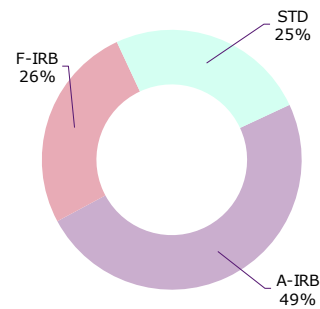
**Credit and counterparty RWA by type of exposure with default/non-default\***



**RWA by S&P Grade\***



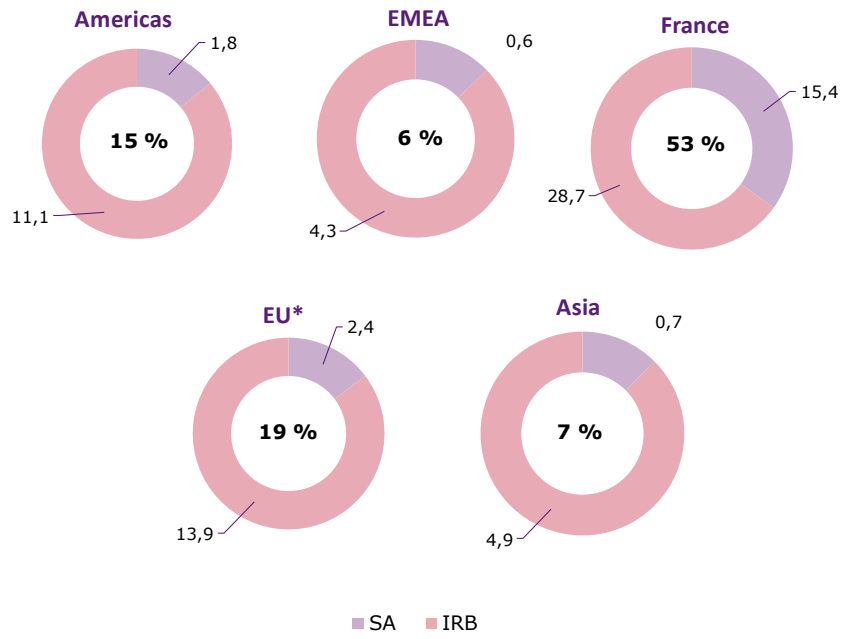
**Credit and counterparty RWA by approach**



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

**Credit and counterparty RWA by geographical area(\*\*) and approach**

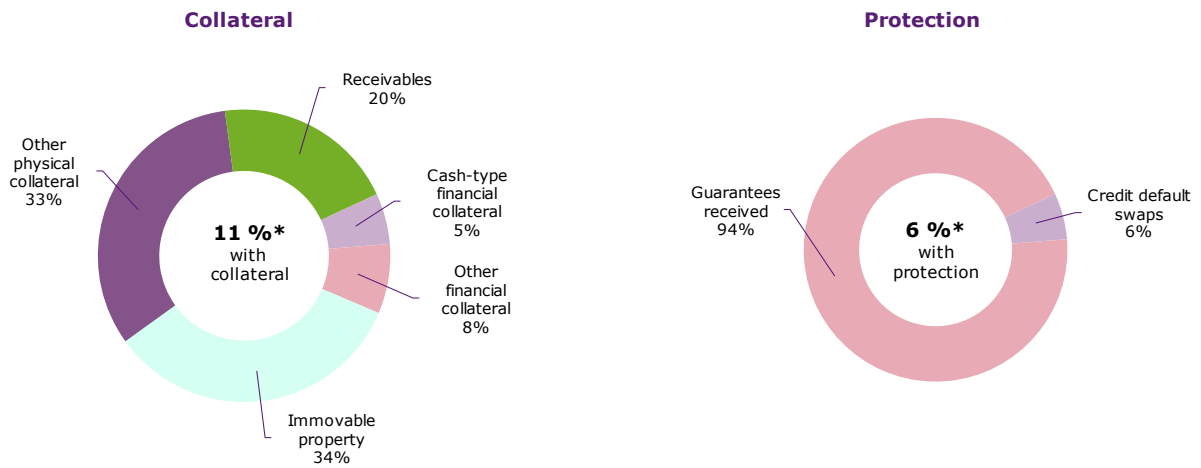
(in Billion of euros)



\* EU excluding France : also including supranational third parties

\*\* Country risk

**Exposure by credit risk mitigation technique**

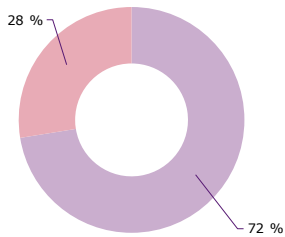


\* Total exposure net of provisions

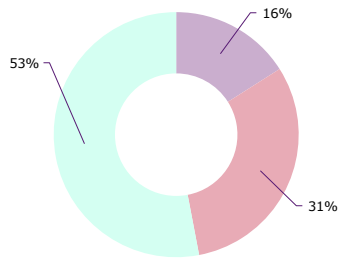
\* Total exposure net of provisions

## ■ Securitization exposures in the Banking Book

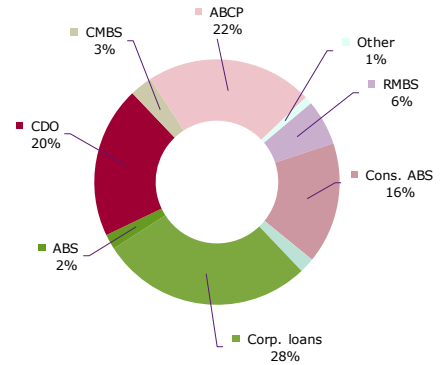
EAD by type of securitization



EAD by role



EAD by underlying



■ Classic securitization ■ Synthetic securitization ■ Investor ■ Originator ■ Sponsor

Corp. = Corporate  
Cons. = consumer

## ■ Leverage Ratio

### Requirement (Phase In)

(in billion of euros)

	09.30.2018	12.31.2017
Capital CET 1**	13,6	14,3
Total assets on the prudential balance sheet	400,5	425,0
Adjustments for derivative financial instruments	- 23,4	- 29,3
Adjustments for securities financing transactions <sup>1</sup>	- 17,1	- 19,9
Adjustment for off-balance sheet items	40,8	36,1
Other adjustments	- 15,3	- 15,7
<b>Total leverage ratio exposure</b>	<b>385,5</b>	<b>396,3</b>
<b>Regulatory Ratio</b>	<b>3,5 %</b>	<b>3,6 %</b>
<i>of which deals with BPCE affiliates</i>	<i>46,5</i>	<i>47,3</i>

### Ratio without affiliates\*

4,0 %

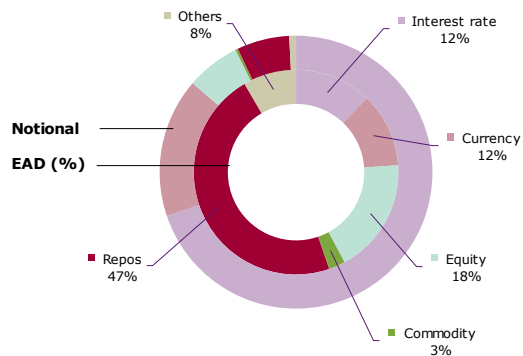
4,1 %

\*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 ECB).

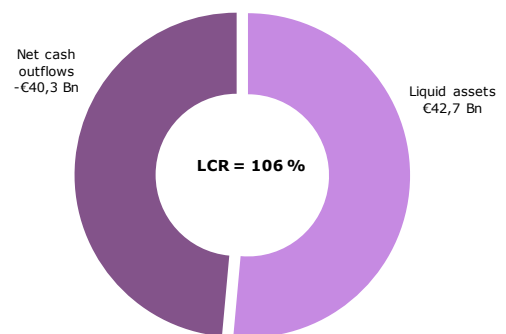
\*\* Own funds excluding estimated profits for the period, dividend projections on September 30th 2018 and "Mauve" capital increase reserved for employees of 60 millions performed on July 2018.

## ■ Counterparty Risk

Notional and EAD by underlying



## ■ Liquidity Coverage Ratio





## 4. CREDIT RISK AND COUNTERPARTY RISKS

### 4.1 Credit and counterparty risks

Table NX01 : EAD, RWA and Capital Requirements by Basel approach and by category of exposure

(in million of euros)	09.30.2018			12.31.2017		
	EAD	RWA	Capital Requirements	EAD	RWA	Capital Requirements
<b>Credit risk</b>						
<b>Internal approach</b>	<b>156,281</b>	<b>57,348</b>	<b>4,588</b>	<b>177,471</b>	<b>60,782</b>	<b>4,863</b>
Equity	5,504	16,940	1,355	5,446	16,548	1,324
Central governments or central banks	34,544	438	35	47,832	601	48
Other items	767	202	16	717	188	15
Retail	694	181	15	620	181	14
Corporates	97,672	36,000	2,880	107,942	39,971	3,198
Institutions	11,192	2,208	177	9,706	2,219	178
Securitization	5,908	1,379	110	5,208	1,074	86
<b>Standardized approach</b>	<b>68,629</b>	<b>19,858</b>	<b>1,589</b>	<b>66,452</b>	<b>17,532</b>	<b>1,402</b>
Central governments or central banks	4,163	1,354	109	6,012	1,549	124
Other items	8,400	7,190	575	8,177	8,526	682
Retail	2,282	1,651	132	2,631	1,937	155
Corporates	8,016	6,098	488	3,274	2,428	194
Institutions	40,400	774	62	41,573	549	44
Exposures in default (only STD)	395	502	40	374	477	38
Exposures secured by mortgages on immovable property	1,147	534	43	1,025	498	40
Exposures to institutions and corporates with a short-term credit assessment	365	238	19	382	200	16
Securitization	3,461	1,517	121	3,004	1,368	109
<b>Sub-total credit risk</b>	<b>224,910</b>	<b>77,206</b>	<b>6,177</b>	<b>243,923</b>	<b>78,314</b>	<b>6,265</b>
<b>Counterparty Risk</b>						
<b>Internal approach</b>	<b>37,474</b>	<b>5,485</b>	<b>439</b>	<b>33,305</b>	<b>5,756</b>	<b>460</b>
Central governments or central banks	7,213	150	12	6,424	105	8
Corporates	16,074	3,735	299	13,594	3,694	295
Institutions	13,857	1,543	123	13,065	1,911	153
Securitization	330	57	5	222	46	4
<b>Standardized approach</b>	<b>22,497</b>	<b>748</b>	<b>60</b>	<b>21,132</b>	<b>659</b>	<b>53</b>
Central governments or central banks	910	196	16	955	128	11

Retail	1			1		
Corporates	316	42	4	60	15	1
Institutions	21,132	417	33	19,843	365	29
Exposures in default (only STD)	2	3		2	3	
Exposures to institutions and corporates with a short-term credit assessment	136	90	7	270	147	12
Securitization				1	1	
<b>CCP default fund exposures</b>	<b>537</b>	<b>334</b>	<b>26</b>	<b>368</b>	<b>256</b>	<b>21</b>
<b>Sub-total counterparty risk</b>	<b>60,508</b>	<b>6,567</b>	<b>525</b>	<b>54,805</b>	<b>6,671</b>	<b>534</b>
<b>Market risk</b>						
<b>Internal approach</b>		<b>3,843</b>	<b>308</b>		<b>4,229</b>	<b>338</b>
<b>Standardized approach</b>		<b>5,292</b>	<b>423</b>		<b>5,491</b>	<b>439</b>
Equity risk		744	59		432	34
Foreign exchange risk		2,517	201		2,586	207
Commodities risk		547	44		720	58
Interest rate risk		1,484	119		1,753	140
<b>Sub-total market risk</b>		<b>9,135</b>	<b>731</b>		<b>9,720</b>	<b>777</b>
<b>CVA</b>	<b>8,734</b>	<b>1,927</b>	<b>154</b>	<b>8,389</b>	<b>1,198</b>	<b>96</b>
<b>Settlement-delivery risk</b>		<b>6</b>			<b>10</b>	<b>1</b>
<b>Operational risk (standardized approach)</b>		<b>14,784</b>	<b>1,183</b>		<b>14,784</b>	<b>1,183</b>
<b>TOTAL</b>		<b>109,625</b>	<b>8,770</b>		<b>110,697</b>	<b>8,856</b>

**Table EU OV1 : Overview of RWA**

<i>(in million of euros)</i>	RWA		Minimum capital requirements
	09.30.2018	12.31.2017	09.30.2018
<i>Credit risk (excluding CCR)</i>	72,542	73,837	5,803
Of which the standardised approach	18,342	16,164	1,467
Of which the foundation IRB (FIRB) approach	3,220	7,316	258
Of which the advanced IRB (AIRB) approach	35,808	35,845	2,865
Of which equity IRB under the simple risk-weighted approach or the IMA	15,172	14,513	1,214
<i>CCR</i>	8,437	7,823	675
Of which mark to market	1,645	4,697	132
Of which original exposure			
Of which the standardised approach			
Of which internal model method (IMM)	2,664		213
Of which risk exposure amount for contributions to the default fund of a CCP	335	256	27
Of which CVA	1,927	1,198	154
<i>Settlement risk</i>	6	10	
<i>Securitisation exposures in the banking book (after the cap)</i>	2,953	2,488	236
Of which IRB approach	1,224	898	98
Of which IRB supervisory formula approach (SFA)	212	221	17
Of which internal assessment approach (IAA)			
Of which standardised approach	1,517	1,368	121
<i>Market risk</i>	9,134	9,720	731
Of which the standardised approach	5,292	5,491	423
Of which IMA	3,843	4,229	307
<i>Large exposures</i>			
<i>Operational risk</i>	14,784	14,784	1,183
Of which basic indicator approach			
Of which standardised approach	14,784	14,784	1,183
Of which advanced measurement approach			
<i>Amounts below the thresholds for deduction (subject to 250% risk weight)</i>	1,768	2,035	141
<i>Floor adjustment</i>			
<b>Total</b>	<b>109,625</b>	<b>110,697</b>	<b>8,770</b>

## 5. CREDIT RISK

### 5.7 Credit risk : internal ratings-based approach

#### 5.7.4 Exposure to credit risk according to the internal rating system

Table CR8 : RWA flow statements of credit risk exposure under the IRB approach

<i>(in millions of euros)</i>		<b>RWA</b>	<b>EFP</b>
<b>1</b>	<b>RWA at 12.31.2017</b>	<b>59,708</b>	<b>4,777</b>
2	Asset size	1,796	143
3	Asset quality	- 1,435	- 114
4	Model updates	- 707	- 56
5	Methodology and policy	- 2,798	- 224
6	Acquisitions and disposals		
7	Foreign exchange movements	351	28
8	Other	- 946	- 76
<b>9</b>	<b>RWA at 09.30.2018</b>	<b>55,969</b>	<b>4,478</b>

## 9. OVERALL INTEREST RATE, LIQUIDITY AND STRUCTURAL FOREIGN EXCHANGE RISKS

### 9.2 Management of liquidity and funding risk

#### 9.2.6 Reserves and operational management of ratios

##### 9.2.6.3 Oversight of the leverage ratio

Table LR1 : Comparison of accounting exposures and leverage exposures

(in millions of euros)

	Items	09.30.2018	12.31.2017
1	Total assets as per published financial statements	502,166	519,987
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(101,638)	(94,937)
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")		
4	Adjustments for derivative financial instruments	(23,424)	(29,265)
5	Adjustments for securities financing transactions "SFTs"	(17,122)	(19,927)
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	40,802	36,079
7	Other adjustments	(15,304)	(15,661)
8	<b>Total leverage ratio exposure</b>	<b>385,480</b>	<b>396,276</b>
(*)	<b>of which exposure with affiliates</b>	<b>46,483</b>	<b>47,251</b>
(*)	<b>excluding exposure related to affiliates</b>	<b>338,997</b>	<b>349,025</b>

## 12. LEGAL RISKS

### 12.1 Legal and arbitration proceedings

#### Madoff fraud

Outstanding Madoff assets were estimated at €535 million at September 30, 2018, and were fully provisioned at this date. The effective impact of this exposure will depend on both the extent of recovery of assets invested in Natixis' name and the outcome of the measures taken by the bank, primarily legal. Furthermore, in 2011 a dispute emerged over the application of the insurance policy for professional liability in this case, which had been taken out with successive insurers for a total amount of €123 million. Although in November 2016, the Paris Court of Appeal had 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, on September 19, 2018, the Court of Cassation annulled the contested ruling and referred the case to a different panel of the Paris Court of Appeal.

Irving H. Picard, the court-appointed trustee for Bernard L. Madoff Investment Securities LLC (BMIS), submitted a restitution claim concerning the liquidation of amounts received prior to the discovery of the fraud through a complaint filed with the United States Bankruptcy Court for the Southern District of New York against several banking institutions, including a \$400 million claim against Natixis. Natixis denies the allegations made against it and has taken the necessary steps to defend its position and protect its rights. Natixis has launched appeals, including a motion to dismiss, requesting that the case be dismissed on a preliminary basis or prior to any ruling on merit, and a motion to withdraw the reference to transfer certain matters to the United States district court. These proceedings have been subject to numerous rulings and appeals and are still ongoing. A November 2016 ruling by the bankruptcy court dismissed a number of restitution claims initiated by the trustee on the grounds of extraterritoriality. In September 2017, the Second Circuit court gave BMIS' court-appointed trustee and the defendants the right to appeal the bankruptcy court's ruling on the grounds of extraterritoriality directly to the Second Circuit, thereby avoiding an intermediary appeal to the district court. The case is ongoing.

Furthermore, the liquidators of Fairfield Sentry Limited and Fairfield Sigma Limited have initiated numerous proceedings against investors having previously received payments from these funds for redemptions of shares (over 200 proceedings have been filed in New York). Some Natixis entities have been named as defendants in some of these proceedings. Natixis deems these proceedings to be entirely unfounded and is vigorously defending its position. These proceedings have been suspended for several years, and in October 2016 the bankruptcy court authorized the trustees to modify their initial claim. The defendants jointly responded in May and June 2017. In August 2018, the bankruptcy court issued a ruling on the motion to dismiss filed by the defendants. The judge only ruled on the personal jurisdiction portion of the motion, ruling that the court lacked personal jurisdiction over the defendants in the claim. A court hearing will take place to determine the appropriate way to proceed.

## 14. APPENDIX

**Table LR2 : Leverage ratio common disclosure template**

(in millions of euros)

		09.30.2018	12.31.2017
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	252,415	267,356
2	(Asset amounts deducted in determining Tier 1 capital)	- 4,725	- 4,401
3	<i>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</i>	<i>247,690</i>	<i>262,955</i>
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	7,355	7,442
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	23,084	21,650
<b>EU-5a</b>	<b>Exposure determined under Original Exposure Method</b>		
6	<b>Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework</b>		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 10,579	- 11,259
8	<b>(Exempted CCP leg of client-cleared trade exposures)</b>		
9	Adjusted effective notional amount of written credit derivatives	20,952	16,194
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	- 18,634	- 14,199
11	<i>Total derivative exposures (sum of lines 4 to 10)</i>	<i>22,178</i>	<i>19,828</i>
<b>Securities financing transaction exposures</b>			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	91,933	97,341
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	- 23,829	- 25,782
14	Counterparty credit risk exposure for SFT assets	6,707	5,855
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	<i>Total securities financing transaction exposures (sum of lines 12 to 15a)</i>	<i>74,811</i>	<i>77,414</i>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposures at gross notional amount	99,094	93,169
18	(Adjustments for conversion to credit equivalent amounts)	- 58,293	- 57,090
19	<i>Other off-balance sheet exposures (sum of lines 17 to 18)</i>	<i>40,801</i>	<i>36,079</i>
<b>Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off-balance sheet)</b>			
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))		

<b>Capital and total exposures</b>			
20	Tier 1 capital	13,561	14,271
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	385,480	396,276
<b>Leverage ratio</b>			
22	Leverage ratio	3.5%	3.6%
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>			
EU-23	Choice on transitional 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		
(*)	<b>of which exposure related to affiliates</b>	<b>46,483</b>	<b>47,251</b>
(*)	<b>Leverage Ratio excluding exposure related to affiliates</b>	<b>4.0%</b>	<b>4.1%</b>





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