

Background and context

Nexgen Capital Limited ('NCL'), a company incorporated in Ireland, is the capital markets trading company of the Nexgen Group. NCL's ultimate parent is BPCE which holds a 72% share of NATIXIS S.A. ('NATIXIS'). NATIXIS is regulated by the Commission Bancaire in France.

This document details the risk management disclosures of NCL. NCL is authorised by the Financial Regulator under the European Communities (Markets in Financial Instruments) Regulations 2007 to conduct regulated businesses as an Investment Firm. From 1 January 2008, NCL has been subject to regulation in accordance with the EU's Capital Requirements Directives 2006/48/EC and 2006/49/EC enacted in Ireland through SI 661 and SI 660 respectively (CRD).

The 3 Pillars

The CRD came into force from 1 January 2007 but contained an option allowing financial institutions to substantially remain on the existing capital adequacy framework until 1 January 2008. NCL chose to avail of this option.

The aim of the CRD was to provide a stronger link between the risk and capital requirements of a financial institution by prescription and by internal assessments and to make these transparent to the market. It achieves this through 3 “Pillars”.

The normal rules of Pillar 1 ('minimum capital requirements') introduced greater granularity in risk weightings for credit risk under various approaches, and introduces an explicit capital requirement for operational risk (see page 3, Table 3). NCL uses the Standardised Approach for counterparty credit risk and the Basic Indicator Approach for Operational Risk.

The Financial Regulator requires NCL to hold minimum Own Funds of €150m or if greater, 150% of the regulatory capital charge under the normal Pillar 1 rules at all times in addition to these rules as a special requirement.

Pillar 2 ('supervisory review') requires regulated firms to estimate their own internal capital requirements through an Internal Capital Adequacy Assessment Process (“ICAAP”), which is subject to supervisory review and evaluation by the Financial Regulator (see page 4 for more details).

Pillar 3 ('market discipline') involves the disclosure of qualitative and quantitative risk management information to the market. Under Article 72 (1) of the EU Requirements Directives 2006/48/EC, NCL is a significant subsidiary of Natixis S.A, an EU credit institution.

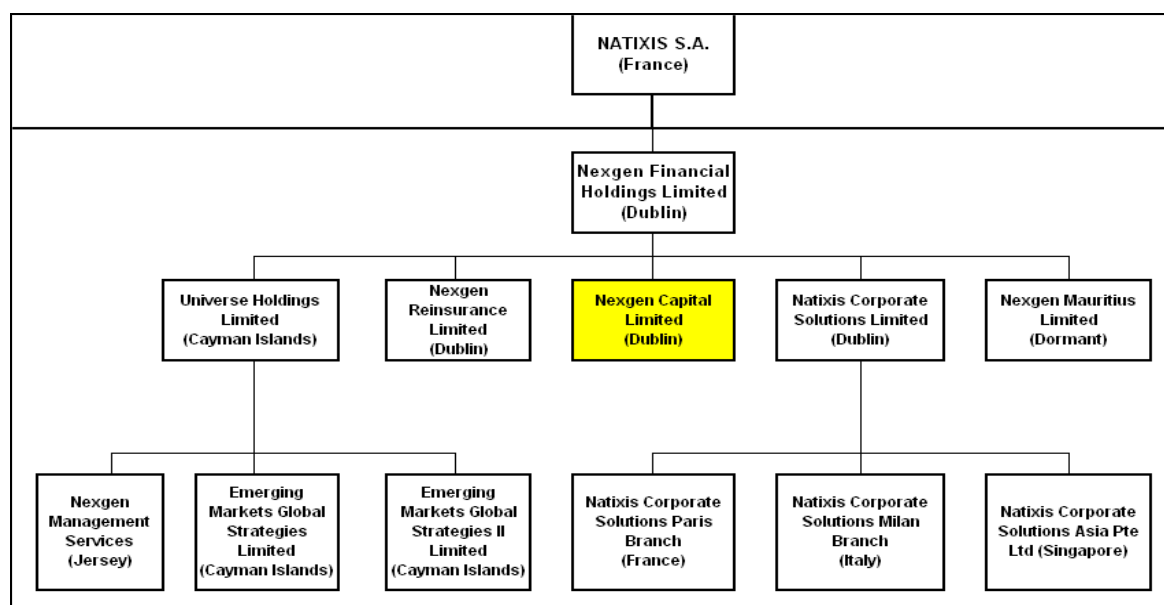
Nexgen Capital Limited

CRD “PILLAR 3” DISCLOSURES AS AT 31 DECEMBER 2009

The Pillar 3 Disclosures

The Pillar 3 disclosures are made in accordance with Annex XII, Part 1, Point 5 of the same directive as set out below.

The corporate structure of the group is shown below:



As shown above, NCL is a wholly-owned subsidiary of Natixis S.A. which is a banking Group regulated on a consolidated basis in France by Commission Bancaire.

Table 1

The Capital Structure of Nexgen Capital Limited is shown below:

	Year ended	Year ended
	31-Dec	31-Dec
	2009	2008
	EUR'000	EUR'000
Fixed Capital		
Called up share capital	0	0
Capital contribution	101,356	101,356
Total Tier 1 Capital	101,356	101,356
Distributable Capital		
Retained earnings	65,851	79,957
Total Capital and Reserves	167,207	181,313

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Table 2

The minimum Capital Adequacy of NCL under the normal rules of Pillar 1 as at 31 December 2009 and 31 December 2008 is summarised as follows:

As at 31 December 2009

EUR'000	Total Exposures	CRD Risk Weighted Assets Equivalent	Minimum Capital Requirement
Standardised Approach	537,202	145,813	11,665
Market Risk	N/A	283,912	22,711
Operational Risk	N/A	172,825	13,826
Total	537,202	602,550	48,202

As at 31 December 2008

EUR'000	Total Exposures	CRD Risk Weighted Assets Equivalent	Minimum Capital Requirement
Standardised Approach	506,738	229,734	18,379
Market Risk	N/A	504,575	40,366
Operational Risk	N/A	111,025	8,882
Total	506,738	845,334	67,627

Since this is lower than the special minimum requirement to hold €150m as noted above, the higher figure applies.

NCL uses the standardised approach to credit risk and sources external ratings from three ratings agencies - S&P, Moody's and Fitch. Credit mitigation techniques are used where appropriate and in accordance with the CRD. Collateral, when eligible, is offset using the Financial Comprehensive Method.

Market risk capital is calculated for specific risk and general risk in accordance with the CRD. The methodologies used are derived from the original Capital Adequacy Directive ("CAD 1") as modified by the CRD.

Table 3

The following table shows the component parts of capital utilisation by Pillar I risk categories and product groupings.

	31 December 2009 €'000	31 December 2008 €'000
Trading Book		
Equity Position risk	1,566	3,480
Gamma Vega Risk	14,332	25,763

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Interest Rate Risk	5,882	6,049
Credit Derivatives Risk	420	3,042
Total Position Risk	22,200	38,334
Foreign Exchange Risk Requirement	511	2,032
Counterparty Risk Requirement ¹	11,546	17,387
Large Exposures Requirement	0	0
Total Trading Book	34,257	57,753
Non Trading Book Requirement	119	992
Operational Risk Requirement ²	13,826	8,882
Total Capital Requirement	48,202	67,627

¹ Standardised Approach

² Basic Indicator Approach

NCL manages its market risk in its trading book through the dynamic risk management of the positions created after client transactions. These are managed by their "greeks" components, as shown above.

Counterparty risk is incurred as a result of the relationships NCL has with its clients and market counterparties.

Table 4

Non Trading Book and Counterparty Risk Exposure can be summarised as follows:

As at 31 December 2009

	Net Exposure end 2009	Average Exposure 2009	RWA Dec-09	Capital Requirement Dec-09
Financial Institutions	489,783	329,097	104,543	8,364
Other Corporate	47,489	125,696	41,266	3,301
Total	537,202	454,793	145,810	11,665

As at 31 December 2008

	Net Exposure end 2008	Average Exposure 2008	RWA Dec-08	Capital Requirement Dec-08
Financial Institutions	309,964	823,184	62,126	4,970
Other Corporate	196,773	153,100	167,608	13,409
Total	506,738	976,284	229,734	18,379

The exposure to Financial Institutions includes market counterparties with whom NCL undertakes hedging activity mainly through the use of OTC derivatives and foreign exchange contracts.

The exposure to "Other Corporate" counterparties primarily reflects NCL's activity with its corporate client base.

Counterparty risk is mitigated mainly through cash and liquid asset collateral management.

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Internal capital requirement (Pillar 2)

NCL measures its internal capital as the amount of capital required to protect it against unexpected losses that might put the solvency of NCL at risk based. Currently, this is determined by summing:

- the minimum Pillar 1 regulatory requirement for credit risk and for operational risk (this is calculated as 15% of the average of the past 3 years operating income using the Basic Indicator Approach as permitted under Pillar 1);
- the economic capital calculation for market risk (VaR based at 99% confidence level over 10 days) and
- the capital calculation for any other material risks that are deemed to warrant a specific capital requirement

31st May 2010

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