



GROUPE BPCE

Coopératifs, banquiers et assureurs autrement.

May 21, 2015

Groupe BPCE

Report prepared in accordance with Article 266 of the Decree of November 3 relating to the internal control of companies in the banking, payment services and investment services sector, subject to the supervision of the Autorité de Contrôle Prudentiel et de Résolution (ACPR - the French Prudential Supervisory Authority for the Banking and Insurance Sector) – 2014

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 Decree of November 3, 2014 relating to the internal control of companies in the banking, payment services and investment services sector, subject to the supervision of the Autorité de Contrôle Prudentiel et de Résolution, stipulates that the information affected by the application of Article 450 of EU Regulation No. 575/2013 to regulated businesses are, if necessary, published at the Group level, which is supervised on a consolidated basis.

This report on 2014 pay compiles the essential information in the reports issued by Groupe BPCE's regulated businesses, as well the consolidated data derived from these reports.

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

These businesses, of which there are 42, are listed below:

- The 18 Banque Populaire banks (taking into account the merger of BP Lorraine Champagne and BP Alsace, which took place in late 2014);
- The 17 Caisses d'Épargne;
- BPCE SA, the central institution;
- The principal subsidiaries: BPCE SFH, NATIXIS SA, CFF, Compagnie de Financement du Foncier, Banque Palatine and BPCE IOM.

Of the 18 Banque Populaire banks and 17 Caisses d'Épargne, four Banque Populaire banks and one Caisse d'Épargne have a balance sheet total of less than €10 billion. However, the decision has been made to apply the regulation to them on an individual basis given the financial solidarity mechanism existing between the companies in both of these networks.

The regulation has also been applied on a consolidated and sub-consolidated basis to BPCE IOM, which also has a balance sheet total of less than €10 billion, because it is a subsidiary and material business unit of BPCE SA as defined by Qualitative Criteria No. 5 of Delegated EU Regulation No. 604/2014. In the interests of clarity, rather than include information on BPCE IOM in the BPCE SA report by carrying out a sub-consolidation, we have decided that BPCE IOM shall produce its own report.

The regulation has been applied to other Group companies solely on a consolidated and sub-consolidated basis, or if the company is a material business unit of one of the businesses to which the regulation is applied on an individual basis. In this 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 Decree, credit institutions, financing 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 active in other domains 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 Delegated EU Regulation No. 604/2014, which is in effect for all pay awarded in 2014 and thereafter, Groupe BPCE companies are required to identify the categories of personnel whose professional activities have a material impact on their risk profile based on 15 qualitative and 3 quantitative criteria.

The adoption of this criteria within Groupe BPCE was the subject of a multi-disciplinary working group that included representatives from the three control functions (risk management, compliance and inspection). The conclusions of this working group, as set out in a document approved by BPCE's Executive Management Committee, have been sent to all Group businesses that are governed by the regulation on an individual basis (the 42 businesses mentioned in Paragraph 1), with the understanding that each business shall apply these conclusions 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 collegial 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 subject to the regulation on an individual basis, except for BPCE SH and Compagnie de Financement Foncier, which are organisations without employees where the role of Remuneration Committee is played 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 member in compliance with the recommendations of the Corporate Governance Code for listed companies published June 16, 2013 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.

It generally meets three to four times a year.

It conducts an annual review of:

- the principles of the pay policies of the company;
- pay, allowances and benefits of any kind granted to the company's corporate officers;
- pay awarded to the Head of Risk Management, Head of Compliance and Head of Periodic Control.

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 governing body regarding the principles of the pay policy for these people.

The governing body adopts the principles of the pay policy based on the opinion 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 can compete in each business's respective markets and are structured in a way that promotes long-term employee commitment while ensuring that 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.

Overall compensation 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 benefits from 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 position, as well as the role and importance of its duties in the organisation. 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 employee's category and level of responsibility.

In most businesses, the ratio is limited to

- 80% for the Chief Executive Officer or Chairman of the Management Board,
- 50% for Deputy Chief Executive Officer 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), some employees who are not company directors may receive a variable component that is greater than 50% of fixed pay but is always capped at 100%.

Only BPCE SA, for its Chairman of the Management Board, BRED, for its traders, and Natixis provide for the possibility of a ratio that may exceed 100% and go as high as 200%. This would have to be approved by their Annual General Shareholders' Meeting in accordance with Article L.511-78 of the French Monetary and Financial Code.

6. Characteristics of the pay policy

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

6.1 Groupe BPCE scope excluding Natixis

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

Proportionality

The rules governing the payment of variable pay apply only when the variable pay attributed is equal to or greater than 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 or retirement, 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 corresponds to 50%, and is 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

As Group businesses aside from Natixis are not listed 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 in which pay is awarded and the years in which it is paid. Only 2010 and the following fiscal years were used to calculate this average.

The indexing factor for the portions of the variable components awarded for 2011 and deferred to 2015 is 0.8503.

The indexing factor for the portions of the variable components awarded for 2012 and deferred to 2015 is 0.9795.

The indexing factor for the portions of the variable components awarded for 2013 and deferred to 2015 is 1.0705.

On account of the minimum additional retention 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 lead to 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 core businesses was greater than or equal to 4%.

6.2 Natixis Scope

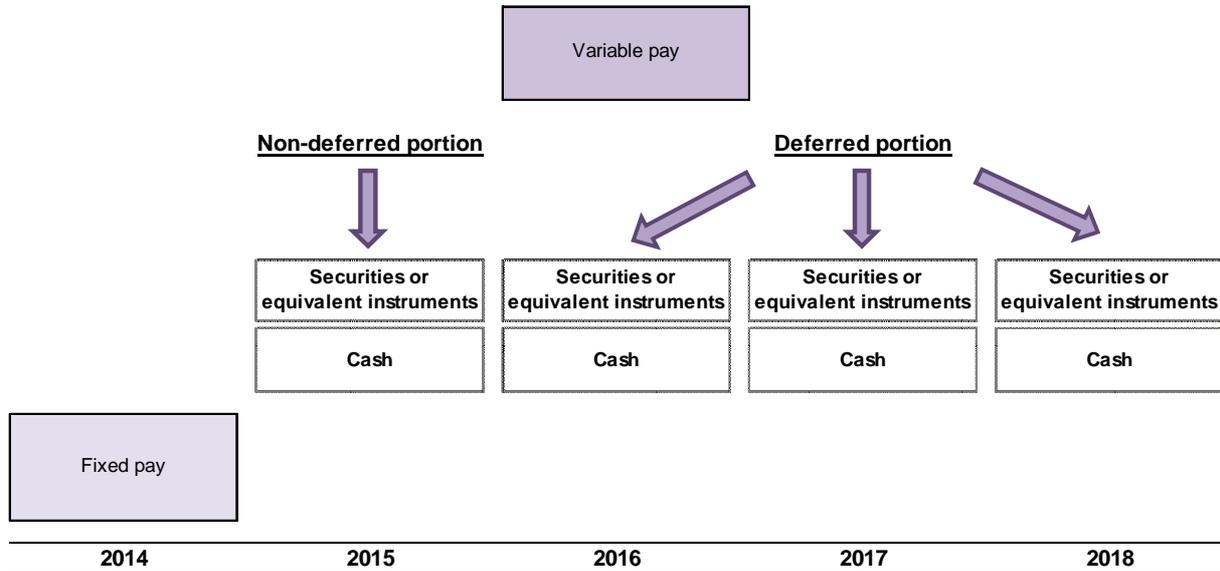
The payment of a portion of the variable pay awarded for a fiscal year is conditional and deferred over time if it exceeds a set limit of €100,000.

Payment is staggered over the three years that follow the year in which the variable pay was awarded. As a result, for variable pay awarded for 2014:

- the non-deferred portion of variable pay awarded is paid in cash, with half paid in March 2015 and the other half paid in October 2015. The second payment is indexed on changes in the price of Natixis shares since the pay was awarded;
- the deferred portion of variable pay represents at least 40% of variable pay and 70% of the highest variable pay amounts (progressive scale for deferred payment).

Variable pay awarded in the form of shares or equivalent instruments represent 50% of variable pay awarded to regulated employees. This rule applies to variable pay, both for the deferred and conditional components and for the portion that vests immediately.

Payment methods for the regulated population in 2014



The acquisition and payment of the elements of deferred variable pay are contingent upon meeting performance conditions related to the company's earnings, those of the business line and, if necessary, individual criteria, along with a continued employment requirement. These conditions are specifically and explicitly set out when the pay is awarded.

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

In addition, each year employees must meet predetermined targets regarding risk management and compliance.

Guarantees on variable pay are prohibited, unless hiring from outside Groupe BPCE. In such cases, the guarantee is strictly limited to one year.

Finally, the use of individual hedging or insurance strategies with regard to pay or responsibility that would limit the risk exposure of their pay arrangements is prohibited.

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

| BPCE | Management body executive function | Management body supervisory function | Investment banking | Retail banking | Asset management | Support functions | Independent control function | Other | Total |
|---------------|------------------------------------|--------------------------------------|--------------------|----------------|------------------|-------------------|------------------------------|-------------|--------------|
| Headcount (*) | 180.8 | 669.4 | 228.9 | 142.7 | 5.3 | 344.6 | 235.2 | 70.7 | 1,877.6 |
| Fixed pay | €37,043,070 | €8,046,435 | €46,948,762 | €13,485,399 | €359,288 | €36,356,608 | €24,432,729 | €9,617,357 | €176,289,648 |
| Variable pay | €19,525,593 | €105,302 | €57,829,879 | €2,445,675 | €85,522 | €7,115,573 | €7,162,386 | €5,762,354 | €100,032,284 |
| Total pay | €56,568,663 | €8,151,737 | €104,778,641 | €15,931,074 | €444,810 | €43,472,181 | €31,595,115 | €15,379,711 | €276,321,932 |

(*) pro-rated data

Table 2**Aggregate quantitative information on pay, broken down for 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

| BPCE | Management body | Other | Total |
|--|-----------------|--------------|--------------|
| Headcount (*) | 850.3 | 1,027.3 | 1,877.6 |
| Total pay | €64,720,396 | €211,601,597 | €276,321,993 |
| - of which fixed pay | €45,089,505 | €131,200,143 | €176,289,648 |
| - of which variable pay | €19,630,891 | €80,401,454 | €100,032,345 |
| - of which non-deferred | €12,549,309 | €48,168,164 | €60,717,473 |
| - of which cash | €12,210,122 | €33,577,134 | €45,787,256 |
| - of which shares and equivalent instruments | €339,187 | €14,591,030 | €14,930,217 |
| - of which other instruments | €0 | €0 | €0 |
| - of which deferred | €7,081,582 | €32,233,290 | €39,314,872 |
| - of which cash | €594,498 | €14,472,552 | €15,067,050 |
| - of which shares and equivalent instruments | €6,487,084 | €17,760,738 | €24,247,822 |
| - of which other instruments | €0 | €0 | €0 |
| Amounts outstanding on variable pay awarded for previous years and not yet vested | €5,633,237 | €36,602,203 | €42,235,440 |
| Amount of variable pay awarded for previous years and already vested (after reduction) | €4,110,020 | €14,731,319 | €18,841,339 |
| - Value of reductions performed | €0 | €0 | €0 |
| Severance pay granted | €990,000 | €3,583,043 | €4,573,043 |
| Number of recipients of severance pay | 3 | 10 | 13 |
| Highest severance pay granted | €460,000 | €1,547,141 | €1,660,017 |
| Signing bonuses | €0 | €3,725,131 | €3,725,131 |
| Signing bonus recipients | 0 | 7 | 7 |

(*) pro-rated data

Table 3**BPCE****Quantitative aggregate information on pay between €1,000,000 and €5,000,000**

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

| Total pay in euros | Number of staff members whose activities have a material impact on the institution's risk profile |
|-------------------------------|--|
| From €1,000,000 to €1,500,000 | 10 |
| From €1,500,000 to €2,000,000 | 5 |
| From €2,000,000 to €2,500,000 | 5 |
| From €2,500,000 to €3,000,000 | - |
| From €3,000,000 to €3,500,000 | - |
| From €3,500,000 to €4,000,000 | - |
| From €4,000,000 to €4,500,000 | - |
| From €4,500,000 to €5,000,000 | - |

8. Information on individuals

For 2014, the total individual pay for members of the Management Board of BPCE SA, the Group's central institution, was as follows:

- Chairman of the Management Board: €1,401,858
- Each of the other members of the Management Board (with the exception of Laurent Mignon): €913,022
- Laurent Mignon: €0
- Head of Risk Management: €410,655
- Head of Compliance: €325,497