GROUPE BPCE

Report prepared in accordance with Article 266 of the Ministerial Order of November 3, 2014 on internal control of companies in the banking, payment services and investment services sector subject to supervision by the Autorité de Contrôle Prudentiel et de Résolution (ACPR - French Prudential Supervisory and Resolution Authority) – Fiscal Year 2017

Staff pay policy and practices pursuant to Article L. 511-71 of the French Monetary and Financial Code

1. Consolidation scope

Article 268 of the Ministerial Order of November 3, 2014 on internal control of companies in the banking, payment services and investment services sector subject to supervision by the Autorité de Contrôle Prudentiel et de Résolution (ACPR – the French prudential supervisory authority for the banking and insurance sector) stipulates that the information required from regulated businesses under Article 450 of Regulation (EU) No. 575/2013 is to be published at the level of the group that is supervised on a consolidated basis.

This report on 2017 pay compiles the essential information in the reports issued by Groupe BPCE's regulated businesses, as well the consolidated data resulting from these reports.

Groupe BPCE's regulated businesses, which must prepare a report, are the Group businesses that are individually governed by Articles L. 511-71 et seq. of the French Monetary and Financial Code. In accordance with Articles 198 to 201 of the Order, these are credit institutions, finance companies and investment firms with a balance sheet total greater than €10 billion.

These businesses, of which there are 37, are listed below:
- The 14 Banque Populaire banks, including the end-2017 merger between BP Atlantique and BP Ouest under the name Banque Populaire Grand-Ouest;
- The 16 Caisses d'Epargne, including the 2017 merger between CE Nord France Europe and CE Picardie under the name Caisse d’Epargne Hauts de France;
- BPCE SA, the central institution;
- Its principal subsidiaries are: BPCE SFH, Natixis, CFF, Compagnie de Financement du Foncier, Banque Palatine and BPCE International.

Some of the Banque Populaire banks and Caisses d’Epargne have a balance sheet total of less than €10 billion. However, the decision has been made to apply the regulation to them individually in order to ensure that comparable entities are treated consistently and to reflect the financial solidarity mechanism existing between the companies in each of these two networks.
The regulation has been applied to other Group companies solely on a sub-consolidated or consolidated basis, or if the company is a material business unit of one of the businesses to which the regulation is applied individually. In such case, the information required for the Group company in question has been included in the report of the regulated business that is prepared on an individual basis and consolidates the accounts of that company.

In accordance with Article 200 of the Order, credit institutions, finance companies and investment firms with a balance sheet total less than or equal to €10 billion are covered by the above paragraph.

In accordance with Article 198, portfolio management companies and insurance or reinsurance companies remain unaffected.

Finally, in application of Article 201, Group companies operating in other areas also remain unaffected, as they either do not have a balance sheet totaling more than €10 billion or do not have businesses that incur solvency and liquidity risks for the Group.

2. Procedure for determining which persons are defined by Article L. 511-71 of the French Monetary and Financial Code

In accordance with European Directive 2013/36/EU (Articles 92 to 95) and its enactment in the French Monetary and Financial Code (sub-section 3 - articles L. 511-71 to L. 511-88), which came into force in November 2014, as well as Commission Delegated Regulation No. 604/2014, which is in effect for all pay awarded in 2014 and thereafter, Groupe BPCE companies identify the categories of personnel whose professional activities have a material impact on the institution's risk profile based on 15 qualitative and 3 quantitative criteria, as defined in Commission Delegated Regulation No. 604/2014.

These criteria were implemented within Groupe BPCE through a Group standard adopted by the BPCE SA Supervisory Board. This standard was transmitted to all Group businesses that are individually governed by the regulation (the 37 businesses mentioned in Paragraph 1), with the understanding that each business shall also apply it to the businesses that fall within their sub-consolidation scope and are governed by the regulation on a consolidated or sub-consolidated basis.

Within each business, the list of identified employees is subject to an annual peer review involving the risk management, compliance and human resources divisions.

3. Decision-making process for the pay policy

A Remuneration Committee has been established in all businesses to which the regulation is applied on an individual basis, except for Compagnie de Financement Foncier, an entity without employees where the role of Remuneration Committee is held by the Board of Directors.

In each company, the Remuneration Committee is composed of at least three members of the governing body, some of whom are independent directors.

The Committee is chaired by an independent director in compliance with the recommendations of the Corporate Governance Code for publicly-traded companies amended in November 2016 by the French Private Companies Association (AFEP) and the French Business Confederation (MEDEF).
The members of the Committee cannot be corporate officers of the business, tied to the business or another Groupe BPCE company by an employment contract, or members of the Audit and Risk Committee.

The Committee generally meets three to four times a year.

In particular, it conducts an annual review of:
- the principles of the pay policies of the company;
- pay, remuneration and benefits of any kind granted to the company's corporate officers;
- pay granted to the Head of Risk Management and Head of Compliance.

The Remuneration Committee provides its opinion on proposals made by Executive Management regarding persons defined under Article L.511-71 and makes suggestions to the Board of Directors or Supervisory Board regarding the principles of the pay policy for these persons.

The Board of Directors or Supervisory Board adopts the principles of the pay policy based on the recommendation of the Remuneration Committee.

4. General principles

The pay policy for Groupe BPCE businesses is a key element in the implementation of the Group’s strategy. Its purpose is to establish pay levels that are competitive in its respective markets and it is structured to promote employee commitment over the long term, while ensuring risks and compliance are managed appropriately. It reflects the collective and individual performance of its business lines.

The practices of Group businesses and those of other banking institutions in France and abroad are compared on a regular basis in order to ensure the pay policy remains competitive and appropriate for each business line.

Total pay in each business is structured around the following three components:
- fixed pay;
- annual variable pay for all or some employees;
- collective pay related to employee savings schemes.

Each employee receives all or some of these different components based on his or her responsibilities, skills and performance.

Fixed pay reflects the skills, responsibilities and expertise expected for a given position, as well as the role and importance of the associated duties in the organization. It is determined according to the specific characteristics of each business line in its local market.

Annual variable pay is awarded based on the achievement of quantitative and qualitative objectives that have been determined in advance and formally set out during the annual performance evaluation.

5. Ratios between fixed and variable components

The ratio between the variable and fixed pay components depends on the category of the employee and his or her level of responsibility.
In most businesses, the ratio is capped at:
- 80% for the Chief Executive Officer or Chairman of the Management Board,
- 50% for Deputy Chief Executive Officers or Management Board members,
- Less than 50% for other employees, with the percentage depending on level of responsibility.

In some cases (Banque Palatine, CFF, BPCE SA), certain employees who are not company directors may receive a variable component that is greater than 50% of fixed pay but it is always capped at 100%.

Only BPCE SA, for the President of the Management Board, BRED, for its traders, and Natixis allow the ratio to exceed 100% and go as high as 200%, pursuant to the decision of their Annual General Shareholders' Meeting, taken in accordance with Article L.511-78 of the French Monetary and Financial Code.

6. Characteristics of the pay policy

The variable pay policy for persons defined in Article L.511-71 of the French Monetary and Financial Code is described below.

6.1 Groupe BPCE (excluding Natixis)

In accordance with Articles L. 511-71 to L. 511-85 of the French Monetary and Financial Code, the variable pay policy (schedule, percentage paid in shares/cash, penalties) is as follows:

Proportionality

The rules governing the payment of variable pay apply only when the variable pay attributed is greater than or equal to the threshold of €100,000.

If the variable pay is greater than or equal to this threshold, the rules governing the payment of variable pay apply to the full variable pay amount.

Deferred and conditional payment of a portion of variable pay

The payment of a portion of the variable pay awarded for a fiscal year is deferred over time and conditional.

In the event of death, the non-vested deferred portion vests immediately, net of any penalties.

This payment is staggered over the three years that follow the year in which the variable pay was awarded, paid in one-third installments.

Amount of deferred variable pay

The percentage of deferred variable pay is 50%, increased to 60% if the variable component is greater than or equal to €500,000 and 70% if it is greater than or equal to €1,000,000.

Payment in securities or equivalent instruments
The Group standard stipulates that, as Group businesses aside from Natixis are not publicly-traded companies, the deferred component of variable pay takes the form of cash indexed on the basis of an indicator representing the change in the value of Groupe BPCE shares.

The indicator used is net income attributable to equity holders of the parent, assessed as a rolling average over the last three calendar years preceding the year pay is awarded and the years it is paid.

The indexing factor for the portions of the variable components awarded for 2014 and deferred to 2018 is 1.2342.

The indexing factor for the portions of the variable components awarded for 2015 and deferred to 2018 is 1.1098.

The indexing factor for the portions of the variable components awarded for 2016 and deferred to 2018 is 0.9946.

On account of the minimum additional holding period required by regulation, the conditional payment of the deferred portion of the variable component for year N is paid, at the earliest, on October 1 of years N+2, N+3 and N+4.

Application of penalties

Pursuant to Article L. 511-83 of the French Monetary and Financial Code, each governing body determines which situations may entail the reduction or elimination of deferred portions. For example, BPCE SA’s Supervisory Board ruled, acting on a proposal by the Remuneration Committee, that the deferred pay portion would be paid only if normative ROE for the Group’s businesses was greater than or equal to 4%.

6.2 Natixis

The payment of a portion of the variable pay awarded is conditional and deferred over time if it exceeds a certain limit (£100,000 for the eurozone). This payment is made at a minimum in one-third installments and is staggered over the three years that follow the year in which the variable pay was awarded.

The deferred portion of variable pay represents at least 40% of variable pay awarded and 70% of the highest variable pay amounts. Variable pay awarded in the form of shares or equivalent financial instruments represents 50% of variable pay granted to regulated employees. This rule applies to variable pay awarded, both for the deferred and conditional components and for the portion that is not deferred. The vesting period for this component of deferred variable pay is combined with an additional six-month holding period.

Members of the Natixis Executive Management Committee are also eligible to receive performance shares under long-term plans; vesting of these shares over a four-year period is subject to the relative performance of Natixis shares.

The fiscal year 2017 pay structure for members of the regulated population, and the schedule of payments, are summarized in the chart below.
The vesting of the components of deferred variable pay is contingent on meeting performance conditions related to the company’s earnings, and/or those of the business line and/or of the product line, along with Natixis’ compliance with its regulatory capital requirements. These conditions are explained when the pay is awarded.

The components of deferred variable pay that have not yet vested may be reduced or eliminated if the employee behaves in such a way as to expose Natixis to unusual material risk.

In addition, each year regulated employees and capital markets front-office employees must meet predetermined targets regarding risk management and compliance: behavior with respect to adherence to risk and compliance rules is systematically considered in awarding annual variable pay.

Guaranteed variable pay is prohibited, unless hiring from outside Groupe BPCE. In this case, the guarantee is strictly limited to one year.

All recipients of deferred variable pay are prohibited from using personal hedging or insurance strategies for both the vesting period and the lock-up period.
### 7. Aggregate quantitative information

#### Table 1

**Aggregate quantitative information on pay, broken down by area of activity**

Article 450 g) of EU Regulation No. 575/2013

<table>
<thead>
<tr>
<th></th>
<th>Management body executive function</th>
<th>Management body supervisory function (1)</th>
<th>Investment Banking</th>
<th>Retail Banking</th>
<th>Asset management</th>
<th>Support functions</th>
<th>Independent control function</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount (2)</td>
<td>170.8</td>
<td>74.0</td>
<td>293.7</td>
<td>447.7</td>
<td>23.1</td>
<td>548.4</td>
<td>426.8</td>
<td>121.2</td>
<td>2,070.9</td>
</tr>
<tr>
<td>Fixed pay</td>
<td>€42,188,556</td>
<td>€1,873,784</td>
<td>€75,629,250</td>
<td>€38,178,645</td>
<td>€1,750,796</td>
<td>€51,741,427</td>
<td>€38,385,366</td>
<td>€13,965,152</td>
<td>€263,712,976</td>
</tr>
<tr>
<td>Variable pay</td>
<td>€28,591,879</td>
<td>0</td>
<td>€86,237,496</td>
<td>€6,204,662</td>
<td>€330,183</td>
<td>€9,102,654</td>
<td>€8,255,862</td>
<td>€6,718,160</td>
<td>€145,440,896</td>
</tr>
<tr>
<td>Total pay</td>
<td>€70,780,434</td>
<td>€1,873,784</td>
<td>€161,866,746</td>
<td>€44,383,307</td>
<td>€2,080,979</td>
<td>€60,844,082</td>
<td>€46,641,228</td>
<td>€20,683,312</td>
<td>€409,153,872</td>
</tr>
</tbody>
</table>

(1) Limited to the scope covering BPCE SA, BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier, Banque Palatine, BPCE International

(2) Headcount stated prorata temporis - Elimination of doubles in each area of activity from the total
### Table 2

**Aggregate quantitative information on pay, broken down by employee category (managers) and staff members whose activities have a material impact on the institution’s risk profile**

Article 450 h) of EU Regulation No. 575/2013

<table>
<thead>
<tr>
<th></th>
<th>Management body (1)</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount (2)</td>
<td>221.5</td>
<td>1,861.0</td>
<td>2,070.9</td>
</tr>
<tr>
<td>Total pay</td>
<td>€72,654,218</td>
<td>€336,499,653</td>
<td>€409,153,872</td>
</tr>
<tr>
<td>- o/w fixed pay</td>
<td>€44,062,340</td>
<td>€219,650,636</td>
<td>€263,712,976</td>
</tr>
<tr>
<td>- o/w variable pay</td>
<td>€28,591,879</td>
<td>€116,849,017</td>
<td>€145,440,896</td>
</tr>
<tr>
<td>- o/w non-deferred</td>
<td>€16,446,026</td>
<td>€69,880,930</td>
<td>€86,326,956</td>
</tr>
<tr>
<td>- o/w cash</td>
<td>€14,506,026</td>
<td>€48,806,930</td>
<td>€63,312,956</td>
</tr>
<tr>
<td>- of which deferred</td>
<td>€12,145,853</td>
<td>€46,968,087</td>
<td>€59,113,940</td>
</tr>
<tr>
<td>- o/w cash</td>
<td>€3,109,000</td>
<td>€22,114,000</td>
<td>€25,223,000</td>
</tr>
<tr>
<td>- o/w shares and share equivalents</td>
<td>€9,036,853</td>
<td>€24,854,087</td>
<td>€33,890,940</td>
</tr>
<tr>
<td>- o/w other instruments</td>
<td>€0</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Amounts outstanding on variable pay awarded for previous years and not yet vested</td>
<td>€11,438,665</td>
<td>€83,230,449</td>
<td>€94,669,114</td>
</tr>
<tr>
<td>Amount of variable pay awarded for previous years and already vested (after reduction)</td>
<td>€7,938,766</td>
<td>€54,028,202</td>
<td>€61,966,968</td>
</tr>
<tr>
<td>- Value of reductions performed</td>
<td>€14,822</td>
<td>€0</td>
<td>€14,822</td>
</tr>
<tr>
<td>Severance pay awarded</td>
<td>€6,227,192</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of severance pay recipients</td>
<td>31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signing bonuses</td>
<td>€3,041,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of signing bonus recipients</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) For the supervisory function: limited to the scope covering BPCE SA, BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier, Banque Palatine, BPCE International

(2) Headcount stated prorata temporis - Elimination of doubles in each area of activity from the total
### Table 3

*Aggregate quantitative information on pay between €1,000,000 and €5,000,000*

Article 450 i) of EU Regulation No. 575/2013 – Article 266

<table>
<thead>
<tr>
<th>Total pay in euros</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>From €1,000,000 to €2,000,000</td>
<td>34</td>
</tr>
<tr>
<td>From €2,000,000 to €3,000,000</td>
<td>8</td>
</tr>
<tr>
<td>From €3,000,000 to €4,000,000</td>
<td>2</td>
</tr>
<tr>
<td>From €4,000,000 to €5,000,000</td>
<td></td>
</tr>
</tbody>
</table>