NATIXIS
ASSURANCES
BEYOND BANKING

FINANCIAL
REPORT
2018

This English translation of the 2018 financial statements is provided for information purposes only and only the French version is valid.

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1 MANAGEMENT report

Report on the consolidated financial statements and the parent company financial statements

1. 2018 MARKED THE FIRST STAGE OF THE NEW DIMENSION STRATEGIC PLAN TO CEMENT NATIXIS ASSURANCES' POSITION AS A LEADING INSURER IN FRANCE

1.1. FIRST STAGE IN THE EXECUTION OF THE NEW DIMENSION STRATEGIC PLAN

2018 witnessed the first stage in the execution of the New Dimension strategic plan, with the launch of numerous strategic projects providing tangible and visible evidence of Natixis Assurances' transformation.

Presented at the end of 2017, the New Dimension 2018-2020 plan is designed to cement Natixis' position as a leading insurer in France, by offering customers an outstanding experience and the highest level of operational performance. The plan will see Natixis Assurances fully integrate the non-life insurance value chain by setting up a single management platform run by Natixis for the benefit of the Banques Populaires and the Caisses d'Epargne (the #Innove2020 project).

1.2. DIVESTMENT OF THE PARTNERSHIPS PORTFOLIO SHELVED

Natixis Assurances decided in 2013 to mothball its life insurance business developed through independent financial advisors (IFAs) and private banks. This was due to the sizeable amount of investment needed to expand in a market segment characterized by low unit margins and solid positions held by longstanding players. An engagement to sell this portfolio (representing €583 million of assets) was subsequently signed in 2017. During fourth-quarter 2018, however, the different stakeholders decided to discontinue work related to the sale of this portfolio. As a result, Natixis Assurances continues to be the insurer for these policies and maintains permanent resources enabling it to offer its customers a good level of service and thus safeguard their interests.

1.3. TRANSFORMATION

During the year Natixis Assurances continued work on its operational and digital transformation, as well as on its business efficiency programs, both on the life and personal protection insurance and non-life insurance segments.

In life and personal protection insurance, the new multi-site, multi-channel customer relations model developed as part of the Move#2018 transformation program was rolled out in June. Henceforth, customer relations organization and processes are the same for both the Banques Populaires and the Caisses d'Epargne. A platform devoted to processing inheritances was also set up. The Cultural Transformation program led to the pooling on a single site of all Paris-based staff, along with the remodeling of other sites in innovative working environments and the introduction of agile operating methods for strategic projects.

In non-life insurance, work was begun on three major strategic projects: the Purple#Care transformation and digitalization project for claims management was rolled out successfully for 2-wheel and 4-wheel vehicles in June and December, respectively; the #Pop'Timiz project designed to pool non-life middle- and back-office activities between the Banques Populaires and the Caisses d'Epargne led to the deployment of the APS support platform in three Banques Populaires in November; lastly, the #Innove2020 program was launched with the goal of making BPCE Assurances the sole non-life insurance platform for individual customers of the Banques Populaires and the Caisses d'Epargne in 2020.

1.4. IMPACTS OF THE BOURQUIN AMENDMENT ON THE PORTFOLIO

The entry into force of the Bourquin amendment on January 1, 2018, which allows insurees to terminate their payment protection insurance at each policy anniversary date, led Natixis to adapt its offering and introduce a customer retention mechanism. This new regulation had a limited impact on the portfolio in 2018.

1.5. RESPONSIBLE INVESTMENT POLICY

In terms of asset allocation, Natixis Assurances made a proactive, tangible commitment to fight climate change by announcing its aim of aligning its investment policy with the 2°C trajectory set by the Paris Agreement. As a result, 10% of Natixis Assurances' investments will be made in the form of "green assets" each year, with the target being for green assets to account for 10% of the total asset portfolio by 2030 at the latest. Over €350 million was duly invested in green bonds in 2018. Through this policy, Natixis Assurances intends to encourage and prioritize economic participants contributing to energy and ecological transition.

1.6. FURTHER PREPARATORY WORK FOR IFRS 17

The International Accounting Standards Board (IASB) voted on November 14, 2018 to postpone the effective date of IFRS 17 from 2021 to 2022. The rule will be subject to public consultation in 2019. Natixis Assurances is continuing with preparatory work ahead of the application of IFRS 17.

2. 2018 BUOYED BY STRONG ORGANIC GROWTH

2018 featured robust levels of business in the personal protection and property & casualty segments. Business also remained at a high level in life insurance.

With €9.6 billion of premiums from direct business, life insurance inflow rose 1% during the year. Revenues therefore remained high, despite persistently low interest rates, higher inflation and financial-market volatility at the end of the year. The rollout of the offering for the Caisse d'Epargne showed up in 60% growth in business in the space of two years.

Unit-linked (UL) premiums totaled €3.2 billion (-4%) and accounted for 33% of total gross inflow, down 2 percentage points yoy, but 5 points better than the market as a whole at end-December. Inflow invested in with-profits funds rose 3% to €6.4 billion.

Personal protection insurance and payment protection insurance premiums continued to expand at pace (€886 million, +8%). The latter continued to grow at a rate of 6%, without sustaining any material impact from the Bourquin amendment.

In life insurance, the portfolio expanded 5% and reached 5.8 million policies. Earned premiums for the Banque Populaire and Caisse d'Epargne networks rose 7% to €1.482 billion, fueled by auto and multi-risk home guarantees, which grew 9% and 7%, respectively.

2.1. LIFE AND PERSONAL PROTECTION INSURANCE BUSINESS – FRANCE & LUXEMBOURG:

Turnover (€ million)	2017	2018	Change
Total investment solutions	**9,511**	**9,583**	**+ 0.8%**
Individual personal protection	187	217	+ 16.3%
Payment protection insurance	633	668	+ 5.5%
Total personal protection insurance	**820**	**886**	**+ 8.0%**
Total life & personal protection	**10,311**	**10,469**	**+ 1.3%**

Life insurance – Investment solutions

France

Despite the absence of a competing and really competitive savings offer in terms of taxation and risk/return (for with-profits products), growth in the French life insurance sector's total inflow was limited to 4% in 2018 (€140 billion versus €135 billion in 2017). Although returns on special savings products (PEL, Livret A, LDD accounts, etc.) fell to all-time lows, competition from Livret A accounts remained strong, with net inflow on this product matching the 2017 level of €10 billion (the highest since 2013). Despite the interest rate paid on Livret A accounts being restricted to 0.75% since August 2015 (negative real return, with inflation having amounted to 1.6%), these products remain attractive for their liquidity and their guaranteed and tax-free returns.

Paid benefits fell 7% to €118 billion. Assets under management in life insurance policies grew 1.1 % to €1,700 billion for the overall market.

2018 brought an end to 10 years of virtually continuous growth in equity markets and the return of volatility. All global stock markets lost ground, with the CAC 40 falling 11%, the Eurostoxx50 14% and the S&P 500 6%. The CAC 40 finished the year at close to 4,750 points and returned to December 2016 levels.

Amid declining returns on with-profits funds (as in 2017), inflow invested in unit-linked products rose 2% to €39.5 billion for the whole of the market (after growing 38% in 2017). The portion of inflow invested in these products represented 28.2% of the total (versus 28.7% in 2017).

Against this backdrop, premiums collected by Natixis Assurances in France rose 0.8% to €9.0 billion (direct business).

Growth in Natixis Assurances' inflow was driven by the offering for the Caisses d'Epargne. Turnover from this source reached €5.540 billion (+4% versus 2017), with over 198,000 new direct business policies signed, of which 56% came from the General Public segment and particularly the Millevie Essentielle product (94% of segment turnover).

Natixis Assurances' inflow from the Banques Populaire network was spurred by multi-instrument policies designed for Wealth Management clients (+10% to €1.918 billion in 2018) and particularly the Quintessa product, which was launched in 2015 and accounted for 92% of segment turnover, with the unit-linked portion standing at 34%.

At the same time, inflow into multi-instrument products designed for the General Public segment contracted 16% to €1.138 billion, although the Horizéo product launched at the end of 2013 held steady at €363 million, with the unit-linked portion standing at 29%.

Solution Perp, the individual pension plan solution for the Banque Populaire and Caisse d'Epargne networks, generated €41 million in earned premiums, down 46% relative to 2017. Outstanding mathematical reserves under management declined 1% yoy to €539 million.

Luxembourg

Investment Solutions turnover was stable relative to 2017:
- 7% increase in inflow invested in the with-profits fund;
- 6% decrease in unit-linked turnover, with these products accounting for 47% of total inflow (-3 percentage points).

For both countries combined, total inflows reached €9.583 billion in 2018 (direct business), of which 33.2% was invested in unit-linked products (34.9% in 2017). Unit-linked inflows dipped 4% to €3.181 billion.

Including the acceptance of 10% of CNP's Caisse d'Epargne portfolio, Investment Solutions turnover amounted to €10.065 billion, of which the unit-linked share was 33.1%.

Furthermore, reflecting the entity's status as a bancassurer, 95% of 2018 (direct business) inflows came from Groupe BPCE banking networks. The portion generated by external business providers fell in 2018: with inflows of €437 million, this source represented 5% of Investment Solutions direct-business life insurance premiums versus 6% in 2017.

Change in unit-linked/with-profits AuM and net benefits

The cost of benefits totaled €3.8 billion (direct business), up 6% increase yoy. The rate of benefits relative to AuM at the start of the year worked out to 6.9%, down 0.6% relative to 2017.

Net inflows from direct business were largely positive at €5.8 billion, of which unit-linked policies represented 42% versus 45% in 2017. As a result, policyholder AuM grew at a sustained pace of 9.8% yoy, outstripping the market and reaching €60.1 billion (€71.3 billion including the assets reinsured via the 10% stock treaty with CNP).

(€ million)	2017	2018	Change
With-profits AuM	42,119	46,082	+ 9.4%
Unit-linked AuM	12,618	14,026	+ 11.2%
Provision for policyholder bonuses - after incorporation	1,136	1,167	+ 2.7%
Total	**55,873**	**61,276**	**+ 9.7%**

The geographic breakdown is as follows:

	2017		2018	
(€ million)	France	Luxembourg	France	Luxembourg
With-profits AuM	39,240	2,879	42,985	3,097
Unit-linked AuM	10,985	1,633	12,328	1,698
Total	**50,225**	**4,512**	**55,313**	**4,795**

Personal protection insurance

Premium income grew significantly in 2018, buoyed by positive contributions from both individual personal protection insurance and payment protection insurance.

(€ million)	2017	2018	Change
Individual personal protection insurance	187	217	+ 16.3%
Payment protection insurance - BP	339	342	+ 0.7%
Payment protection insurance - CE	283	310	+ 9.6%
Payment protection insurance - CFF	11	17	+ 47.4%
Total	**820**	**886**	**+ 8.0%**

Payment protection insurance

Since 2010, several regulatory measures have been introduced in order to enhance fluidity in the credit insurance market:

- Lagarde Law on consumer protection;

- Hamon Law (2014), which gave policyholders the option of terminating or renegotiating their policy on the first policy anniversary date;

- the Bourquin amendment of the Sapin 2 Law (early 2018) which enables policyholders to terminate their policies on each policy anniversary date subject to a two-month notice period.

To limit customer attrition stemming from these new regulations, the company introduced the Parade mechanism with a view to providing responses tailored to customer requests.

Despite the decline in the property loan market, payment protection insurance turnover advanced 6% to €668 million. Business benefited from the full-year effect of the strong production recorded in 2017 and the development of pricing on principal remaining due.

In growth terms, the progress made by the two networks was affected by the change in co-insured shares applied as from the 2016 generation of policies (now 34% for Natixis Assurances for both networks). As a result, the Banque Populaire network was virtually flat (+0.7%), while the Caisse d'Epargne network progressed by 9.6%

Growth rates by type of insured loan varied: insurance of amortizing loans was highly dynamic, with premiums growing 6% (€603 million in 2018), while insurance of revolving loans dipped 2%. Overall, the majority of new business originated from amortizing loans, i.e. 90% of total payment protection policies, up 1% percentage point on 2017.

Individual personal protection insurance

Individual personal protection premiums continued to grow in 2018, expanding by 16.3% to €217 million. This progress primarily stemmed from the commercialization of the new offering within the Caisse d'Epargne network since 2016. The Banque Populaire network also advanced by 3.4%, driven by direct business (+4.1%) and particularly the Fructi-Famille product.

2.2. NON-LIFE INSURANCE – FRANCE

Gross policy sales decreased 4.8% in 2018. The decline affected both networks and reflected the waning momentum of the Hamon Law and a decrease in property loans which had the effect of reducing contacts with customer relations staff.

(thousands of policies)	2017	2018	Change
Multi-risk home insurance	482	457	- 5%
Auto insurance	366	345	- 6%
Personal accident insurance	159	164	+ 3%
Health insurance	25	22	- 11%
Legal insurance	136	113	- 17%
Professional insurance	27	27	- 2%
Two wheels	-	20	*na*
Other	98	84	- 14%
Total	**1,293**	**1,231**	**- 5%**

The decline primarily concerned multi-risk home (-5%), auto (-6%) and legal expenses (-17%) policies. Commercialization of the “Two Wheels” offering got off to an excellent start, with over 20,000 policies sold between launch in June 2018 and year-end.

Non-life earned premiums advanced 7% to €1.482 billion during the year, with rises of 8% for the Banque Populaire network and 6% for the Caisse d’Epargne network. These figures were achieved in mature markets, where growth was restricted to only 2.7% in multi-risk home and 2.9% in auto in 2018 (source: FFA).

Sales of individual health insurance policies continued to be adversely affected by the 2016 national inter-professional agreement covering the general implementation of company supplementary healthcare plans, and consequently contracted 11%.

BPCE Assurances earned premiums (full consolidation)

(€ million)	2017	2018	Change
Multi-risk home insurance	305	321	+ 5%
Auto insurance	275	302	+ 10%
Personal accident insurance	93	99	+ 7%
Health insurance	79	80	+ 1%
Legal insurance	55	56	+ 2%
Professional insurance	13	12	- 1%
Two wheels	-	1	*na*
Other	74	76	+ 4%
Total	**892**	**948**	**+ 6%**

In auto insurance, sales growth was primarily fueled by a 6% volume increase. The growth in multi-risk home premiums reflected both a 4% volume increase and premium-rate hikes of 3% on average.

The number of policies in the portfolio rose 3% yoy to 3.9 million.

BPCE IARD earned premiums (equity method)

(€ million)	2017	2018	Change
Multi-risk home insurance	139	152	+ 9%
Auto insurance	179	192	+ 7%
Legal insurance	12	14	+ 13%
Professional insurance	56	62	+ 11%
Other	7	6	- 18%
Total	**393**	**426**	**+ 8%**

Turnover advanced 8%, thanks to 6% portfolio growth and an increase in multi-risk home premium rates of around 3%.

The number of policies in the portfolio rose 6% to 1.6 million by the end of 2018. 45% of these policies were multi-risk home policies (up 6% yoy) and 28% auto policies (up 3% yoy).

BPCE Prévoyance earned premiums (full consolidation)

(€ million)	2017	2018	Change
Payment instrument guarantees	74	77	+ 4%
Personal accident insurance	25	29	+ 16%
Property & casualty insurance	2	3	+ 30%
Total	**100**	**108**	**+ 8%**

BPCE Prévoyance’s property & casualty business primarily relies on payment instrument guarantees, which represented 71% of total premiums and recorded a 4% increase in earned premiums during the year. Elsewhere, personal accident business continued to progress at a sustained pace, rising by a further 16% after 13% growth in 2017, in line with expansion in the portfolio (impact of the new multi-risk personal accident product at end-2017).

2.3. ACTIVITIES OUTSIDE EUROPE

Activities outside Europe (excluding those in French overseas departments and territories) are limited to the 34% stake in Lebanese company Adir, a 66%-owned subsidiary of banking group Byblos. The stake is accounted for by the equity method in Natixis Assurances’ financial statements

Adir’s business was particularly robust in 2018, thanks to growth in the investment solutions and non-life segments:

(US$ million)	2017	2018	Change
Life – Investment solutions	33	37	+ 12 %
Life - Personal protection	17	15	- 6 %
Non-life (auto, fire, health, civil liability, theft, etc.)	22	25	+ 7 %
Total	**72**	**77**	**+ 6 %**

Written premiums in the life segment advanced 6% to US$52 million; investment solutions and personal protection insurance account for over two thirds of Adir's total revenues.

Non-life insurance grew at a brisker pace, with earned premiums rising by 7% to US$25 million in 2018.

3. 2018: SOLID RESULTS IN DIFFICULT FINANCIAL CONDITIONS

As in the previous year, Natixis Assurances expanded its business amid satisfactory profitability conditions:

• in life insurance, where Natixis Assurances confirmed its ability to generate satisfactory margins despite historically low interest rates and a volatile market environment;

• in personal protection insurance, where claims remained at reasonable levels overall and in line with expectations;

• in non-life insurance, where gross claims expense was adversely impacted by climate events during the year and an exceptional level of serious claims in auto insurance, although the combined ratio was kept well below 100%.

Against this backdrop, net insurance income (NII) from fully consolidated activities advanced 7% to €804 million.

3.1. PROFITABILITY OF LIFE AND PERSONAL PROTECTION INSURANCE

Life insurance

Revenues performed in line with assets under management, which are the main basis for life insurance NII. Revenues rose 10% during the year (direct business - average AuM +12%).

Contractual margins on AuM rose 9%, in line with growth in average AuM. NII on life insurance and investment solutions also benefited from a minor improvement in the investment margin, thanks to growth in AuM and despite diluted returns on fixed-income products.

Excluding the returns incorporated in mathematical reserves at the beginning of the following year, the provision for policyholder bonuses was increased by €31 million to almost €1.167 billion at end-2018. This reserve amount, which must be incorporated within 8 years, represents the equivalent of an annual increase of 2.5% in with-profits AuM.

Personal protection and payment protection insurance

Personal protection and payment protection NII rose 8%:

• individual personal protection increased revenues 10%, with a 16% increase in activity levels partly offset by a minor deterioration in the loss ratio;

• payment protection recorded 8% growth in NII, reflecting a 6% increase in turnover and stable claims.

3.2. PROFITABILITY OF NON-LIFE INSURANCE

Despite the climate events that occurred in 2018, NII from non-life insurance activities rose 6%. The main points of note were as follows:

• for the Caisse d'Epargne network, NII in the non-life activity made progress during the year, as a result of:

- growth in the portfolio and premium income;

- a 3.4-point deterioration in the underlying loss ratio, primarily due to the increase in serious auto claims and the impact of climate events;

- a €1.8 million reduction in investment income, mostly stemming from a €1.5 million capital loss on the sale of Italian bonds;

- an improvement in the reinsurance result, thanks to a sizeable cession of serious claims and coverage of climate events.

• for the Banque Populaire network, NII from non-life activities (excluding BPCE IARD), rose 8% during the year, primarily thanks to 8% volume growth, with the loss ratio remaining at a satisfactory level.

The combined ratio for property & casualty insurance policies distributed by the Caisse d'Epargne network decreased by 0.2 points to 90% in 2018.

3.3. INVESTMENT MANAGEMENT POLICY AND INVESTMENT INCOME

Management of Natixis Assurances' assets (with the exception of BPCE IARD, accounted for by the equity method) is delegated to Ostrum Asset Management, a subsidiary of Natixis. Investment policy is aimed at optimizing returns on the Group's capital, while safeguarding commercial policy and the interests of policyholders, as well as the solvency of the companies comprising the insurance scope.

Macro-economic environment and monetary policies

2018 witnessed a marked change in macro-economic dynamics, with the factors that had buoyed growth in 2017, waning progressively during the year. The strong growth previously had been driven by the accommodating monetary policies applied in developed and emerging countries since 2016.

The shift in US economic policy triggered a significant change in macro-economic dynamics. In the early months of 2018, the White House adopted an aggressive budget policy comprising tax cuts for all households and companies, together with increased expenditure. An immediate consequence of this change was to reverse capital flows away from emerging countries and thus undermine their economic situations. These outflows weakened their currencies to the benefit of the dollar, and led to higher interest rates and reduced liquidity for the countries concerned.

This impact was accentuated by the uncooperative strategy employed by the White House. Tensions between the USA and the rest of the world initially surfaced on steel and aluminum. The situation then gradually focused on relations with China. Asia was directly penalized and the lack of markets represented a new constraint for Europe. This showed up in a contraction in industrial activity in all European countries during the last three months of 2018.

These geopolitical uncertainties adversely affected growth in Europe. The pace of growth at the end of 2017 (Europe grew by 2.4% in 2017) was unsustainable over time. As 2018 progressed (Europe grew by 1.9% in 2018), economic growth gradually converged with its long-term trend. This slowdown in the euro zone had a significant impact on the pace of world trade, given the euro zone's size and importance for trade.

Lastly, the upturn in oil prices (crude rose from an average of $55 a barrel in 2017 to $72 in 2018), gradually erased the advantages observed in 2017. Inflation remained moderate, but gains in purchasing power gradually withered. Oil prices reflected global political tensions and particularly those between the USA, Russia and Iran.

Against this backdrop, central banks remained accommodating. The Fed was virtually the only central bank to continue normalizing rates, with the Fed Funds rising from 1.4% to 2.4%.

Equity markets lost significant ground in 2018, amid renewed volatility. Despite a promising start to the year, when markets were buoyed by robust global growth and the White House's adoption of a highly expansionary budget policy, the situation changed quickly after the publication of higher-than-expected US inflation, together with slightly more robust wage growth, which together raised concerns of faster-than-expected rate hikes.

Equity markets shifted direction and turned down sharply in October 2018, largely due to an upturn in US 10-year rates to 3.2%, which stoked fears of faster-than-expected rate hikes by the Fed. Investor wariness was also accentuated by the sharp run-up in oil prices and deepening trade-related tensions, as witnessed by the US decision to impose additional duties on $250bn of Chinese imports. Global growth and the various stock-market indices were hit by these rising tensions, with the S&P shedding 9.7% and the MSCI Europe 7.2% between October 3 and 29.

After a period of high volatility, stock markets plunged in December, despite the temporary ceasefire agreed between China and the USA on December 1. Fears then intensified due to the prospect of a partial shutdown of the US administration. All in all, the Standard & Poor's index of US stocks recorded its worst performance for 10 years, falling 6.2% during the year.

All these factors contributed to ending 10 years of continuous gains in equities. Global stock markets posted negative performances, ranging from -11% for the CAC 40, -14% for the Eurostoxx 50 and -6% for the S&P 500.

Asset management policy

Natixis Assurances' investments in with-profits funds rose by €5 billion to reach €68 billion at December 31, 2018.

Management strategy prioritized investments in physical assets and a gradual reduction in the portfolio's sensitivity to equity markets. Following three years of decreases, the directional equities pocket was down to 5.3% at end-2018, notably to the benefit of real estate

and infrastructure which now account for 4.7% of exposure. The diversification policy was also continued, to the extent that diversified assets now account for 16% of the portfolio.

Fixed-income products represented 81% of investments at year-end. The continuation of the ECB's bond-buying program weighed on European bond yields and particularly on those for French sovereign debt (OATs), for which 10-year rates averaged 0.79% versus 0.81% in 2017.

Amid these low interest rates, the yield on long-term fixed investments remained close to the 2017 level: for BPCE Vie, which accounts for 90% of Natixis Assurances' investments, the average yield worked out to 1.95%, with an average duration of 11.8 and an average rating of BBB+, thanks to investments in private debt and an extension of maturity on sovereign debt. All in all, private debt and sovereign debt investments respectively represented 20% and close to 30% of fixed-income flows.

Consolidated net investment income

Over 95% of net investment income - the basis for margins earned on life insurance business and the source of returns paid on life insurance policies - came from assets backing life insurance underwriting reserves.

Net investment income amounted to €367 million in 2018, dropped 85% yoy, and reflecting the following factors:

• the change in the fair value of instruments measured at fair value through profit and loss, which fell sharply during the year (-€1.023 billion). This balance mainly comprised changes in the value of unit-linked assets (-€1.005 billion versus +€676 million in 2017), though this had no impact on operating income (after accounting for the expense related to unit-linked adjustments of mathematical reserves);

• a 60% reduction in capital gains net of reversals of impairment provisions to €91 million, following equity and property divestments made in 2017.

Excluding these factors, net investment income declined 2%, reflecting lower bond yields against a backdrop of historically low interest rates.

3.4. CONSOLIDATED OPERATING EXPENSES

Total operating expenses rose 8% to €1.453 billion in 2018. Adjusted for commissions paid to business providers, capitalized costs and various items not representative of the division's recurrent operating structure (including €19 million of one-off taxes linked to the entry into the portfolio via the reinsurance acceptance of 10% of CNP's Caisse d'Epargne's life insurance business), consolidated expenses increased 7% yoy to €424 million during the year

This increase was primarily due to business growth across all business lines, together with strategic projects initiated in 2018 as part of the strategic plan, both in non-life insurance (Purple#Care and #Innove2020) and in life and personal protection insurance (IFRS17, Pro and Natixis Life), and the continued rollout in the Caisse d'Épargne network.

A breakdown of these expenses shows:

• a 12% increase in commissions paid to business providers;

• a 19% increase in IT expenses, reflecting the magnitude of strategic investments carried out and resources used in general.

3.5. CONTRIBUTION OF COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

BPCE IARD – 49.48%-owned

BPCE IARD earned €30.5 million of income overall in 2018, up 35% yoy, and contributed €9.6 million to consolidated net income. 2018 featured a €7.7 million equalization provision, which was cancelled under IFRS. The main movements between 2017 and 2008, excluding IFRS restatements, were as follows:

• turnover rose 10%, thanks to brisk growth in the portfolio. Auto and multi-risk home turnover advanced by 9% and 11%, respectively, driven by portfolio growth and premium-rate hikes (+3% on average for the two products). Products for professionals also fared well, with turnover climbing 11% during the year, primarily fueled by volume growth;

• the loss ratio deteriorated by 3.2 percentage points to 69.4% in 2018, due to a sizeable impact from climate events (€30.2 million in 2018 versus €19.0 million in 2017) and an increase in the number of sizeable fire insurance claims, offset by the attractive liquidation of earlier-year events in the auto segment;

• reinsurance expense fell €16.1 million, thanks to higher ceded climate insurance claims;

• net investment income dipped €3m, primarily due to lower capital gains realization on equities;

• a 7.3% increase in operating expenses, in line with portfolio growth and the ensuing direct impact on claims management (+11% yoy) and paid commissions (+11% yoy). Operating expenses and commissions paid to business providers represented 25.4% of earned premiums, a 0.5-point improvement relative to 2017.

Adir – 34%-owned

Confirming the good results posted in 2017, income rose a further 7% to US$16 million in 2018. This progress stemmed from a 19% rise in investment income and a 19% reduction in operating and administrative costs. The net combined ratio remained at an attractive level of 57%.

Reflecting this improvement and the strengthening of the US dollar, Adir's contribution to consolidated net income advanced 19% to €5.0 million versus €4.2 million in 2017.

3.6. CONSOLIDATED NET INCOME

Spurred by profitable business development, consolidated operating income advanced 11% to €417 million.

Tax expense inched down to €121 million during the year and represented 30.8% of pre-tax income.

Consolidated net income (group share) improved 33% to €272 million.

3.7. POST-CLOSING EVENTS

At the time the financial statements were approved by the Board of Directors, there had been no post-closing events liable to materially impact the group's financial position.

3.8. 2019 OUTLOOK

In financial terms, continued low interest rates are likely to again exert pressure on insurers' investment margins, thereby lending weight to the diversification strategy applied in recent years and geared to limiting the reduction in returns.

2019 constitutes the second year of the 2018-2020 strategic plan and will focus on business development and the continuation of strategic projects:

• further growth in business originating from the Caisses d'Epargne;

• development of personal protection insurance by equipping customers with more than one product;

• development of solutions for the professionals market.

• rollout of a single operational model for the Groupe BPCE networks in the non-life field.

4. THE NATIXIS ASSURANCES COMPANY'S BUSINESS REPORT

4.1. ACTIVITY AND NET INCOME

In line with its corporate purpose, the company's activity remains limited to the management and financing of its shareholdings.

The activity of the main subsidiaries was discussed in the Management Report for the Natixis Group for fiscal year 2018.

Almost all the company's income consists of the €197 million in dividends received from its subsidiaries and affiliates (€166 million in 2017), which can be broken down as follows:

(in € thousands)	2017	2018
BPCE Vie	127,157	100,919
BPCE Prévoyance	17,447	12,657
BPCE Assurances	11,670	71,924
BPCE IARD	2,969	3,058
Adir	1,929	2,188
Natixis Life	4,900	6,100
Total	**166,072**	**196,846**

The company also recorded €25 million in interest income on loans to subsidiaries and incurred €29 million in financial expenses on loans, resulting in overall investment income of €195 million.

Operating income, consisting mainly of holding company expenses and investment management fees, came out at -€5.4 million versus -€5.6 million in 2017.

Net income advanced 21% to €189 million, versus €157 million in 2017.

4.2. APPROPRIATION OF EARNINGS

A proposal was made for the sum comprised of:

- income for the period €189,050,899.59
- plus retained earnings €364,587.38

i.e. a total amount available for distribution of €189,415,486.97

to be distributed as follows:

- distribution of a dividend of €189,139,333.50
- legal reserve €0.00
- the balance to retained earnings €276,153.47

i.e. distributed earnings of €189,415,486.97

The proposed dividend would result in a payment of €9.75 for each of the 19,398,906 shares making up the share capital.

Shareholders' funds at the close of fiscal 2018, after appropriation of 2017 earnings, would total €1,286,906,751.98.

In accordance with the law, we hereby inform you that the following dividends were paid in respect of the past three fiscal years:

	2015	2016	2017
No. of shares receiving dividends	19,398,906	19,398,906	19,398,906
Dividend per share	€6.02	€6.50	€7.95
Total amount of dividends	**116,781,414**	**126,092,889**	**154,221,303**

4.3. INFORMATION CONCERNING THE SHARE CAPITAL

Natixis Assurances' share capital amounted to €148,013,652.78 at December 31, 2018.

The share capital comprised 19,398,906 shares with a nominal value of €7.63.

In accordance with the provisions of Article L. 233.13 of the French Commercial Code, it is specified that 99.999% of the share capital and voting rights at Shareholders' Meetings are held by Natixis.

Shareholder	Number of shares
Natixis SA	19,398,905
Other physical persons	1
Total	**19,398,906**

4.4. ANALYSIS OF DEBT POSITION (ART. 225-100 OF THE FRENCH COMMERCIAL CODE)

Natixis Assurances' debt position is the result of the investment management policy and the strict capital allocation policy adopted by its shareholder, under which all earnings and available reserves are distributed.

As such, loans are not issued for the purpose of funding the operation of companies belonging to the Group (these companies possess substantial cash flows), but only to meet the regulatory solvency capital requirements necessary for the development of assets under management and insured risks.

The detailed presentation of subordinated loans issued by the companies is given in the notes to the consolidated financial statements. At December 31, 2018, Natixis Assurances had:

- credit facilities totaling €93 million and granted by Natixis;
- medium-term senior loans totaling €392 million and granted by Natixis;
- €22 million of perpetual subordinated loans and €403 million of dated subordinated loans granted by Natixis;
- a dated subordinated note of €251 million.

The interest expense incurred by Natixis Assurances came to €28.6 million in 2018 (€29.2 million in 2017).

4.5. LUXURY EXPENSES

In accordance with the provisions of Article 223 quater of the French General Tax Code, the company did not incur any of the expenses or expenditures referred to in section 4 of Article 39 of said code during the fiscal year.

4.6. INFORMATION RELATING TO TRADE PAYABLES

Pursuant to Articles L 441-6-1 and D 441-4 of the French Commercial Code, we inform you that the amount of trade payables recorded in the balance sheet for the year ended December 31, 2018 (excluding invoices yet to be received) was zero.

4.7. CONSOLIDATION METHODS AND TAX CONSOLIDATION

Natixis Assurances is a 99.99%-owned subsidiary of Natixis. As such, it is fully consolidated in its shareholder's financial statements, and in the financial statements of BPCE, the majority shareholder of Natixis.

Natixis Assurances and the subsidiaries in which it holds more than 95% of the share capital are members of the tax group established by Natixis pursuant to Articles 223-A and following of the French General Tax Code. Their income is determined as if they were taxed separately. The tax consolidation agreement in force at Natixis is based on the principle of neutrality, whereby each subsidiary determines its tax and contributes to the group's tax as if it were not consolidated. The tax expense owed by each subsidiary is not amended as a result of its tax consolidation.

On December 14, 2018 the subsidiary BPCE Vie and Natixis signed a rider to the tax consolidation agreement. The rider stipulates that in the event of a tax deficit, the subsidiary shall definitively receive from the parent company a sum equal to the corporate income tax saving recorded by the tax group.

Any tax savings or expenses generated by consolidation are recognized by the parent company, Natixis.

4.8. RESEARCH & DEVELOPMENT

The company does not have any R&D operations.

4.9. EMPLOYEEE SHAREHOLDING

Natixis Assurances did not have any employees at December 31, 2018. Consequently, the provisions of Article L. 225-102 of the French Commercial Code do not apply.

4.10. STATEMENT OF EARNINGS

In accordance with the provisions of Article R. 225-102 of the French Commercial Code, this report includes a statement of the company's earnings for each of the past five fiscal years.

5. SOCIAL AND ENVIRONMENTAL INFORMATION

Companies under the control of a company that includes them in its consolidated financial statements in accordance with article L. 233-16 of the French Commercial Code are not obliged to publish a statement of non-financial performance if the company that controls them is established in France and publishes a consolidated statement of non-financial performance in accordance with part II of the said article or if the company that controls them is established in another European Union member state and publishes a corresponding statement pursuant to the legislation applicable to it.

Natixis Assurances is fully consolidated in the Natixis group's consolidated accounts.

6. CORPORATE GOVERNANCE REPORT

France's ordinance n°2017-1162 of July 12, 2017 and decree n°2017-1174 of July 18, 2017 provide for a corporate governance report to be prepared by the Board and attached to the management report. As permitted by article L. 225-37 of the French Commercial Code, the elements contained in this report are included in this dedicated section of the management report.

6.1. METHODS OF EXERCISING SENIOR MANAGEMENT

Pursuant to article L. 225-37-4 of the French Commercial Code, we inform you that the Board of Directors chose one of the two methods of exercising senior management provided for in article L. 225-51-1 of the Commercial Code.

As a result, in accordance with legislation and article 14 of the company's articles of association, Natixis Assurances' senior management is assumed under the responsibility of a Chief Executive Officer, appointed by the Board of Directors.

6.2. INFORMATION ON CORPORATE OFFICERS

List of corporate offices

In accordance with the provisions of Article L. 225-37-4 of the French Commercial Code, the list of all the corporate offices held in any company by each of Natixis Assurances' corporate officers during the fiscal year is provided in Annex 1 of this report

Compensation paid to corporate officers and attendance fees

The provisions of Article L. 225-37-3 of the French Commercial Code require Natixis Assurances to disclose the compensation and benefits in kind paid to members of the Board of Directors also holding office in Natixis, a company whose shares are admitted to trading on a regulated market. In accordance with these provisions, we report to you in the Annex on the amount of all compensation and benefits in kind paid during the fiscal year to the corporate officers subject to the said article. The company's articles of association provide for attendance fees to be apportioned among the members of the Board of Directors according to the governance rules in force within Groupe BPCE. The members of the Board of Directors of Natixis Assurances received a total sum of zero (€0) in respect of attendance fees for fiscal year 2018. In accordance with the governance rules applied by BPCE and Natixis, the offices held by BPCE and Natixis employees, as well as by Natixis in the capacity of legal entity, do not entitle the officers to attendance fees. Consequently, no attendance fees were paid to employee representatives for their participation in Natixis Assurances board meetings.

All compensation and benefits received by the Chairman of the Board of Directors and senior management

In accordance with article L. 225-37-2 of the French Commercial Code, we inform you that:

- Mr François Riahi did not receive any compensation in 2018 in respect of his office of Chairman of the Board of Directors of Natixis Assurances;

- Mr Jean-François Lequoy did not receive any compensation in 2018 in respect of his office of Chief Executive Officer of Natixis Assurances;

- Mr Christophe Le Pape did not receive any compensation in 2018 in respect of his office of Deputy Chief Executive Officer of Natixis Assurances;

- Ms Nathalie Broutèle did not receive any compensation in 2018 in respect of her office of Deputy Chief Executive Officer of Natixis Assurances.

Principles and criteria for determining, allocating and awarding fixed, variable and exceptional components of total compensation and all benefits received by the Chairman of the Board of Directors and senior management

The function of Chairman of the Board of Directors of Natixis Assurances exercised by the Chief Executive Officer of Natixis does not give rise to any specific compensation; this function is included in his scope of responsibility and is therefore incorporated into the definition of the components of his compensation as Chief Executive Officer of Natixis.

The function of Chief Executive Officer of Natixis Assurances exercised by the Head of Natixis' Insurance Division does not give rise to any specific compensation; this function forms part of his scope of responsibility and is therefore incorporated into the definition of the components of his compensation as Head of Natixis' Insurance Division.

The functions of Deputy Chief Executive Officers exercised by the Head of Natixis' Life and Personal Protection Insurance business and by the Head of Natixis' Non-Life Insurance business do not give rise to any specific compensation, as these functions are included in their scopes of responsibility.

Terms of offices of the directors

We inform you that no corporate office held by a director is due to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2018.

Terms of offices of the statutory auditors

We inform you that no office held by a statutory auditor is due to expire at the end of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2018.

6.3. RELATED-PARTY AGREEMENTS

In accordance with the provisions concerning related-party agreements contained in L. 225-38 of the French Commercial Code, we inform you that no related-party agreements subject to this article were submitted for the approval of the Board of Directors during fiscal 2018.

Furthermore, for fiscal year 2018, no agreements met the provisions of article L. 225-102-1 of the French Commercial Code calling for the Management Report to indicate – with the exception of agreements on ordinary operations carried out under normal market conditions - any agreements entered into, directly or via an intermediary, between (on the one hand and depending on the case), the Chief Executive Officer, the Deputy Chief Executive Officer, a Director or Shareholder holding more than 10% of the voting rights in a company, and (on the other hand) another company in which the latter directly or indirectly holds more than half the share capital.

However, we inform you that with respect to agreements concluded previously by the company and subject to article L. 225- 38 of the Commercial Code, the following agreements continued to produce their effects in fiscal 2018:

- the general framework agreement signed between CNP Assurances (acting in its name and on its own behalf and in the name of and on behalf of its subsidiaries), BPCE (acting in its name and on its own behalf and/or depending on the case (i) in the name of and on behalf of members of the Caisse d'Epargne network in its capacity of central institution of the Caisse d'Epargne network (ii) in the name of and on behalf of members of the Banque Populaire network in its capacity of central institution of the Banque Populaire network, and/ or (iii) in the name and on behalf of its subsidiaries), Natixis (acting in its name and on its own behalf and/or depending on the case, in the name and on behalf of its subsidiaries), Natixis Assurances, BPCE Vie (formerly ABP Vie) and BPCE Prévoyance (formerly ABP Prévoyance).
- the shareholders' agreement on Ecureuil Vie Développement signed by CNP Assurances, Natixis Assurances and BPCE, in the presence of Ecureuil Vie Développement.
- the agreement for the secondment of CNP Assurances staff to Ecureuil Vie Développement, signed between CNP Assurances and Ecureuil Vie Développement, in the presence of Natixis Assurances and BPCE Vie (formerly ABP Vie).

6.4. DELEGATIONS GRANTED BY THE GENERAL SHAREHOLDERS' MEETING TO THE BOARD OF DIRECTORS

No delegations subject to articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code were granted by the General Shareholders' Meeting to the Board of Directors in respect of the fiscal year ended December 31, 2018.

6.5. STANDARDIZED TABLES CONSISTENT WITH AMF RECOMMENDATIONS

The compensation paid to François Riahi in 2018 in respect of his office of Natixis Chief Executive Officer comprises €468,055 of fixed compensation and associated benefits and €827,706 of variable compensation, the components of which are detailed above. The performance condition applied to the deferred part of variable compensation awarded to François Riahi is that Natixis' net operating income must be strictly positive.

This condition being fulfilled for fiscal year 2018, the tranches relating to the three previous fiscal years were paid to the beneficiary. The difference between the amounts allocated and the amounts effectively paid was linked to Euribor-based capitalization for the cash part and to the change in the Natixis share price for the part indexed to the Natixis share.

François Riahi, Chief Executive Officer of Natixis (office began June 1, 2018)	Fiscal year 2018	
	Amounts due or allocated[(a)]	Amounts paid
Fixed compensation in respect of his corporate office	€466,667	€466,667
Annual variable compensation	€528,190	€827,706
One-off compensation	€0	€0
Attendance fees	€0	€0
Benefits in kind	€1,388 [(b)]	€1,388 [(b)]
Total	**€996,245** [(c)]	**€1,295,791**

(a) This amount includes payment and deliveries of securities related to variable compensation deferred from previous years. Excluding collective variable compensation (discretionary and mandatory profit sharing) paid to François Riahi in respect of 2017 for his functions as Co-Head of Corporate & Investment Banking. Deliveries of securities related to long-term compensation plans destined for members of Natixis' Senior Management Committee are presented in AMF table n°7 in Natixis' 2018 Reference Document.
(b) The amount carried over concerns a family supplement.
(c) François Riahi, Chief Executive Officer since June 1, 2018, also benefited during the Board of Directors meeting of August 2, 2018 from the cost-free allocation of 13,605 performance shares awarded on a time-apportioned basis and corresponding to a value of €93,333 on the allocation date.

7. PROCEDURES USED TO PREPARE AND VERIFY ACCOUNTING AND FINANCIAL INFORMATION

7.1. OBJECTIVES OF THE PROCESS

The process of preparing and verifying accounting and financial information serves two purposes:

- ensuring the accuracy and existence of assets and liabilities;
- producing appropriate and sufficient financial information regarding changes in assets and liabilities during the fiscal year in question.

Attaining these objectives relies on:

- continuous monitoring of day-to-day production operations and particularly accounting production;
- the process of closing the accounts and producing summary financial information, including that for the notes to the accounts.

7.2. RESOURCES EMPLOYED

7.2.1. Organization of staff devoted to the process

Preparation of accounting and financial information is primarily the responsibility of the financial departments of Natixis Assurances' two business lines (Life and Personal Protection Insurance, and Non-Life Insurance). This responsibility is upheld via the functions they assume in terms of accounting, budget control, financial reporting and steering, and design and steering of IT systems used to produce financial information.

In addition, the financial department of the Life and Personal Protection Insurance business line is responsible for preparing Natixis Assurances' consolidated financial information. This information is established according to Natixis' rules for translating IFRS rules and interpretations as adopted by the European Union.

Furthermore, these financial departments process essential information that is prepared and/or validated by organizational entities housed within the two business lines and holding various responsibilities in the actuarial, investment portfolio management and risk management fields.

The reliability and consistency of the work of each of these entities are therefore necessary conditions for the quality of the financial information process. More generally, accounting period-ends require the intervention of most business-line departments as well as contractors in charge of delegated activities.

7.2.1.1. Financial Department

7.2.1.1.1. Accounting

Accounting activity is structured according to the type of work performed:

- **Technical accounting teams,** which are responsible for processing the issuance of premiums, benefits and fees/commissions, along with the associated banking flows;
- **Teams responsible for preparing individual (non-consolidated) financial statements,** and tasked with centralizing accounting and account construction for the establishment's various entities and the preparation of annual tax results and various prudential reports;
- **Teams responsible for processing operations relating to employed resources,** i.e. recording and payment of "supplier" and "client" invoices, recording and monitoring of fixed assets, recording and control of personnel expenses, quarterly operating-expense account closes, tax declarations and payment of indirect taxes. These teams work in close collaboration with budget control and analytical accounting teams, particularly on period-end work;
- **Team in charge of accounting and reporting on investments and investment income.** The team is tasked with exercising detailed control over the situation and accounting of the Life and Personal Protection Insurance business line's investment portfolios, this function having been outsourced since end-2008 to Caceis Fund Administration, the subsidiary of Caceis Bank specialized in administration, accounting and valuation services for UCITS and institutional portfolios. It is also responsible for establishing the inventory of investments and the investment income account for each entity, as well as contributing to the preparation of associated financial information concerning investments held by insurance policies.
- **Team in charge of consolidation,** tasked with producing consolidated financial reports for the Natixis Assurances group under IAS/IFRS and Solvency 2 rules.

7.2.1.1.2. Management control

These teams' responsibilities cover the following two areas overall:

- analytical accounting and budget steering for the business lines' resources. For the Life and Personal Protection Insurance business, costs are allocated and analyzed using the Activity-Based Costing (ABC) method and underpinned by SAP's Profit & Cost Management (PCM) software; for the Non-Life Insurance business line, a module focused more on operating expenses and analytical accounting has been developed using Essbase (Oracle);
- financial steering of results on the Natixis Assurances scope, via the production of consolidated financial statements. In this respect, the teams are tasked with analyzing changes in business activity and calculating margin formation, as well as helping to steer the company's profit.

7.2.1.1.3. Implementation of rule changes

A team devoted to analyzing IFRS and local rules and standards, and to examining their impacts on information processes and systems is operational within the Financial Department of the Life and Personal Protection Insurance business line.

7.2.1.2. Investments & financial engineering

The team's responsibilities include the following subjects:

• analysis and determination of equity financing policy;

• implementation of investment policy on all asset classes, steering of joint decision-making bodies with investment management firms, checks to ensure adherence to investment management mandates, and participation in financial production work (analysis of securities showing losses and assessment of the obligation to proceed with impairments on the securities considered) during accounting period-ends.

7.2.1.3. Product Actuary and Inventory Department

Within each business line, dedicated functions operate in order to handle problems that are specific to the business line in question.

During inventories, actuarial and technical steering teams are in charge of controlling and validating underwriting reserves associated with commercialized products (reserve for claims payable, reserve for unearned premiums, predicted recoveries, reserves for management expenses, reserves for existing risks, etc.)

7.2.1.4. Data quality

Each team involved in producing data used to prepare financial information contributes to the implementation and translation of the data governance process. This process responds to the regulatory requirements applicable to the quality of data used in Solvency 2 calculations and reporting. More specifically, the process is notably geared to ensuring the accuracy, completeness and relevance of data.

7.2.2. IT systems devoted to processes & data quality

The business lines' IT system comprises various business-line or transversal applications, the main types being described below.

7.2.2.1. Applications for inventorizing commitments and determining underwriting results

Policy management systems comprise various programs for calculating, Life, Personal Protection and Property & Casualty underwriting reserves.

These applications record the premium and benefit flows input by agencies or internal and external policy back-offices, then calculate interest and underwriting reserves based on general and particular contractual terms and conditions, subject to the rules set out in France's Insurance Code.

7.2.2.2. Data feed and general accounting applications

As far as is possible given the characteristics of each company's activity, operational processes are unified for the purposes of security and business efficiency. However, the existence or maintenance of distinct processes is justified by differences that exist in terms of ranges of products and insurance risks, policy management methods, history or development prospects.

Life and personal protection insurance business line

Focus on the Matisse Assurance accounting Enterprise Resource Planning (ERP) software:

The People Soft GL solution entered production on January 1, 2009. One of Matisse Assurance's particularities is the ability to enhance recorded accounting entries via an information key that allow for multi-standard accounting (local standards, IFRS and Solvency 2).

As in previous years, operating conditions were satisfactory in 2018.

Focus on the DF Life Insurance and Personal Protection Maintenance Committee:

This body steers operation of the different components of the Financial Department's IT system. It examines the operating conditions of the different transcoding, data feed and accounting interpretation modules located between policy management systems and accounting systems, as well as of general accounting software, reconciliation and clearing software, accounting decision-making software, accounting reporting software and, more generally, all applications devoted to the financial function.

In respect of the fiscal year, the type and frequency of the errors identified were not liable to undermine the reliability of applications.

Application for recording operations on investment portfolios:

The task of recording and accounting for transactions on the companies' investment portfolios are outsourced to Caceis Fund Administration.

The recording process is largely automated within an STP process, starting with Ostrum Asset Management's front office (investment management is delegated to OAM) and ending with transaction accounting in GP3, a market software tool developed by Neoxam. Only complex financial instruments that are fairly uncommon and whose type and volumes do not warrant mass processing, are processed manually.

Divisional accounting is exported automatically to central accounting on a daily basis.

Natixis Assurances' teams perform review and control work. These reviews notably concern the following control points:

• cash and securities reconciliations;

• controls to check correct account allocation;

• controls on actuarial rates of acquisitions;

• controls on the evaluation and recording of accrued coupons and premiums/discounts;

• coherency controls on the capitalization reserve and capital gains;

• coherency controls between individual company accounting, IFRS accounting and tax declarations;

• coherency controls on movements and stock;

• analytical review of investment income;

• reconciliations between management tools and accounting ERP software;

• justification of various equalization accounts.

Focus on the portfolio valuation process:

In order to estimate the fair value of securities in difficult conditions, securities are valued by applying a process that combines, in order of preference:

• use of the last quoted price on a regulated market when this price is very recent and concerns significant transactions on a market that is sufficiently liquid;

• use of databases largely employed by market participants and institutional investors (Reuters, Bloomberg, Fininfo, Markit, etc.);

• interrogation of counterparties, so as to obtain a bid quote;

• very infrequently, in the absence of prices or quotes deemed relevant, re-calculation of a valuation using observable inputs on markets or reconstituted inputs.

The valuation process relies on the joint intervention of:

- investment managers, the "securities database" team and the risk management team of the company holding the financial management mandate for the portfolios held;
- the company in charge of accounting and valuation for the mandate.

Non-Life Insurance business line

BPCE Assurances possesses its own accounting system, Coda, which is interfaced with production tools and underpinned with proprietary management tools (Web XL, Kim Achats, Essbase and Microstrategy).

All accounting entries linked to the BPCE Assurances structure were made via the Coda tool, which received accounting flows from the various production tools.

The Kim Achats tool is used to control, validate and book all the company's commitments via a workflow system.

7.2.2.3. Accounting reporting applications:

Non-Life Insurance business line

The reporting tool used is Assurétat. The business line exports its consolidation reports to Copernic.

Life and Personal Protection Insurance business line

Accounts are centralized using the Open Executive tool. Open Executive inventory data is exported to Copernic in a fully automated manner via Datalink.

Accounts are consolidated using the Copernic Finance tool. Copernic Finance is capable of responding both to the publication obligations of business lines subject to banking regulations and of those subject to insurance regulations.

In terms of internal control, this organization method ensures native coherency of the financial statements at the Natixis Assurances level with those of Natixis, while also enhancing the ability of the consolidators to analyze the results of the said level.

7.3. Continuous monitoring of accounting production operations

Continuous monitoring is geared to verifying that day-to-day transactions are booked in a way which accurately and exhaustively reflects the transactions performed and that they are completely unwound within intended timescales or timescales consistent with those of management operations situated upstream.

Control operations notably rely on automatic account justification and reconciliation software packages. These tools are used for all third-party accounts and bank accounts, as well as for policyholder advance accounts and provisions for future benefits.

The work notably involves checking that transactions are consistent with the amount credited to or debited from the company's bank accounts. This is notably the purpose of justification, then clearing operations on policyholder accounts and bank accounts, as well as banking reconciliations performed with accounts open in credit establishments.

7.4. Period-end and reporting process

The period-end accounting procedure is framed within the dual contexts of the Insurance business and Natixis.

A period-end process is performed on the accounts of each company every quarter, in conditions similar to a year-end process.

This period-end process comprises a plan that stipulates period-end dates, the documents needed and the elementary tasks to be carried out, as well as the allocation of responsibilities between the different departments participating in the period-end process. This allocation primarily concerns tasks to be performed, but also implies responsibility for validating the items essential for entities' earnings formation.

Quarterly accounts are presented by the Financial Department to the company's senior management.

The overall quality of the period-end process relies on:

- the coherency of the work performed by each contributing department and particularly on verifying the coherency of:

- flows recorded in accounting with those used by actuarial inventory for calculating inventory data, whether estimates of premiums, reserves or revaluations, etc.

- flows estimated during the period-end process with those estimated in budget forecasts;

- an analytical review of balance sheet and profit data, the level of

detail of this analysis varying according to the importance and degree of sensitivity of the aggregate concerned.

This phase notably involves:

- justifying changes in income statement and balance sheet line items by events occurring during the period;

- analyzing profit by type of margin and checking coherency with average contractual conditions or with earlier periods;

- checking the coherency of profits with forecasts and justifying discrepancies.

Elsewhere, within the framework of Solvency 2, the business lines rolled out tools and processes required by Pillar 3 reporting. This involved introducing "Solo" reporting tools and enhancing the consolidation tool by incorporating prudential aspects.

7.5. Accounting control and review process

The accounting review function is in charge of analyzing the quality and relevancy of the documentation concerning loss and profit entries recognized on unusual transactions, analyzing open items, preparing a report showing open items by level of risk, mapping accounting risks, reviewing justifications of balance-sheet accounts, controlling accounting/management reconciliations performed by the business lines, reviewing tax returns, controlling provisions set aside for various risks, analyzing justifications of manual entries by type, monitoring progress with the implementation of recommendations issued by control bodies, etc.

Within each business line, the function reports hierarchically to the Chief Financial Officer and functionally to the Chief Compliance Officer.

The two business lines' Review teams prepare summary memos for their management bodies. Recommendations are issued to business lines following intermittent or regular controls performed by Review. A control plan is prepared annually and formally validated by the person to whom the Review teams report. The function is integrated into Natixis' Review support function.

2 Consolidated **financial statements**

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS (in € thousands)	12/2018	12/2017
Goodwill	17,647	17,647
Portfolios of insurance company policies	-	-
Other intangible assets	158,222	139,121
INTANGIBLE ASSETS	**175,869**	**156,768**
Investment property	1,042,520	991,441
Unit-linked investment property	428,103	416,835
Held-to-maturity investments	*1,325,487*	*1,919,686*
Available-for-sale investments	*45,214,002*	*42,208,756*
Investments measured using the fair value option and held for trading purposes	*6,896,468*	*6,708,222*
Loans and receivables	*13,059,488*	*10,726,652*
Financial investments	**66,495,445**	**61,563,316**
Unit-linked financial investments	13,403,300	13,743,356
Derivatives and separate embedded derivatives	17,368	102,491
INSURANCE BUSINESS INVESTMENTS	**81,386,736**	**76,817,439**
INVESTMENTS IN AFFILIATES	**108,021**	**101,487**
SHARE OF CESSIONAIRES AND RETROCESSIONAIRES IN LIABILITIES RELATED TO INSURANCE POLICIES AND FINANCIAL CONTRACTS	**12,608,404**	**11,048,599**
Buildings used for operational purposes and other property, plant and equipment	19,919	9,630
Deferred acquisition costs	301,834	321,490
Deferred policyholder bonus assets	-	-
Deferred tax assets(1)	99,303	-
Receivables arising from insurance or accepted reinsurance operations	700,229	669,273
Receivables arising from reinsurance cession operations	75,139	5,997
Tax receivable	150,745	63,516
Other receivables	128,726	94,216
OTHER ASSETS	**1,475,895**	**1,164,122**
AVAILABLE-FOR-SALE ASSETS AND DISCONTINUED OPERATIONS	**-**	**738,363**
CASH AND CASH EQUIVALENTS	**740,070**	**575,206**
TOTAL ASSETS	**96,494,995**	**90,601,984**

(1) Since 2018, Natixis Assurances has no longer offset Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs) between its different legal entities. The DTA recorded in 2018 notably reflected the significant reduction in unrealized capital gains, net of deferred policyholder bonuses.

BALANCE SHEET

LIABILITIES (in € thousands)	12/2018	12/2017
Share capital or equivalent funds	148,014	148,014
Issue, merger and contribution premiums	1,097,937	1,097,937
Revaluation reserve net of shadow accounting adjustments	242,665	345,129
Other reserves and OCI that cannot be recycled to the income statement	38,797	36,234
Cumulative earnings	178,906	133,872
Consolidated net income for the year	**271,794**	**203,910**
Translation adjustments	1,452	317
SHAREHOLDERS' EQUITY (GROUP SHARE)	**1,979,565**	**1,965,414**
MINORITY INTERESTS	**188**	**21**
TOTAL SHAREHOLDERS' EQUITY	**1,979,753**	**1,965,435**
PROVISIONS FOR CONTINGENCIES	**28,750**	**30,344**
Subordinated debt	1,034,222	1,034,257
Financial debt securities	-	-
Other financial debt	485,571	527,569
FINANCIAL DEBT	**1,519,793**	**1,561,826**
Underwriting liabilities related to insurance policies	41,987,091	35,156,936
Underwriting liabilities related to unit-linked insurance policies	9,845,117	10,255,982
Underwriting liabilities related to insurance policies	**51,832,208**	**45,412,918**
Underwriting liabilities related to financial contracts with discretionary policyholder bonus	20,146,725	20,463,809
Underwriting liabilities related to financial contracts without discretionary policyholder bonus	-	-
Underwriting liabilities related to unit-linked financial contracts	3,968,876	3,991,740
Underwriting liabilities related to financial contracts	**24,115,601**	**24,455,549**
Separate contract derivatives	-	-
Deferred policyholder bonus – Liabilities	2,113,812	3,273,892
LIABILITIES RELATED TO CONTRACTS	**78,061,621**	**73,142,359**
Deferred tax liabilities	22,104	1,520
Amounts payable to consolidated UCITS unitholders	660,254	444,617
Operating debt securities	-	-
Operating debts payable to banking sector companies	25,333	6,668
Payables arising from insurance or accepted reinsurance operations	321,669	302,206
Payables arising from transferred reinsurance operations	9,263,880	9,085,792
Tax payable	5,224	6,846
Derivative liabilities and amounts payable on derivatives	15,004	76,226
Other payables	4,591,610	3,280,163
OTHER LIABILITIES	**14,905,078**	**13,204,038**
LIABILITIES OF AVAILABLE-FOR-SALE OR DISCONTINUED OPERATIONS	**-**	**697,982**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**96,494,995**	**90,601,984**

INCOME STATEMENT

(in € thousands)	12/2018	12/2017
Written premiums	12,032,277	11,901,990
Change in unearned premiums	*(25,463)*	*(16,537)*
Earned premiums	12,006,814	11,885,453
Revenue or income from other activities	-	-
Other operating income	120,514	91,398
Investment income	*1,523,145*	*1,573,585*
Investment expenses	*(135,875)*	*(157,891)*
Capital gains and losses on disposal of investments (net of reversals, impairments and amortization)	*91,406*	*228,339*
Change in fair value of investments measured at fair value through profit or loss	*(1,022,811)*	*838,223*
Change in write-downs on investments	*(88,597)*	*(22,683)*
Investment income (net of expenses)	**367,268**	**2,459,573**
Benefits paid to policyholders	**(10,794,809)**	**(12,826,865)**
Reinsurance cession income	*2,786,855*	*2,372,631*
Reinsurance cession expenses	*(2,723,243)*	*(2,353,363)*
Net income and expenses from reinsurance cessions	**63,612**	**19,268**
Expenses from other activities	-	-
Policy acquisition costs	(654,223)	(655,790)
Amortization of portfolio values and related items	-	-
Administrative costs	(548,100)	(459,273)
Other recurring operating income and expenses	(143,659)	(137,262)
Other non-recurring operating income and expenses	-	-
OPERATING INCOME	**417,417**	**376,502**
Financing costs	(39,313)	(41,699)
Share in income of associates	14,618	12,939
Income tax	(120,918)	(122,206)
After-tax income from discontinued activities	-	-
CONSOLIDATED NET INCOME	**271,804**	**225,536**
Non-controlling interests	10	21,626
Net income (group share)	271,794	203,910
Earnings/(loss) per share in €	14.01	10.51
Diluted earnings/(loss) per share in €	14.01	10.51

STATEMENT OF NET INCOME/(LOSS), GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY

(in € thousands)	12/2018	12/2017
NET INCOME	**271,804**	**225,536**
Translation adjustments	1,135	(2,710)
Revaluation of available-for-sale financial assets	(1,327,750)	(158,992)
Revaluation of hedging derivatives	(6,733)	127
Revaluation of fixed assets	-	-
Actuarial gains or losses on defined-benefit schemes	(58)	242
Share of gains and losses recorded directly in the equity of associates	(4,738)	(3,034)
Shadow accounting adjustment before deferred tax	1,179,103	72,953
Tax	57,620	56,617
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**(101,421)**	**(34,798)**
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**170,383**	**190,738**
o/w group share	170,380	189,259
o/w attributable to non-controlling interests	3	1,479

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € thousands)	Group Share					Attributable to noncontrolling interests	Total shareholders' equity
	Share capital or equivalent funds	Additional paid-in capital	Total gains and losses recognized directly in equity	Cumulative earnings	Total group share		
Situation at 12/2016	**148,014**	**1,097,937**	**358,056**	**411,410**	**2,015,417**	**165,353**	**2,180,770**
Change in IAS 8 method and error corrections	-	-	-	-	-	-	-
Share capital at 12/2016 (corrected)	**148,014**	**1,097,937**	**358,056**	**411,410**	**2,015,417**	**165,353**	**2,180,770**
Gains and losses recognized directly in equity (1)	-	-	(14,651)	-	(14,651)	(20,147)	(34,798)
Consolidated net income for the fiscal year (2)	-	-	-	203,910	203,910	21,626	225,536
Total net income and gains and losses recognized directly in equity (1) + (2)	**-**	**-**	**(14,651)**	**203,910**	**189,259**	**1,479**	**190,738**
Dividends paid	-	-	-	(126,093)	(126,093)	(7,781)	(133,874)
Changes in share capital	12,937	193,064	-	-	-	-	206,001
Equity component of share-based payment plans	-	-	-	-	-	-	-
Changes in scope	-	-	-	(113,288)	(113,288)	(159,031)	(272,319)
Other changes	-	-	-	118	118	-	118
Adjustment of UCITS share capital	-	-	-	-	-	-	-
Other items	-	-	-	*118*	*118*	-	*118*
Situation at 12/2017	**148,014**	**1,097,937**	**343,405**	**376,057**	**1,965,413**	**21**	**1,965,435**
Change in IAS 8 method and error corrections	-	-	-	-	-	-	-
Situation at 12/2017 (corrected)	**148,014**	**1,097,937**	**343,405**	**376,057**	**1,965,413**	**21**	**1,965,434**
Gains and losses recognized directly in equity (1)	-	-	(100,193)	-	(100,193)	(10)	(100,203)
Consolidated net income for the fiscal year (2)	-	-	-	271,794	271,794	10	271,804
Total net income and gains and losses recognized directly in equity (1) + (2)	**-**	**-**	**(100,193)**	**271,794**	**171,601**	**0**	**171,601**
Dividends paid	-	-	-	(154,221)	(154,221)	(1)	(154,222)
Changes in share capital	-	-	-	-	-	171	171
Equity component of share-based payment plans	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-
Other changes	-	-	(1,221)	(2,007)	(3,228)	(3)	(3,231)
Adjustment of UCITS share capital	-	-	*(1,221)*	-	*(1,221)*	(3)	*(1,224)*
Other items	-	-	-	*(2,007)*	*(2,007)*	-	*(2,007)*
Situation at 12/2018	**148,014**	**1,097,937**	**241,991**	**491,624**	**1,979,565**	**188**	**1,979,753**

STATEMENT OF CASH FLOWS

(in € thousands)	12/2018	12/2017
Operating income before tax	**417,417**	**376,510**
- Capital gains and losses on sales of investments	(91,406)	(228,339)
+ Net allowances for depreciation and amortization	73,380	(127,496)
+ Change in deferred acquisition costs	19,656	16,527
+ Change in impairments	88,597	22,683
+ Net allowances for insurance underwriting provisions and liabilities related to financial contracts	4,501,862	5,753,903
+ Net allowances for other provisions	(1,426)	6,828
- Change in fair value of financial instruments measured at fair value through profit and loss	1,022,811	(838,223)
- Other items without cash outflows included in operating income	1,818	(673)
Correction of items included in operating income that do not correspond to monetary flows and reclassification of financial and investment flows	***5,615,292***	***4,605,210***
+ Change in operating receivables and payables	97,453	563,815
+ Change in securities sold under repurchase agreements or bought under resale agreements	1,270,908	589
+ Cash flows from other assets and liabilities	66,677	314,562
- Net taxes paid	(146,767)	(148,857)
Net cash provided/(used) by operating activities	**7,320,980**	**5,711,829**
- Acquisitions of subsidiaries and joint ventures, net of cash acquired	-	(372,059)
+ Disposals of subsidiaries and joint ventures, net of cash disposed	-	-
- Investments in associates	-	-
+ Disposals of investments in associates	-	-
Cash flows generated by changes in scope	***-***	***(372,059)***
+ Disposals of financial investments (including unit-linked contracts) and derivatives	20,218,076	17,329,446
+ Disposals of investment property	122,375	76,800
+ Disposals of investments and derivatives in activities other than insurance	-	-
Cash flows generated by disposals and redemptions of financial assets	***20,340,451***	***17,406,246***
- Acquisitions of financial investments (including unit-linked contracts) and derivatives	(27,152,166)	(22,399,750)
- Acquisitions of investment property	(87,205)	(133,951)
- Acquisitions and/or issuance of investments and derivatives in other activities	-	-
Cash flows generated by acquisitions and issuance of financial assets	***(27,239,371)***	***(22,533,701)***
+ Disposals of property, plant and equipment and intangible assets	-	-
- Acquisitions of property, plant and equipment and intangible assets	(40,283)	(17,192)
Cash flows generated by acquisitions and disposals of property, plant and equipment and intangible assets	***(40,283)***	***(17,192)***
Net cash provided/(used) by investing operations	**(6,939,203)**	**(5,516,706)**
+ Membership fees	-	-
+ Issuance of capital instruments	-	-
- Redemptions of capital instruments	(20)	-
+ Transactions in own shares	-	-
- Dividends paid	(154,221)	(126,093)
Cash flows generated by transactions with shareholders and cooperative shareholders	***(154,241)***	***(126,093)***
+ Cash generated by issuance of financial debt	-	557,000
- Cash allocated to redemptions of financial debt	(42,000)	(319,000)
- Interest paid on financial debt	(39,313)	(41,699)
Cash flows generated by Group funding	***(81,313)***	***196,301***
Net cash provided/(used) by financing operations	**(235,554)**	**70,208**
Cash and cash equivalents at January 1	**568,538**	**303,199**
+ Net cash provided/(used) by operating activities	7,320,980	5,711,829
+ Net cash provided/(used) by investing operations	(6,939,203)	(5,516,706)
+ Net cash provided/(used) by financing operations	(235,554)	70,208
+ Impact of changes in exchange rates on cash and cash equivalents	(23)	8
Cash and cash equivalents at december 31	**714,737**	**568,538**
o/w cash and cash equivalents	*740,070*	*575,206*
o/w operating debts payable to banking sector companies	*(25,333)*	*(6,668)*

Notes to the consolidated financial statements

1. SIGNIFICANT EVENTS

1.1. DEFERRAL OF IFRS 9

European rules allow European financial conglomerates to opt to defer the application of IFRS 9 for their insurance business, in parallel with IFRS 17. The group to which Natixis Assurances belongs, Natixis, applies this option for its insurance entities. Natixis Assurances also opted for deferral and therefore continues to apply IAS 39 in its consolidated financial statements, except for the entity accounted for by the equity method, Adir, which applies IFRS 9.

During its meeting of November 14, 2018, the IASB decided to postpone the effective date of IFRS 9 and IFRS 17 by one year until January 1, 2022. This unanimous decision will be definitively approved following a consultation procedure due to take place in 2019.

1.2. MEMORANDUM FOR THE SALE OF INSURANCE PORTFOLIOS

In 2017, BPCE Vie signed a Portfolio Transfer Agreement with a buyer which provided for the sale of insurance portfolios covered by a partnership. On October 24, 2018, the parties decided to cancel the transfer, thereby triggering payment of €750k in compensation by BPCE Vie.

1.3. RECOGNITION OF THE UNIT-LINKED SHARE OF REINSURANCE ACCEPTANCES

In its financial statements at December 31, 2017, BPCE Vie recorded the unit-linked share of reinsurance acceptances on life insurance, savings and pensions contracts as liabilities under unit-linked underwriting liabilities. To ensure symmetry, it recognized as assets the share associated with receivables for cash deposits under unit-linked financial investments.

The ACPR considered that "investments used to back unit-linked contracts is a limitative term and does not include receivables constituted by virtue of the contractual provisions of a reinsurance policy. In addition, with the nature of the commitments changing following the reinsurance cession, the commitments no longer retain the characteristics of the initial contract agreed between the insuree and the direct insurer. Consequently, the underwriting reserves accepted must be classified as with-profits underwriting reserves, since the Mathematical reserves for unit-linked policies – Acceptances account does not exist for organizations regulated by the French Insurance Code". It therefore recommended that BPCE Vie amend this presentation.

As a result, in its financial statements of December 31, 2018, BPCE Vie recognized the unit-linked share of acceptances on life insurance, savings and pensions contracts (€2.066 billion) under with-profits underwriting liabilities and the share associated with receivables for cash deposits (€2.066 billion) under with-profits financial investments.

1.4. CLIMATE EVENTS

Three major climate events occurred in 2018: the Eléonore storm on January 2-3, 2018 and two hailstorms in July 2018. At December 31, 2018, the overall impact of these events was estimated at €10 million. The overall impact of the two major climate events occurring in 2017 was revised upward from €9.5 million to €11.5 million.

BPCE Assurances' reinsurance result represented income of €1.5 million in 2018 versus a €28 million expense in 2017. This improvement reflected the substantial natural catastrophe and bodily injury losses ceded in 2018.

1.5. FINANCING

In July 2018 Natixis Assurances proceeded with the partial repayment of €42 million of the €135 million credit line granted by Natixis.

1.6. INTRODUCTION OF HEDGE ACCOUNTING

In 2018 Natixis Assurances subscribed for currency swap contracts in order to a hedge a dollar-denominated bond portfolio for a notional value of USD$285 million at end-2018. The hedge was recognized as effective and recognized as a cash-flow hedge.

1.7. PRESENTATION OF DEFERRED TAXES IN THE BALANCE SHEET

Deferred tax assets and deferred tax liabilities generated by group entities are now presented in the consolidated balance sheet without offsetting. This is because the entities concerned are individually liable for the tax with respect to the head of the tax group (Natixis for most entities).

In respect of fiscal 2017, the deferred tax assets and deferred tax assets generated by different entities were offset in the consolidated balance sheet.

This change in presentation had the effect of creating a deferred tax liability of €22 million and increasing the deferred tax asset by the same amount in 2018.

2. IFRS

2.1. SET OF STANDARDS APPLIED

The financial statements are prepared in accordance with:

• IFRS as adopted by the European Union;

• CRC (French Accounting Regulation Committee) Regulation n° 2000-05 on the rules for consolidating companies governed by the French Insurance Code and on the French Insurance Code for insurance policies and reinsurance treaties subject to the provisions of IFRS 4.

The financial statements are also prepared with reference to:

• the summary of the work carried out by the CNC's working groups on the specific conditions of IFRS implementation by insurance entities, updated in January 2007;

• ANC Recommendation n° 2013-05 of November 7, 2013 on the format of the financial statements of insurance entities under international accounting standards;

• CNC Recommendation published on December 19, 2008 on the conditions for recognizing deferred policyholder bonus assets in the consolidated financial statements of insurance entities;

• Accounting Regulatory Committee (ANC) Recommendation n° 2016-01 of December 2, 2016 concerning information to be mentioned in the notes to consolidated financial statements prepared according to international standards.

2.2. STANDARDS AND INTERPRETATIONS NOT USED

The standards and interpretations published by the IASB, adopted by the European Union and whose application was mandatory in 2018, were applied for the preparation of the 2018 financial statements. These notably include the texts that entered force in 2018.

Application of the IAS 12 amendments concerning the recognition of deferred tax assets for unrealized losses, and IAS 7 concerning information to be provided in the table of cash flows, did not have any impact on the 2018 financial statements.

No standard, amendment or interpretation was brought forward in 2018.

2.3. IMPACT OF SOON-TO-BE APPLICABLE RULES

IFRS 9. Financial instruments

Natixis Assurances is preparing for the entry into force of IFRS 9, which will mandatorily replace IAS 39. This new standard was adopted by the European Commission and deals with the following subjects:

• classification and measurement of financial assets and liabilities;

• impairment based on credit risk;

• hedge accounting.

Main impacts of changes in classification principles

IFRS 9 sets out a logic for classifying assets according to their type:

• equity instruments are measured at fair value through profit and loss, unless the option to classify them at fair value through non-recyclable equity is used at the time of purchase (no recycling of realized gains or losses to income);

• shares in funds are measured at fair value through profit and loss;

• debt instruments are recorded according to their management model and their contractual characteristics:

- if the management model is to retain the assets so as collect contractual cash flows and if the SPPI criterion (described below) is respected, then the instruments are measured at amortized cost,

- if the management model is geared both to collecting contractual cash flows and to selling the instruments so as to register gains and if the SPPI criterion is respected, then the instruments are measured at fair value through equity,

- in other cases, the instruments are recognized at fair value through profit and loss.

The Solely Payments of Principal and Interest (SPPI) criterion is verified when the contractual flows from the debt instrument solely comprise repayment of the principal initially lent and payment of the interest on this principal, with remuneration essentially based on the passage of time and credit risk.

Application of the classification and measurement chapter of IFRS 9 should lead to a higher proportion of securities being measured at fair value through profit and loss, as the majority of equities, shares in funds and debt securities do not satisfy the SPPI criterion (see IFRS 9 notes on page 65).

Main impacts of the new approach to impairment

IFRS 9 introduces a new model concerning impairment for credit risk based on projected losses. This model will apply to debt instruments and to loans valued at amortized cost or at fair value through recyclable equity.

Whereas the IAS 39 impairment model is founded on proven credit losses, IFRS 9 requires recognition at least of the credit losses projected over the next 12 months and, in the event of any significant increase in credit risk since initial recognition of such losses, recognition of the credit losses projected at maturity. The amount of projected credit losses incorporates the probability of default as well as exposure at default.

The application of this new impairment model is liable to lead to an increase in impairments for credit risk booked against income. In view of their more prospective nature, these impairments will be more volatile than the impairments booked under IAS 39.

Option to defer application of the rule

In accordance with regulation (EU) 2017/1988 of November 3, 2017, insurance entities, as well as insurance sectors of financial conglomerates, may now opt under certain conditions to defer application of the IFRS 9 rule until January 2022, whereas it was previously mandatory as from January 1, 2018.

In this respect, with Natixis Assurances' ratio of insurance liabilities relative to consolidated liabilities exceeding 90%, Natixis Assurances opted to defer application of IFRS 9 to January 1, 2022. However, the company is already conducting work on analyzing the rule and reviewing the portfolio, and intends to continue this work by aligning its project with the new application schedule..

IFRS 15. Revenue from contracts with customers

The new IFRS 15 rule "Revenues from contracts with customers" was adopted by the European Commission on September 22, 2016 and is applicable from January 1, 2018.

IFRS 15 employs a single model for recognizing all revenues generated from contracts with customers.

According to the rule, revenue should be recognized so as to depict the transfer of promised goods or services to customers for an amount that reflects the consideration that the entity expects to receive in exchange for these goods and services.

IFRS 15 defines a new general five-step approach for recognizing revenue:

• identify the contract;

• identify distinct performance obligations (or elements of performance) that are to be recognized separately from each other;

• determine the contract price;

• allocate the contract price to each performance obligation;

• recognize revenues as and when performance obligations are satisfied.

IFRS 15 applies to contracts that an entity concludes with its customers, though notably excepting leases (covered by IAS 17), insurance contracts (covered by IFRS 4) and financial instruments (covered by IFRS 9).

If specific measures pertaining to contract revenues or costs are included in another rule, these measures are applied first.

No impacts were observed on the 2018 financial statements in relation to the initial application of IFRS 15.

IFRS 16. Leases

Pursuant to regulation (EU) 2017/1986 of October 31, 2017, IFRS 16 is applicable as from January 1, 2019 and will replace IAS 17. This rule will oblige the lessee to recognize the majority of leases as a financial debt in the balance sheet.

Investment property will continue to be covered by IAS 40. From the lessor's point of view, the impact should be limited, as the measures included in IFRS 16 remain substantially the same as those in the current IAS 17.

For the lessee, the rule will require all leases to be recognized in the balance sheet in the form of a right of use on the leased asset, recognized in fixed assets, and a financial debt in respect of lease payments and other payments to be made during the course of the lease, recognized in liabilities.

The right of use will be amortized according to the straight-line method and the financial debt amortized on an actuarial basis over the term of the lease. The interest expense on the financial debt and the amortization expense associated with the right of use shall be recorded separately in the income statement. In contrast, under the current IAS 17 rule, operating leases are not recorded in the balance sheet and only the associated lease payments are recorded in profit and loss.

For initial application of this rule, it was decided in coordination with Natixis to apply the modified retrospective method, by recognizing the cumulative effect at January 1, 2019, without restating comparative information for fiscal 2018.

IFRS 17. Insurance contracts

IFRS 17 has yet to be adopted by the European Commission, but should be applicable as from January 1, 2022, when it will replace IFRS 4. The rule notably defines:

• the level of aggregation at which contracts subject to similar risks and managed together are grouped together for the purposes of estimating their profitability;

• the accounting model applicable according to the contract's characteristics: (i) simplified approach for contracts whose hedging period is less than or equal to one year, (ii) variable fee approach for "direct participating" contracts, (iii) general model for contracts not covered by the two previous categories;

• the presentation in the financial statements and the information to be provided in the notes.

This rule is set to substantially change the way of valuing and recognizing insurance contracts. Implementation work on this rule is being followed within the framework of the IFRS 17 program, for which scoping was completed in 2018. In 2018 work on the IFRS 17 program primarily focused on defining the target IT system, classifying contracts by portfolio and analyzing profitability of the main portfolios.

3. CONSOLIDATION SCOPE AND METHODS

3.1. CONSOLIDATION METHODS

Consolidation and equity method accounting

The consolidation methods used are:

- full consolidation of controlled entities, within the meaning of IFRS 10;
- recognition of assets and liabilities for joint operations, within the meaning of IFRS 11;
- equity method accounting for joint ventures, within the meaning of IFRS 11 and in accordance with IAS 28;
- equity method accounting for associated companies under notable influence, within the meaning of IAS 28.

Reciprocal interests

Reciprocal interests between fully-consolidated companies are eliminated and notably include the fojlowing:

- intra-group dividends received;
- capital gains or losses on consolidated UCITS;
- acceptances, cessions and retrocessions in reinsurance;
- intra-group receivables, payables and provisions, as well as reciprocal income and expenses.

Foreign-currency translation of the financial statements of foreign subsidiaries and affiliates

Consolidated companies keep all their statements in euros, with the exception of ADIR, which is accounted for by the equity method and keeps its statements in Lebanese pounds.

According to IAS 21, the financial statements are translated from the functional currency to the presentation currency according to the closing price method. Translation differences are taken to equity.

Consolidation of structured entities

IFRS 10 defines a single control model applicable to all entities, whether structured or not. The control of an entity must now be analyzed using three cumulative criteria: influence over relevant activities of the entity, exposure to the entity's variable returns and the ability to influence variable returns obtained by the entity. .

3.2. CONSOLIDATION SCOPE

	Method	Head office	2018		2017		Date of consol./ deconsol.
			% controlled	% int. held	% controlled	% int. held	
Full consolidation (FC)							
BPCE Vie	FC	30, avenue Pierre Mendès France 75013 PARIS	100 %	100 %	100 %	100 %	1997
BPCE Prévoyance	FC	30, avenue Pierre Mendès France 75013 PARIS	100 %	100 %	100 %	100 %	1997
BPCE Assurances	FC	88, avenue Pierre Mendès France 75013 PARIS	100 %	100 %	100 %	100 %	2014
Natixis Life	FC	51, avenue J.F. Kennedy, 1855 LUXEMBOURG	100 %	100 %	100 %	100 %	1998
BPCE APS	FC	88, avenue Pierre Mendès France 75013 PARIS	53 %	53 %	50 %	50 %	2014
GIE BPCE Relation Assurances	FC	30, avenue Pierre Mendès France 75013 PARIS	100 %	100 %	100 %	100 %	2015
SCI Fructifoncier	FC	22, rue du Docteur Lancereaux, 75008 PARIS	100 %	100 %	100 %	100 %	2004
SPPICAV Nami Investment	FC	22, rue du Docteur Lancereaux, 75008 PARIS	100 %	100 %	100 %	100 %	2009
FCP Réaumur Actions	FC	43, avenue Pierre Mendès, 75013 PARIS	100 %	100 %	100 %	100 %	2005
FCP Ostrum Ultra Short Term	FC	43, avenue Pierre Mendès, 75013 PARIS	30 %	30 %	39 %	39 %	2013
FCP ABP Vie Mandat	FC	5-7, rue de Monttessuy 75340 PARIS Cedex 07	100 %	100 %	100 %	100 %	2016
FCT TULIP NOTE	FC	41 Rue Delizy, 93500 Pantin	100 %	100 %	0 %	0 %	2018
Equity method (EM)							
BPCE IARD	EM	Chaban de Chauray BP 9003 79093 NIORT Cedex	49 %	49 %	49 %	49 %	1997
Adir	EM	Banque Byplos, avenue Elias Sarkis, BEYROUTH	34 %	34 %	34 %	34 %	2001
Ecureuil Vie Développement	EM	Héron Building, 66, avenue du Maine 75014 PARIS	51 %	51 %	51 %	51 %	2015
SCI DUO Paris	EM	28-32, avenue Victor Hugo 75116 PARIS	50 %	50 %	50 %	50 %	2017

FCT Tulip Note is fully consolidated on a retrospective basis in the accounts of the Natixis Assurances Group. It is a fund of Dutch home loans guaranteed by the Dutch state.

3.3. COMPANIES EXCLUDED FROM THE CONSOLIDATION SCOPE

UCITS and real-estate long-term investment holdings

As a first approach, the criterion used for including UCITS and real-estate long-term investment holdings in the scope of consolidation is as follows:

- according to IFRS 10 and IFRS 11, control over a fund is deemed to exist when Natixis Assurances has the ability to influence the fund's returns due to its power over the entity. Only substantial rights, that is when Natixis Assurances has the practical ability to exercise them, are taken into account;
- balance sheet total or net equity of the UCITS exceeds 0.5% of Natixis Assurances' investments;
- the total of entities excluded from the scope does not exceed 5% of total investments.

3.4. NON-CONSOLIDATED LONG-TERM INVESTMENT HOLDINGS

The following list presents Natixis Assurances' non-consolidated long-term investment holdings. Investment vehicles whose net equity is lower than 0.5% of the total value of Natixis Assurances' investments are not presented.

Name of entity	% ownership 2018	Head office	Comments on consolidation criteria
Companies			
Inter Mutuelle Assistance	2%	11, rue de Grenelle 75007 PARIS	Control over fund or entity not established
SURASSUR	2%	534, rue de Neudorf 2220 LUXEMBOURG	Control over fund or entity not established
Investment companies or funds			
SCI FONCIÈRE 2	100%	22, rue du Docteur Lancereaux 75008 PARIS	Materiality threshold not reached
SCI TOUR WINTERTHUR	40%	22, rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
SCI FLI	7%	22, rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
AAA-ACT. AGRO ALIMENTAIRE	35%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
ALLOCATION PILOTÉE ÉQUILIBRÉE	38%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
FRUCTIFONDS PROFILS 6	75%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
FRUCTIFONDS PROFILS 9	86%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
ING LUXEMBOURG	100%	3, rue Jean Piret 2350 LUXEMBOURG	Simplified consolidation method*
MIROVA EUROPE ENVIRONNEMENT C	30%	59, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
OPCI FRANCEEUROP IMMO P	50%	22, rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
SCPI IMMO ÉVOLUTIF	48%	22, rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
SÉLECTION PROTEC.85 R FCP 4DEC	27%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
SELECTIZ	52%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
SELECTIZ PLUS	49%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
FRUCTI ACTIONS FRANCE C	24%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
OSTRUM CONVERTIBLES EURO I	22%	43, avenue Pierre Mendès-France 75013 PARIS	Control over fund or entity not established
NIFLI EURO HIGH INC S/A C	20%	2, rue Jean Monnet 2180 LUXEMBOURG	Control over fund or entity not established
VEGA EURO RENDEMENT FCP RC	18%	115, rue Montmartre 75002 PARIS	Control over fund or entity not established
NATIXIS ACTIONS US GWTH H R	10%	43, avenue Pierre Mendès France 75013 PARIS	Contrôle du fonds ou de l'entité non établi
SEEYOND GLOBAL MINVOL RA 4D	14%	43, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
MIROVA FDS-ENVIRON EQ FND-RC	4%	59, avenue Pierre Mendès France 75013 PARIS	Control over fund or entity not established
DNCA INVEST EUROPE GROWTH-FEUR	0%	19, place Vendôme 75001 PARIS	Control over fund or entity not established
OSSIAM MSCI JAPAN NR-H I1 CEU	0%	80, avenue de la Grande Armée 75017 PARIS	Control over fund or entity not established
DORVAL MANAGEURS EUROPE PART R	29%	1, rue de Gramont 75002 PARIS	Control over fund or entity not established
SCPI BRETAGNE ATLANTIQUE MUR	69%	1, rue Françoise Sagan 44919 NANTES	Control over fund or entity not established
SCPI FRUCTIPIERRE	24%	22, rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
SENIOR EUROPEAN LOAN FUND 2	21%	22, rue du Docteur Lancereaux 75008 PARIS	Control over fund or entity not established
AXA IM PARTNER CAP. SOLUTIONS FPS K	24%	6, place de la Pyramide 92800 PUTEAUX	Control over fund or entity not established

* Measured at fair value through profit and loss and recognition of minority interests.

3.5. SIGNIFICANT MINORITY INTERESTS HELD IN GROUP SUBSIDIARIES

Natixis Assurances did not have any significant minority interests at December 31, 2018.

3.6. INTERESTS HELD IN ASSOCIATES

The BPCE IARD, Adir and Ecureuil Vie Développement affiliates, which are accounted for by the equity method, impacted Natixis Assurances' consolidated financial statements by €106 million in balance sheet terms and €15 million in net income terms.

The real-estate trust, SCI Tour Duo, is also accounted by the equity method, but is recognized in the Investment property section as an investment linked to the insurance business. It impacted Natixis Assurances' consolidated financial statements by €100 million in balance sheet terms and does not have any meaningful impact in net income terms.

3.7. INTERESTS HELD IN NON-CONSOLIDATED STRUCTURED ENTITIES

The non-consolidated structured entities held by Natixis Assurances are all investment vehicles backing underwriting commitments or shareholders' equity.

The table below presents the carrying value of Natixis Assurances' interests in non-consolidated structured entities, as well as the maximum exposure to the risk of loss attributable to these interests. Maximum exposure to risk of loss corresponds to the cumulative amount of the interests recorded in balance sheet assets plus commitments given. The size of the structured entities corresponds to the total issues of securitization vehicles recorded in balance sheet liabilities plus the net asset value of investment funds.

(in € millions)	Securitizations	Asset Management
Financial assets at FV through profit and loss (incl. unit-linked contracts)	0	9,159
Available-for-sale financial assets	900	3,105
Loans and receivables	0	0
Total Assets	**900**	**12,264**
Financing commitments given	549	223
Maximum exposure to risk of loss	**1,449**	**12,487**
Size of structured entities	**1,582**	**195,377**

3.8. FINANCIAL SUPPORT FOR STRUCTURED ENTITIES

Natixis Assurances did not grant any financial support to consolidated or non-consolidated structured entities in conditions of financial difficulty.

4. ACCOUNTING PRINCIPLES AND METHODS

4.1. USE OF ESTIMATES AND ASSUMPTIONS IN PREPARING THE FINANCIAL STATEMENTS

Preparation of the financial statements requires certain estimates and assumptions; it also calls for the use of judgment in applying the accounting principles described hereafter. The main balance sheet items concerned are goodwill (tested for impairment), financial instruments measured at fair value not listed on an active market, liabilities related to insurance policies and financial contracts, deferred policyholder bonuses assets (tested for recoverability), contingency provisions and deferred tax assets.

The associated estimates and assumptions are mainly determined based on past experience, regulations, and the usual actuarial principles; they are subject to sensitivity analyses where required by standards or where doing so enables Natixis Assurance to exercise its judgment. These estimates and assumptions are regularly re-examined.

4.2. BALANCE SHEET

4.2.1. Goodwill

Goodwill is not amortized. It is tested annually for impairment and a provision recorded if necessary; this impairment test most often uses the DCF method.

Concerning goodwill of entities acquired before January 1, 2004, the initial value retained under IFRS equates to the net carrying value that they had under French GAAP at that date.

Treatment of goodwill related to equity-accounted entities

Pursuant to IAS 28.32 and IAS 28.42, goodwill related to an equity-accounted entity is not presented separately and cannot be subject to a separate impairment test. In this case, the entire carrying amount of the investment is tested as a single asset.

Treatment of goodwill related to jointly-controlled entities

In accordance with IAS 27 and the method applied by Natixis for business combinations placed under long-term joint control, goodwill related to the acquisition of these entities is booked against consolidated shareholders' equity.

4.2.2. Capitalization of IT developments

Internally developed software meeting the criteria defined by IAS 38 is capitalized. It is amortized over its useful life, which is determined on a case-by-case basis according to a selection process common to all Natixis Group companies. For the main software developments, this useful life usually ranges from 1 to 13 years.

4.2.3. Investment property

In accordance with IAS 40.32A, Natixis Assurances opted for the fair value recognition of its investment property, with changes in the fair value of such property recognized in profit and loss. The investment property concerned is that of SCI Fructifoncier and SPPICAV Nami Investment.

4.2.4. Financial investments

Classification of financial investments

The classification of investment securities can be summarized as follows:

- **Held-to-maturity assets (HTM):** fixed-rate government bonds, some fixed-rate bonds without embedded derivatives, in particular those whose credit risk was deemed low and with sensitivity exceeding 3.7. These assets are measured at amortized cost;
- **Available-for-sale assets (AFS):** some fixed-rate bonds without embedded derivatives, fixed-rate and fixed-plus-variable rate bonds, index-linked OATs (French treasuries), UCITS and SCPIs. These assets are measured at fair value, with the change in fair value over the period taken directly to shareholders' equity;
- **Assets held for trading purposes (trading):** money-market funds held for short-term cash management purposes; these assets are measured at fair value, with the change in fair value over the period taken directly to net income;
- **Assets under the fair value option (FVO):** financial instruments with embedded derivatives (convertible bonds, index-linked bonds and structured securities), as the embedded derivatives are not separated from the host contracts; these assets are measured at fair value, with the change in fair value over the period taken directly to net income**;**
- **Investments backing unit-linked policies:** in order to avoid any discrepancy between assets and liabilities, unit-linked assets and liabilities are measured under the fair value option.

Hedge accounting

Natixis Assurances subscribed for a forward OAT in the second half of 2014 (nominal value of €5 million), in order to guarantee the return on part of its future investments. This transaction, which was recognized as a cash-flow hedge, matured in August 2018 with the delivery of the OAT.

In 2018, Natixis Assurances subscribed for currency swap contracts in order to hedge a dollar-denominated bond portfolio for a notional value of $285 million at year-end 2018. These derivative instruments are recognized according to cash-flow hedge accounting principles (see note 5.2.1): at December 31, 2018 no ineffectiveness was recognized in net income.

Rules governing recognition in assets

The date of accounting recognition of financial instruments is the settlement date.

No transaction costs are directly incurred; the only costs reinvoiced by the asset manager are administrative costs. For bonds, the cost price recorded in the parent company financial statements is net of expenses; the actuarial rate at purchase used in the parent company financial statements is therefore unchanged under IFRS.

Securities lending and repos

Securities lent or lent under repurchase agreements are not de-recognized, as Natixis Assurances retains virtually all of the risks and advantages associated with them.

De-recognition

Financial investments are de-recognized on maturity of the contractual rights to the cash flows associated with the assets in question.

Basic principles of investment valuation

The general principle is to use the bid price when this is available and relevant.

The fair value of investments is estimated on the basis of observable market data, while ensuring that all inputs used in the fair value calculation are consistent with the price that market participants would use in a transaction. This fair value equates to the bid price.

The bid price is obtained from:

- the quoted price when the instrument is traded on an active market;
- valuation techniques if the instrument is not traded on an active market.

The valuation of financial instruments is thus established by applying a process that combines, in order of preference:

- use of the last quoted price on a regulated market, where it is very recent (less than five days for fixed income securities, less than one day for virtually all equity securities) and corresponds to significant transactions on a sufficiently liquid market;
- use of databases (Reuters, Bloomberg, Fininfo, Markit, etc.) widely used by market participants and institutional investors;
- use of counterparties to obtain a bid price;
- very infrequently, where there are no prices or quotes are not deemed relevant, recalculation of a valuation using observable market inputs (interest rates, volatility, etc.) or reconstituted inputs.

In practical terms, the valuation process is based on the joint contributions of:

- portfolio managers, the securities database department and the risk management department of the company holding the investment management mandate for the portfolios held;
- the company responsible for accounting and valuation for the mandate.

The sequence of operations is summarized as follows:

- valuation of fixed income securities taken from an independent pricing contributor (BVAL Cash, a Bloomberg service). This pricing source is alternatively backed by a secondary source, BGN[1] (also Bloomberg) and, where applicable, by the price contribution process

(1) Except for bonds held by BPCE Prévoyance which are classified in AFS

maintained by Ostrum Asset Management;

• recovery of information used to validate the relevance of the prices used: asset swap spreads, CDS prices, where they exist, prices of the 2,000 securities comprising the Barclays index, etc.;

• where automatic prices are not recent enough (more than five days old), recovery of prices contributed by external counterparties on all available places of listing (regulated markets, trading platforms, ISMA reference prices, broker prices, etc.);

• verification of price relevance, under the authority of the asset management company's risk management department. The asset management company's pricing of bonds is based on:

- use of zero-coupon yield curves, reconstituted using quoted swaps and futures prices;

- establishment of an average spread matrix for each rating category using the above observed and reconstituted data;

- given the relative illiquidity observed for certain categories of securities, a fixed spread can be added to the model for prudential purposes;

- discounting of contractual cash flows, using the previously calculated inputs;

• comparison of prices entered by the portfolio managers against the prices calculated by the risk management department: the fair value of a security is validated by the risk management department if the difference in value observed on a given security is less than 5%. Otherwise, a comparison is made between the different available sources (asset swap spreads on the primary market, re-pricing on the secondary market, risk management valuation, prices estimated by market counterparties, etc.). For prudential reasons, no prices may be used without the validation of the risk management department, which may impose the prices it deems relevant in light of its own calculations.

Particular cases

• **structured securities:** the price is usually obtained from the "structurer" and/or (re)calculated using pricing tools ("LexiFi"), based on the values of inputs provided by the counterparty or observed on the markets. This work is carried out by a portfolio management team focused on structured products, under similar conditions as those used by the risk management department for the countervaluation of conventional securities;

• **unlisted investments such as FCPRs (venture capital funds), venture capital, private equity, securitization funds, etc.:** given the nature of the underlying investments and the frequency of valuations (often quarterly), it is materially impossible to obtain a quoted price in real time. As a general rule, fair value is therefore the value provided by the fund manager at the end of the quarter preceding the balance sheet date;

• **real estate:** though ultimately always based on a value established in comparison with the market and/or on the estimated present value of future cash flows generated by the underlying assets, the price used as the realization value varies according to the legal nature of the instrument considered:

- for SCPIs also open to individual investors, the value used is the value recognized during the last monthly «comparison» between buy and sell orders;

- for instruments reserved for institutional investors or controlled by the company, fair value is the net asset value of the structure or the value calculated by one or more experts. This value is predominantly based on an appraisal of the properties held by the structures, in comparison with recent transactions on similar properties and/or the present value of the income generated by the properties;

• **UCITS:** fair value is always the last published net asset value.

Finally, despite all the due diligence procedures conducted in terms of valuation, it should be noted that valuations are only determined to establish an accurate picture of the Company's assets at the balance sheet date. Accordingly, the values used may differ significantly from the realization values obtained at a subsequent date, in the unlikely event that Natixis Assurances sells assets on a volatile and shallow market.

Investment management principles

The principles governing investments held by Natixis Assurances are described hereafter (see note 5.3 Financial risks).

Investments accepted as backing euro-denominated commitments (general fund)

Fixed income investments (bonds and negotiable debt securities)

General credit risk policy

- Credit risk management is governed by the procedures and analysis capabilities of the Ostrum Asset Management credit research teams. Similarly, issuer limits are defined and monitored by Ostrum Asset Management's Risk Committee. Credit risk management is also framed by the broader credit risk management policy implemented by Natixis Group. Finally, the results of the research and analysis of company portfolios are periodically presented to Natixis Assurances' Credit Committee, which decides on guidelines and/or changes to be implemented in the interest of conservative management of the risks associated with the investments held;

- Credit risk policy applied to bond investments is relatively conservative; purchases almost exclusively concern securities issued by issuers with a creditworthiness rating of at least BBB. The portfolio therefore holds few speculative grade (high yield) bonds (2% of total assets under management), i.e. with ratings ranging from CC (net assets of €116k) to BB+.

At December 31, 2018, the breakdown of the portfolio was as follows:

Credit rating

• securities rated between A and AAA comprised 63% of AuM;

• BBB-rated securities comprised 28% of AuM;

• securities rated below BBB comprised 2% of AuM;

• unrated securities comprised 7% of AuM.

Business sector

• 35% were securities issued by government, public or quasi-public issuers;

• 35% were securities issued by industrial or service sector issuers;

• 30% were securities issued by financial sector issuers (of which 67% were rated between A and AAA).

Securitizations and CLOs

- Under France's Decree No. 2013-717 of August 2, 2013, which now allows companies to invest in loans to unlisted companies and local authorities, Natixis Assurances has purchased units or debt securities issued by securitization funds for a total amount of €1.282 billion;

- Natixis Assurances holds transferable securities classified as asset-backed securities of CLOs (residual gross cost price of €6 million at end-2018). These securities were purchased in 2008 at valuation levels conferring a high spread over risk-free returns. The high number of investment lines (36 at end-2018) comprising these assets as well as the sector and geographic diversification of this securitization

(1) Bloomberg Generic (price calculated by Bloomberg from contributor prices)

portfolio (mainly European) are factors that help mitigate the risk associated with this portfolio, which was acquired with the intention of being held to maturity.

Exposure to banking and real estate risks

- exposure to real estate risk is predominantly indirect and usually secured by the legal nature of the securities held (obligations foncières, covered bonds, cedulas, pfandbriefe) and the resulting guarantees (existence of pools of guaranteed assets, over-coverage of commitments, etc.);

- direct exposure to the construction and real estate sector exists via securities issued by European companies predominantly invested in the commercial and office real estate sub-segment. Alternatively, it can exist via diversified groups operating notably in the field of infrastructure and concessions, whose risk profile has been deemed satisfactory;

- the large volume of securities issued by financial sector issuers (retail banks, savings banks, credit unions, refinancing structure, insurance and reinsurance companies, etc.) relative to the total volume of bonds (excluding those issued by governments and quasi-public organizations) inevitably leads to the existence of significant assets under management in this sector of the economy. It should be noted, however, that in addition to consideration of the issuer's rating and reputation, the securities are purchased while ensuring that risks are sufficiently diversified in terms of geographic areas and sub-sectors.

Money market and dynamic money market UCITS

Natixis Assurances holds money market and dynamic money market UCITS with a carrying value of €4.902 billion, managed exclusively by Ostrum Asset Management. According to the valuation of these securities, which are usually held for a short period, there is an overall unrealized capital loss of €3.5 million on these holdings based on the latest net asset values published at December 31, 2018.

Natixis Assurances' alternative investments

Alternative investments are limited to €478 million, i.e. 0.72% of the value of investments in with-profits funds.

Securities lending and repos

Repurchase and lending transactions on certain securities are geared to obtaining an additional return. A significant portion of these transactions is conducted with Groupe BPCE as part of the Group's overall cash management operations. About one third of the volume concerned is in the form of loans not secured with either cash or securities and concluded with Natixis; this results in a credit risk associated with the Natixis counterparty, which is subject to a limit. The other portion of securities loan transactions is secured by a cash deposit from the counterparty which is adjusted daily according to the market value of the securities loaned; the associated credit risk is therefore very limited.

Investments accepted as backing unit-linked policies:

It should be noted that these investments almost exclusively comprise UCITS subject to AMF approval and supervision.

In view of:

• the predominantly «equities» and/or diversified nature of the UCITS held;

• the relatively modest median value of the assets under management held in the many UCITS backing unit-linked commitments,

no extensive investigations were performed on the valuations and valuation work carried out by the asset management companies and verified by the designated Statutory Auditors at the last balance sheet date prior to December 31, 2018.

4.2.5. Impairment of financial assets

Natixis Assurances determines whether there is objective evidence of impairment of securities, loans or receivables on an individual basis at the balance sheet date. To identify evidence of impairment, Natixis Assurances analyzes trends in a number of objective criteria, but also relies on the judgment of its own expert teams. Similarly, Natixis Assurances may use its own expert judgment to position future recovery flows over time.

Assets measured at amortized cost and available-for-sale debt instruments

A provision for impairment is recorded where there is reason to believe that the issuer will be unable to meets its commitments on the payment of interest or the redemption of securities. Securities falling into this category are determined on a case-by-case basis at each balance sheet date.

Available-for-sale equity instruments

The impairment criteria for non-redeemable securities (only AFS) are as follows:

• automatic impairment in the event of unrealized capital losses of more than 50% at the balance sheet date;

• automatic impairment in the event of continuous unrealized capital losses for more than 24 months;

• case-by-case analysis of securities presenting an unrealized capital loss of more than 30% at the balance sheet date;

• case-by-case analysis of securities presenting a continuous unrealized capital loss for more than 6 months.

Once identified, these securities are impaired from the first euro in order to bring their net carrying value back into line with fair value. The impairment is never reversed. It is fixed on a quarterly basis.

In accordance with Ifric 10, an investment security for which an impairment provision has already been recorded is subject to additional impairment in the event another decrease in value is observed when the accounts are closed, without any conditions as to thresholds or duration.

4.2.6. Operating receivables and payables

Operating receivables and payables (receivables and payables arising from insurance and reinsurance operations, tax receivables and payables, other receivables and payables) are short-term receivables and payables (less than one year); they are maintained at their cost price insofar as the discounting effect is not material.

4.2.7. Group shareholders' funds

The Recyclable revaluation reserve net of shadow accounting adjustments recognizes the impact of the revaluation of available-for-sale financial assets and the impacts of the revaluation of hedging derivatives (cash flow hedges), net of shadow accounting adjustments.

Other reserves and OCI not recyclable to the income statement comprises the legal reserves of the Natixis Assurance holding company and the actuarial gains and losses related to non-recyclable employee benefits booked directly in equity in accordance with IAS 19 as revised.

Cumulative earnings comprise consolidated reserves (group share), including interim dividends paid by the holding company, with the exception of the AFS revaluation reserve net of deferred policyholder bonuses and deferred taxes, which is isolated under a separate heading.

4.2.8. Restatement of the capitalization reserve

The capitalization reserve is not recognized under IFRS and is therefore eliminated.

Restatement of the existing capitalization reserve

The summary of the work conducted by the CNC working groups on the specific conditions of IFRS implementation by insurance entities, updated in 2007, stipulates that the existing capitalization reserve must be restated under IFRS, as is the case under French GAAP (CRC 00-05). As the deferred policyholder bonus mechanism under IFRS and French GAAP (CRC 00-05) and the management intent are the same in both sets of standards, the treatment of the capitalization reserve is unchanged in IFRS.

The existing capitalization reserve was therefore initially restated as follows:

- elimination of the existing €145 million reserve at the opening date;
- subsequent to this elimination, recognition of a deferred policyholder bonus of €69 million.

These accounting entries were recorded through shareholders' equity. The cancellation of subsequent variations in the existing capitalization reserve gives rise to the recognition of policyholder benefits via a provision for deferred policyholder bonuses at the deferred policyholder bonus rate. The deferred policyholder bonuses thus recognized are subject to deferred tax; the restatements are recognized through profit and loss.
The sufficiently cautious nature of deferred policyholder bonuses is verified using the liability adequacy test (see point 6.2.8).

Deferred taxation

Since the tax amendment of 2011 applicable to changes in the capitalization reserve (non-deduction of allowances, non-taxation of reversals), no deferred tax has been recognized on the share of the capitalization reserve restated in equity.

4.2.9. Classification of contracts

See point 6.2.3 Classification of insurance policies.

4.2.10. Liabilities related to financial contracts without discretionary policyholder bonuses

Financial contracts without discretionary policyholder bonuses are financial liabilities that must be measured in accordance with IAS 39. These are unit-linked contracts: the related liabilities are measured at fair value.

4.2.11. Valuation of liabilities related to insurance policies and financial contracts

As authorized by IFRS 4, after taking into account the outcome of the liability adequacy test (see point 6.2.8), liabilities related to insurance policies and financial contracts are measured according to the methods applied in the individual financial statements (subject to any restatement of provisions not accepted by IFRS 4):

- **mathematical reserves for with-profits policies:** these reserves correspond to the companies' obligations to policyholders. For deferred-capital, single- or regular-premium endowment policies and life insurance policies, reserves are determined by capitalizing the sums invested and the bonuses included, at the technical interest rate;
- **mathematical reserves for annuities:** reserves for civil liability invalidity annuities are calculated using the TD 88-90 mortality table and a technical interest rate equal to 60% of the average French government bond rate, reserves for death annuities (civil liability, life annuities and contractual annuities) are calculating using the TGH05 and TGF05 mortality tables for subscriptions after December 21, 2012, and technical interest rates fixed according to regulations; reserves for personal protection insurance annuities linked to invalidity and work cessation risks are assessed according to BCAC invalidity and incapacity continuous maintenance laws and reserves for personal protection insurance annuities linked to dependency risk are assessed according to a continuous invalidity and incapacity law furnished by the lead reinsurer;
- **overall management reserve:** this reserve covers future management expenses not booked against premiums or taken from investment income. It is calculated in accordance with ANC regulation n°2015-11 Art. 142-6. It is measured by similar category of policies;
- **reserve for interest rate risk:** this reserve is recorded to cover potential future commitments related to guaranteed minimum life annuity rates greater than or equal to 4.5% on policies taken out from July 1, 1993 and on premiums paid from June 1, 1995. It is calculated as the difference between the present value of future commitments and the policy's mathematical reserve at the inventory date. Furthermore, in order to incorporate the projected level of net inflows and outflows on policies with significant guaranteed rates of return, an additional provision was recorded on the basis of planned premiums set up before February 1, 2016. The amount of this additional provision was €6 million at December 31, 2018 (€7 million at end-2017);
- **reserve for written unearned premiums:** recognizes the portion (calculated on an accrual basis) of premiums issued during the financial year that relate to a period after the reporting date. This reserve generally concerns property & casualty and personal protection guarantees;
- **reserve for existing risks:** this reserve is used to cover, for all outstanding policies, the portion of claims expenses and costs associated with policies not covered by the reserve for written unearned premiums;
- **reserve for claims payable:** this reserve is used to cover benefits outstanding, surrenders and claims that have occurred but have not yet been paid at the balance sheet date. For property & casualty and personal protection insurance activities, it includes a provision for unknown claims or late-reported claims determined using statistical methods and a management fee aimed at covering claim liquidation costs;
- **reserve for recoveries receivable:** recoveries receivable are subject to separate provisions from those recognized for claims payable;
- **reserve for deferred policyholder bonuses recognized in the individual financial statements:** this comprises policyholders' share of underwriting and financial profits generated by the company. It is permanently vested by policyholders and must be incorporated in mathematical reserves within a maximum period of 8 years;
- **reserve for increasing risks:** this reserve is recorded to address

the residual risk between the inventory date and the contractual term based on single or level premiums on subscription;

- **underwriting reserves for unit-linked policies:** these reserves correspond to the companies' obligations to policyholders. They are expressed as unit-linked accounts and measured based on the realization value at the balance sheet date of portions of assets recognized as representative of unit-linked policies. For policies offering a floor rate, a special provision is recognized in order to cover the risk of repayment of the negative difference between the value of unit-linked assets at the benefit due date and the net amounts invested on subscription. The Black-Scholes (stochastic) method is used to calculate the amount of this provision;

- **deferred acquisition costs:** these concern the fraction of acquisition costs expensed for the year, but not deductible for the year in question, and are calculated prorata to unearned premiums for the year.

4.2.12. Shadow accounting

Natixis Assurances opted to apply shadow accounting (IFRS 4.30). A provision for deferred policyholder bonuses is recorded to recognize policyholders' entitlement to unrealized capital gains or losses on investments recorded in the balance sheet.

All investments are subject to this mechanism. It should be noted that, for all investments subject to the capitalization reserve, with the financial management policy implemented by Natixis Assurances calling for securities to be held to maturity, deferred policyholder bonuses are recorded on all unrealized capital gains or losses generated on these securities.

Shadow accounting measures apply both to insurance policies and to investment contracts with discretionary policyholder bonuses.

Changes in deferred policyholder bonuses and deferred tax are taken to equity or profit and loss depending on whether the unrealized capital gains or losses are recorded in equity (AFS) or profit and loss (FVO and Trading).

The January 2007 summary of the work carried out by the CNC's working groups on the specific conditions of IFRS implementation by insurance entities stipulates that: "In any assumption, the policyholder bonus rate used must on the one hand incorporate payout rates observed in the past and on the other the assumptions used for embedded value."

Considering prospective payout ratios for 2019-2020 and in accordance with the payout ratio recorded for 2018, the deferred policyholder bonus rate adopted at December 31, 2018 is 88.0% compared to 89.0% at December 31, 2017.

Deferred policyholder bonus assets and recoverability test

CRC Regulation 2000-05 on insurance company consolidation rules stipulates that deferred policyholder bonus assets may be recorded if it is highly probable that they will be deducted from future policyholder bonuses.

In its recommendation of December 19, 2008, the CNCE reiterated the conditions for recognizing deferred policyholder bonus assets.

Deferred policyholder bonus assets are recorded in the event of overall unrealized capital losses on investments measured at fair value. Only the recoverable amount of deferred policyholder bonuses is recorded; this amount is determined using a recoverability test.

Deferred policyholder bonuses may be recovered depending on the intention and ability of companies to steer future compensation of contracts according to resources.

Where necessary, the recoverability of deferred policyholder bonuses is analyzed using a process including:

- assessment of the probability of generating unrealized capital losses at the end of the fiscal year, and thus indirectly the ability to hold loss-generating assets, depending on inflow and benefit scenarios (assuming continued use of the assets in question);

- the liability adequacy test conducted under the conditions set by IFRS 4.

Note that in 2018, as in 2017, Natixis Assurances recorded net deferred policyholder bonus liabilities.

4.2.13. Equalization provisions

Pursuant to IFRS 4, equalization provisions recognized in the individual financial statements are eliminated. A commission on underwriting income owed to business introducers is recognized where called for in the business introducer agreements (amount payable equal to 50% of the provision for Banque Populaire banks, 100% for leasing, 0% for payment protection insurance taken out by Caisse d'Epargne customers and 0% for the BPCE IARD provision). Deferred tax is recognized on net changes.

4.2.14. Employee benefits

Supplementary pension plans

Natixis Assurances set up an Article 83 defined-contribution pension plan for its employees, taken out with an external insurer. The plan paid out €1,024k in respect of fiscal year 2018.

In addition, Natixis Assurance paid out €653k in respect of the pension fund for insurance sector employees in the form of a lifetime annuity, the premium being paid entirely by the company.

End-of-career compensation

An insurance policy was taken out with an external insurer in order to fund end-of-career compensation paid to retiring BPCE Vie employees.

In accordance with IAS 19 as revised, unamortized actuarial gains and losses were recorded in non-recyclable reserves. The actuarial gains and losses booked to non-recyclable reserves came to €2,926k, of which €2,872k for the opening of the fiscal year and €54k for changes over the period.

The commitment was measured in accordance with IAS 19 as revised. The total gross commitment amounted to €8,916k. The calculations were carried out individually, with employee benefits recorded on an accruals basis.

The following assumptions were used:

- discount rate: between 1.50% and 1.85%;

- expected gross return on plan assets (BPCE Vie): 1.50%;

- inflation rate: 1.70%;

- rate of salary increase: 2.28% for executive status staff and non-executive status staff;

- BPCE Vie executive turnover rate: 8.53% up to 35 years old, 4.39% between 35 and 44, 2.67% between 45 and 54, 1.12% between 55 and 59, and no turnover after 60;

- BPCE Vie non-executive turnover rate: 3.38% up to 35 years old, 2.02% between 35 and 44, 1.22% between 45 and 54, 0.27% between 55 and 59, and no turnover after 60;

- BPCE Assurances executive turnover rate: 9.06% up to 35 years old, 4.66% between 35 and 44, 2.84% between 45 and 54, 1.19% between 55 and 59, and no turnover after 60;

• BPCE Assurances non-executive turnover rate: 3.60% up to 35 years old, 2.15% between 35 and 44, 1.29% between 45 and 54, 0.29% between 55 and 59, and no turnover after 60;

• BPCE APS executive turnover rate: 5.72% up to 35 years old, 2.94% between 35 and 44, 1.79% between 45 and 54, 0.75% between 55 and 59, and no turnover after 60;

• BPCE APS non-executive turnover rate: 2.27% up to 35 years old, 1.35% between 35 and 44, 0.82% between 45 and 54, 0.18% between 55 and 59, and no turnover after 60.

• GIE RA executive turnover rate: 7.56% up to 35 years old, 3.89% between 35 and 44, 2.37% between 45 and 54, 0.99% between 55 and 59, and no turnover after 60;

• GIE RA non-executive turnover rate: 3.00% up to 35 years old, 1.79% between 35 and 44, 1.08% between 45 and 54, 0.24% between 55 and 59, and no turnover after 60.

At end-2018, eligible plan assets totaled €3,372k, with the total net obligation standing at €5,544k.

Long-service awards

These are awarded to employees in activity who can justify the acquisition of the number of years of service required to claim the corresponding level of award:

• 20 years of service: silver long-service award;

• 30 years of service: vermillion long-service award;

• 35 years of service: gold long-service award;

• 40 years of service: great gold long-service award.

Awards are calculated as follows: (gross monthly salary x number of months of service) / (number of years corresponding to the award x 12 months))

At December 31, 2018, the obligation calculated by an independent actuary was €3,563k. The calculations were performed individually and the following assumptions were used to assess the obligation:

• discount rate: between 1.10% and 1.55%;

• inflation rate: 1.70%;

• rate of salary increase: 2.28%.

Anniversary leave

Natixis Assurances records a provision for anniversary leave to which employees are entitled under the French collective bargaining agreement for insurance companies. This provision was measured in accordance with IAS 19 as revised. The calculations were carried out individually, with employee benefits recorded on an accruals basis:

• discount rate: between 1.00% and 1.35%;

• inflation rate: 1.70%.

The total obligation came to €3,013k, of which €2,797k for the opening of the fiscal year.

4.2.15. Subordinated debt

Subordinated debt and securities are classified as financial debt, whether the debt in question is dated or perpetual.

Subordinated debt and securities are recognized at amortized cost, i.e. at their value in the individual financial statements.

4.2.16. Amounts payable to unitholders of consolidated UCITS

Pursuant to IAS 32.18, the share capital issued by a UCITS does not meet the definition of capital, but rather that of debt. Accordingly, minority interests in consolidated UCITS are recorded under a special heading in Other liabilities.

The change in the income component of this debt is booked to Change in fair value of investments measured at fair value through profit and loss.

The change in the equity component of this debt is taken to equity (group share). If this change were recorded in profit and loss, it would generate a discrepancy with the assets - predominantly classified as AFS – for which changes in value are taken to equity. This is also the principle applied by Natixis.

4.3. INCOME STATEMENT

4.3.1. Written premiums

This line records the premiums written during the fiscal year net of cancellation, except for premiums on financial contracts without discretionary policyholder bonuses. They are measured at their amount after taxes.

4.3.2. Revenue from financial contracts without discretionary policyholder bonuses

Revenue from financial contracts without discretionary policyholder bonuses is recorded under Revenue or income from other activities and corresponds to premium loading. Revenue from financial contracts without discretionary policyholder bonuses was not material.

4.3.3. Investment income and expenses

These items mainly comprise interest and rent accrued and received during the fiscal year, amortization of premiums-discounts (for HTM, AFS and FVO categories), dividends received, and management fees on investments.

4.3.4. Capital gains and losses on sales of investments

Selling price

Under IFRS, capital gains and losses on sales of investments are calculated using the FIFO method for the AFS, FVO and Trading categories, depending on the classification of the security sold. This method is identical to the one used in the parent company financial statements.

Purchases and sales of AFS securities

Purchases and sales of AFS securities do not give rise to the recognition of capital gains or losses through profit and loss. This is because, pursuant to IAS 39, AFS securities are identified on purchase and grouped together in the same portfolio. On sale, the capital gains or losses are taken directly to equity.

Capital gains or losses on securities measured at fair value through profit and loss

Capital gains or losses generated on securities classified as FVO or Trading are recorded under Change in fair value of instruments measured at fair value through profit and loss.

4.3.5. Consolidated UCITS and SCIs

Income and expenses on consolidated UCITS and SCIs

The contribution of consolidated UCITS and SCIs is presented in investment income, insofar as these vehicles are considered as investments of the insurance business.

Specific conditions of UCITS consolidation

Due to the technical difficulty of carrying out a restatement whose impact would be immaterial, there is a discrepancy with some accounting methods for consolidated UCITS:

- capital gains or losses on sales of securities held are calculated using the weighted average price method;
- the bonds held are not subject to premium-discount amortization.

4.3.6. Impact of exchange rate differences on unrealized gains and losses

Pursuant to IAS 21, exchange rate differences resulting from the foreign exchange translation of financial instruments are recorded in:

- recyclable equity for non-monetary items (equities and other variable income securities) classified as AFS;
- profit and loss for other financial instruments.

4.3.7. Operating expenses

Operating expenses are first recorded in the parent company financial statements under expenses by type of expense (Class 9). They are then divided up by responsibility center based on a case-by-case assessment (which is the case for external expenses), or pro-rated for each center's activity and consumption (which is the case for functional expenses).

Expenses are then broken down using keys or the ABC (Activity-Based Costing) method. This method involves allocating expenses consumed to the various operations contributing to the production of products using resource drivers. The main allocation keys used are headcount and administrative operations.

This allocation ensures that operating expenses are allocated to one of the uses provided for in the French Insurance Code, i.e:

- acquisition costs;
- administrative costs;
- claims management costs;
- investment management costs;
- underwriting and non-underwriting expenses.

Depending on this allocation, expenses by category are transferred quarterly to Class 6 accounts in the parent company financial statements and are added to the relevant items of the consolidated income statement.

4.3.8. French employment tax credit (CICE)

Since January 1, 2013 all French companies employing staff and liable to pay corporate income tax on their real income have been eligible for a CICE employment tax credit.

The tax credit is calculated on the basis of compensation paid in the calendar year (amount not exceeding 2.5 times the legal minimum wage).

The rate of the tax credit is 6% for compensation paid in 2018.

At December 31, 2018, Natixis Assurances recorded payroll cost savings of €1,807k by virtue of this tax credit.

4.3.9. Fees and commissions

Insurance policy investment fees (according to revenue and change in inventories) are recorded under Acquisition costs.

Fees on life insurance AuM, fees based on personal protection insurance underwriting income, performance fees on property & casualty and personal protection insurance, and other fees are recorded under Administrative costs.

4.3.10. Income tax

France's 2018 draft budget law provides for the gradual reduction in the rate of corporate income tax to 25% in 2022 for all companies.

In respect of fiscal year 2018, the normal rate of corporate income tax for companies established in France was set for all companies at 28% for the portion of taxable profit up to €500k and at 33 1/3% for the portion above this limit. Corporate income tax for the fiscal year under consideration was calculated according to the tax provisions in force. The expense recognized includes the 3.3% social contribution introduced by law 99-1140 of December 29, 1999.

The French tax rate (excluding social contribution) will then be reduced to 31% in 2019, 28% in 2020, 26.5% in 2021 and 25% from 2022.

The method of calculating deferred tax changed in 2018. Natixis Assurances now applies an appropriate annual tax rate based on the timetable for the reversal of each of the main temporary differences. In the event that the timing of reversal is unknown, it is assumed that reversal takes place after 2022.

The tax on corporate added value (CVAE) is classified as an operating expense along with taxes and not as income tax.

4.4. SEGMENT REPORTING

The sectors presented in the consolidated financial statements are:

- Life Insurance, Investment Solutions and Pensions;
- Personal Protection Insurance;
- Property & Casualty Insurance (property damage, financial losses, health and personal accident insurance).

These sectors involve different types of products and regulatory environments and are identical to those used in reports submitted to management.

Natixis Assurances' geographic areas are:

- France (including the French branch of the Luxembourg subsidiary);
- Luxembourg.

4.5. STATEMENT OF CASH FLOWS

The statement of cash flows is presented in the indirect approach format.

Investment transactions are classified as investment activities. However, interest and dividends are allocated to operating activities in order to match them against the corresponding operating expenses. Inflows and outflows are presented net of reinsurance.

5. NOTES ON FINANCIAL INSTRUMENTS

5.1 FINANCIAL INSTRUMENTS

5.1.1. Investments

BREAKDOWN OF INVESTMENTS

	12/2018		12/2017	
(in € thousands)	Balance sheet value	%, (Balanc sheet value)	Balance sheet value	%, (Balance sheet value)
Investment property at amortized cost	126,504	-	127,474	-
Investment property at fair value through profit and loss	916,016	1.1%	863,967	1.1%
Unit-linked investment property	428,103	0.5%	416,835	0.5%
Investment property	**1,470,623**	**1.8%**	**1,408,276**	**1.8%**
Held-to-maturity bonds	1,325,487	1.6%	1,919,686	2.5%
Available-for-sale bonds	39,172,945	48%	36,502,669	48%
Bonds recorded using the fair value option	1,814,570	2.2%	2,002,037	2.6%
Bonds	**42,313,001**	**52%**	**40,424,392**	**53%**
Available-for-sale equities	1,277,286	1.6%	1,288,219	1.7%
Equities recorded using the fair value option	-	0%	-	0%
Equities	**1,277,286**	**2%**	**1,288,219**	**2%**
Available-for-sale UCITS	4,763,772	5.9%	4,417,868	5.8%
UCITS recorded using the fair value option	365,592	0.4%	480,430	0.6%
UCITS held for trading purposes	4,716,307	5.8%	4,225,755	5.5%
UCITS	**9,845,671**	**12%**	**9,124,053**	**12%**
Sub-total financial investments (excl. property and loans and receivables)	**53,435,958**	**66%**	**50,836,664**	**66%**
o/w held-to-maturity financial investments	*1,325,487*	*1.6%*	*1,919,686*	*2.5%*
o/w available-for-sale financial investments	*45,214,002*	*56%*	*42,208,756*	*55%*
o/w financial investments at fair value through P&L (1)	*6,896,468*	*8%*	*6,708,222*	*9%*
Loans and receivables	13,059,488	16%	10,726,652	14%
Investments representing unit-linked policies recorded using the fair value option	13,403,300	16%	13,743,356	18%
Derivative assets	17,368	0%	102,491	0.1%
INSURANCE BUSINESS INVESTMENTS	**81,386,737**	**100%**	**76,817,439**	**100%**
Derivative liabilities and amounts payable on derivatives	(15,004)		(76,226)	

(1) Excluding investment property.

BREAKDOWN OF INVESTMENTS IN AFFILIATES

	12/2018		12/2017	
(in € thousands)	Balance sheet value	o/w affiliates	Balance sheet value	o/w affiliates
Investment property at amortized cost	126,504	-	127,474	-
Investment property at fair value through profit and loss	916,016	-	863,967	-
Unit-linked investment property	428,103	-	416,835	-
Investment property	**1,470,623**	**-**	**1,408,276**	**-**
Held-to-maturity bonds	1,325,487	35,548	1,919,686	35,616
Available-for-sale bonds	39,172,945	787,116	36,502,669	828,339
Bonds recorded using the fair value option	1,814,570	337,597	2,002,037	398,373
Bonds	**42,313,001**	**1,160,260**	**40,424,392**	**1,262,328**
Available-for-sale equities	1,277,286	5,327	1,288,219	4,958
Equities recorded using the fair value option	-	-	-	-
Equities	**1,277,286**	**5,327**	**1,288,219**	**4,958**
Available-for-sale UCITS	4,763,772	84,428	4,417,868	83,867
UCITS recorded using the fair value option	365,592	-	480,430	-
UCITS held for trading purposes	4,716,307	-	4,225,755	-
UCITS	**9,845,671**	**84,428**	**9,124,053**	**83,867**
Sub-total financial investments (excl. property and loans and receivables)	**53,435,958**	**1,250,015**	**50,836,664**	**1,351,153**
o/w held-to-maturity financial investments	*1,325,487*	*35,548*	*1,919,686*	*35,616*
o/w available-for-sale financial investments	*45,214,002*	*876,870*	*42,208,756*	*917,163*
o/w financial investments at fair value through P&L (1)	*6,896,468*	*337,597*	*6,708,222*	*398,373*
Loans and receivables	13,059,488	24,974	10,726,652	45,032
Investments representing unit-linked policies recorded using the fair value option	13,403,300	1 ,530,332	13,743,356	1,185,599
Derivative assets	17,368	6,445	102,491	17,093
INSURANCE BUSINESS INVESTMENTS	**81,386,737**	**2,811,766**	**76,817,439**	**2,598,877**
Derivative liabilities and amounts payable on derivatives	(15,004)	(9,850)	(76,226)	(14,024)

(1) Excluding investment property.

UNREALIZED GAINS OR LOSSES ON FINANCIAL INVESTMENTS

Breakdown of financial investments (in € thousands)	12/2018				12/2017			
	Amortized cost	Fair value	Carrying amount	Unrealized gains	Amortized cost	Fair value	Carrying amount	Unrealized gains
Investment property	**1,280,244**	**1,494,166**	**1,470,623**	**213,922**	**1,166,040**	**1,403,120**	**1,408,276**	**237,080**
Held-to-maturity bonds	1,325,487	1,549,559	1,325,487	224,072	1,919,686	2,243,645	1,919,686	323,959
Available-for-sale bonds	36,965,288	39,172,945	39,172,945	2,207,656	33,468,000	36,502,669	36,502,669	3,034,669
Bonds measured using the fair value option	1,789,993	1,814,570	1,814,570	24,577	1,902,439	2,002,037	2,002,037	99,598
Bonds	**40,080,768**	**42,537,073**	**42,313,001**	**2,456,304**	**37,290,125**	**40,748,351**	**40,424,392**	**3,458,226**
Available-for-sale equities	1,217,844	1,277,286	1,277,286	59,442	1,055,665	1,288,219	1,288,219	232,553
Equities measured using the fair value option	-	-	-	-	-	-	-	-
Equities	**1,217,844**	**1,277,286**	**1,277,286**	**59,442**	**1,055,665**	**1,288,219**	**1,288,219**	**232,553**
Available-for-sale UCITS	4,663,163	4,763,772	4,763,772	100,609	4,023,940	4,417,868	4,417,868	393,928
UCITS measured using the fair value option	383,684	365,592	365,592	(18,093)	494,800	480,430	480,430	(14,370)
UCITS held for trading purposes	4,719,613	4,716,307	4,716,307	(3,306)	4,228,944	4,225,755	4,225,755	(3,188)
UCITS	**9,766,460**	**9,845,671**	**9,845,671**	**79,210**	**8,747,684**	**9,124,053**	**9,124,053**	**376,369**
Loans and receivables	**13,059,488**	**13,059,488**	**13,059,488**	**-**	**10,726,652**	**10,726,652**	**10,726,652**	**-**
Sub-total financial investments (excl. investment property)	**64,124,560**	**66,719,517**	**66,495,445**	**2,594,957**	**57,820,126**	**61,887,274**	**61,563,316**	**4,067,148**

IMPACTS OF HEDGING RELATIONSHIPS ON INVESTMENTS

Breakdown of investments (in € thousands)	Carrying amount — 2018			
	Financial instruments	Impact of derivatives subject to hedge accounting	Impact of other derivatives	Cumulative value of hedged instrument and hedging instrument
Investment property at amortized cost	126,504	-	-	126,504
Investment property at fair value through P&L	916,016	-	-	916,016
Unit-linked investment property	428,103	-	-	428,103
Investment property	**1,470,623**	**-**	**-**	**1,470,623**
Held-to-maturity bonds	1,325,487	-	-	1,325,487
Available-for-sale bonds	39,172,945	(9,273)	9,527	39,173,199
Bonds recorded using the fair value option	1,814,570	-	-	1,814,570
Bonds	**42,313 001**	**(9,273)**	**9,527**	**42,313,255**
Available-for-sale equities	1,277,286	-	(103)	1,277,183
Equities recorded using the fair value option	-	-	-	-
Equities	**1,277,286**	**-**	**(103)**	**1,277,183**
Available-for-sale UCITS	4,763,772	-	2,213	4,765,985
UCITS recorded using the fair value option	365,592	-		365,592
OUCITS held for trading purposes	4,716,307	-	-	4,716,307
UCITS	**9,845,671**	**-**	**2,213**	**9,847,883**
Sub-total financial investments (excl. property and loans and receivables)	**53,435,958**	**(9,273)**	**11,637**	**53,438,322**
o/w held-to-maturity financial investments	*1,325,487*	*-*	*-*	*1,325,487*
o/w available-for-sale financial investments	*45,214,002*	*(9,273)*	*11,637*	*45,216,366*
o/w financial investments at fair value through P&L (1)	*6,896,469*	*-*	*-*	*6,896,468*
Loans and receivables	**13,059,488**	**-**	**-**	**13,059,488**
Investments representing unit-linked policies recorded at fair value through profit and loss	**13,403,300**	**-**	**-**	**13,403,300**
Other hedging derivatives	**-**	**-**	**-**	**-**
INSURANCE BUSINESS INVESTMENTS	**81,369,369**	**(9,273)**	**11,637**	**81,371,732**

(1) Excluding investment property.

IMPACTS OF HEDGING RELATIONSHIPS ON INVESTMENTS

Breakdown of investments (in € thousands)	Carrying amount — 2017			
	Financial instruments	Impact of derivatives subject to hedge accounting	Impact of other derivatives	Cumulative value of hedged instrument and hedging instrument
Investment property at amortized cost	127,474	-	-	127,474
Investment property at fair value through P&L and loss	863,967	-	-	863,967
Unit-linked investment property	416,835	-	-	416,835
Investment property	**1,408,276**	**-**	**-**	**1,408,276**
Held-to-maturity bonds	1,919,686	-	-	1,919,686
Available-for-sale bonds	36,502,669	1,197	14,554	36,518,420
Bonds recorded using the fair value option	2,002,037	-	419	2,002,456
Bonds	**40,424,392**	**1,197**	**14,973**	**40,440,562**
Available-for-sale equities	1,288,219	-	395	1,288,614
Equities recorded using the fair value option	-	-	-	-
Equities	**1,288,219**	**-**	**395**	**1,288,614**
Available-for-sale UCITS	4,417,868	-	8,503	4,426,371
UCITS recorded using the fair value option	480,430	-	1,198	481,628
UCITS held for trading purposes	4,225,755	-	-	4,225,755
UCITS	**9,124,053**	**-**	**9,701**	**9,133,754**
Sub-total financial investments (excl. property and loans and receivables)	**50,836,664**	**1,197**	**25,068**	**50,862,929**
o/w held-to-maturity financial investments	*1,919,686*	*-*	*-*	*1,919,686*
o/w available-for-sale financial investments	*42,208,756*	*1,197*	*23,451*	*42,233,404*
o/w financial investments at fair value through P&L (1)	*6,708,222*	*-*	*1,617*	*6,709,839*
Loans and receivables	**10,726,652**	**-**	**-**	**10,726,652**
Investments representing unit-linked policies recorded at fair value through profit and loss	**13,743,356**	**-**	**-**	**13,743,356**
Other hedging derivatives	**-**	**-**	**-**	**-**
INSURANCE BUSINESS INVESTMENTS	**76,714,948**	**1,197**	**25,068**	**76,741,213**

(1) Excluding investment property.

SECURITIES LENDING AND REPOS

Natixis Assurances conducted securities lending and repo transactions for the amounts of €1.637 billion and €4.303 billion, respectively. Some of these transactions were conducted with Natixis :

Loans (in € thousands)	Balance sheet value 12/2018	Balance sheet value 12/2017
NATIXIS	1,637,186	1,687,967
Total Loans	**1,637,186**	**1,687,967**

Repos (in € thousands)	Balance sheet value 12/2018	Balance sheet value 12/2017
NATIXIS	43,465	-
SOCIÉTÉ GÉNÉRALE	2,122,799	1,004,934
CRÉDIT AGRICOLE	1,515,480	1,082,615
HSBC	214,079	232,529
BARCLAYS	175,133	42,361
CRÉDIT SUISSE	93,089	445,865
ROYAL BANK OF SCOTLAND	-	2,104
BNP PARIBAS	47,182	148,702
GOLDMAN SACHS	90,335	-
MERRILL LYNCH	1,638	-
Total Repos	**4,303,201**	**2,959,111**

5.1.2. Financial liabilities

PRESENTATION OF FINANCIAL LIABILITIES

Category of instruments classified as financial liabilities (in € thousands)	12/2018			12/2017		
	Fair value	Carrying amount	% (carrying amount)	Fair value	Carrying amount	% (carrying amount)
Liabilities related to financial contracts with discr. policyholder bonus – excl. UL contracts	(2)	20,146,175	79 %	(2)	20,463,809	78 %
Liabilities related to financial contracts with discr. policyholder bonus - unit-linked contracts		3,958,558	15 %		3,960,987	15 %
Instruments classified as financial liabilities under local standards (1)	**-**	**24,105,283**	**94 %**	**-**	**24,424,796**	**94 %**
Liabilities related to financial contracts w/o discr. policyholder bonus – excl. UL policies	-	-	0 %	-	-	0 %
Subordinated debt and other financial debt	1,559,589	1,519,793	6 %	1,607,182	1,561,826	6 %
Instruments classified as financial liabilities at amortized cost	**1,559,589**	**1,519,793**	**6 %**	**1 ,607,182**	**1,561,826**	**6 %**
Liabilities related to financial contracts w/o discr. policyholder bonus - unit-linked contracts	10,318	10,318	0 %	30,753	30,753	0.1 %
Instruments classified as financial liabilities using the fair value option	**10,318**	**10,318**	**0 %**	**30,753**	**30,753**	**0.1 %**
Derivatives classified as liabilities and amounts payable on derivatives	**15,004**	**15,004**	**0.1 %**	**76,226**	**76,226**	**0.3 %**
TOTAL FINANCIAL LIABILITIES	**-**	**25,650,398**	**100 %**	**-**	**26,093,601**	**100 %**

(1) According to the provisions of IFRS 4.

(2) The fair value of investment contracts with discretionary policyholder bonuses was not calculated, as the regulatory framework for calculating the fair value of insurance policies and financial contracts with discretionary policyholder bonuses has not been defined; it was the focus of extensive debate during preparatory work for IFRS 17 relating to insurance policies.

5.1.3. Offsetting financial assets and financial liabilities

Financial assets offset or covered by a master netting agreement (in € thousands)	12/2018					12/2017				
	Gross amount of financial assets recognized in the balance sheet	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet	Amounts not offset related to guarantees received	Net exposure	Gross amount of financial assets recognized in the balance sheet	Gross amount of offset financial liabilities	Net amount of financial assets recognized in the balance sheet	Amounts not offset related to guarantees received	Net exposure
Derivatives	5,076	965	4,111	-	4,111	7,920	690	7,230	-	7,230
Repurchase agreements	-	-	-	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**5,076**	**965**	**4,111**	**-**	**4,111**	**7,920**	**690**	**7,230**	**-**	**7,230**

Financial liabilities subject to netting or an enforceable master netting agreement (in € thousands)	12/2018					12/2017				
	Gross amount of financial liabilities recognized in the balance sheet	Gross amount of offset financial assets	Net amount of financial liabilities recognized in the balance sheet	Amounts not offset related to guarantees received	Net exposure	Gross amount of financial liabilities recognized in the balance sheet	Gross amount of offset financial assets	Net amount of financial liabilities recognized in the balance sheet	Amounts not offset related to guarantees received	Net exposure
Derivatives	3,963	965	2,999	2,999	-	690	690	-	-	-
Repurchase agreements	4,303,201	-	4,303,201	4,260,019	43,182	3,032,293	-	3,032,293	2,918,466	113,827
Other financial instruments	-	-	-	-	-	-	-	-	-	-
Total	**4,307,164**	**965**	**4,306,200**	**4,263,018**	**43,182**	**3,032,293**	**690**	**3,032,293**	**2,918,466**	**113,827**

Guarantees received for repurchase agreements consist of financial instruments and not cash.

5.1.4. Income on financial instruments (net of expenses)

Non-itemized management expenses (in € thousands)	12/2018	12/2017
External investment management expenses	(66,151)	(49,128)
Internal investment management expenses	(7,461)	(9,853)
Management expenses	**(73,612)**	**(58,981)**

Investment property (in € thousands)	12/2018	12/2017
Investment income	61,508	61,521
Investment expenses	(19,973)	(18,261)
Management expenses	(5,572)	(4,718)
Change in fair value excluding disposals	82,699	23,781
Gains or losses on disposals	17,162	12,690
Change in impairments	-	-
Financial income (net of expenses)	**135,824**	**75,013**

Held-to-maturity investments (in € thousands)	12/2018	12/2017
Investment income	92,514	115,648
Investment expenses	-	-
Capital gains or losses on disposals net of impairment reversals	253	740
Change in impairments	(5)	(6)
Financial income (net of expenses)	**92,762**	**116,382**

Available-for-sale investments (in € thousands)	12/2018	12/2017
Investment income	1,006,184	977,315
Investment expenses	-	-
Capital gains or losses on disposals net of impairment reversals	91,153	227,599
Change in impairments	(88,592)	(22,677)
Financial income (net of expenses)	**1,008,745**	**1,182,237**

Investments recorded under the fair value option (in € thousands)	12/2018	12/2017
Investment income	124,419	110,389
Investment expenses	-	-
Change in fair value excluding disposals	(79,462)	79,434
Ajustement Acav	(1,005,467)	676,062
Gains or losses on disposals	5,335	21,960
Change in amount payable to consolidated UCITS unitholders	(2,636)	(3)
Financial income (net of expenses)	**(957,811)**	**887,842**

Investments held for trading purposes including derivatives (in € thousands)	12/2018	12/2017
Investment income	13,471	19,452
Investment expenses	(32,470)	(72,377)
Change in fair value excluding disposals	(8,809)	31,260
Gains or losses on disposals	(31,633)	(6,961)
Financial income (net of expenses)	**(59,411)**	**(28,626)**

Loans and receivables (in € thousands)	12/2018	12/2017
Investment income	225,049	289,260
Investment expenses	(4,248)	(3,554)
Capital gains or losses on disposals net of impairment reversals	-	-
Change in impairments	-	-
Financial income (net of expenses)	**220,801**	**285,706**

Total insurance business investments (in € thousands)	12/2018	12/2017
Non-itemized management expenses	(73,612)	(58,981)
Investment property	135,824	75,013
Held-to-maturity investments	92,762	116,382
Available-for-sale investments	1,008,745	1,182,237
Investments recorded under the fair value option	(957,811)	887,842
Investments held for trading purposes	(59,441)	(28,626)
Loans and receivables	220,801	285,706
Financial income, net of expenses, excl. financing costs	**367,268**	**2,459,573**

Among the management expenses paid by Natixis Assurances, €35 million in management fees and commissions were paid to Natixis Investment Managers.

5.1.5. Provisions for impairment of investments

Provisions for permanent or significant impairment (in € thousands)	12/2017	Dotation	Reversal on disposal	Reversal of unused provision (1)	12/2018
Held-to-maturity investments	1,675	5	-	320	1,360
Available-for-sale investments	160,733	88,590	35,053	-	211,270
o/w bonds	*12,451*	*25,371*	-	-	*37,822*
o/w equities and UCITS	*148,282*	*63,219*	*35,053*	-	*173,448*
Total Provisions pour dépréciation	**162,408**	**88,595**	**35,053**	**320**	**212,630**

(1) Obsolete provision or partial reimbursement

5.1.6. Financial instruments recorded at fair value

Techniques used to determine fair value

Details of the fundamental principles for valuing investments are provided in point 4.2.4.

Most financial instruments accounted for at fair value are valued at their market price (level 1). Securities whose fair value is measured via valuation techniques, whether these make reference to market data or not, are presented in the table below.

Fixed-income securities whose prices are valued by more than five market contributors are accounted for in level 1, while those valued by between two and four contributors are accounted for in level 2. When the valuation is made by a single contributor, the securities are accounted for in level 3.

Investments representing unit-linked policies are predominantly UCITS. The fair value retained equates to the net asset value communicated by the fund manager, with these investments being classed in level 1.

Financial instruments recorded at fair value (in € thousands)	Natixis Assurances consolidated : 12/2018				
	Total fair value	Fair value determined using quoted prices	Fair value determined using valuation techniques based on market data	Fair value determined using valuation techniques not based on market data	Breakdown of securities subject to valuation techniques
		Level 1	Level 2	Level 3	
Investment property	1,344,119	-	1,344,119	-	
Bonds	39,172,945	33,218,342	3,614,720	2,339,883	- Bonds valued by 2-4 contributors, CoDs, FCTs valued quarterly (level 2) - 87 bonds valued by at least 2 contributors (level 3)
Equities	1,219,591	1,129,986	50,700	38,906	- SCI Tour W (level 3), other SCIs and BP Développement shares (level 2)
UCITS	4,679,344	3,298,795	1,380,550	-	- Illiquid SCPIs, FCPRs valued quarterly (level 2) - SCI Foncière 2, SCI FLI, SCI FLI 2 and Belgian SICAV (level 2)
Investments in affiliates	142,122	-	136,795	5,327	- SCI Foncière 2 (level 2) - Inter Mutuelle Assistance and Surassur (level 3)
Available-for-sale financial assets	45,214,002	37,647,123	5,182,764	2,384,116	
Bonds	1,814,570	88,900	179,999	1,545,670	- 78 bonds valued by at least 2 contributors (level 3)
UCITS	5,081,899	4,799,441	282,457	-	- Illiquid SCPIs (level 2)
Financial assets at fair value through profit and loss	6,896,469	4,888,341	462,457	1,545,670	
Derivative assets	17,368	2,213	15,155	-	- Listed futures (level 1)
Derivative liabilities and related payables	(15,005)	(86)	(14,919)	-	- Caps, interest-rate and currency swaps, CDS (level 2)
Total financial assets/ liabilities (excl. investment property)	52,112,834	42,537,591	5,645,457	3,929,786	
% N	100%	81.6%	10.8%	7.5%	
% N-1	100%	81.9%	7.8%	10.3%	

Financial instruments recorded at fair value (in € thousands)	Natixis Assurances consolidated : 12/2017				
	Total fair value	Fair value determined using quoted prices	Fair value determined using valuation techniques based on market data	Fair value determined using valuation techniques not based on market data	Breakdown of securities subject to valuation techniques
		Level 1	Level 2	Level 3	
Investment property	1,280,802	-	1,280,802	-	
Bonds	36,502,669	31,079,905	2,335,285	3,087,479	- Bonds valued by 2- 4 contributors, CODs (level 2) - 14 illiquid FCTs and 85 bonds valued by at least 2 contributors (level 3)
Equities	1,239,600	1,167,574	38,795	33,231	- SCI Tour W (level 3), other SCI - SCA (level 2)
UCITS	4,334,001	3,397,915	916,099	19,987	- Illiquid SCPIs, liquid FCPRs (level 2) - 8 illiquid FCPRs, alternative funds not quoted daily (level 3)
Investments in affiliates	132,486	-	127,528	4,958	- SCI Foncière 2, SICAV Belge (level 2) - Inter Mutuelle Assistance and Surassur (level 3)
Available-for-sale financial assets	42,208,756	35,645,394	3,417,707	3,145,655	
Bonds	2,002,037	90,280	-	1,911,757	- 84 bonds valued by at least 2 contributors (level 3)
UCITS	4,706,185	4,322,705	383,480	-	- Illiquid SCPIs and FCPR (level 2)
Financial assets at fair value through profit and loss	6,708,222	4,412,985	383,480	1,911,757	
Derivative assets	102,491	13,530	88,961	-	- Calls, puts and futures quoted (level 1)
Derivative liabilities and related payables	(76,226)	(3,470)	(72,756)	-	- Caps, interest rate and currency swaps, forward CDS (level 2)
Total financial assets/ liabilities (excl. investment property)	48,943,243	40,068,439	3,817,392	5,057,412	
% N	100%	81.9%	7.8%	10.3%	
% N-1	100%	83.9%	5.3%	10.9%	

Changes in levels

(in € thousands)	Level 1	Level 2	Level 3	Total
Unchanged	37,070,665	4,259,200	2,639,730	43,969,596
Acquisition	5,384,726	997,730	687,420	7,069,877
From 1 to 2	-	77,580	-	77,580
From 1 to 3	-	-	197,349	197,349
From 2 to 1	10,253	-	-	10,253
From 2 to 3	-	-	405,286	405,286
From 3 to 1	71,946	-	-	71,946
From 3 to 2	-	1,655,066	-	1,655,066
Total	**42,537,591**	**6,989,577**	**3,929,786**	**53,456,954**

The €1.655 billion reclassified from level 3 to level 2 primarily concerned private bond portfolios (a second valuation was obtained in 2018) and securitization funds (quarterly valuation in 2018).

Changes in securities priced according to level 3

(in € thousands)	At January 1st Level 3	Gains and losses recognized over the period		Transactions carried out		Reclassifications over the period			At December 31st Level 3
		In the income statement	In equity	Purchases	Sales	From Level 3	To level 3	Others	
Financial assets held for trading purposes	-	-	-	-	-	-	-	-	-
Financial assets designated at FV through P&L	1,991,757	(39,022)	-	235,262	(533,773)	(28,553)	-	-	1,545,670
Available-for-sale financial assets	3,145,655	11,237	(81,392)	452,159	(213,470)	(1,532,708)	602,635	-	2,384,115
Total	**5,057,412**	**(27,785)**	**(81,392)**	**687,420**	**(747,244)**	**(1,561,262)**	**602,635**	**-**	**3,929,786**

5.2. DERIVATIVES

5.2.1. Derivatives recorded under hedge accounting

Natixis Assurances subscribed for a forward OAT in 2014 (nominal amount of €5 million). This transaction, which was recognized as a cash flow hedge, matured in 2018 with the delivery of the OAT.

Natixis Assurances also subscribed for currency swaps in order to hedge dollar-denominated bond portfolios. The hedge was recognized as effective and recorded as a cash-flow hedge.

Category of instrument (in € thousands)	Notional value schedule at 12/2018			Total notional value	Credit rating					Fair value
	< 1 year	1 - 5 years	> 5 years	12/2018	AAA	AA	A	BBB	Not rated	12/2018
Interest rate swaps	-	-	245,338	245,338	-	-	245,338	-	-	(9,273)
TOTAL	**-**	**-**	**245,338**	**245,338**	**-**	**-**	**245,338**	**-**	**-**	**(9,273)**

5.2.2. Derivatives not subject to hedge accounting

Category of instrument (in € thousands)	Notional value schedule at 12/2018			Total notional value	Credit rating					Fair value
	< 1 year	1 - 5 years	> 5 years	12/2018	AAA	AA	A	BBB	Not rated	12/2018
Interest-rate swaps	185,000	370,000	-	555,000	-	-	535,000	20,000	-	(2,999)
Currency swaps (1)	37,244	87,431	23,005	147,680	-	-	147,680	-	-	8,686
CDS	43,000	-	-	43,000	-	-	-	-	43,000	(116)
Swaps ans CDS	**265,244**	**457,431**	**23 ,005**	**745,680**	**-**	**-**	**682,680**	**20,000**	**43,000**	**5,572**
Caps bought (2)	600,000	2,900,000	1,500,000	5,000,000	-	-	4,500,000	400,000	100,000	4,111
Caps sold (2)	600,000	2,900,000	1,500,000	5,000,000	-	-	4,500,000	400,000	100,000	(156)
Options	**1,200,000**	**5,800,000**	**3,000,000**	**10,000,000**	**-**	**-**	**9,000,000**	**800,000**	**200,000**	**3,955**
Currency futures	478,239	-	-	478,239	-	-	-	-	478,239	2,110
Others	**478,239**	**-**	**-**	**478,239**	**-**	**-**	**-**	**-**	**478,239**	**2,110**
TOTAL	**1,943,483**	**6,257,431**	**3,023,005**	**11,223,919**	**-**	**-**	**9,682,680**	**820,000**	**721,239**	**11,637**

(1) Includes CVA/DVA (2) The fair value of caps is presented net of accrued premiums. Of these caps, those issued by Natixis represented a notional amount of €1.200 billion and a total fair value of +€0.3 million.

5.3. FINANCIAL RISKS

5.3.1. Risk management method

In the life insurance business, commitments recorded as balance sheet liabilities are reviewed so as to determine the company's various constraints and to define the allocation of assets with respect to identified risks associated with insurance policies. The aim for insurance companies is to optimize their asset allocation, particularly by favoring instruments offering regular returns compatible with the commitments recorded as balance sheet liabilities and thus maintain the companies' solvency.

One of the methods used is to impose constraints on the fixed income portfolio in terms of ratings and duration, in order to comply with the insurer's obligations in extreme market and surrender situations.

Equities and property assets serve to diversify the portfolio and improve its long-term return. However, the proportion of such assets in the portfolio is also limited in the short term by the obligation to record a provision for liquidity risks (in the individual financial statements) and by commercial, contractual or regulatory requirements resulting from the rates of return on customer policies.

The choice of distribution between investments subject to Article R. 343-9 and R. 343-10 is based on several factors:

- the scope available for diversification;
- the maximum accounting risk compatible with the objective of protecting equity and net income.

5.3.2. Credit risk

Counterparty risk is monitored and managed in compliance with Natixis Group standards and internal limits, as determined by the Risk Committee, as well as the regulatory constraints imposed on insurance companies. Credit risk is monitored by Ostrum Asset Management, which is responsible for managing the portfolio and reporting to the Finance Committee. In addition, a Credit Committee comprising members from Natixis Assurances and Ostrum Asset Management meets quarterly.

BREAKDOWN BY TYPE AND BUSINESS SECTOR OF FINANCIAL ASSETS EXPOSED TO CREDIT RISK

Breakdown of bonds (in € thousands)	Business sectors at 12/2018					Business sectors at 12/2017				
	Government securities	Quasi-government	Private sector - Financial (2)	Private sector - Non financial	Total	Government securities	Quasi-government	Private sector - Financial (2)	Private sector - Non financial	Total
Held-to-maturity bonds	1,000,444	40,546	44,947	239,551	**1,325,487**	1,080,978	103,931	96,561	638,216	**1,919,686**
Available-forsale bonds	12,165,811	1,674,487	10,738,991	14,953,656	**39,172,945**	10,807,331	1,463,515	9,819,758	14,412,065	**36,502,669**
Bonds recorded using the fair value option	88,900	34,651	1,561,018	130,000	**1,814,570**	90,280	-	1,781,757	130,000	**2,002,037**
Total bonds	**13,255,155**	**1,749,684**	**12,344,956**	**14,963,207**	**42,313,001**	**11,978,589**	**1,567,447**	**11,698,076**	**15,180,281**	**40,424,392**
% N	***31.3%***	***4.1%***	***29.2%***	***35.4%***	***100%***	***29.6%***	***3.9%***	***28.9%***	***37.6%***	***100%***
o/w maturity < 1 yrs (1)	*855,820*	*176,298*	*1,093,995*	*1,232,044*	***3,358,157***	*440,947*	*68,212*	*937,485*	*1,571,989*	***3,018,634***
o/w maturity 1 to 5 yrs (1)	*3,141,043*	*741,564*	*4,965,559*	*6,979,775*	***15,827,941***	*2,744,104*	*531,972*	*5,540,931*	*6,478,613*	***15,295,621***
o/w maturity > 5 yrs (1)	*9,258,291*	*831,822*	*6,285,403*	*6,751,388*	***23,126,903***	*8,793,537*	*967,263*	*5,219,659*	*7,129,679*	***22,110,138***

(1) Contractual maturity or exercise date of issuer call (where applicable)
(2) o/w 22% rated AA or AAA (24% in 2017) and 67% rated A, AA or AAA (69% in 2017)

BREAKDOWN BY TYPE AND CREDIT RATING OF FINANCIAL ASSETS EXPOSED TO CREDIT RISK

Breakdown of bonds (in € thousands)	Credit ratings at 12/2018												12/2017
	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not rated(2)	Total	Total
Held-to-maturity bonds	109	810,089	151,457	362,325	184	74	743	116	-	390	-	**1,325,487**	**1,919,686**
Available-for-sale bonds	2,543,836	12,747,393	9,302,655	11,117,789	846,333	93,620	-	-	-	-	2,521,319	**39,172,945**	**36,502,669**
Bonds recorded using the FVO	105,176	90,588	913,784	246,074	-	-	-	-	-	-	458,948	**1,814,570**	**2,002,037**
Total Bonds	**2,649,121**	**13,648,070**	**10,367,896**	**11,726,187**	**846,518**	**93,694**	**743**	**116**	**-**	**390**	**2,980,767**	**42,313,001**	**40,424,392**
% N	***6.3%***	***32%***	***25%***	***28%***	***2.0%***	***0.2%***	***0%***	***0%***	***0%***	***0%***	***7%***	***100%***	
% N-1	***5.7%***	***33%***	***28%***	***29%***	***1.7%***	***0.2%***	***0%***	***0%***	***0%***	***0%***	***2.4%***		***100%***
o/w maturity < 1 yrs (1)	*157,784*	*876,553*	*790,610*	*1,173,162*	*194,126*	*46,961*	-	-	-	*57*	*118,904*	***3,358,157***	***3,018,634***
o/w maturity 1 to 5 yrs (1)	*982,752*	*3,767,297*	*4,696,913*	*5,225,279*	*420,597*	-	-	-	-	*334*	*734,770*	***15,827,941***	***15,295,620***
o/w maturity > 5 yrs (1)	*1,508,585*	*9,004,221*	*4,880,373*	*5,327,747*	*231,794*	*46,733*	*743*	*116*	-	-	*2,126,593*	***23,126,903***	***22,110,138***

(1) Contractual maturity or exercise date of issuer call (where applicable)
(2) The main unrated securities are securitization funds and senior bonds issued notably by ITM Entreprises and Artémis, and structured bonds.

CARRYING AMOUNT OF SOVEREIGN DEBT SECURITIES ISSUED BY EURO ZONE PERIPHERY COUNTRIES

IFRS category (in € thousands)	Country	Balance sheet value (1)	Balance sheet value (1)
		12/2018	12/2017
AFS	Ireland	-	-
	Italy	778,076	834,477
	Portugal	168,839	-
	Spain	637,238	543,572
	Total	**1,584,153**	**1,378,049**
HTM	Italy	306,351	312,025
	Total	**306,351**	**312,025**
FVO	**Total**	-	-
Total periphery country sovereigns		**1,890,503**	**1,690,073**

(1) Carrying amount net of provisions for permanent impairment where applicable, without applying contractual policyholder bonus rules and without deferred tax

At end-2018, the fair value of AFS securities in the table above was exclusively determined using quoted prices (level 1). Exposure net of deferred policyholder bonuses and deferred taxes in respect of euro zone periphery country sovereign bonds was €255 million at end-2018 (€251 million in 2017).

5.3.3. Liquidity risk

BREAKDOWN OF FINANCIAL DEBT BY CONTRACTUAL MATURITY

Category of financial debt [1] (in € thousands)	Breakdown of carrying amount at 12/2018 by maturity			Carrying amount 12/2018	Carrying amount 12/2017
	< 1 yr.	1-5 yrs.	> 5 yrs.		
Dated subordinated debt taken out with Natixis or Groupe BPCE entities	30,768	83,000	395,000	508,768	508,796
Dated subordinated debt taken out with non-Group entities	-	-	-	-	-
Total dated subordinated debt	**30,768**	**83,000**	**395,000**	**508,768**	**508,796**
Perpetual subordinated debt issued by Natixis or Groupe BPCE entities [2]	886	-	273,500	274,386	274,392
Perpetual subordinated debt issued by non-Group entities [3]	69	-	251,000	251,069	251,069
Total perpetual subordinated debt	**955**	**-**	**524,500**	**525,455**	**525,461**
Total subordinated debt	**31,723**	**83,000**	**919,500**	**1,034,223**	**1,034,256**
Other financial debt issued by Natixis or Groupe BPCE entities	93,571	392,000	-	485,571	527,569
Other financial debt issued by non-Group entities	-	-	-	-	-
Total financial debt	**125,294**	**475,000**	**919,500**	**1,519,794**	**1,561,826**

(1) Short-term debt is defined as having a maturity of less than one year and the contractual maturity of financial contracts is presented in the section on interest rate risk (point 5.3.5).
(2) Perpetual debt with a 10-year call (€22 million at end-2022); other debt: annual call (first call date past).
(3) Perpetual debt with an 11-year call (€251 million at end-2025).

5.3.4. Market risk

EQUITY RISK EXPOSURE BY GEOGRAPHIC AREA

Breakdown of equities by geographic area - carrying amount at 12/2018 (in € thousands)	Equities			Non-consolidated UCITS (breakdown in table below)	Total
	Euro zone	Europe excl. euro zone	International		
Available-for-sale equities and UCITS	1,206,167	68,118	-	4,763,772	6,041,058
Equities and UCITS recorded under the fair value option	-	-	-	365,592	365,592
Equities and UCITS held for trading purposes	-	-	-	4,716,307	4,716,307
Available-for-sale investments in affiliates	-	-	-	-	-
Total equities and UCITS	1,206,167	68,118	-	9,845,671	11,122,956
% N	*94.7%*	*5.3%*	*0.0%*		
% N-1	*93.6%*	*6.4%*	*0.0%*		

Breakdown of equities by geographic area - carrying amount at 12/2017 (in € thousands)	Equities			Non-consolidated UCITS (breakdown in table below)	Total
	Euro zone	Europe excl. euro zone	International		
Available-for-sale equities and UCITS	1,206,209	82,009	-	4,417,868	5,706,087
Equities and UCITS recorded under the fair value option	-	-	-	480,430	480,430
Equities and UCITS held for trading purposes	-	-	-	4,225,755	4,225,755
Available-for-sale investments in affiliates	-	-	-	-	-
Total equities and UCITS	1,206,209	82,009	-	9,124,053	10,412,272
% N	*93.6%*	*6.4%*	*0.0%*		
% N-1	*92.2%*	*7.8%*	*0.0%*		

AMF CLASSIFICATION OF DIVERSIFIED UCITS

AMF classification of diversified UCITS – carrying amount at 12/2018 (in € thousands)	Euro zone equities	International equities	Bonds	Money market instruments	AIFs and diversified funds	Venture capital funds	Units of securitization funds and loan funds	Real estate funds	Total non-consolidated UCITS 12/2018
Available-for-sale UCITS	868,885	532,035	500,132	181,015	1,409,810	766,227	30	505,638	4,763,772
UCITS recorded under the FVO	-	2	-	-	83,133	-	-	282,457	365,592
UCITS held for trading purposes	-	-	-	4,716,307	-	-	-	-	4,716,307
Total non consolidated UCITS	886,885	532,036	500,132	4,897,322	1,492,943	766,227	30	788,095	9,845,671
% N	*9%*	*5%*	*5%*	*50%*	*15%*	*8%*	*0%*	*8%*	*100%*
% N-1	*9%*	*6%*	*5%*	*49%*	*18%*	*6%*	*0%*	*7%*	*100%*

AMF classification of diversified UCITS – carrying amount at 12/2017 (in € thousands)	Euro zone equities	International equities	Bonds	Money market instruments	AIFs and diversified funds	Venture capital funds	Units of securitization funds and loan funds	Real estate funds	Total non-consolidated UCITS 12/2017
Available-for-sale UCITS	827,575	537,822	411,057	203,362	1,586,821	559,662	21	291,548	4,417,868
UCITS recorded under the FVO	-	2	-	-	96,948	-	-	383,480	480,430
UCITS held for trading purposes	-	-	-	4,225,755	-	-	-	-	4,225,755
Total non consolidated UCITS	**827,575**	**537,824**	**411,057**	**4,429,118**	**1,683,768**	**559,662**	**21**	**675,028**	**9,124,053**
% N	*9%*	*6%*	*5%*	*49%*	*18%*	*6%*	*0%*	*7%*	*100%*
% N-1	*7%*	*6%*	*4%*	*57%*	*14%*	*5%*	*0%*	*8%*	*100%*

EXPOSURE TO PROPERTY RISK BY GEOGRAPHIC AREA AND CATEGORY

The properties referred to include the properties of the consolidated SCI and SPPICAV. They do not include non-consolidated SCPI and SCI securities.

Breakdown of investment property by geographic area (in € thousands)	Paris area		Other geographic areas		Total	
	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Offices at fair value through profit and loss	1,048,029	1,001,040	50,010	48,310	1,098,039	1,049,350
Other categories at fair value through profit and loss	1,233	1,201	244,847	230,251	246,081	231,452
Property at fair value through profit and loss	**1,049,262**	**1,002,241**	**294,857**	**278,561**	**1,344,119**	**1,280,802**
Other categories at amortized cost	99,527	99,761	26,977	27,713	126,504	127,474
Total investment property	**1,148,789**	**1,102,002**	**321,834**	**306,274**	**1,470,623**	**1,408,277**

FOREIGN EXCHANGE RISK

Breakdown of financial assets and liabilities by currency (1) (in € thousands)	12/2018		12/2017	
	Carrying amount	% of total	Carrying amount	% of total
Financial assets denominated in EUR	80,425,809	98.8%	76,181,362	99.2%
Financial assets denominated in GBP (2)	110,314	0.14%	96,243	0.13%
Financial assets denominated in USD (3)	754,140	0.93%	444,256	0.58%
Financial assets denominated in other currencies	96,473	0.12%	88,017	0.11%
TOTAL FINANCIAL ASSETS	**81,386,737**	**100%**	**76,809,877**	**100%**
Financial liabilities denominated in EUR	25,650,398	100%	26,093,601	100%
TOTAL FINANCIAL LIABILITIES	**25,650,398**	**100%**	**26,093,601**	**100%**

(1) Excluding purchase or sale of currency futures for hedging purposes.
(2) o/w €66 million hedged with currency swaps.
(3) o/w €329 million hedged with currency swaps.

5.3.5. Interest rate risk

EXPOSURE OF FINANCIAL ASSETS

The exposure of Natixis Assurances' financial assets to fixed income markets is presented in the table below.

Category of financial assets [1] (in € thousands)	Breakdown of carrying amount by maturity at 12/2018 [3]			Carrying amount 12/2018	Carrying amount 12/2017
	< 1 year	1 - 5 years	> 5 years		
Held-to-maturity bonds	388,056	455,010	477,659	1,320,725	1,914,088
Available-for-sale bonds	2,654,213	13,639,189	20,916,772	37,210,175	32,642,311
Bonds recorded under the FVO	65,169	128,460	413,324	606,952	898,054
Unlisted bonds (amortized cost)	-	-	-	-	-
Fixed-rate bonds	**3,107,438**	**14,222,659**	**21,807,755**	**39,137,852**	**35,454,453**
Fixed-rate loans and receivables	260,366	25,096	12,723,922	13,009,384	10,726,652
Other net financial assets exposed to fair value risk [2]	(1,512)	1,563	204	254	16,170
FIXED-RATE FINANCIAL ASSETS	**3,366,291**	**14,249,318**	**34,531,881**	**52,147,490**	**46,197,275**
% N	***6.1 %***	***25.8 %***	***62.4 %***	***94.3 %***	-
% N-1	***5.4 %***	***25.8 %***	***59.1 %***		***90.3 %***
Held-to-maturity bonds	57	334	4,372	4,762	5,599
Available-for-sale bonds	158,275	950,469	854,025	1,962,770	3,860,357
Bonds recorded under the FVO	92,387	654,479	460,751	1,207,617	1,103,983
Unlisted bonds (amortized cost)				-	-
Fixed-rate bonds	**250,719**	**1,605,282**	**1,319,148**	**3,175,149**	**4,969,939**
Fixed-rate loans and receivables	-	50,103	-	50,103	-
Other net financial assets exposed to fair value risk [2]	-	-	-	-	-
VARIABLE-RATE FINANCIAL ASSETS	**250,719**	**1,605,282**	**1,319,148**	**3,175,149**	**4,969,939**
% N	***0.5 %***	***2.9 %***	***2.4 %***	***5.7 %***	-
% N-1	***0.8 %***	***4.3 %***	***4.6 %***		***9.7 %***
FINANCIAL ASSETS EXPOSED TO INTEREST RATE RISK	**3,617,010**	**15,854,600**	**35,851,029**	**55,322,639**	**51,167,214**

(1) Short-term receivables are deemed to have a maturity of less than one year.
(2) Fair value of caps and currency swaps.
(3) Contractual maturity or exercise date of issuer call (where applicable).

EXPOSURE OF LIABILITIES

The exposure of Natixis Assurances' liabilities to the fixed income market is presented in the table below.

Category of financial liabilities [1] (in € thousands)	Breakdown of projected liability flows at 12/2018 by estimated maturity			Projected liability flows 12/2018 [2]	Carrying amount of liabilities at 12/2018
	< 1 year	1-5 years	> 5 years		
With-profits underwriting liabilities	*3,433,446*	*11,062,915*	*43,314,490*	*57,810,851*	*60,168,615*
Unit-linked underwriting liabilities	*1,950,318*	*2,937,823*	*11,751,002*	*16,639,143*	*13,813,993*
Total underwriting liabilities	**5,383,763**	**14,000,738**	**55,065,492**	**74,449,994**	**73,982,608**
Subordinated debt and other financial debt	31,576	83,000	668,000	782,576	782,576
FIXED-RATE LIABILITIES	**5,415,339**	**14,083,738**	**55,733,492**	**75,232,570**	**74,765,185**
Subordinated debt	147	-	251,500	251,647	251,647
VARIABLE-RATE LIABILITIES	**147**	**-**	**251,500**	**251,647**	**251,647**
LIABILITIES EXPOSED TO INTEREST RATE RISK	**5,415,486**	**14,083,738**	**55,984,992**	**75,484,217**	**75,016,831**

(1) Short-term payables are deemed to have a maturity of less than one year.
(2) Projected insurance liability flows comprise projected cash outflows. These flows consist of surrenders, deaths and projected maturities of insurance policies and financial contracts, including technical interest and deferred policyholder bonuses to be allocated to contracts between the closing date and the estimated exit date; they comprise the repayment of the principal for financial debt; they are not discounted.

The carrying amount of liabilities comprises the amount of liabilities related to the Investment Solutions business (excl. personal protection insurance, property & casualty insurance and CNP acceptance)

5.3.6. Sensitivity of assets and liabilities to market and interest rate risk

Sensitivity to market risk

Equity markets

The sensitivity analysis involved measuring the impact of a 10% variation in the equities market. This analysis was conducted for each line in the Natixis Assurances portfolio. The scope included equities, UCITS, structured products and convertible bonds.

The sensitivity of each line was determined according to its «β» calculated over the year ended. This «β» was used to simulate the variation in the level of unrealized capital gains or losses.

The impact on the provision for permanent impairment could then be determined, with the provision for impairment recorded in the financial statements at December 31 having been set beforehand. The change in the provision for permanent impairment and the change in FVO unrealized capital gains or losses has an impact on income; the change in AFS unrealized capital gains or losses has an impact on equity.

The impact of equity derivatives held in consolidated UCITS was assumed to be nil overall (insignificant amounts).

Real estate market

The sensitivity analysis involved measuring the impact of a 10% variation in the real estate market. The impact was estimated globally for the properties of the consolidated SCIs and OPCIs (impact on income) and SCPI securities held (impact on equity).

Sensitivity of financial assets before deferred policyholder bonus and deferred taxes (in € millions)	12/2018			12/2017		
	Impact on fair value of investments	Impact on income	Impact on equity	Impact on fair value of investments	Impact on income	Impact on equity
Before impact of hedging derivatives						
+10% variation in the equities market	282.3	3.3	278.9	230.9	1.1	229.8
-10% variation in the equities market	(282.3)	(10.7)	(271.7)	(231.2)	(11.9)	(219.3)
After impact of hedging derivatives						
+10% variation in the equities market	282.3	3.3	278.9	230.7	0.9	229.8
-10% variation in the equities market	(282.3)	(10.7)	(271.7)	(231)	(11.7)	(219.3)
Before and after impact of hedging derivatives						
+10% var. in the real estate market	208.5	166.5	41.9	179.2	155.1	24.1
-10% var. in the real estate market	(208.5)	(174.8)	(33.6)	(179.2)	(175.2)	(4.1)

The impacts of equity and real estate market variations on income and equity are presented net of deferred policyholder bonuses and deferred taxes:

Sensitivity of financial assets before deferred policyholder bonus and deferred taxes (in € millions)	12/2018			12/2017		
	Impact on fair value of investments	Impact on income	Impact on equity	Impact on fair value of investments	Impact on income	Impact on equity
Before impact of hedging derivatives						
+10% variation in the equities market	282.3	0.3	24.8	230.9	0,1	18.0
-10% variation in the equities market	(282.3)	(1.0)	(24.4)	(231.2)	(0.9)	(17.1)
After impact of hedging derivatives						
+10% variation in the equities market	282.3	0.2	19.8	230.7	0.1	16.3
-10% variation in the equities market	(282.3)	(0.8)	(19.3)	(231)	(0.8)	(15.6)
Before and after impact of hedging derivatives						
+10% var. in the real estate market	208.5	14.8	3.7	179.2	12.1	1.9
-10% var. in the real estate market	(208.5)	(15.6)	(3.0)	(179.2)	(13.7)	(0.3)

Sensitivity to interest rate risk

The sensitivity analysis involved measuring the impact of a 1% variation in interest rates without a deformation of the yield curve. This analysis was conducted for each line in Natixis Assurances' main fixed income portfolios (BPCE Vie, BPCE Prévoyance and BPCE Assurances), i.e. 90% of the total value.

Sensitivity of financial assets after deferred policyholder bonuses and deferred taxes (in € millions)	12/2018 Impact on fair value of investments (1)	12/2018 Impact on income	12/2018 Impact on equity	12/2017 Impact on fair value of investments (1)	12/2017 Impact on income	12/2017 Impact on equity
Before impact of derivatives						
Variation of +1% in bond yields	(2,448)	(54)	(2,330)	(2,307)	(100)	(2,153)
Variation of -1% in bond yields	2,752	68	2,614	2,483	47	2,377
After impact of derivatives						
Variation of +1% in bond yields	(2,443)	(48)	(2,330)	(2,284)	(77)	(2,153)
Variation of -1% in bond yields	2,750	66	2,614	2,480	44	2,377

(1) Including HTM bonds.

The impact on income of a 1% increase in rates was less in 2018 than in 2017 due to:

- a reduction in market values and the sensitivities of structured fixed-income securities already in the portfolio in 2017;
- the replacement of structured securities in the portfolio with less sensitive securities.

The impacts of interest-rate variations on income and equity are presented net of deferred policyholder bonuses and deferred taxes.

Sensitivity of financial assets after deferred policyholder bonuses and deferred taxes (in € millions)	12/2018 Impact on fair value of investments (1)	12/2018 Impact on income	12/2018 Impact on equity	12/2017 Impact on fair value of investments (1)	12/2017 Impact on income	12/2017 Impact on equity
Before impact of derivatives						
Variation of +1% in bond yields	(2,448)	(4.8)	(207)	(2,307)	(7.8)	(168)
Variation of -1% in bond yields	2,752	6.0	233	2,483	3.6	186
After impact of derivatives						
Variation of +1% in bond yields	(2,443)	(4.3)	(207)	(2,284)	(6.0)	(168)
Variation of -1% in bond yields	2,750	5.8	233	2,480	3.4	186

(1) Including HTM bonds.

5.4. HEDGING RELATIONS

See point 4.2.4 Hedge accounting

5.5. RISKS ASSOCIATED WITH UNIT-LINKED POLICIES AND CONTRACTS

Reconciliation of unit-linked policies and contract (in € thousands)	Stock at 12/2018	Stock at 12/2017
Consolidated SCI representing unit-linked policies and contracts	428,103	416,835
Other investments representing unit-linked policies and contracts	13,403,300	13,743,356
Total carrying amount of assets representing unitlinked policies and contracts (a)	**13,831,403**	**14,160,191**
Underwriting reserves for unit-linked insurance policies	9,845,117	10,255,982
Liabilities of unit-linked financial contracts	3,968,876	3,991,740
Total liabilities related to unit-linked policies and contracts (b)	**13,813,993**	**14,247,722**
o/w unit-linked loss reserves (c)	-	-
Reserve for floor guarantee	61,008	46,190
Total liabilities related to unit-linked policies and contracts	**13,875,001**	**14,293,912**
Over- or under-coverage linked to temporary investment gap (a) - (b)	**17,410**	**(87,531)**
Over- or under-coverage excluding unit-linked loss reserve (a) - (b) + (c)	17,410	(87,531)

5.6. IFRS9 NOTES DURING THE TRANSITIONAL PERIOD

Breakdown of financial investments by category at balance sheet date

Breakdown of financial investments (in € thousands)	Category of asset	12/2018 Fair value	12/2018 Change in fair value
Assets whose cash flows relate solely to payments of principal and interest	Bonds	37,784,019	(1,381,602)
	UCITS	-	-
	Loans and receivables	910,191	-
	Derivative assets	-	-
	Total (1)	**38,694,209**	**(1,381,602)**
Other financial assets	Bonds	4,753,054	(130,798)
	Equities	1,277,286	(84,212)
	UCITS	9,845,671	(270,804)
	Loans and receivables	-	-
	Investments representing unit-linked contracts recorded under the fair value option	13,403,300	(982,433)
	Derivative assets	17,368	881
	Total (2)	**29,296,679**	**(1,467,366)**
Assets governed by rules other than IFRS 9 and IAS 39	Investment property	1,494,166	97,630
	Deposits with sellers and advances on policies	12,149,297	-
	Total (3)	**13,643,463**	**97,630**
Total financial investments (1) + (2) + (3)		**81,634,351**	**(2,751,338)**

Breakdown of SPPI securities by rating

Breakdown of SPPI securities by rating at 12/2018 (in € thousands)	Asset rating	Carrying amount [1]	Fair value
Bonds whose cash flows relate solely to payments of principal and interest	AAA	2,384,294	2,543,836
	AA	11,847,080	13,564,780
	A	8,099,025	8,398,184
	BBB	10,694,402	10,928,053
Sub-total of low credit-risk bonds		**33,024,800**	**35,434,854**
Bonds whose cash flows relate solely to payments of principal and interest	< BBB	916,408	902,839
	unrated	2,321,178	2,356,517
Sub-total of exluded low credit-risk bonds		**3,237,585**	**3,259,355**
Total of bonds whose cash flows relate solely to payments of principal and interest		**36,262,285**	**38,694,209**

(1) before value adjustment for impairment

6. NOTES ON INSURANCE POLICIES AND FINANCIAL CONTRACTS

6.1. INSURANCE POLICIES AND FINANCIAL CONTRACTS

Carrying amount (in € thousands)	12/2018	12/2017
Underwriting liabilities related to insurance policies	51,832,208	45,412,918
Underwriting liabilities related to financial contracts	24,115,601	24,455,549
Deferred policyholder bonus liability	2,113,812	3,273,892
Liabilities related to policies and contracts	**78,061,621**	**73,142,359**
Share of cessionaires and retrocessionaires	(12,608,404)	(11,048,599)
Deferred policyholder bonus asset	-	-
TOTAL ASSETS AND LIABILITIES RELATED TO CONTRACTS	**65,453,217**	**62,093,760**

6.1.1. Underwriting reserves related to insurance policies

LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS SECTOR AND GEOGRAPHIC AREA

Carrying amount (in € thousands)	Life Insurance / Investment Solutions / Pensions		Personal Protection Insurance (1)		Property & Casualty Insurance		Total Insurance	
	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Mathematical reserves	38,338,149	32,004,994	99,604	71,275	-	-	38,437,753	32,076,269
Reserves for unearned premiums	-	-	4,102	4,426	395,449	369,662	399,551	374,088
Loss reserves (a)	391,139	270,031	445,711	380,243	936,020	865,294	1,772,870	1,515,568
Provision resulting from liability adequacy test	-	-	-	-	-	-	-	-
Policyholder bonus reserves	1,292,602	1,114,800	-	-	-	-	1 292 602	1,114,800
Other reserves	-	-	49,887	43,908	34,427	32,303	84,314	76 ,211
Gross underwriting reserves - Insurance policies excluding unit-linked policies	**40,021,890**	**33,389,825**	**599,304**	**499,852**	**1,365,897**	**1,267,259**	**41,987,090**	**35,156,936**
Gross underwriting reserves – unit- linked policies	**9,845,117**	**10,255,982**	**-**	**-**	**-**	**-**	**9,845,117**	**10,255,982**
Mathematical reserves and policyholder bonus reserves reserves ceded	6,479,160	5,102,798	-	-	-	-	6,479,160	5,102,798
Reserves for unearned premiums and other reserves ceded	-	-	40,497	38,277	19,115	18,702	59,612	56,979
Loss reserves ceded (b)	168,794	130,800	120,037	148,829	97,445	64,885	386,276	344,514
Provision resulting from liability adequacy test	-	-	-	-	-	-	-	-
Share of cessionaires and retrocessionaires in gross underwriting reserves - Insurance policies excluding unit-linked policies	**6,647,954**	**5,233,598**	**160,534**	**187,106**	**116,560**	**83,587**	**6,925,048**	**5,504,291**
Share of reinsurers in underwriting reserves - Unitlinked insurance policies	**3,092,976**	**3,005,769**	**-**	**-**	**-**	**-**	**3,092,976**	**3,005,769**
TOTAL NET LIABILITIES RELATED TO INSURANCE POLICIES	**40,126,077**	**35,406,440**	**438,770**	**312,746**	**1,249,337**	**1,183,672**	**41,814,183**	**36,902,858**

(1) Life and Non-Life

(a) o/w gross IBNR	-	-	125,228	124,879	2,028	307,962	127,257	432,840
(b) o/w IBNR ceded	-	-	56,317	56,257	-	21,681	56,317	77,938

All insurance policies belong to the "France" geographic area.

6.1.2. Liabilities related to financial contracts

LIABILITIES RELATED TO FINANCIAL CONTRACTS BY BUSINESS SECTOR AND GEOGRAPHIC AREA

Carrying amount (in € thousands)	Life Insurance / Investment Solutions / Pensions		Personal Protection Insurance and Property & Casualty Insurance		Total Financial Contracts	
	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Mathematical reserves (b)	19,129,459	19,451,141	-	-	19,129,459	19,451,141
Reserves for unearned premiums	-	-	-	-	-	-
Loss reserves (a) (c)	379,726	371,956	-	-	379,726	371,956
Provision resulting from liability adequacy test	-	-	-	-	-	-
Policyholder bonus reserves	637,540	640,712	-	-	637,540	640,712
Other provisions	-	-	-	-	-	-
Gross liabilities related to financial contracts with discretionary policyholder bonus excluding unit-linked contracts	**20,146,725**	**20,463,809**	**-**	**-**	**20,146,725**	**20,463,809**
Gross liabilities related to financial contracts without discretionary policyholder bonus excluding unit-linked contracts	-	-	-	-	-	-
Gross liabilities related to unit-linked financial contracts (d)	**3,968,876**	**3,991,740**	**-**	**-**	**3,968,876**	**3,991,740**
Mathematical reserves and policyholder bonus reserves ceded	2,440,804	2,384,696	-	-	2,440,804	2,384,696
Reserves for unearned premiums ceded, other provisions ceded	-	-	-	-	-	-
Loss reserves ceded	-	-	-	-	-	-
Provision resulting from liability adequacy test	-	-	-	-	-	-
Policy holder bonus reserves	-	-	-	-	-	-
Others reserves ceded	-	-	-	-	-	-
Share of cessionaires in financial contracts with discretionary policyholder bonus excluding unit-linked contracts	2,440,804	2,384,696	-	-	2,440,804	2,384,696
Share of cessionaires in financial contracts without discretionary policyholder bonus excluding unit-linked contracts	-	-	-	-	-	-
Share of cessionaires in liabilities related to unit-linked financial contracts	**149,576**	**153,843**	**-**	**-**	**149,576**	**153,843**
TOTAL NET LIABILITIES RELATED TO FINANCIAL CONTRACTS	**21,525,221**	**21,917,010**	**-**	**-**	**21,525,221**	**21,917,010**

(a) o/w IBNR = 0

DETAIL BY GEOGRAPHIC AREA

(b) o/w gross with-profits mathematical reserves - Luxembourg	*3,096,633*	*2,878,878*	-	-	*3,096,633*	*2,878,878*
(c) o/w gross unit-linked loss reserves - Luxembourg	-	-	-	-	-	-
(d) o/w gross unit-linked mathematical reserves - Luxembourg	*1,698,100*	*1,633,480*	-	-	*1,698,100*	*1,633,480*
(d) o/w gross unit-linked loss reserves - Luxembourg	-	-	-	-	-	-
Liabilities sold - Luxembourg	-	-	-	-	-	-
TOTAL LIABILITIES - LUXEMBOURG	**4,794,733**	**4,512,358**	**-**	**-**	**4,794,733**	**4,512,358**

The French branch of the Luxembourg subsidiary belongs to the “France” geographic area.

6.1.3. Change in underwriting reserves – Life Insurance, Investment Solutions, Pensions

CHANGE IN GROSS VALUES

(in € thousands)	12/2018		
	Insurance	Financial contracts	Total Life Insurance/Investment Solutions/Pensions
Underwriting reserves and gross financial liabilities at January 1	**43,645,807**	**24,455,549**	**68,101,356**
Net pure premiums	8,613,018	1,405,322	10,018,340
Claim expense	(2,543,367)	(1,872,496)	(4,415,863)
Revaluation of reserves (interest income, deferred policyholder bonus, unit-linked adjustments and other flows)	151,550	127,226	278,776
Portfolio acquisitions	-	-	-
Internal transfers	-	-	-
Underwriting reserves and gross financial liabilities at December 31	**49,867,008**	**24,115,601**	**73,982,609**

6.1.4. Change in loss reserves in the Personal Protection Insurance and Property & Casualty Insurance branches

6.1.4.1. Change in gross values

BREAKDOWN OF CLAIMS EXPENSE AND PAYMENTS BETWEEN PREVIOUS AND CURRENT FINANCIAL YEARS

(in € thousands)	Personal Protection Insurance		Property & Casualty Insurance	
	12/2018	12/2017	12/2018	12/2017
Gross loss reserves - direct business at January 1	**380,243**	**323,977**	**865,293**	**800,550**
Claims expense for year in progress	307,332	256,550	669,427	604,031
Bonuses/penalties on previous years	(99,589)	(76,427)	(55,265)	(54,294)
Claims expense on PPI - CE network	41,171	44,837	-	-
Total claims expense	**248,914**	**224,960**	**614,062**	**549,737**
Payments on claims for year in progress	60,555	60,030	319,885	283,584
Payments on claims for previous years	56,994	47,608	225,029	202,284
Payments on claims for PPI - CE network	64,218	63,460	-	-
Total payments	**181,767**	**171,098**	**544,914**	**485,868**
Newly consolidated entities	-	(546)	-	-
Change in coinsurance loss provisions, acceptances, provision for claims management and other expenses	(1,679)	2,950	1,579	874
Total gross loss reserves at December 31	**445,711**	**380,243**	**936,020**	**865,293**

6.1.4.2. Change in share of reinsurers

(in € thousands)	Personal Protection Insurance		Property & Casualty Insurance	
	12/2018	12/2017	12/2018	12/2017
Share of reinsurers in loss reserves – direct business at January 1	**148,832**	**128,356**	**64,885**	**59,663**
Share of reinsurers in total claims expense	70,191	85,582	43,911	12,514
Share of reinsurers in payments on claims	(46,552)	(62,864)	(11,236)	(6,737)
Portfolio acquisitions/disposals	(52,434)	(2,245)	(115)	(555)
Change in share of reinsurers in provisions for other claims	-	-	-	-
Share of reinsurers in loss reserves – direct business at December 31	**120,037**	**148,829**	**97,445**	**64,885**

6.2. INSURANCE RISKS

6.2.1. Main assumptions

Main policy features and period-end assumptions	12/2018	12/2017
Assumptions related to underwriting reserves – life insurance, investment solutions, pensions		
Average minimum guaranteed rate on insurance policies	0.01 %	0.01 %
o/w average minimum guaranteed rate excluding unit-linked contracts	*0.01 %*	*0.02 %*
Average policyholder bonus rate excluding unit-linked contracts	99.1 %	99.2 %
Assumptions on liabilities of financial contracts with discretionary policyholder bonus		
Assumptions on liabilities of financial contracts with discretionary policyholder bonus	0.41 %	0.42 %
o/w average minimum guaranteed rate excluding unit-linked contracts	*0.46 %*	*0.47 %*
Average deferred policyholder bonus rate (excluding unit-linked contracts)	97.6 %	97.6 %
Assumptions on liabilities of financial contracts without discretionary policyholder bonus		
Average minimum guaranteed rate on financial contracts without deferred policyholder bonus	-	-
Average churn rate	3.43 %	4.05 %
Assumptions related to underwriting reserves - Personal Protection Insurance and Property & Casualty Insurance		
Discount rate on loss reserves	-	-
Discount rate on reserves for incapacity/invalidity, funeral services and dependency	0.25 % to 2.50 %	0.50 % to 2.50 %
Average cost of settled claims - personal protection insurance (excluding PPI)	€4.25k	€4.22k
Average cost of settled claims - property & casualty insurance (excluding payment instrument insurance and health insurance)	€0.35k	€0.18k
Average cost of settled claims - payment instrument insurance and health insurance	€0.005k	€0.006k

6.2.2. Presentation of risk management policy

The risk management policy applicable to investment contracts and life insurance policies is presented with the financial risk management policy in point 5.3.1

Personal protection insurance and property & casualty insurance policies cover the following risks:

• death due to accident or illness, work cessation, invalidity, loss of employment and loss of autonomy;

• auto insurance, multi-risk home insurance, personal accident insurance, legal expenses, loss or theft of payment instruments and various property & casualty guarantees.

Natixis Assurances uses reinsurance to limit its exposure, in particular to the following risks:

• risk of dispersion of guaranteed capital on coverage of death, personal accidents and loss of autonomy;

• risk related to the frequency of claims for cessation of work, invalidity and loss of autonomy;

• risk linked to weather-related events and natural disasters in property & casualty insurance;

• risk linked to the amount of civil liability and property damage claims;

• mortality and financial risk for the floor guarantee of unit-linked policies.

The reinsurance plan is distributed among several reinsurers, thus limiting the risk associated with any given reinsurer. The plan comprises the following treaties:

• 15% quota-share on the general fund for the life insurance and endowment policies of BPCE Vie and Natixis Life;

• 50% quota-share on the unit-linked AuM of BPCE Vie life insurance and endowment policies;

• 40% quota-share of new with-profits life insurance and endowment policies sold for investment/pensions purposes by the Caiisse d'Epargne network since January 1, 2016;

• complete cession of the floor guarantee of unit-linked policies;

• quota-share and capital surplus on death benefit, work cessation, invalidity and loss of employment for payment protection insurance (excluding renewable credit insurance);

• capital surplus on death benefit, claim surplus on work cessation, combined with basic reinsurance with a capped quota-share;

• 90% quota-share on loss of autonomy;

• claims surplus treaties on the portfolio of guaranties covering death by accident and illness in the event of an epidemic or pandemic and on the personal protection portfolio in the event of a catastrophic accident;

• various personal accident insurance treaties;

• coverage of weather-related events;

• 50% quota-share and stop-loss on coverage of natural disasters;

• unlimited coverage of terrorist attacks;

• coverage of property damage within the limits of the "rental risks" pool to which BPCE Assurances belongs;

• ARCAM (formerly GEMA) common reinsurance treaties providing unlimited civil liability coverage for auto insurance and coverage of up to €350 million for non-auto civil liability;

• claims surplus with aggregate covering mid-range civil liability and property damage claims;

• treaty covering increases in annuities due to civil liability;

• coverage of catastrophic events affecting personal accident policies (death and/or permanent invalidity benefits).

6.2.3. Type of insurance policies taken out

6.2.3.1. Investment solutions contracts

Discretionary nature of policyholder bonuses

The policyholder bonus clause contained in Natixis Assurances' investments contracts is always discretionary within the meaning of IFRS 4.

For contracts paying out a minimum policyholder bonus of less than 100% of investment income, the policyholder bonus is discretionary in the sense that a higher return may be paid.

For contracts paying out 100% of investment income, the policyholder bonus is also discretionary due to the existence of the policyholder bonus reserve used to increase the value of mathematical reserves within the regulatory 8-year limit and given the company's freedom to recognize capital gains or not.

Multi-vehicle contracts

Multi-vehicle contracts are not separated from the with-profits fund for unit-linked vehicles due to their commercial substance: at any time, policyholders can switch between different vehicles at a non-prohibitive cost.

Classification of contracts

For the reasons explained above, most investment contracts are classified as financial contracts with discretionary policyholder bonuses.

Contracts subject to Articles 82 and 83 of the Madelin Law, and "child savings plans", are classified as insurance policies due to the presence of insurance risk: the saving phase cannot be separated from the service phase in the former case, and premiums are exonerated in the event of death for child savings plans.

Multi-vehicle contracts are classified as insurance policies where they offer a floor guarantee in the event of death and as financial contracts with discretionary policyholder bonuses otherwise.

Multi-vehicle contracts without with-profits funds are classified as unit-linked financial contracts without discretionary policyholder bonuses.

6.2.3.2. Personal protection and property & casualty insurance policies

Personal protection and property & casualty insurance policies primarily cover accidental death and death due to other causes, together with incapacity/invalidity, loss of employment, loss of autonomy, auto, multi-risk home, health, legal expenses and payment instrument guarantees. As insurance risk is transferred for such policies, they are classified as insurance policies.

6.2.4. Presentation of risk concentration

There were no changes of a legal or other nature that had a material impact on insured risks during the fiscal year.

6.2.4.1. Accidental death policies

BREAKDOWN BY TRANCHE OF CAPITAL AT RISK RELATED TO ACCIDENTAL DEATH POLICIES

(in € thousands)	Gross provisions	Net provisions
Provision for unearned written premiums and mathematical reserves - 2018	93,363	91,973

(in € millions)	Tranche 1 (*)	Tranche 2 (*)	Tranche 3 (*)	Total
Capital at risk - 2018	46,657	55,999	36,811	139,467
% N	*33.5%*	*40.2%*	*26.4%*	*100%*
% N-1	*25.6%*	*46.0%*	*28.4%*	*100%*

(*) Tranche 1 mainly comprises policies with capital at risk (CR) of less than €23k, Tranche 2 mainly policies with CR of between €23k and €100k and Tranche 3 mainly policies with CR of more than €100k.

6.2.4.2. Floor guarantee on death benefit for unit-linked policies

The floor guarantee reserve is calculated using the put method. It amounted to €61million at end-2018 versus €46 million at end-2017.

This guarantee is reinsured with a quota-share of 100%. Reinsurance premiums paid in respect of the fiscal year (€7 million) comfortably covered the claims paid by reinsurers (€0.1 million).

Capital at risk (unrealized capital losses on all with-profits funds + unit-linked policies) totaled €186 million at end-2017 versus €17 million at end-2017.

6.2.5. Sensitivity analysis of insurance policies and financial contracts

6.2.5.1. Sensitivity of insurance policies and financial contracts – life insurance, investment solutions, pensions

Strictly speaking, insurance policies and financial contracts do not have insurance risks, with the exception of:

- the floor guarantee on unit-linked contracts (see point 6.2.4);
- life annuity risk (not material relative to other products).

These contracts are consequently primarily exposed to financial risks (see point 5.3).

The main features of the investment contracts presented in point 6.2.1 are the minimum guaranteed rate, policyholder bonus rate and surrender rate. Income and equity sensitivity to a change in these features is relatively low.

The minimum guaranteed rate on investment contracts is currently significantly lower than the rate paid. With the policyholder bonus rate being close to 100% (97.7%), the financial margin's sensitivity to a change in this rate is correspondingly limited. Finally, the variation in the surrender rate has only a limited impact on the financial position, and is also limited by taxation and the age of the insured population.

6.2.5.2. Sensitivity of personal protection and property & casualty insurance policies

Income and equity are not highly sensitive to the variation of personal protection and property & casualty insurance risks.

The loss ratio by year of occurrence (gross claims/premiums) observed on the portfolio of policies was stable overall in terms of risk and below claims experience in recent years. Policies in the launch phase are also subject to conservative provisioning.

Reinsurance cessions by risk help curb the main fluctuations (see point 6.2.2).

Furthermore, any significant frequency gaps and the few products that exceed claims experience are regularly monitored.

In addition, in certain cases, policies sold can be subject to an annual price revision in the event of a technical imbalance.

6.2.6. Credit risk related to reinsurance policies

(in € thousands)	Credit rating (Standard & Poor's)	Provisions ceded		Current account balance	Amount guaranteed (1)	Amount not guaranteed (2)	Exposure as a % of equity (3)
		Amount	%				
London Life	A+	4,268,170	34 %	12,330	4,282,965	-	-
CNP	A	3,321,117	26 %	42,353	2,982,360	(381,109)	(19.25 %)
RGA Re	AA-	1,842,589	15 %	(3,626)	1,848,133	-	-
Hannover Life Re	AA-	1 ,807,115	14 %	4,082	1,812,360	-	-
Mapfre Re	A	1,167,316	9 %	5,646	1,172,777	(184)	(0.01 %)
Partner Re	A+	68,501	0.54 %	(1,563)	64,250	(2,688)	(0.14 %)
CCR	A-	59,314	0.47 %	(3,259)	17,013	(39,041)	(1.97 %)
Surassur	NR	27,736	0.22 %	770	-	(28,505)	(1.44 %)
Scor	AA-	10,443	0.08 %	(764)	10,133	-	-
Other cessionaires	de A- à AA+	36,105	0.29 %	2,287	26,819	(11,573)	(0.58 %)
Total		12,608,404	100 %	58,254	12,216,812	(463,100)	(23.39 %)

(1) Cash deposit, pledged securities, etc.
(2) Reserves ceded + current account balance – amount guaranteed.
(3) Amount not guaranteed/equity.

Treaties covering risks of natural disaster entered into with CCR are not subject to deposits or pledges, as these risks are subject to unlimited backing by the French State.

The amount not guaranteed of €381 million for CNP Assurances reflects a temporary difference in respect of the "tranche 1" reinsurance treaty, which will be settled when the final accounts are sent.

6.2.7. Hidden unseparated options

The main hidden unseparated options in insurance policies are:

- surrender option: the potential impact is incorporated into the liability adequacy test by modeling policyholder behavior;
- guaranteed rates on flexible premiums: given the scope of the policies in question, this option is not material.

6.2.8. Liability adequacy test

Under IFRS 4.15, a liability adequacy test must be carried out at each reporting date in order to ensure that the insurance liabilities as presented in the consolidated financial statements are sufficient to cover future cash flows estimated at that date. If not, potential losses are fully recognized in the income statement.

This test involved:

- generating stochastic economic models;
- modeling assets/liabilities notably by taking into account:
  - policyholder behavior in terms of surrenders;
  - distribution policy;
  - the run-off of liabilities.

The test covers the scope of BPCE Vie's liabilities, which account for 89% of Natixis Assurances' insurance liabilities. The simulations were carried out using the model developed for Solvency 2 calculations using the Moses software tool.

According to the liability adequacy test, insurance liabilities as presented in the consolidated financial statements are sufficient to cover estimated future cash flows.

7. OTHER NOTES

7.1. BALANCE SHEET

GOODWILL

Breakdown of goodwill by consolidated entity (in € thousands)	Gross value	Impairment	Net value
BPCE Vie	16,412	-	16,412
Natixis Life	1,235	-	1,235
Total	**17,647**	**-**	**17,647**

There were no goodwill movements in 2018.

In accordance with IAS 28.32 and IAS 28.42:

- the €1.7 million of goodwill related to the acquisition of the Lebanese subsidiary Adir has been classified in Investments in affiliates since 2017;
- the €50 million of goodwill related to the acquisition of SCI DUO Paris is classified under Investment property.

In accordance with IAS 27 and the method applied by Natixis for business combinations placed under lasting common control, the goodwill related to the minority interests in BPCE Assurances (2015 and 2017) and BPCE APS (2018) was taken directly to Group shareholders' equity.

COMPOSITION OF AFS RESERVES

Breakdown of AFS reserves – group share (in € thousands)	12/2018	12/2017
Revaluation reserve – fixed-income securities	2,241,147	3,102,213
Revaluation reserve fixed-income securities – reclassified securities	-	-
Revaluation reserve – variable-income securities	164,057	635,475
Revaluation reserve	**2,405,204**	**3,737,689**
Deferred policyholder bonus reserve	(2,079,079)	(3,252,243)
Deferred tax reserve	(82,988)	(140,410)
Impact of revaluation of AFS financial assets	**243,137**	**345,035**
Revaluation reserve- CFH derivatives	(5,536)	1,197
Deferred policyholder bonus reserve – CFH derivatives	4,871	(1,065)
Deferred tax reserve – CFH derivatives	192	(38)
Impact of revaluation of hedging derivatives	**(473)**	**94**
Recyclable revaluation reserve net of shadow accounting adjustments	**242,665**	**345,129**

PROVISIONS FOR CONTINGENCIES

Breakdown of provisions for contingencies (in € thousands)	12/2018	12/2017
Provision for claims and litigation	16,260	19,008
Provision for long-service and end-of-career compensation	12,490	11,336
Other provisions	-	-
Total provisions for contingencies	**28,750**	**30,344**

Breakdown of provisions for long service awards, end-of-career compensation and anniversary leave (in € thousands)	Provision for end-of-career compensation			Provision for long service award	Provision for anniversary leave
	Present value of gross financial commitments	Fair value of financial assets	Present value of net financial commitments	Present value of gross financial commitments	Present value of gross financial commitments
Commitments at 12/2017	**8,094**	**3,292**	**4,801**	**3,182**	**2,797**
Variation recognized in equity	**769**	**41**	**727**	**606**	**456**
Cost of services rendered during the period	650	-	650	343	334
Cost of past services	-	-	-	-	-
Net financial cost	118	41	71	31	24
Revaluation adjustments recorded during the period relative to other long-term benefits	-	-	-	232	98
Variation in actuarial gains or losses taken to OCI	**96**	**38**	**58**	**-**	**-**
Revaluation adjustments due to experience	417	-	417	-	-
Revaluation adjustments due to demographic assumptions	10	-	10	-	-
Revaluation adjustments due to financial assumptions	(331)	-	(331)	-	-
Revaluation adjustments due to asset returns	-	38	(38)	-	-
Cash flow	**(42)**	**-**	**(42)**	**(225)**	**(240)**
Paid benefits	(42)	-	(42)	(225)	(240)
Commitments at 12/2018	**8,916**	**3,372**	**5,544**	**3,563**	**3,013**

SEGMENT ASSETS AND LIABILITIES

Insurance policy underwriting reserves and liabilities related to financial contracts are presented by business sector and geographic area in point 6.1.

Receivables and payables arising from insurance or reinsurance liabilities are presented below by business sector and geographic area.

Carrying amount (in € thousands)	Life Insurance, Investment Solutions, Pensions		Personal Protection		Property & Casualty		Total	
	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Insurance and accepted reinsurance receivables (a)	210,245	217,106	58,581	45,804	431,403	406,363	700,229	669,273
Reinsurance cession receivables (b)	43,717	3,270	26,399	1,661	5,023	1 ,066	75,139	5,997
Total	**253,962**	**220,376**	**84,980**	**47,465**	**436,427**	**407,429**	**775,369**	**675,270**
(a) o/w Luxembourg area insurance receivables	9,149	4,357	-	-	-	-	9,149	4,357
(b) o/w Luxembourg area insurance receivables	-	-	-	-	-	-	-	-

Carrying amount (in € thousands)	Life Insurance, Investment Solutions, Pensions		Personal Protection		Property & Casualty		Total	
	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Insurance and accepted reinsurance payables (a)	196,276	182,592	34,456	41,547	90,936	78,068	321,668	302,206
Reinsurance cession payables (b)	9,053,342	8,869,761	206,509	212,568	4,030	3,463	9,263,881	9,085,792
Total	**9,249,618**	**9,052,353**	**240,965**	**254,115**	**94,966**	**81,531**	**9,585,549**	**9,387,999**
(a) o/w Luxembourg area insurance payables	20,955	29,966	-	-	-	-	20,955	29,966
(b) o/w Luxembourg area reinsurance payables	466,425	433,644	-	-	-	-	466,425	433,644

By convention, 100% of BPCE Prévoyance's receivables and payables are included in the personal protection insurance scope.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the course of 2018, the talks regarding the sale of three ring-fenced insurance portfolios that represented around 10,000 policies and €650 million in life insurance assets and provisions for policyholder bonuses at end-2017 were terminated. Consequently, the end-2018 balance sheet no longer contains any assets held for sale in the sense of IFRS 5.

7.2. COMMITMENTS GIVEN AND RECEIVED

(in € thousands)	12/2018	12/2017
BPCE guarantee on securities lending transactions	3,000,000	3,000,000
Autonomous demand guarantee provided by Natixis for a collective contract	2,000,000	2,000,000
Other guarantees received	472,856	24,161
Authorized overdraft from Natixis	5,000	5,000
Securities pledged as collateral by cessionaires and retrocessionaires	2,969,816	1,984,684
Commitments received	**8,447,672**	**7,013,845**
Investments not yet paid-up (venture capital funds and securitization funds)	2,794,881	2,611,452
Sureties and endorsements given	13,161	12,920
Commitments given	**2,808,042**	**2,624,372**

7.3. INCOME STATEMENT

EARNED PREMIUMS BY BUSINESS SECTOR AND GEOGRAPHIC AREA

	Life Insurance/ Investment Solutions/ Pensions		Personal Protection Insurance		Property & Casualty Insurance		Total	
(in € thousands)	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Earned premiums	**10,064,942**	**10,072,311**	**885,606**	**820,257**	**1,056,266**	**992,885**	**12,006,814**	**11,885,453**
o/w earned premiums France area	9,452,826	9,460,264	885,606	820,257	1,056,266	992,885	11,394,697	11,273,405
o/w earned premiums Luxembourg area	612,117	612,048	-	-	-	-	612,117	612,048

Personal accident, payment protection and health insurance product activities are classified under property & casualty insurance business. The Luxembourg area only includes the Luxembourg registered office of Natixis Life (Natixis Life's French branch is part of the France area).

INCOME STATEMENT BY BUSINESS SECTOR

	Life Insurance/ Investment Solutions/ Pensions		Personal Protection Insurance		Property & Casualty Insurance		Others		Total	
(in € millions)	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Net banking income	335	315	183	170	307	290	17	17	842	791
Operating expenses - banking format	(171)	(177)	(49)	(48)	(178)	(167)	(26)	(23)	(425)	(414)
Operating income	**164**	**138**	**134**	**121**	**129**	**123**	**(8)**	**(6)**	**418**	**377**
Finance expenses	-	-	-	-	-	-	-	-	(39)	(42)
Share in income of associates	-	-	-	-	-	-	-	-	15	13
Income tax	-	-	-	-	-	-	-	-	(121)	(122)
Consolidated net income	-	-	-	-	-	-	-	-	**272**	**226**
o/w France area operating income	157	129	134	121	129	123	(8)	(6)	411	367
o/w Luxembourg area operating income	6	9	-	-	-	-	-	-	6	9

Operating income generated by Others takes into account BPCE APS, the holding company and operating expenses related to TEO transformation and business efficiency projects.

OPERATING EXPENSES BY CATEGORY AND USE

Breakdown of operating expenses by category (in € thousands)	12/2018	12/2017
Purchases and other external expenses	134,400	97,078
Sub-contracting (incl. IT)	71,610	85,210
Payroll costs	144,977	140,914
Taxes	44,036	53,990
Fees and commissions	968,901	876,658
Others	53,239	53,044
Allowances for depreciation, amortization and provisions	35,375	36,489
Non-recurring income	-	-
Total expenses by category	**1,452,538**	**1,343,383**

Breakdown of operating expenses by use (in € thousands)	12/2018	12/2017
Internal investment management expenses	7,461	9,853
Claims management expenses	94,745	82,299
Acquisition costs	654,223	655,790
o/w fees and commissions	*540,572*	*527,740*
Administrative costs	548,100	459,273
o/w fees and commissions	*428,329*	*348,917*
Other recurring operating income and expenses	148,009	136,168
Total expenses by use	**1,452,538**	**1,343,383**

Expenses related to services and leasing contracts established with Natixis amounted to €47,265k. Of the €969 million of fees and commissions, €882 million were paid to the Banque Populaire and Caisse d'Epargne networks.

TAX EXPENSE

Breakdown of tax expense (in € thousands)	12/2018	12/2017
Tax payable	(145,427)	(108,469)
Adjustment in respect of tax payable on previous fiscal years	(765)	(13,327)
Deferred tax expense related to temporary differences	25,274	(410)
Total tax expense	**(120,918)**	**(122,206)**

RECONCILIATION BETWEEN TOTAL TAX EXPENSE AND THEORETICAL TAX EXPENSE

(in € thousands)	12/2018
+ Net income - group share	271,794
+ Net income - share of minorities	10
+ Tax for the year	120,918
- Share of net income of associates	(14,710)
= Consolidated accounting income before tax, goodwill amortization and income of associates	**378,012**
+/- Permanent differences	(903)
= Consolidated income for tax purposes	**377,109**
x Theoretical tax rate	33.33%
= Theoretical tax	**(125,690)**
+ Fixed annual taxes and contributions	(4,474)
+ Reduced-rate tax	107
+ Tax rate differences on foreign subsidiaries	261
+ Tax on previous years and other items	(667)
= Tax expense for the year	**(120,918)**
o/w: tax payable	(146,192)
deferred tax	25,274

DEFERRED TAX ASSETS AND LIABILITIES

	12/2018		
in € thousands	Base	Deferred tax asset	Deferred tax liability
Sources of deferred taxes (a)	-		
Provision for employee benefits	2,820		
Other non-deducted provisions	464,403		
Cancellation of equalization provision	(38,829)		
Other sources of deferred taxes through income	(88,779)		
Total sources of deferred taxes through income	**339,614**	**161,960**	**10,087**
Sources of deferred tax on recyclable OCI	(302,729)	65,086	11,811
Sources of deferred tax on non-recyclable OCI	4,641	2,429	206
Total sources of deferred taxes Copernic	**41,526**	**99,302**	**22,104**

(a) Sources of deferred tax generating deferred tax assets are indicated with a positive sign and those engendering deferred tax liabilities with a negative sign.

7.4. OTHER INFORMATION

7.4.1. Headcount

The average headcount indicated below comprises the number of employees on permanent and fixed-term contracts on a full-time equivalent (FTE) basis.

	Natixis Assurances consolidated scope					
	12/2018			12/2017		
	Development	Back-office	Others	Development	Back-office	Others
Senior management	3	5	24	3	5	23
Executive status	125	149	490	120	146	454
Non-executive	10	729	274	8	686	255
Sub-total	**138**	**883**	**789**	**131**	**837**	**732**
Total	**1,811**			**1,700**		

Headcount at end-2018, net of re-invoicing and long-term absences, was 1,741 FTEs versus 1,601 FTEs at end-2017.

7.4.2. Shareholding structure – consolidation – tax consolidation

Natixis Assurances is a 99.99%-owned subsidiary of Natixis, headquartered at 30, avenue Pierre Mendès, 13th arrondissement, Paris (France). As such, it is fully consolidated in its shareholder's financial statements, and in the financial statements of BPCE, the majority shareholder of Natixis.

The share capital comprises 19,398,906 ordinary shares. There are no shares with the potential to cause dilution.

Natixis Assurances and the French subsidiaries in which it holds more than 95% of the share capital are members of the tax group established by Natixis pursuant to Articles 223-A and following of the French General Tax Code. The tax consolidation agreement in force at Natixis is based on the principle of neutrality, whereby each subsidiary determines its tax and contributes to group tax as if it were not consolidated.

The tax expense owed by each subsidiary is not amended as a result of its tax consolidation. On December 14, 2018 the subsidiary BPCE Vie and Natixis signed a rider to the tax consolidation agreement, according to which, in the event of a tax deficit, the subsidiary shall definitively receive from the parent company a sum equal to the corporate income tax saving recorded by the tax group.

Any tax savings or expenses generated by consolidation are recognized by the parent company, Natixis.

7.4.3. Information on capital management

In line with the Solvency 2 prudential regulation applicable to insurance groups, Natixis Assurances is obliged to cover the adjusted solvency capital requirement (SCR). Similarly, each of Natixis Assurances' European insurance entities must cover the individual solvency capital requirement.

Au December 31, 2018, Natixis Assurances and its subsidiaries complied with their applicable solvency obligations.

Solvency is subject to periodic supervision by Natixis Assurances and by each company. Natixis Assurances projects its solvency capital requirements and future funding requirements, notably within the framework of an own risk and solvency assessment (ORSA).

Subordinated debt securities eligible for coverage of the solvency capital requirement, which have a carrying amount of €1.034bn, have a fair value of €1.061bn, of which €526 million represented by dated subordinated debt and €535 million by perpetual subordinated debt.

According to dividend policy, 100% of earnings are paid out subject to observing obligations regarding coverage of solvency capital requirements.

7.4.4. Compensation of administrative bodies – commitments

Total attendance fees of €189k were paid to directors not-employed by the Natixis Group for meetings attended in fiscal year 2018.

No advances or loans were granted to any members of the administrative bodies.

No commitments given or received were recorded with respect to the directors of affiliated companies and companies with which Natixis Assurances has a capital link.

7.4.5. Statutory auditors' fees

Total statutory auditors' fees presented in the income statement for the year in respect of the audit of the financial statements, the limited review of the interim financial statements and other assignments came to €1,837k (including tax) and breaks down as follows:

(in € thousands)	DELOITTE	PWC	MAZARS	KPMG	Total
Statutory account certification fees	-	554	749	-	1,303
Services other than account certification - authorized by category - SACC 1	-	-	-	-	-
Services other than account certification - pre-authorized by category - SACC 2	-	17	26	-	43
Services other than account certification - subject to prior authorization - SACC 3	368	73	42	9	491
Total	368	643	817	9	1,837

3 PARENT COMPANY **financial statements**

PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET

Assets (in €)	Gross	DAP/Others	12/2018	12/2017
UNCALLED UNSUBSCRIBED CAPITAL	-	-	-	-
FIXED ASSETS	-	-	-	-
Intangible fixed assets	**998,830**	**537,669**	**461,162**	**657,187**
Set-up costs	-	-	-	-
Research & development costs	-	-	-	-
Concessions, patents, licenses, brands, processes, software, rights and similar assets	-	-	-	-
Goodwill	-	-	-	-
Others	998,830	537,669	461,162	657,187
Intangible fixed assets in progress	-	-	-	-
Advances and prepayments	-	-	-	-
Tangible fixed assets	-	-	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Technical plant, machinery and industrial equipment	-	-	-	-
Others	-	-	-	-
Tabgible fixed assets in progress	-	-	-	-
Advances and prepayments	-	-	-	-
Financial fixed assets	**2,639,865,313**	**-**	**2,639,865,313**	**2,640,145,198**
Affiliates	1,995,163,618	-	1,995,163 618	1,995,163,618
Receivables related to investments in affiliates	644,701,694	-	644,701,694	644,981,580
Shares and other equity securities	-	-	-	-
Other long-term investments	-	-	-	-
Loans	-	-	-	-
Others	-	-	-	-
CURRENT ASSETS	-	-	-	-
Inventories and assets in progress	-	-	-	-
Raw materials and other supplies	-	-	-	-
Inventories in progress	-	-	-	-
Intermediate and finished products	-	-	-	-
Goods	-	-	-	-
Advances and prepayments on orders	-	-	-	-
Receivables	**1,921,569**	**-**	**1,921,569**	**721,566**
Accounts receivable and related receivables	-	-	-	-
Other receivables	1,921,569	-	1,921,569	721,566
Capital subscribed, called, but unpaid	-	-	-	-
Short-term investment securities	**2,736,779**	**-**	**2,736,779**	**9,345,968**
Treasury shares	-	-	-	-
Other securities	2,736,779	-	2,736,779	9,299,995
Cash instruments	-	-	-	45,973
Cash and cash equivalents	794,914	-	794,914	306,686
Prepaid expenses	1,145	-	1,145	-
Accrued income and prepaid expenses	**809,638**	**-**	**809,638**	**904,221**
Expenses deferred over several fiscal years	809,638	-	809,638	904,221
Bond redemption premiums	-	-	-	-
Translation adjustments - Assets	-	-	-	-
TOTAL ASSETS	**2,647,128,188**	**537,669**	**2,646,590,519**	**2,652,080,826**

BALANCE SHEET

Liabilities (in €)	12/2018	12/2017
Shareholders' equity	**1,476,046,085**	**1,441,216,489**
Share capital	148,013,653	148,013,653
o/w paid-in capital:	*148,013,653*	*148,013,653*
Issue, merger and contribution premiums	1,097,937,064	1,097,937,064
Revaluation adjustments	-	-
Equity-accounting difference	-	-
Reserves:	-	-
- Legal reserve	14,801,365	14,801,365
- Statutory and contractual reserves	-	-
- Regulated reserves	-	-
- Other reserves	25,878,517	25,878,517
Retained earnings	364,587	(2,282,820)
Income for the period	189,050,900	156,868,710
Unallocated income	-	-
Unallocated interim dividends	-	-
Investment subsidies	-	-
Regulated provisions	-	-
Provisions	-	-
Provisions for risks	-	-
Provisions for expenses	-	-
Amounts payable	**1,170,544,434**	**1,209,299,213**
Convertible bonds	-	-
Other bonds	251,068,767	251,068,767
Loans and debt from credit institutions	912,009,221	953,994,979
Sundry loans and financial debt	-	-
Advances and prepayments received on orders in progress	-	-
Accounts payable and related payables	-	129,537
Tax and social security payables	42,182	2,052
Amounts payable on fixed assets and related payables	-	-
Other amounts payable	7,424,264	4,103,878
Cash instruments	-	-
Prepaid income	-	-
Accrued expenses and other liabilities	**-**	**-**
Translation adjustments - liabilities	-	1,565,125
LIABILITIES AND EQUITY	**2,646,590,519**	**2,652,080,826**

INCOME STATEMENT

(in €)	Net transactions 12/2018	Net transactions 12/2017
Operating income	**4,134,974**	**3,683,221**
Commissions and brokerage fees	4,134,974	251,475
Production sold	-	-
Net revenue	**4,134,974**	**251,475**
o/w exports:		
Inventories	-	-
Capitalized production	-	-
Operating subsidies	-	-
Reversals of provisions, depreciation and amortization, transferred expenses	-	33,121
Other income	-	3,398,625
Operating expenses	**9,504,088**	**9,292,640**
Purchases of goods	-	-
Change in inventories of goods	-	-
Purchases of raw materials and other supplies	-	-
Change in inventories of raw materials and other supplies	-	-
Other external purchases and expenses	9,203,917	8,708,627
Taxes and similar payments	7,162	274,675
Wages and salaries	-	-
Social security expenses	-	-
Depreciation, amortization and provisions:	-	-
on fixed assets: depreciation and amortization	*293,009*	*264,337*
on fixed assets: provisions	-	-
on current assets: provisions	-	-
Contingency reserves: provisions	-	-
Other expenses	-	45 001
OPERATING INCOME	**(5,369,114)**	**(5,609,419)**
Share of income on joint ventures	-	-
Profit or transferred loss	-	-
Loss or transferred profit	-	-
Financial income	**223,513,88**	**191,878,410**
From investments in affiliates	221,948,763	191,878,410
From other transferable securities and long-term receivables	-	-
Other interest and similar income	-	-
Reversals of provisions and transferred expenses	-	-
Positive foreign exchange differences	1,565,125	-
Net income on disposals of investment securities	-	-
Financial expenses	**28,802,915**	**29,400,281**
Depreciation, amortization and provisions	-	-
Interest and similar expenses	28,665,335	29,262,151
Negative foreign exchange differences	100,423	83,335
Net expenses on disposals of investment securities	37,158	54,795
FINANCIAL RESULT	**194,710,972**	**162,478,129**
PRE-TAX PROFIT	**189,341,859**	**156,868,710**
Non-recurring income	-	-
On portfolio management transactions	-	-
On capital transactions	-	-
Reversals of provisions and transferred expenses	-	-
Non-recurring expenses	-	-
On portfolio management transactions	-	-
On capital transactions	-	-
Allowances for provisions and transferred expenses	-	-
NON-RECURRING INCOME	-	-
Employee profit-sharing	-	-
Income tax	290,959	-
TOTAL INCOME	**227,648,320**	**195,561,631**
TOTAL EXPENSES	**38,597,420**	**38,692,920**
PROFIT OR LOSS	**189,050,900**	**156,868,710**

COMMITMENTS

(in €)	12/2018	12/2017
Commitments received	**5,000,000**	**8,965,180**
Credit lines (undrawn amounts)	5,000,000	5,000,000
Endorsements, sureties received	-	-
Commitments received from reinsurers	-	-
Fund for end-of-career and long-service awards	-	-
Caps purchased to hedge against interest rate risk	-	-
Interest rate swaps and currency futures	-	3,965,180
Commitments given	**-**	**3,998,642**
Endorsements, sureties and credit guarantees given	-	-
Assets purchased under resale agreements	-	-
Other commitments on securities, assets or revenues	-	-
Interest rate swaps and currency futures	-	3,998,642
Other commitments given	-	-
Securities pledged as collateral by cessionaires and retrocessionaires	-	-
Securities pledged by reinsured entities with joint-and-several guarantee or with substitution	-	-
Securities belonging to personal protection insurance institutions	-	-
Other securities held for third parties	-	-
Outstanding futures and options contracts	-	-
Breakdown of outstanding futures and options contracts by strategy:	-	-
- investment or divestment strategies	-	-
- return strategies	-	-
- other transactions	-	-
Breakdown of outstanding futures and options contracts by market category:	-	-
- transactions on OTC markets	-	-
- transactions on regulated or similar markets	-	-
Breakdown of outstanding futures and options contracts by market risk, notably:	-	-
- interest rate risk	-	-
- foreign exchange risk	-	-
- equity risk	-	-
Breakdown of outstanding futures and options contracts by instrument, notably:	-	-
- swaps	-	-
- forward rate agreements	-	-
- futures	-	-
- options	-	-
Breakdown of outstanding futures and options contracts by residual maturity of strategies:	-	-
- 0-1 year	-	-
- 1-5 years	-	-
- over 5 years	-	-

Notes to the parent company financial statements

1. SIGNIFICANT EVENTS OF 2018

1.1. FINANCING

In July 2018, Natixis Assurances proceeded with the partial repayment of €42 million of the €135 million credit line granted by Natixis.

1.2. FOREIGN-EXCHANGE HEDGING – FUTURES AND OPTIONS CONTRACTS

The decision was taken in June not to renew the $4.76 million currency hedge set up to hedge the USD acquisition of ADIR shares, the result of which generated a €1.6 million profit.

2. ACCOUNTING PRINCIPLES AND METHODS

In order to give a true and fair view of the results of the company's assets and liabilities and financial position, as well as its operations for the fiscal year ended December 31, 2018, the financial statements were prepared in accordance with French accounting principles resulting in particular from the provisions of the French Commercial Code, the chart of accounts, application of ANC (French Accounting Standards Board) Regulation No. 2016-07 pertaining to the chart of accounts, the regulations of the French Accounting Regulations Committee and Regulation No. 2015-05 of July 2, 2015 applicable from January 1, 2017 and relating to futures and options contracts and hedging transactions.

The rules and methods stipulated were applied in accordance with the general principles set forth in the French Commercial Code, and in particular with that of continuity of operations, independence of fiscal years, accounting recognition at historic cost, prudence and consistency of accounting methods from one year to the next.

Together, these rules and methods form an indivisible whole for the preparation of the annual financial statements.

2.1. ASSET VALUATION RULES

2.1.1. Intangible assets

Intangible assets comprise purchased software or internally developed software.

Projects to create internal software are run by applying a project management methodology consisting of several phases, the first one of which involves preparing a pre-project contract. This procedure is now applied to all significant tasks geared to developing IT applications.

These pre-project contracts are systematically presented to a monthly committee that examines projects and checks that they comply with the criteria defined by CRC rule 2004-06 relating to asset definition, accounting and valuation. These criteria are codified in articles 211-1 to 211-3 and 311-1 of the chart of accounts.

In particular, in accordance with the principles applied in accounting rules, projects are only identified as assets when the following four conditions are fulfilled simultaneously:

- project costs are clearly identifiable;
- the project has a positive economic value that reflects its anticipated future economic benefits;
- the application developed is controlled by the company;
- project costs can be reliably assessed.

Depreciation and amortization periods

The amortization period of expenditure recorded in assets is determined case-by-case, based on a review of the features of the developed applications.

Depreciation and amortization

Depreciation and amortization are applied on a straight-line basis and recorded in *depreciation, amortization and provisions* in the income statement.

Impairment

In the event of objective evidence of impairment, an impairment test must be conducted comparing the recoverable amount of the asset and its carrying amount, and recording any necessary impairment in the income statement.

2.1.2. Long-term investments

Investments in affiliates and related receivables are recorded at their acquisition cost.

Acquisition costs

The company opted to recognize the acquisition costs incurred on investments in affiliates under expenses.

Impairment

At each reporting date, in the event of indicators or changes liable to affect the value of investments held, impairment tests are performed in order to determine whether or not the carrying amount exceeds the fair value of the securities held.

This fair value is measured using a multi-criteria approach (projected income or dividends according to medium-term budgets and plans, comparable transaction references, net book value). Where applicable, a provision for impairment is booked for the difference between the carrying amount and the estimated fair value.

2.1.3. Short-term investment securities

Investments are recorded in the balance sheet at their historic cost. The realization value is always the last published net asset value. De-recognition is always recorded at the cost price and in accordance with the FIFO (first-in, first-out) rule.

2.1.4. Expenses deferred over several fiscal years

Deferred expenses comprise bond issuance costs, which are amortized using the actuarial method until the redemption date or the optional early redemption date.

2.1.5. Translation adjustments – assets or liabilities

Pursuant to regulation n° 2015-05 of July 2, 2015, the company uses a "valuation difference on cash instruments – assets or liabilities" account for foreign-exchange hedges.

2.2. INCOME STATEMENT

2.2.1. Revenue

Revenue consists of reinvoiced management fees. Note that as from 2018, management fees are recorded in the *Commissions and brokerage fees* line instead of in *Other income*.

2.2.2. Other external expenses

In the absence of paid staff, the company has recourse to BPCE Vie's resources and general services. BPCE Vie reinvoices the expenses related to this use, based on cost price and prorata to the time spent.

2.2.3. Positive foreign exchange difference

The decision was taken in June to end the $4.76 million currency hedge set up to hedge the USD acquisition of ADIR shares, the result of which generated a €1.6 million profit.

2.2.4. Non-recurring income

There was no non-recurring income during fiscal 2018.

2.2.5. Income tax

Income tax is calculated according to the tax provisions in force.

Due to the existence of a tax loss carry-forward and after booking part of this in accordance with legal limits, the company recognized a €291k tax expense.

Natixis Assurances is a member of the tax group established by Natixis pursuant to Articles 223-A and following of the French General Tax Code. The tax consolidation agreement in force at Natixis is based on the principle of neutrality, whereby each subsidiary determines its tax and contributes to group tax as if it were not consolidated. The tax expense owed by each subsidiary is not amended as a result of its tax consolidation. Any tax savings or expenses generated by consolidation are recognized by the parent company, Natixis.

Article 11 of France's 2017 budget law introduced a reduction in the normal rate of corporate income tax for all companies and applicable to fiscal years opening from January 1, 2018. In respect of fiscal year 2018, the normal rate of corporate income tax for companies established in France was set for all companies at 28% for the portion of taxable profit up to €500k and at 33 1/3% for the portion above this limit.

Unless otherwise mentioned, the amounts cited in the comments on the accounts are indicated in thousands of euros.

3. INFORMATION ON BALANCE SHEET ITEMS

3.1. FIXED ASSETS

3.1.1. Intangible fixed assets

Intangible fixed assets	12/2017	Acquisitions	Disposals	12/2018
Gross value				
in progress	-	-	-	-
completed	996	2	-	999
Total gross value	**996**	**2**	**-**	**999**

Intangible fixed assets	12/2017	Allowances	Reversals & Disposals	12/2018
Amortization and impairment				
completed	*339*	*198*	-	*538*
Total amortization and impairment	**339**	**198**	**-**	**538**
Net value	**657**	**-**	**-**	**461**

The change in the gross value of intangible fixed assets reflected the acquisition of licenses for the sum of €2k, while the change in allowances was due to amortization recognized in 2018.

3.1.2. Long-term investments

Long-term investments	12/2017	Acquisitions	Divestments	Change in accrued interest not yet received	12/2018
Investments in affiliates	1,995,164	-	-	-	1,995,164
Receivables related to investments in affiliates					
Loan principal	643,490	-	-	-	643,490
Accrued interest not yet received	1,492	-	-	(280)	1,212
Total net value	**2,640,145**	**-**	**-**	**(280)**	**2,639,865**

No impairments were recognized on the long-term investments presented at December 31, 2018

3.1.2.1. Investments in affiliates

Entity	Quantity of shares at January 1	Amount at January 1	Quantity of shares at December 31	Amount at December 31
BPCE Vie	10,091,841	1,272,088	10,091,841	1,272,088
BPCE Assurances	405,204	563,976	405,204	563,976
Natixis Life	3,600,000	91,141	3,600,000	91,141
BPCE Prévoyance	855,220	47,546	855,220	47,546
BPCE IARD	4,948	14,847	4,948	14,847
Adir	169,970	5,474	169,970	5,474
Ecureuil Vie Développement	1,887	91	1,887	91
Total	**15,129,070**	**1,995,164**	**15,129,070**	**1,995,164**

There were no changes during fiscal 2018.

3.1.2.2. Receivables related to investments in affiliates

In order to supplement items eligible for the minimum solvency capital requirement of its subsidiaries, the company granted subordinated loans with the following characteristics:

Subsidiary	Date of loan	Maturity	Interest rate	Amount at January	Accrued interest not yet received at January 1	Inflows	Outflows	Amount at December 31	Accrued interest not yet received at December 31	Total
BPCE Prévoyance	12/29/2004	Indefinite	E3M + 1.70%	3,000	-	-	-	3,000	-	3,000
BPCE Vie	12/23/2010	Indefinite	7.32%	10,000	18	-	-	10,000	14	10,014
Natixis Life	07/31/2012	07/31/2022	3.86%	8,000	172	-	-	8,000	132	8,132
Natixis Life	07/31/2012	Indefinite	3.86%	22,000	510	-	-	22,000	363	22,363
BPCE Assurances	07/05/2014	Indefinite	5.17%	5,336	-	-	-	5,336	-	5,336
BPCE Assurances	07/05/2014	Indefinite	5.17%	9,909	-	-	-	9,909	-	9,909
BPCE Assurances	07/05/2014	Indefinite	4.39%	5,336	-	-	-	5,336	-	5,336
BPCE Assurances	07/05/2014	Indefinite	4.30%	9,909	-	-	-	9,909	-	9,909
BPCE Assurances	07/31/2014	09/15/2025	E3M + 1.70%	10,000	6	-	-	10,000	6	10,006
BPCE Prévoyance	09/29/2014	09/29/2019	1.945%	2,000	10	-	-	2,000	10	2,010
BPCE Vie	12/30/2014	Indefinite	5.00%	250,000	317	-	-	250,000	246	250,246
Natixis Life	01/16/2015	12/12/2025	2.70%	10,000	14	-	-	10,000	14	10,014
BPCE Vie	01/16/2015	12/12/2025	2.695%	173,000	249	-	-	173,000	249	173,249
BPCE Prévoyance	12/18/2015	12/18/2025	3.76%	15,000	20	-	-	15,000	20	15,020
BPCE Vie	12/08/2016	12/08/2026	3.65%	65,000	149	-	-	65,000	137	65,137
BPCE Vie	12/22/2017	12/22/2027	2.22%	45,000	25	-	-	45,000	19	45,019
Total				**643,490**	**1,492**	**-**	**-**	**643,490**	**1,212**	**644,702**

3.2. Current assets

Current assets	12/2017			12/2018		
	Affiliates	Others	Total	Affiliates	Others	Total
Advances and prepayments	-	-	-	-	-	-
Other receivables	178	544	722	1,648	274	1,922
Investment securities	-	9,346	9,346	-	2,737	2,737
Current accounts and cash	-	307	307	-	795	795
Total	**178**	**10,196**	**10,374**	**1,648**	**3,806**	**5,454**

3.2.1. Prepaid expenses

Prepaid expenses concern license rights covering two fiscal years.

3.2.2. Other receivables

The *Other receivables* line of €1,921K comprises:

- balances with affiliates for the amount of €1,647 K€, concerning management fees reinvoiced to subsidiaries, net of prepaid expenses. The sharp increase during the year was due to the share of management fees reinvoiced to BPCE Assurances, which amounted to €1,526K in 2018 versus a sum payable of €50k in 2017;

- a €269k reinsurance brokerage fee to be received in respect of 2017.

3.2.3. Short-term investment securities

ISIN Code	Name	NAV at 12/2017	NAV at 12/2018	Market Value at 12/2018
FR0010831693	NAT CASH EURIB 4DEC	9,300	2,737	2,736
Total		**9,300**	**2,737**	**2,736**

Short-term investment securities recorded in assets comprise euro-denominated short-term money market UCITS. They showed an unrealized loss of €1k at end-2018.

3.2.4. Current accounts and cash

The *Current accounts and cash* line showed a balance of €795k relating to bank accounts held with Caceis Bank and Natixis.

3.2.5. Maturities and receivables

	Gross amount at 12/2017	Gross amount at 12/2018	<= 1 year	> 1 year and <= 5 years	> 5 years
Receivables related to investments in affiliates	644,982	644,702	3,212	8,000	633,490
Other trade receivables	-	-	-	-	-
Group and associates	178	1,647	1,647	-	-
Sundry debtors	544	274	274	-	-
Total	**645,703**	**646,623**	**5,133**	**8,000**	**633,490**

The detail of receivables related to investments in affiliates is as follows:

	Gross amount at 12/2018	<= 1 years	> 1 year and <= 5 years	> 5 years
Receivables related to investments in affiliates	644,702	3,212	8,000	633,490
Loan principal	643,490	2,000	8,000	633,490
Accrued interest	1,212	1,212	-	-

3.2.6. Expenses deferred over several fiscal years

At December 31 this item consisted of bond issuance costs. These costs, which initially amounted to €1,162k, are amortized using an actuarial method over a 10-year term ending on December 29, 2025.

	12/2017	12/2018
Deferred expenses	904	810
Total	**904**	**810**

3.3. LIABILITIES

3.3.1. Shareholders' equity

	12/2017	Allocation 2017	Increase/decrease 2018	12/2018
Share capital	148,014	-	-	148,014
Additional paid-in capital	1,097,937	-	-	1,097,937
Optional reserve	25,879	-	-	25,879
Legal reserve	14,801	-	-	14,801
Retained earnings	(2,283)	2,647		365
Dividends paid	-	154,221	(154,221)	-
Net income (loss)	156,869	(156,869)	189,051	189,051
Total	**1,441,216**	**-**	**34,830**	**1,476,046**

All the 19,398,906 shares, each with a nominal value of €7.63, entitle their holders to dividends and equivalent voting rights. The company does not hold any treasury shares and did not purchase or sell treasury shares during the fiscal year.

3.2.2. Debt

3.3.2.1. Bond debt

The *Other bonds* line comprises bonds issued by Natixis Assurances to private investors.

Counterparty	Date of loan	Maturity	Rate	Amount at January 1	Increase	Decrease	Amount at December 31	Accrued interest not yet received	Total
Private investors	12/2014	Indefinite (*)	5.00%	251,000	-	-	251,000	69	251,069
Total				**251,000**	**-**	**-**	**251,000**	**69**	**251,069**

(*) This loan can be prepaid from December 29, 2025

3.3.2.2. Loans and debt from credit institutions

The €912 million of *Loans and debt from credit institutions* breaks down as follows:

Counterparty	Date of loan	Maturity	Rate	Amount at January 1	Accrued interest at January 1	Increase	Decrease	Amount at December 31	Accrued interest at December 31	Total
Natixis	07/31/2012	07/31/2022	6.86%	8,000	233	-	-	8,000	235	**8,235**
Natixis	07/31/2012	Indefinite	7.86%	22,000	735	-	-	22,000	740	**22,740**
Natixis	01/16/2015	12/16/2025	2.70%	300,000	292	-	-	300,000	314	**300,314**
Natixis	12/08/2016	12/08/2026	3.65%	65,000	149	-	-	65,000	137	**65,137**
Natixis	05/09/2017	05/09/2021	0.74%	83,000	403	-	-	83,000	403	**83,403**
Natixis	11/13/2017	11/14/2022	0.47%	245,000	154	-	-	245,000	156	**245,156**
Natixis	12/21/2017	12/21/2022	0.73%	64,000	13	-	-	64,000	13	**64,013**
Natixis	12/22/2017	12/22/2027	2.22%	30,000	16	-	-	30,000	3	**30,013**
Sub-total loans				**817,000**	**1,995**	**-**	**-**	**817,000**	**2,009**	**819,009**
Natixis	12/29/2017	12/31/2018	E12M	135,000	-	-	42,000	93,000	-	**93,000**
Sub-total credit line				**135,000**	**-**	**-**	**42,000**	**93,000**	**-**	**93,000**
Total				**952,000**	**1,995**	**-**	**-**	**910,000**	**2,009**	**912,009**

3.3.2.3. Accounts payable and related payables

There were no accounts payable at December 31.

	12/2017		12/2018	
	Affiliates	Others	Affiliates	Others
Invoices to be received	-	130	-	-
Total	**-**	**130**	**-**	**-**

3.3.2.4. Tax and social security payables

This line includes €42k in respect of VAT collected and payable to DGE. Certain of Natixis Assurances' activities subject the company to the self-liquidated VAT mechanism.

3.3.2.5. Other payables

	12/2017			12/2018		
	Affiliates	Others	Total	Affiliates	Others	Total
Sundry creditors	3,909	194	4,104	6,009	1,416	7,424
Total	**3,909**	**194**	**4,104**	**6,009**	**1,416**	**7,424**

The Sundry creditors line of €7,424K primarily comprises:

- a current account with Natixis in respect of management fees for €3,855K;
- a current account with BPCE Vie for €1,852k:

• €2,457k of reinvoicing and prepayments related to operating resources;
• – €605k of accrued income related to management fees for fourth-quarter 2018.

- €1,395k of Other creditors concerning the following accrued expenses:

- €653k for the implementation of a new management control tool;
- €306k related to the insourcing of the Banque Populaire network's property & casualty insurance activities by BPCE Assurances;
- €291k of corporate tax due to Natixis in relation to tax consolidation.

3.3.2.6. Maturities of payables

(in € thousands)	Gross amount at 12/2017	Gross amount at 12/2018	<= 1 year	> 1 year and <= 5 years	> 5 years
Loans – private investors	251,069	251,069	69	-	251,000
Loans - Natixis	953,995	912,009	93,000	400,806	418,203
Current accounts and cash	-	-	-	-	-
Accounts payable and related payables	130	-	-	-	-
Tax and social security payables	2	42	42	-	-
Other payables	4,104	7,424	7,424	-	-
Total	**1,209,299**	**1,170,544**	**100,535**	**400,806**	**669,203**

3.3.2.7. Commitments by currency

Assets and commitments by currency		2017 balance sheet		2018 balance sheet	
		Assets	Liabilities	Assets	Liabilities
Euro	EUR	2,652,081	2,652,081	2,646,591	2,646,591
Other currencies	OTHERS	-	-	-	-
Total		**2,652,081**	**2,652,081**	**2,646,591**	**2,646,591**

4. INFORMATION ON INCOME STATEMENT ITEMS

4.1. OPERATING INCOME

4.1.1. Commissions and brokerage fees

Commissions and brokerage fees do not include any accrued income in respect of 2018.

4.1.2. Management fees

In 2018, €4,134k of reinvoiced management fees were recorded in Other income from related activities.

4.2. OPERATING EXPENSES

4.2.1. Other external purchases and expenses

Other external purchases and expenses amounted to €9,204k and primarily include €4,167k for management fees invoiced by Natixis and €4,439k for external services.

4.2.2. Taxes and similar payments

This item comprises €5k of direct taxes (CVAE and CFE) as well as €2k of property transfer tax.

4.2.3. Depreciation, amortization and provisions

Depreciation, amortization and provisions comprises €198k for amortization of software and €95k for amortization of loan expenses.

4.3. STATUTORY AUDITORS' FEES

Statutory auditors' fees amounted to €163k in 2018, broken down as follows.

	12/2017	12/2018
Independent audit, certification and examination of the individual and consolidated financial statements	152	138
Mazars	85	85
PricewaterhouseCoopers	67	53
Other work and services directly related to the statutory auditor assignment	12	25
Mazars	11	21
PricewaterhouseCoopers	1	4
Total	**164**	**163**

4.4. NET FINANCIAL INCOME

4.4.1. Financial income

Financial income comprised income from investments in affiliates and interest on loans granted.

	12/2017		12/2018	
Income (in € thousands)	Affiliates	Others	Affiliates	Others
Income from investments in affiliates	166,072	-	196,846	-
Income from loans	25,807	-	25,103	-
Net income on disposals of investment securities	-	-	-	-
Change in provision for permanent	-	-	-	1,565
Total financial income	**191,878**	**-**	**221,949**	**1,565**

The detail of dividends received on investments in affiliates is as follows:

Investments in affiliates (in € thousands)	12/2017	12/2018
BPCE Vie	127,157	100,919
BPCE Assurances	11,670	71,924
Natixis Life	4,900	6,100
BPCE Prévoyance	17,447	12,657
BPCE IARD	2,969	3,058
Adir (Adonis Insurance and Reinsurance)	1,929	2,188
Total	**166,072**	**196,846**

4.4.2. Financial expenses

Financial expenses included the following items:

	12/2017		12/2018	
Expenses (in € thousands)	Affiliates	Others	Affiliates	Others
Interest on loans and similar debt	29,188	-	28,560	-
Interest expenses on current accounts	-	64	-	15
Management fees	9	2	91	-
Foreign-exchange loss	-	83	-	100
Net expenses on disposal of investment securities	-	55	-	37
Total financial expenses	**29,197**	**204**	**28,651**	**152**

The *Foreign-exchange* loss corresponds to the premium/discount component of the exchange-rate hedging transaction.

4.5. TAX EXPENSE

Given the company's holding company nature, income essentially comprised €197 million of dividends reflecting the parent-subsidiary relationship. The company declared taxable profit of €2,906k which generated €291k of corporate income tax, after the use of a portion of tax loss carry-forwards that reduced the overall stock of tax losses to €21.8 million. In 2018, the rate of corporate income tax was set at 28% for the portion of taxable profit up to €500k and at 33 1/3% for the portion above this limit. In addition, a 3.3% social contribution was payable on the portion of income tax exceeding €763k.

	12/2017	12/2018
Tax payable	-	291
Deferred tax expense	-	-
Total tax expense	**-**	**291**
o/w non-recurring	-	-
o/w related to previous years	-	-

Reconciliation between theoretical tax expense and real tax expense:

	12/2017	12/2018
Accounting result before tax	156,869	189,342
Theoretical tax expense at 34.43%	54,010	65,197
Impacts on theoretical tax of:	(54,010)	(64,906)
- income taxed at reduced rate	-	-
- limit on deductibility of financial expenses	-	299
- dividends subject to parent-subsidiary tax scheme	(54,320)	(64,392)
- permanent differences	3	-
- acquisition costs on investments in affiliates	(18)	(136)
- bond issuance costs	31	33
- unrealized gains or losses on UCITS	-	-
- income tax at 28% on base <€500k	-	(27)
- tax loss carry-forwards from previous years	569	(672)
- other items	-	-
- social contribution	-	(10)
Real tax expense	**-**	**291**

4.6. NET INCOME

2018 net income amounted to €189.1 million, a €32.2 million increase on 2017, primarily as a result of higher revenues from investments in affiliates.

5. OTHER INFORMATION

5.1. GROUP – CONSOLIDATION

Natixis Assurances is a wholly-owned subsidiary of Natixis, whose registered office is located at 30, Avenue Pierre Mendès France, Paris 75013. Its accounts and those of its majority-owned subsidiaries are fully consolidated by both Natixis and BPCE, the majority owner of Natixis, whose registered office is located at 50, Avenue Pierre Mendès-France, Paris 75013.

Copies of Natixis Assurances' financial statements may be obtained from 59 Avenue Pierre Mendès-France, Paris 75013.

5.2. OFF-BALANCE SHEET COMMITMENTS

Natixis Assurances benefits from a commitment received from Natixis concerning a €5 million authorized overdraft facility.
Following the end to the USD foreign-exchange hedge in June 2018, the corresponding off-balance sheet commitments was cleared.

6. PARENT COMPANY RESULTS FOR THE LAST FIVE YEARS

(in € thousands)	2014	2015	2016	2017	2018
Share capital at December 31					
Share capital	120,096	135,077	148,014	148,014	148,014
Number of ordinary shares outstanding	15,740,000	17,703,431	19,398,906	19,398,906	19,398,906
Operations and income for the year					
Revenue (without tax)	234	301	313	251	4,135
Income before tax depreciation, amortization and provisions	121,358	118,038	127,376	157,133	189,635
Income tax	151	-	-	-	291
Income after tax depreciation, amortization and provisions	121,207	117,883	127,165	156,869	189,051
Distributed earnings	119,624	116,781	126,093	154,221	189,139
Earnings/(loss) per share (€)					
Income after tax, but before depreciation, amortization and provisions (1)	7.70	6.67	6.57	8.10	9.76
Income after tax, depreciation, amortization and provisions (1)	7.70	6.66	6.56	8.09	9.75
Dividend per share (2)	7.60	6.02	6.50	7.95	9.75
Personnel					
Average headcount during the fiscal year	-	-	-	-	-
Wage bill for the fiscal year	-	-	-	-	-
Amount paid for employee benefits (social security and welfare)	-	-	-	-	-

(1) Based on the weighted average number of shares outstanding during the fiscal year, calculated in accordance with OEC (French Order of Certified Public Accountants) Notice No. 27.

7. SUBSIDIARIES AND AFFILIATES

Subsidiaries and affiliates Detailed information (in € thousands)	Capital	Reserves and retained earnings before distribution of earnings	% interest held	Carrying amount of shares held		Loans and advances granted by the Company and not yet repaid	Sureties and endorsements given by the Company	Revenue (without tax) for the last fiscal year ended	Net income (profit/loss) for the latest fiscal year ended	Dividends received by the Company during the fiscal year
SUBSIDIARIES (over 50%-owned)				**Gross**	**Net**					
BPCE Vie 30, avenue Pierre Mendès France 75013 PARIS N° SIREN : 349 004 341 Mixed insurance company	1,255,076	157,506	100	1,272,088	1,272,088	543,000	-	10,086,729	171,512	100,919
BPCE Prévoyance 30, avenue Pierre Mendès France 75013 PARIS N° SIREN : 352 259 717 Non-life insurance company	37,880	2,803	100	47,546	47,546	20,000	-	223,051	15,939	12,657
Natixis Life 51, avenue J.F. Kennedy 2951 LUXEMBOURG N° RC : B60 633 Life insurance company	90,000	10,943	100	91,141	91,141	40,000	-	776,272	6,218	6,100
BPCE Assurances 88, avenue de France 75013 PARIS N° SIREN : 501 633 275 Non-life insurance company	118,289	235,542	100	563,976	563,976	40,490	-	966,006	75,965	71,924
Ecureuil Vie Développement Héron Building 66, avenue du Maine 75014 PARIS N° SIREN : 503 055 618 Simplified comapny with shares	37	193	51	91	91	-	-	-	20	-
AFFILIATES (between 10% and 50%-owned)				**Gross**	**Net**					
BPCE IARD Chaban de Chauray BP 9003 79093 NIORT Cedex N° SIREN : 401 380 472 Non-life insurance company	50,000	57,070	49	14,847	14,847	-	-	428,008	14,214	3,058
Adir Aya Commercial Center Dora BEYROUTH - LEBANON N° RC : 46 238 Mixed insurance company	16,584 USD	36,044 USD	34	5,474	5,474	-	-	32,623	13,621	2,188
B. General information 1. Subsidiaries not shown in section A										
a. French subsidiaries (all)	-	-	-	-	-	-	-	-	-	-
b. Foreign subsidiaries (all)	-	-	-	-	-	-	-	-	-	-
2. Affiliates not shown in section A										
a. In French companies (all)	-	-	-	-	-	-	-	-	-	-
b. Foreign companies (all)	-	-	-	-	-	-	-	-	-	-

(1) USD translation rate used: €1 = USD1.1434

4 STATUTORY auditors' reports

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Natixis Assurances General Meeting of Shareholders,

Opinion

In accordance with the assignment entrusted to us by your General Meeting of Shareholders, we performed an audit of the consolidated financial statements of Natixis Assurances relating to the fiscal year closed on December 31, 2018, as attached to the present report.

We certify that with regard to IFRS standards as adopted in the European Union, the consolidated financial statements are proper and sincere and provide a faithful image of the result of the operations conducted in the fiscal year, as well as of the financial and asset/liability situation at fiscal-year end for all the persons and entities included in the consolidation. The opinion formulated above is consistent with the content of our report submitted to the Board of Directors performing the functions of audit committee.

Basis of the opinion

Audit standards

We conducted our audit in accordance with the standards of professional practice in France. We consider that the items we collected were sufficient and appropriate to provide a basis for our opinion.

Our responsibilities accruing from these standards are set out in the section "Responsibilities of the statutory auditors relative to the audit of the consolidated financial statements" included in the present report.

Independence

We performed our audit assignment in accordance with the independence rules applicable to us from January 1, 2018 to the date of our report, and in particular we did not provide services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or by the Code of Ethics for the profession of Statutory Auditor.

Justification of assessments – Key audit points

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we are required to draw your attention to the key points of the audit relating to the risks of inaccuracies that, according to our professional judgment, were the most important for the audit of the consolidated financial statements for the year, as well as the responses we provided to these risks.

Our ensuing assessments are made within the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on items in these consolidated financial statements in isolation.

1. INVESTMENTS – VALUATION AND PROVISIONING LEVELS FOR UNLISTED FINANCIAL ASSETS

Identified risk

Financial assets and derivatives, and their classification and valuation methods at balance sheet date are specified in point 4.2.4 *Financial Investments* of the notes to the consolidated financial statements. The methods for determining impairments are specified in point 4.2.5 to the consolidated financial statements.

In order to honor commitments contracted with insurees, your Company invests premiums received in various types of investment instruments.

Investments represent a key audit point due to:

- the importance of investments in balance sheet assets. Investments represent 84% of Natixis Assurances' balance-sheet assets;
- the specific methods used to value certain investments.

Unlisted financial assets

Analysis of the valuation of unlisted financial assets relies on an important degree of subjectivity and judgment on the part of management, primarily for:

- real-estate assets valued on the basis of real-estate appraisals;
- private equity funds;
- unlisted bonds;
- unlisted equities;
- unlisted structured products.

We considered this valuation topic to be a key audit point given the materiality of these unlisted financial assets and the fact that their valuation is based on actuarial methods that require a significant degree of judgment on the part of management.

Audit procedures applied in response to this risk

Our audit approach, detailed hereafter, included the intervention of valuation experts and IT audit experts when necessary.

The main audit procedures we applied involved:

- reviewing financial instrument valuation and impairment methods;
- examining the existing control mechanism, so as to assess the reality and valuation of investments;
- performing independent counter-valuations of the whole of the portfolio of listed investments;
- performing reconciliations, by sampling quantities in the portfolio and comparing them with custodians' statements;
- using sampling methods to confirm with banks and custodians the situation of bank balances and securities in portfolio;
- reviewing general IT controls relating to the investment management tool, and conducting an IT review on certain embedded controls and key reports generated by the investment management tool.

Unlisted financial assets

The audit procedures we applied involved:

• analyzing the relevancy of the assumptions and inputs used for valuation or for updating valuation models;

• performing independent counter-valuations via sampling methods and by using our own models;

• comparing the prices used by Ostrum Asset Management or Caceis with independently-obtained prices if applicable.

2. LIFE UNDERWRITING RESERVES

Identified risk

Life insurance reserves correspond to your Company's commitments toward insurees.

Reserves are a key audit point due to:

• the importance of these reserves in the Company's balance-sheet liabilities. Underwriting reserves specific to insurance represent €68 billion of the liabilities recorded in Natixis Assurances' accounts;

• in addition, some of these reserves draw on particular assumptions or calculation models (overall management reserve, interest-rate risk reserve, increasing borrower risk reserve).

Overall management reserve (€151 million), interest-rate risk reserve (€53 million), reserve for policyholder bonuses (€2 billion):

The overall management reserve is designed to cover future expenses not covered by deductions from premiums or from investment income.

The interest-rate risk reserve is employed to offset potential future effects of interest-rate guarantees offered on certain products in the past. The calculation methods are those detailed in point 2.2.2.1 of the notes to the annual financial statements.

The reserve for policyholder bonuses is used to cover the share of underwriting and investment profits generated by your Company and attributable to policyholders, and is subject to calculation of a regulatory minimum, as detailed in point 2.2.2.3 of the notes to the annual financial statements.

The assessment and valuation of these regulatory reserves draws on elements of judgment, whether to determine the assumptions employed or to choose the methods of calculation.

Other reserves (€66 billion):

The other regulatory reserves are calculated by applying the calculation assumptions and rules defined by France's Insurance Code. The accuracy of the assessment of these reserves depends on the reliability of the processes employed to process and record the Company's insurance operations.

These regulatory reserves are calculated by applying the calculation assumptions and rules set out in France's Insurance Code and reiterated in point 4.2.11 of the notes to your Company's consolidated financial statements.

Audit procedures applied in response to this risk

In order to assist us with executing our audit procedures on these items, we had recourse to our firm's actuarial teams.

The main audit procedures that we applied involved:

Overall management reserve and interest-rate risk reserve:

• reviewing the general conditions of products and reviewing the suitability of calculated reserves relative to guarantees on a sample of products;

• reviewing the methods and assumptions employed to calculate these reserves;

• performing an analytical review on the interest-rate risk reserve;

• performing an independent review of the minimum reserve for policyholder bonuses;

•reconciling elements originating from calculations with those from accounting.

For other reserves

• conducting tests on controls performed by management and independent tests, so as to ensure the reliability of the information recorded in management databases and used to assess and value underwriting reserves

• performing an analytical review of underlying reserves;

• conducting recurrence tests on the calculation of underwriting reserves for with-profit investment solutions or endowment products;

• performing independent recalculations on a sample of investment solutions, personal protection insurance and payment protection contracts (death benefits and work cessation guarantees);

• performing an independent recalculation of the floor guarantee reserve;

• reconciling elements originating from calculations with those from accounting.

A review of general IT controls relating to the various dedicated management tools was performed, as well as a review of certain controls contained in these tools and the related "key reports".

3. NON-LIFE UNDERWRITING RESERVES

Identified risk

Underwriting reserves are a key audit point due to:

• The importance of these reserves in the Company's balance-sheet liabilities. Underwriting reserves specific to insurance represent €1.4 billion or 65% of the liabilities recorded in BCPE Assurances' accounts;

• In addition, some of these reserves are determined on the basis of particular assumptions or calculation models that make use of judgment.

Reserves for claims payable net of recoveries (€857 million):

This reserve equates to the estimated value of expenditure in terms of principal and expenses needed to settle claims, net of recoveries.

It is estimated by using actuarial calculations to value the final cost of claims existing at the end of the fiscal year, as detailed in point 4.2.11 of the notes to the consolidated financial statements.

Mathematical reserves for annuities (€26 million):

This regulatory reserve is calculated by applying the calculation and assumption rules set out in France's Insurance Code and reiterated in point 4.2.11 of the notes to your Company's consolidated financial statements. It represents the future benefits payable on annuities in-force at December 31, 2018.

Other underwriting reserves (€471 million):

The reserve for claims payable is designed to cover future expenses for managing claims existing at December 31.

The reserve for unearned premiums equates to the portion of premiums collected in the fiscal year that should be assigned to the following year.

The reserve for existing risks is designed to cover – on loss-making branches – the estimated cost of future claims on policies in the portfolio.

These regulatory reserves are calculated by applying the calculation and assumption rules set out in France's Insurance Code and reiterated in point 4.2.11 of the notes to your Company's consolidated financial statements.

Audit procedures applied in response to this risk

In order to assist us with executing our audit procedures on these items, we had recourse to our firm's actuarial teams. The main audit procedures applied were as follows:

Reserves for claims payable

• analyzing the methodological notes relative to provisioning/reserves;

• analyzing current/past claims experience;

• analyzing the coefficient of growth in underwriting reserves and reconstitution at end-December 2018 on auto, multi-risk home and personal accident products;

• performing an independent estimate of final costs on the main branches of BPCE Assurances' portfolio representing 94% of reserves for claims payable;

• reconciling elements originating from calculations with those from accounting.

Mathematical reserves for annuities

• reviewing the coherency and conformity of the calculation method and assumptions used on the professional personal protection insurance perimeter;

• reconciling elements originating from calculations with those from accounting.

Other underwriting reserves

• analyzing underwriting results for the different ministerial categories used for calculating the reserve for existing risks;

• reviewing the coherency and conformity of the method and assumptions used to calculate the reserve for existing risks;

• reviewing the coherency of the method and assumptions used to calculate the reserve for claims payable;

• reconciling elements originating from calculations with those from accounting.

A review of general IT controls relating to the various dedicated management tools was performed, as well as a review of certain controls contained in these tools and the related "key reports".

Specific verifications

As required by law and in accordance with the standards of professional practice applicable in France, we also specifically verified the information relating to the group presented in the Board of Directors' management report.

We have no matters to report as regards its fair presentation and its coherency with the consolidated financial statements. Information resulting from other legal and regulatory obligations.

We certify that the consolidated declaration of non-financial performance provided for in article L.225-102-1 of the French Commercial Code is included in the management report, while stipulating that in accordance with article L.823-10 of the said code, we did not check the information contained in this declaration to ensure its sincerity or its consistency with the consolidated financial statements.

Designation of the statutory auditors

Mazars and PricewaterhouseCoopers Audit were appointed in the capacity of statutory auditors to Natixis Assurances by the General Shareholders' Meetings of June 10, 1980 and May 12, 2012, respectively.

At December 31, 2018, Mazars was in the 39th consecutive year of its assignment and PricewaterhouseCoopers Audit in the 7th consecutive year.

Responsibilities of management and corporate governance officers relative to the consolidated financial statements

Management is responsible for preparing consolidated financial statements that present a true and fair picture in accordance with IFRS standards as adopted in the European Union, as well as for implementing the internal control that it deems necessary for preparing the consolidated financial statements without any material inaccuracies, whether resulting from fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to remain a going concern, for presenting in these financial statements, where appropriate, the necessary information concerning the status of going concern and for applying the standard accounting policy for a going concern, unless it is planned to dissolve the company and discontinue its activity.

The consolidated financial statements were signed off by the Board of Directors.

Responsibilities of the statutory auditors relative to the audit of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable certainty that the consolidated financial statements taken as a whole do not contain any material inaccuracies. Reasonable assurance equates to a high level of certainty, though without this guaranteeing that an audit performed in accordance with the standards of professional practice manages to systematically detect any material inaccuracies. Inaccuracies may stem from fraud or error and are considered material when it can be reasonably expected that these inaccuracies may individually or cumulatively influence the economic decisions made by the users of the financial statements on the basis of the financial statements.

As stipulated in article L. 823-10-1 of France's Commercial Code, our account certification duty does not involve guaranteeing the viability or the quality of management of your Company.

Within the framework of an audit performed in accordance with the standards of professional practice applicable in France, the statutory auditor exercises his professional judgment throughout the audit. In addition, the statutory auditor:

• identifies and assesses the risk that the consolidated financial statements contain any material inaccuracies, whether these stem from fraud or from error, defines and implements audit procedures in light of these risks, and collects the elements he considers to be sufficient and appropriate for basing his opinion. The risk of not detecting a material inaccuracy stemming from fraud is greater than that of a material inaccuracy stemming from error, since fraud may imply collusion, falsification, voluntary omissions, false declarations or circumvention of internal control procedures;

• familiarizes himself with the internal control mechanism relevant to the audit, in order to define appropriate audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control;

• assesses the appropriateness of the chosen accounting methods and the reasonableness of the accounting estimates made by management, as well as the information concerning them and which is presented in the consolidated financial statements;

• assesses the appropriateness of management's application of standard accounting policy for a going concern and, according to the elements collected, the existence or not of a material uncertainty related to events or circumstances liable to undermine the Company's ability to remain a going concern. This assessment is underpinned by elements collected up to the date of the statutory auditor's report, it nevertheless being noted that subsequent circumstances or events could undermine the Company's ability to remain a going concern. If the statutory auditor concludes that there is a material uncertainty, he draws the attention of the readers of the report to the information provided in the consolidated financial statements regarding the subject of this uncertainty or, if such information is not provided or not relevant, he certifies the financial statements with reservations or refuses to certify them;

• assesses the overall presentation of the consolidated financial statements and whether they reflect the underlying operations and events in a way that provides a faithful picture;

concerning financial information on the persons or entities included in the consolidation scope, the statutory auditor collects the elements he considers to be sufficient and appropriate for expressing an opinion on the consolidated financial statements. He is responsible for managing, supervising and performing the audit of the consolidated financial statements, as well as for the opinion expressed on these statements.

French original signed in Neuilly-sur-Seine and Paris La Défense on May 17, 2019

The Statutory Auditors,

PriceWaterhouseCoopers Audit	Mazars	
Marie-Christine JETIL	Jean-Claude PAULY	Maxime SIMOEN

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Natixis Assurances General Meeting of Shareholders,

Justification of assessments – Key audit points

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we are required to draw your attention to the key points of the audit relating to the risks of inaccuracies that, according to our professional judgment, were the most important for the audit of the annual financial statements for the year, as well as the responses we provided to these risks.

Our ensuing assessments are made within the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on items in these consolidated financial statements in isolation.

We concluded that there were no key audit points to be communicated in our report.

Specific verifications

In accordance with the standards of professional practice applicable in France, we also performed the specific verifications provided for by law and regulatory texts.

Information given in the management report and other documents concerning the financial situation and the annual financial statements addressed to shareholders

We do not have any observations to make regarding the sincerity and consistency with the annual financial statements of the information given in the Board of Directors' management report and in the other documents concerning the financial situation and the annual financial statements addressed to shareholders.

We testify to the sincerity and consistency with the annual financial statements of the information relating to invoice settlement periods mentioned in article 1).441-4 of the French Commercial Code.

Information relating to corporate governance

We testify to the existence in the section of the Board of Directors' management report devoted to corporate governance, of the information required by article L.225 37-4 of the French Commercial Code.

Other information

In accordance with the law, we verified that the various information relating to the identity of the owners of capital or voting rights was provided to you in the management report.

Information resulting from other legal and regulatory obligations

Designation of the statutory auditors

Mazars and PricewaterhouseCoopers Audit were appointed in the capacity of statutory auditors to Natixis Assurances by the General Shareholders' Meetings of June 10, 1980 and May 12, 2012, respectively.

At December 2018, Mazars was in the 39th consecutive year of its assignment and PricewaterhouseCoopers Audit in the 7th consecutive year.

Responsibilities of management and corporate governance officers relative to the annual financial statements

Management is responsible for preparing annual financial statements that present a true and fair picture in accordance with IFRS standards as adopted in the European Union, as well as for implementing the internal control that it deems necessary for preparing the annual financial statements without any material inaccuracies, whether resulting from fraud or error.

When preparing the annual financial statements, management is responsible for assessing the Company's ability to remain a going concern, for presenting in these financial statements, where appropriate, the necessary information concerning the status of going concern and for applying the standard accounting policy for a going concern, unless it is planned to dissolve the company and discontinue its activity. The annual financial statements were signed off by the Board of Directors.

Responsibilities of the statutory auditors relative to the audit of the annual financial statements

Objective and audit approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable certainty that the annual financial statements taken as a whole do not contain any material inaccuracies. Reasonable certainty equates to a high level of certainty without this guaranteeing that an audit performed in accordance with the standards of professional practice manages to systematically detect any material inaccuracies. Inaccuracies may stem from fraud or error and are considered material when it can be reasonably expected that these inaccuracies may individually or cumulatively influence the economic decisions made by the users of the financial statements on the basis of the financial statements.

As stipulated in article L. 823-10-1 of the French Commercial Code, our account certification duty does not involve guaranteeing the viability or the quality of management of your Company.

Within the framework of an audit performed in accordance with the standards of professional practice applicable in France, the statutory auditor exercises his professional judgment throughout the audit. In addition, the statutory auditor:

• identifies and assesses the risk that the annual financial statements contain any material inaccuracies, whether these stem from fraud or from error, defines and implements audit procedures in light of these risks, and collects the elements he considers to be sufficient and appropriate for basing his opinion. The risk of not detecting a material inaccuracy stemming from fraud is greater than that of a material inaccuracy stemming from error, since fraud may imply collusion, falsification, voluntary omissions, false declarations or circumvention of internal control procedures;

• familiarizes himself with the internal control mechanism relevant to the audit, in order to define appropriate audit procedures for the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal control;

• assesses the appropriateness of the chosen accounting methods and the reasonableness of the accounting estimates made by management, as well as the information concerning them and which is presented in the annual financial statements;

• assesses the appropriateness of management's application of standard accounting policy for a going concern and, according to the elements collected, the existence or not of a material uncertainty related to events or circumstances liable to undermine the Company's ability to remain a going concern. This assessment is underpinned by elements collected up to the date of the statutory auditor's report, it nevertheless being noted that subsequent circumstances or events could undermine the Company's ability to remain a going concern. If the statutory auditor concludes that there is a material uncertainty, he draws the attention of the readers of the report to the information provided in the annual financial statements regarding the subject of this uncertainty or, if such information is not provided or not relevant, he certifies the financial statements with reservations or refuses to certify them;

• assesses the overall presentation of the annual financial statements and whether they reflect the underlying operations and events in a way that provides a faithful picture.

French original signed in Neuilly-sur-Seine and Paris La Défense on May 17, 2019

The Statutory Auditors,

PriceWaterhouseCoopers Audit	Mazars	
Marie-Christine JETIL	Jean-Claude PAULY	Maxime SIMOEN

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

General Meeting of Shareholders to approve the financial statements for the year ended December 31, 2018

To the NATIXIS ASSURANCES General Meeting of Shareholders
NATIXIS ASSURANCES
30 avenue Pierre Mendès France
75013 PARIS

In our capacity as your Company's Statutory Auditors, we hereby submit our report on related-party agreements.

We are required to inform you, on the basis of the information provided to us, of the key features and terms and conditions of the related-party agreements notified to us or that we may have identified in the performance of our assignment. It is not our role to comment as to whether they are beneficial, or to ascertain the existence of any other related-party agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these contractual agreements prior to their approval.

In addition, we are required to inform you, in accordance with Article R. 225-31 of the French Commercial Code, of the execution during the past financial year of the related-party agreements already approved by the General Shareholders' Meeting.

We performed the procedures that we considered necessary to comply with the professional code of the Compagnie Nationale des Commissaires aux Comptes (France's National Association of Statutory Auditors) relating to this assignment. Our work consisted in verifying that the information provided to us is consistent with the underlying documents from which it was extracted.

AGREEMENTS SUBMITTED FOR THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING

We inform you that we received no notification of any related-party agreement authorized and signed during the last completed fiscal year to be submitted for the approval of the General Shareholders' Meeting, pursuant to Article L. 225-38 of the French Commercial Code and Article R. 322-7 of the French Insurance Code.

AGREEMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements approved during previous fiscal years

Pursuant to Article L. 225-30 of the French Commercial Code, we were informed of the following agreements, which had already been approved by the General Shareholders' Meeting during previous fiscal years and that remained in force during the last completed fiscal year.

General Framework Agreement

Since 2013, Groupe BPCE and its subsidiaries have been working to set up an insurance platform within Natixis. This project led the Group to conduct negotiations with CNP Assurances with a view to repatriating the Group's life insurance production to Natixis Assurances.

These discussions led to the signature on March 23, 2015 of a general framework agreement between CNP Assurances, BPCE and Natixis – the latter acting by virtue of the specific powers granted to it by Natixis Assurances, BPCE Vie and BPCE Prévoyance – which defines the fundamental principles of the future partnership between BPCE, Natixis and CNP. The agreement was authorized by the Board of Directors on March 6, 2015 and took effect on January 1, 2016.

It had operational and financial consequences on some of Natixis Assurances' subsidiaries in 2018, but had no impact on Natixis Assurances' accounts.

Ecureuil Vie Développement shareholders' pact and divestment contract for Ecureuil Vie Développement shares

As part of the general framework agreement signed with CNP Assurances, CNP Assurances, BPCE and Natixis agreed that Natixis Assurances would hold a controlling majority interest in Ecureuil Vie Développement (EVD). As a result:

- Natixis Assurances would proceed by December 31, 2015, with the acquisition of BPCE's 49% equity interest in EVD, according to the price conditions stipulated in the divestment contract, to which Natixis Assurances and BPCE committed; and

- CNP would sell with effect from January 1, 2016, 74 ordinary shares in EVD, representing 2% of EVD's share capital and voting rights (the Divestment), such that following the divestment, Natixis Assurances would possess a controlling majority interest in EVD.

During fiscal year 2016, Natixis Assurances acquired 74 shares from CNP Assurances at a price of €3,552 and lifted its equity interest in EVD to 51%.

Following these transactions, EVD's capital is owned as follows;

- Natixis Assurances: 1,887 shares, representing 51% of the capital and voting rights; and

- CNP Assurances: 1,813 shares, representing 49% of the capital and voting rights.

Impact on the 2018 accounts: Nil

Agreement to second CNP Assurances personnel to Ecureuil Vie Développement

In order for CNP Assurances employees currently seconded to Ecureuil Vie Développement to continue their activity within the latter company, it was decided to renew the secondment agreement between CNP Assurances and Ecureuil Vie Développement as from January 1, 2016 for an initial period of seven years, renewable once for a period of three years.

Consequently, on March 23, 2015, a secondment agreement adhering to Articles L. 8241-1 paragraph 2 and L. 8241-2 of the French Labor Code regulating loans of staff for not-for-profit purposes was signed between CNP Assurances, Ecureuil Vie Dévéloppement, Natixis Assurances and BPCE Vie. It was specified that certain BPCE Vie employees could also be seconded to Ecureuil Vie Développement, in accordance with the terms of a secondment agreement to be signed between BPCE Vie and EVD.

Impact on the 2018 accounts: Nil

French original signed in Neuilly-sur-Seine and Paris La Défense on May 17, 2019

The Statutory Auditors,

PriceWaterhouseCoopers Audit

Marie-Christine JETIL

Mazars

Jean-Claude PAULY

Maxime SIMOEN

5 LEGAL **elements**

1. LIST OF CORPORATE OFFICES

MIGNON Laurent			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 06/07/2018)	SA	Chairman of the Board of Directors	
NATIXIS INVESTMENT MANAGERS (ended 06/01/2018)	SA	Chairman of the Board of Directors	
COFACE (ended 06/15/2018)	SA	Chairman of the Board of Directors	
PETER J. SOLOMON COMPANY LLC (ended 05/30/2018)	LLC	Director	
ARKEMA	SA	Director	
AROP (Association pour le Rayonnement de l'Opéra de Paris)	Association	Director	
BPCE (since 06/01/2018)	SA	Chairman of the Management Board	
NATIXIS (since 06/01/2018)	SA	Chairman of the Board of Directors	
CE HOLDING PARTICIPATIONS (depuis le 06/06/2018)	SAS	Chairman	
SOPASSURE (since 06/18/2018)	SA	Director	
CNP ASSURANCES (since 06/01/2018)	SA	Director	
FÉDÉRATION BANCAIRE FRANÇAISE (from 06/15/2018 to 08/31/2018)	Federation	Vice-Chairman	
FÉDÉRATION BANCAIRE FRANÇAISE (since 09/012018)	Federation	Chairman	
ASSOCIATION FRANCAISE DES ÉTABLISSEMENT DE CRÉDIT ET DES ENTREPRISES D'INVESTISSEMENT (since 09/01/2018)	Association	Chairman	

RIAHI François			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS (since 06/01/2018)	SA	Chief Executive Officer	
BPCE (since 01/01/2018)	SA	Member of the Management Board	
NATIXIS ASSURANCES (since 06/072018)	SA	Chairman of the Board of Directors	
NATIXIS INVESTMENT MANAGERS (since 06/01/2018)	SA	Chairman of the Board of Directors	
COFACE (since 06/15/2018)	SA	Chairman of the Board of Directors	
NATIXIS PAYMENT SOLUTIONS (since 09/21/2018)	SA	Chairman of the Board of Directors	
P-J-SOLOMON LP (since 06/01/2018)	LP	Director	
PETER J-SOLOMON SECURITIES COMPANY LLC (since 05/31/2018)	LLC	Director	
NATIXIS PFANDBRIEFBANK AG (ended 02/28/2018)	AG	Chairman of the Supervisory Board	
NATIXIS JAPAN SECURITIES CO LTD (ended 01/12/2018)	LTD	Director	
NATIXIS NORTH AMERICA LLC (ended 01/15/2018)	LLC	Director	
NATIXIS COFICINÉ (ended 02/07/2018)	SA	Director	NATIXIS
CE HOLDING PARTICIPATIONS (from 01/01/2018 to 05/31/2018)	SAS	Director	BPCE
SNC TEA and EMMA	SNC	Managing Partner	

BERROUS Gils			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 12/13/2018)	SA	Director	
NATIXIS COFICINÉ	SA	Chairman of the Board of Directors	
NATIXIS INTER ÉPARGNE (ended 07/01/2018)	SA	Chairman of the Board of Directors	
COMPAGNIE EUROPEENNE DE GARANTIES & CAUTIONS	SA	Chairman of the Board of Directors	
NATIXIS FACTOR	SA	Chairman of the Board of Directors	
NATIXIS FINANCEMENT	SA	Chairman of the Board of Directors	
NATIXIS LEASE	SA	Chairman of the Board of Directors	
NATIXIS PAYMENT SOLUTIONS (ended 01/02/2018)	SA	Chairman of the Board of Directors	
MCI - MEDIA CONSULTING & INVESTMENT	SA	Chairman of the Board of Directors	
TITRES CADEAUX (ended 01/02/2018)	SAS	Chairman of the Board of Directors	
NATIXIS ALGÉRIE (foreign company)	SPA	Director	
ALGIERS BUSINESS CENTERS (foreign company)	SPA	Director	
NATIXIS PAYMENT HOLDING (ended 03/29/2018)	SAS	Chairman	
UNITED PARTNERSHIP (ended 05/04/2018)	SAS	Chairman of the Management Committee	
PARTECIS (ended 02/21/2018)	SAS	Director	
ASSOCIATION DES SOCIÉTÉS FINANCIÈRES (ASF)	Association	Director	

BRICKER Nathalie			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (from 09/06/2018 to 12/13/2018)	SA	Director	
COMPAGNIE EUROPÉENNE DE GARANTIES ET CAUTIONS	SA	Director	NATIXIS
COMPAGNIE FINANCEMENT FONCIER SCF (since 12/18/2018)	SA	Director	
NATIXIS INVESTMENT MANAGERS (since 09/06/2018)	SA	Director	NATIXIS
COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR (since 09/06/2018)		Director	NATIXIS
NATIXIS PAYMENT SOLUTIONS	SA	Director	NATIXIS
BPCE VIE	SA	Director	NATIXIS

CRON Norbert			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 06/29/2018)	SA	Director	
NATIXIS ALTAIR IT SHARED SERVICES (ended 02/13/2018)	SA	Chairman of the Board of Directors	
MONTMARTRE 1 (ended 06/29/2018)	SAS	Chairman	
BPCE ACHATS (ended 06/29/2018)	GIE	Director	
NATIXIS PAYMENT SOLUTIONS (ended 06/29/2018)	SA	Director	
BPCE IMMOBILIER EXPLOITATION (ended 10/15/2018)	SAS	Director	
PARTECIS (ended 06/29/2018)	SAS	Director	
ALBIANT-IT	SA	Director	NATIXIS
DEVIMMO ALGÉRIE	SPA	Director	NATIXIS
NATIXIS FONCIÈRE	SA	Director	NATIXIS
NATIXIS IMMO EXPLOITATION	SA	Director	NATIXIS
BPCE-IT	GIE	Director	NATIXIS
FONCIÈRE KUPKA	SA	Director	NATIXIS FONCIERE

DEBRAY Pierre			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES	SA	Director	
NATIXIS PFANDBRIEFBANK AG (since 03/01/2018)	AG	Member of the Supervisory Board	

LEBEL Anne			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 12/13/2018)	SA	Director	
NEXANS (since 05/17/2018)	SA	Director	

LEQUOY Jean-François			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES	SA	Chief Executive Officer	
NATIXIS ASSURANCES	SA	Director	
BPCE ASSURANCES	SA	Chairman of the Board of Directors	
BPCE PRÉVOYANCE	SA	Chairman of the Board of Directors	
BPCE VIE	SA	Chairman of the Board of Directors	
SURASSUR	SA	Chairman of the Board of Directors	
REACOMEX	SA	Chairman of the Board of Directors	
GROUPEMENT FRANÇAIS DES BANCASSUREURS	Association	Vice-Chairman	
ECUREUIL VIE DÉVELOPPEMENT	SAS	Director	
FONDS STRATÉGIQUE DE PARTICIPATION - FSP	SA	Director	BPCE VIE
BPCE IARD	SA	Member of the Supervisory Board	NATIXIS ASSURANCES

NAMIAS Nicolas			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 06/19/2018)	SA	Director	
NATIXIS COFICINÉ (since 11/30/2018)	SA	Director	
BPCE (since 05/17/2018)	SA	Member of the Management Board in charge of Finance and Strategy	
CE HOLDING PARTICIPATIONS (since 06/01/2018)	SAS	Director	
NATIXIS ASSURANCES (ended 06/19/2018)	SA	Director	
NATIXIS PARTNERS (ended 07/10/2018)	SA	Director	
NATIXIS PARTNERS ESPANA (ended 01/17/2018)	SA	Director	
CRÉDIT FONCIER (since 06/01/2018)	SA	Director	BPCE
IFCIC	SA	Director	NATIXIS
NATIXIS COFICINÉ (from 02/07/2018 to 11/08/2018)	SA	Director	NATIXIS
NATIXIS INVESTMENT MANAGERS (ended 09/06/2018)	SA	Director	NATIXIS

OLIVIER André-Jean			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 12/13/2018)	SA	Director	NATIXIS
COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR	SA	Director	
LUXIA (Ex-OPEN FINANCIAL REGULATION EUROPA)	SAS	Director	NATIXIS
NATIXIS ASSET MANAGEMENT FINANCE	SA	Director	NATIXIS
NATIXIS FINANCEMENT	SA	Director	NATIXIS
NATIXIS PRIVATE EQUITY	SA	Director	NATIXIS

RABY Jean			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 12/13/2018)	SA	Director	
NATIXIS INVESTMENT MANAGERS	SA	Chief Executive Officer	
NAXICAP PARTNERS	SA	Vice-Chairman of the Supervisory Board	
OSTRUM ASSET MANAGEMENT (ex-NAM Austerlitz 2) (since 09/28/2018)	SA	Chairman of the Board of Directors	
NATIXIS INVESTMENT MANAGERS INTERNATIONAL (ex-OSTRUM AM) (ended 09/27/2018)	SA	Chairman of the Board of Directors	
NATIXIS WEALTH MANAGEMENT	SA	Chairman of the Board of Directors	
NATIXIS INTEREPARGNE (since 07/01/2018)	SA	Chairman of the Board of Directors	
MIROVA (since 09/10/2018)	SA	Chairman of the Board of Directors	
DNCA FINANCE	SA	Chairman of the Board of Directors	
AEW SA	SA	Director, Member of the Remuneration Committee, the Nominations Committee and the Strategic Committee	
FLEXSTONE PARTNERS SAS (ex-Euro Private Equity France SAS) (since 12/31/2018)	SAS	Member of the Supervisory Board	
AEW CAPITAL MANAGEMENT INC	INC	Director	
HARRIS ASSOCIATES INC	INC	Director	
LOOMIS, SAYLES & CO INC	INC	Director	
NATIXIS DISTRIBUTION CORPORATION	CORP	Director	
NATIXIS US HOLDING INC	INC	Chairman of the Board of Directors	
NATIXIS INVESTMENT MANAGERS LP	LP	Chairman of the Board of the General Partner	
NATIXIS INVESTMENT MANAGERS LLC	LLC	Chairman of the Board of Managers	
NATIXIS INVESTMENT MANAGERS 2, LLC (ended 06/29/2018)	LLC	Chairman of the Board of Managers	
H20 AM LLP (since 11/21/2018)	LLP	Director	
MV CREDIT LLP (since 08/01/2018)	LLP	Director	
CASPIAN PRIVATE EQUITY LLC (from 01/01/2018 to 12/31/2018)	LLC	Member of the Board of Managers	
SNC LAVALIN	SNC	Director, Member of the Audit Committee and the Governance and Ethics Committee	
UNIVERSITÉ LAVAL (ended 12/14/2018)	Foundation	Director	

VACHERON Pierre-Antoine			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (from 03/15/2018 to 12/13/2018)	SA	Director	
NATIXIS PAYMENT SOLUTIONS (since 09/21/2018)	SA	Chief Executive Officer	
NATIXIS PAYMENT SOLUTIONS (from 01/02/2018 to 09/21/2018)	SA	Chairman of the Board of Directors	
NATIXIS PAYMENT HOLDING (since 03/29/2018)	SAS	Chairman	
DALENYS PAYMENT (since 04/25/2018)	SAS	Member of the Supervisory Board	
DANELYS (Belgiqum) (since 04/30/2018)	SAS	Director	
DALENYS (Belgium) since 05/14/2018)	SA	Chairman of the Board of Directors	
PAYPLUG (since 05/17/2018)	SAS	Chairman of the Board of Directors	
PARTECIS (since 07/02/2018)	SAS	Director	

VINADIER Richard			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (since 12/14/2018)	SA	Director	NATIXIS
BPCE SFH	SA	Director	
SURASSUR	SA	Director and Chairman of the Audit Committee	BPCE

VINCENT Marc			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES (ended 12/13/2018)	SA	Director	
NATIXIS PARTNERS	SAS	Chairman of the Board of Directors	
NATIXIS PARTNERS ESPANA	SA	Chairman & Director	
PETER J. SOLOMON COMPANY LLC	LLC	Director	
NATIXIS NORTH AMERICA LLC (since 04/16/2018)	LLC	Director	
S.M.E.G. France	SASU	Chairman	
DOMAINE DE LA PALEINE	SAS	Chairman	
CHÂTEAU DE PASQUETTE	SCEA	Managing Partner	

BROUTÈLE Nathalie			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS ASSURANCES	SA	Deputy Chief Executive Officer	
BPCE ASSURANCES	SA	Chief Executive Officer	
BPCE ASSURANCES PRODUCTIONS SERVICES - BPCE APS	SAS	Chairman of the Supervisory Committee	
GROUPEMENT FRANCAIS DES BANCASSUREURS	Association	Director	
WOMEN IN NATIXIS NETWORK (WINN)	Association	Director	
NATIXIS WEALTH MANAGEMENT	SA	Director	
BPCE IARD	SA	Member of the Management Board	
GROUPE ADONIS D'ASSURANCE ET DE RÉASSURANCE - ADIR SAL	SAL	Director	NATIXIS ASSURANCES
INTER MUTUELLE ASSISTANCE-IMA	SA	Member of the Supervisory Board	BPCE ASSURANCES

LE PAPE Christophe			
Company name	**Legal form**	**Function**	**Represents**
NATIXIS LIFE	SA	Chairman of the Board of Directors	
ECUREUIL VIE DÉVELOPPEMENT	SAS	Chairman of the Board of Directors	
BPCE VIE	SA	Chief Executive Officer	
BPCE RELATION ASSURANCES	GIE	Sole Director-Chief Executive Officer	
BPCE PRÉVOYANCE	SA	Deputy Chief Executive Officer	
NATIXIS ASSURANCES	SA	Chief Operating Officer	
GROUPE ADONIS D'ASSURANCE ET DE RÉASSURANCE - ADIR SAL	SA	Director	
NAMI INVESTMENT	OPCI	Auditor	
AXELTIS	SA	Director	NATIXIS ASSURANCES

2. TABLE OF ATTENDANCE FEES AND OTHER COMPENSATION RECEIVED BY NATIXIS ASSURANCES' CORPORATE OFFICERS AND DIRECTORS IN 2018

Corporate officers	Amounts paid (in €)
M. Jean Francois LEQUOY - Director and Chief Executive Officer of Natixis Assurances	
Attendance fees	
Director of Natixis Assurances	-
Other compensation	
Fixed compensation paid by Natixis	400,000
Variable compensation paid by Natixis	713,566
Benefits in kind attributed by Natixis (car, housing, other)	7,234
M. Pierre DEBRAY - Director of Natixis Assurances	
Attendance fees	
Director of Natixis Assurances	-
Other compensation	
Fixed compensation paid by Natixis	550,000
Variable compensation paid by Natixis	704,690
Benefits in kind attributed by Natixis (car, housing, other)	11,431
M. Richard VINADIER - Director of Natixis Assurances	
Attendance fees	
Director of Natixis Assurances	-
Other compensation	
Fixed compensation paid by Natixis	22,262
Variable compensation paid by Natixis	-
Benefits in kind attributed by Natixis (car, housing, other)	-
Mme Nathalie BROUTELE - Deputy Chief Executive Officer of Natixis Assurances	
Other compensation	
Fixed compensation paid by Natixis	290,000
Variable compensation paid by Natixis	225,494
Benefits in kind attributed by Natixis (car, housing, other)	-
M. Christophe LE PAPE - Deputy Chief Executive Officer of Natixis Assurances	
Other compensation	
Fixed compensation paid by Natixis	290,000
Variable compensation paid by Natixis	180,508
Benefits in kind attributed by Natixis (car, housing, other)	4,269

3. PROPOSED RESOLUTIONS TO THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF JUNE 4, 2019

OF THE COMPETENCY OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

FIRST RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, having reviewed the report of the Board of Directors and the General Statutory Auditors' Report on the financial statements for the fiscal year ended December 31, 2018, hereby approves the parent company financial statements for fiscal year 2018, as presented to the Meeting, and the transactions contained in these financial statements or summarized in these reports, reporting profit of €189,050,899.59.

SECOND RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, following the proposal of the Board of Directors,

Hereby allocates the amount available for distribution comprising:

• profit for the year..€189,050,899.59

• plus retained earnings at 12/31/2018 ....€364,587.38

for a total of €189,415,486.97

as follows:

• dividend...€189,139,333.50

• legal reserve €0.00

• retained earnings €276,153.47

for a total distribution of €189,415,486.97

The General Shareholders' Meeting notes that the net dividend was €9.75 (*) for each of the 19,398,906 shares forming the share capital.

The dividend is payable as from the date of this General Shareholders' Meeting.

The General Shareholders' Meeting duly notes that the following dividends were paid in respect of the past three fiscal years:

Fiscal year	2015	2016	2017
Dividend per share	€6.02 (*)	€6.50 (*)	€7.95 (*)
Total amount of dividend distributed	€116,781,414.12	€126,092,889	€154,221,302.70

(*) Dividends are eligible for the tax allowance under the provisions of Article 158-3 2° of the French General Tax Code.

THIRD RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' meetings, after having:

- reviewed the report of operations carried out by Natixis Assurances and the companies included in its consolidation scope during the fiscal year ended December 31, 2018,

- read the consolidated financial statements for the fiscal year,

- heard the Statutory Auditors' report on the consolidated financial statements,

approves the consolidated financial statements as presented to the Meeting.

FOURTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, having reviewed the Statutory Auditors' Special Report on the related-party agreements covered in Article L. 225-38 and following of the French Commercial Code, and deliberating on the said report, hereby approves the conclusions thereof.

FIFTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, and after reading the Board of Directors' management report, hereby issues a positive opinion on the elements of compensation due or attributed to François Riahi, Chairman of the Board of Directors, in respect of fiscal year 2018.

SIXTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, and after reading the Board of Directors' management report, hereby issues a positive opinion on the elements of compensation due or attributed to Jean-François Lequoy, Chief Executive Officer, in respect of fiscal year 2018.

SEVENTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, and after reading the Board of Directors' management report, hereby issues a positive opinion on the elements of compensation due or attributed to Christophe Le Pape and Nathalie Broutèle, Deputy Chief Executive Officers, in respect of fiscal year 2018.

EIGHTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to Article L. 225-37-2 of the French Commercial Code, hereby approves the principles and criteria for determining, allocating and attributing the fixed, variable and one-off elements comprising the total compensation and benefits of all kinds attributable to François Riahi, Chairman of the Board of Directors, for fiscal year 2019, by virtue of his office of Chairman of the Board of Directors, as detailed in the management report and particularly the part containing the corporate governance report.

NINTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to Article L. 225-37-2 of the French Commercial Code, hereby approves the principles and criteria for determining, allocating and attributing the fixed, variable and one-off elements comprising the total compensation and benefits of all kinds attributable to Jean-François Lequoy, Chief Executive Officer, for fiscal year 2019, by virtue of his office of Chief Executive Officer, as detailed in the management report and particularly the part containing the corporate governance report.

TENTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to Article L. 225-37-2 of the French Commercial Code, hereby approves the principles and criteria for determining, allocating and attributing the fixed, variable and one-off elements comprising the total compensation and benefits of all kinds attributable to Christophe Le Pape, deputy Chief Executive Officer, for fiscal year 2019, by virtue of his office of Deputy Chief Executive Officer, as detailed in the management report and particularly the part containing the corporate governance report.

ELEVENTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, pursuant to Article L. 225-37-2 of the French Commercial Code, hereby approves the principles and criteria for determining, allocating and attributing the fixed, variable and one-off elements comprising the total compensation and benefits of all kinds attributable to Nathalie Broutèle, Deputy Chief Executive Officer, for fiscal year 2019, by virtue of her office of Deputy Chief Executive Officer, as detailed in the management report and particularly the part containing the corporate governance report.

TWELFTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby decides to ratify the cooptation approved by the Board of Directors in its meeting of June 7, 2018 of François Riahi as Board member, as a replacement for Laurent Mignon, following the latter's resignation, for the residual term of the latter's office, that is until closure of the General Shareholders' Meeting convened to deliberate on the financial statements for the fiscal year ending December 31, 2020.

THIRTEENTH RESOLUTION

The General Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, grants all powers to the bearer of the original or copy of these minutes to certify all decisions, powers and copies of these minutes, which will be filed in particular with the Registry of the Paris Commercial Court, to carry out all formalities related to the Trade and Companies Registry.