



May 12, 2014

## **Report provided for by Article 43-1 of Regulation 97-02, as amended, relating to internal control of credit institutions**

### **Remuneration policies and practices (members of the executive body and individuals whose professional activities have a material impact on the risk profile of the company)**

#### **2013 remuneration**

##### **1. Decision-making process for defining remuneration policy**

###### **1.1 Process**

The remuneration process governing regulated employees was formally defined in 2011 in a general framework memorandum covering all of Groupe BPCE.

After consulting with Risk Management and Compliance, BPCE's Executive Management submitted recommendations on remuneration policy governing regulated employees (composition and remuneration of the Management Board) to the Remuneration Committee.

The Remuneration Committee ensured that the opinions of Risk Management and Compliance were given due consideration by Executive Management in formulating these recommendations.

At its meetings of January 19, 2011 and February 21, 2011, the Remuneration Committee issued its opinion on the recommendations submitted by the Executive Management regarding regulated employees (with respect to the positions in question) and proposed the remuneration policy guidelines for regulated employees to the governance body (cap, apportionment).

Acting on the opinion of the Remuneration Committee, the Supervisory Board set forth the remuneration policy guidelines for regulated employees at its meeting of February 22, 2011.

The Remuneration Committee reexamined the scope of the regulated employees on February 21, 2012. This scope is unchanged for 2013.

At its meeting on October 29, 2013, the Remuneration Committee gave due consideration to the remuneration of the heads of control functions (Internal Audit, Risks and Compliance) and was informed of Groupe BPCE's remuneration policy applicable to all employees, irrespective of whether they fall within a regulated employee category.

As to employee categories including risk-takers, individuals exercising control functions, as well as all employees who, due to their overall income, are in the same remuneration bracket as persons whose professional activities have a material impact on the company's risk profile, regulated employees comprise the following individuals:

- members of the Management Board,
- the Head of Strategy, who is a member of the Executive Management Committee,
- the Head of Risk Management, who is a member of the Executive Committee,
- the Head of Group Internal Audit, who is a member of the Executive Committee,
- the Head of Compliance and Security, who is a member of the Executive Committee,

and, since January 1, 2012:

- the Executive Chief Financial Officer,
- the Head of Financial Management,
- the Head of Group Funding and Investor Relations,
- the Deputy Head of Risk Management,
- the Head of the Credit Risk Department under the Group Risk Management division.

As to the executive body, it is made up of the following members of the BPCE Management Board, acting in their capacity as accountable executive directors, within the meaning of banking law of December 31, 2013:

- François Pérol, Chairman of the Management Board,
- Jean-Yves Forel, Chief Executive Officer, Commercial Banking and Insurance,
- Daniel Karyotis, Chief Executive Officer in charge of Finance, Risks and Operations.

The governance body has ensured that the internal control system makes it possible to verify that these guidelines are compliant with professional standards and are aligned with risk management objectives.

Under the guidelines defined by the governance body, Executive Management has established rules governing the remuneration of regulated employees, which have been transcribed into a BPCE standard applied to regulated employees working in all Group credit institutions. By no means are these rules established by individuals who stand to benefit directly or indirectly from doing so.

## **1.2 Members of the Appointments and Remuneration Committee**

The Appointments and Remuneration Committee is comprised of the Chairmen of the Boards of Directors of the Banque Populaire banks, the Chairmen of Caisses d'Epargne Steering committees and Supervisory Boards, and independent members.

This Committee is chaired by an independent member satisfying the recommendations of the AFEP-MEDEF Listed Company Corporate Governance Code published in December 2008.

The members of the Committee cannot be BPCE company executives, nor can they be tied to BPCE or any Groupe BPCE companies by an employment contract, nor can they be members of the Audit and Risk Committee.

Chaired by Laurence Danon, co-Chairman of the Management Board of the Banca Leonardo office in Paris and independent member, the Committee also comprises the following members:

- ✓ Catherine Amin Garde, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Loire Drôme Ardèche,
- ✓ Gérard Bellemon, Chairman of the Board of Directors of Banque Populaire Val de France,
- ✓ Pierre Desvergnès, Chairman and Chief Executive Officer of CASDEN Banque Populaire,
- ✓ Pierre Mackiewicz, Chairman of the Steering and Supervisory Board of Caisse d'Epargne Côte d'Azur,
- ✓ Maryse Aulagnon, Chairman and Chief Executive Officer of Affine.

### **1.3 Role of the Remuneration Committee**

The Remuneration Committee is in charge of submitting proposals to the Supervisory Board, primarily concerning the level and conditions of remuneration paid to members of the Management Board.

To this end, it meets to deliberate on the matter as often as necessary, and at least once a year.

The Committee met four times over the course of 2013.

### **1.4 Use of external consultants**

In the course of its work, the Committee was mainly assisted by the Human Resources Division, drawing on benchmarks established by AON HEWITT.

## **2. Principal characteristics of remuneration policy governing regulated employees (Management Board)**

Acting on the opinion of the Appointments and Remuneration Committee, the Supervisory Board decided not to modify the fixed component and the variable component of the remuneration given to the Chairman and members of the Management Board for 2013, consisting of:

- with regards to the fixed component,
  - €550,000 for the Chairman of the Management Board (plus a maximum housing allowance of €60,000, currently not received by the Chairman of the Management Board),
  - €500,000 for the members of the Management Board.
- with regards to the variable component,
  - for the Chairman of the Management Board, a target variable component of 150% with a maximum of 200% if performance objectives are exceeded;
  - for the other members of the Management Board, a target variable component of 80% with a maximum of 100% if performance objectives are exceeded.

Allocation of the variable component in respect of 2013 is subject to attaining a minimum consolidated Core Tier 1 capital adequacy ratio of 9% calculated using Basel 2.5 methodology.

The successful achievement of objectives is evaluated based on quantitative criteria, which account for 60% of variable pay, and qualitative criteria, which account for 40% of variable pay.

- Quantitative criteria: Net income (Group share) (30%), cost/income ratio (20%) and NBI (10%), with these criteria restated in order to neutralize the impact of the issuer spread.
- Qualitative criteria (40% total), i.e. 4 criteria, each accounting for 10%: Scarce resources, Sales development, Governance, Human Resources.

### **3. Policy on payment of variable pay to regulated employees**

Pursuant to Article 31-4, professional standards and the BPCE-CRDIII standard, Groupe BPCE has adopted the following policy on the payment of variable pay (deferment, percentage in shares, penalties):

#### **3.1 Principle of Proportionality**

The rules governing the payment of variable remuneration apply only when the amount of variable remuneration granted is greater than or equal to a fixed ceiling of €100,000.

Where the amount of variable remuneration granted is greater than or equal to the ceiling, the rules governing variable remuneration apply to the full amount of variable remuneration.

#### **3.2 Principle of deferred and conditional payout of a portion of variable remuneration**

Payout of a portion of variable remuneration awarded in respect of a given fiscal year is deferred over time and conditional.

If the employee is transferred within the Group, the deferred portion is retained. In the event of resignation or dismissal for misconduct, the unpaid portion of deferred remuneration is forfeited. In the event of death or retirement, the unpaid portion of deferred remuneration is paid out immediately, with assessment of a potential penalty.

This payment is spread out over the three fiscal years following the period in which variable pay was granted, divided into one-third installments.

#### **3.3 Amount of deferred variable pay**

At minimum, the percentage of deferred variable pay is:

- for a variable component that is less than €500,000: 40%
- for a variable component that is greater than or equal to €500,000 and less than €1,000,000: 60%
- for a variable component that is greater than or equal to €1,000,000: 70%

For BPCE and the Group's credit institutions (excluding Natixis, which is a listed company), the percentage of deferred variable remuneration has been set at 50%, where the variable component is less than €500,000, in order to comply with the obligation to pay 50% of the variable component in shares or equivalent instruments<sup>1</sup>.

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<sup>1</sup> As there are no listed securities, the use of cash indexed to accounting information is required. Unless a holding period extending beyond the calendar year is imposed, payment in cash - indexed to accounting information - of a portion of the non-deferred component of variable remuneration does not reflect any representative change in the Group's value over the holding period.

### **3.4 Payment in shares or equivalent instruments**

For regulated employees (excluding Natixis, which is a listed company), the deferred component of variable remuneration is paid in cash indexed to an indicator reflecting the change in value of Groupe BPCE.

The selected indicator is net income attributable to equity holders of the parent company, calculated as a running average over the last three calendar years prior to the year of award and the years in which payment is made. To calculate this average, only the 2010 fiscal year and the fiscal years thereafter are used.

The index coefficient for fractions of variable remuneration awarded in respect of 2010, with deferred payment in 2014, stood at 0.7138.

The index coefficient for fractions of variable remuneration awarded in respect of 2011, with deferred payment in 2014, stood at 0.7943.

The index coefficient for fractions of variable remuneration awarded in respect of 2012, with deferred payment in 2014, stood at 0.9150.

In light of the minimum additional holding period required by law, conditional payment of the deferred component of variable remuneration due in respect of year N will be made on October 1 of years N+2, N+3, N+4 at the earliest.

### **3.5 Assessment of penalties**

The criteria for assessing penalties are defined by the governance body of the bank, based on a recommendation issued by the Remuneration Committee.

For BPCE, a minimum ROE (Return on Equity) criterion of 4% has been adopted.

#### 4. Consolidated quantitative disclosures on remuneration

##### STANDARD FRAMEWORK FOR DISCLOSING INFORMATION ON REMUNERATION PAID OUT FOR THE 2013 FINANCIAL YEAR

Qualitative information relates to:

- Members of the executive body (Category A)
- Other regulated employees (Category B)

#### 4.1 Remuneration granted for fiscal year 2013

##### Category A

Number of individuals	Total remuneration	Total - fixed component	Total - variable component
3	€3,304,988	€1,550,000	€1,754,988

Amount granted, paid out or delivered	Conditional deferred amount (*)
€788,395	€966,593

(\*) value at the time of award

Cash-based payment	Payment in shares or equivalent instruments (*)
€788,395	€966,593

(\*) value at the time of award

##### Category B

Number of individuals	Total remuneration	Total - fixed component	Total - variable component
9,748	€3,649,394	€2,417,923	€1,231,470

<b>Amount granted, paid out or delivered</b>	<b>Conditional deferred amount (*)</b>
€774,083	€457,387

(\*) value at the time of award

<b>Cash-based payment</b>	<b>Payment in shares or equivalent instruments (*)</b>
€774,083	€457,387

(\*) value at the time of award

## 4.2 Amount of outstanding variable pay

### Category A

<b>Amounts of unpaid deferred remuneration for the period</b>	<b>Amount of unpaid deferred remuneration for past periods</b>
€966,593	€442,354

### Category B

<b>Amounts of unpaid deferred remuneration for the period</b>	<b>Amount of unpaid deferred remuneration for past periods</b>
€457,387	€330,174

This table shows the amount of outstanding deferred remuneration corresponding to the sum of unpaid deferred remuneration, i.e. remuneration that was granted but not yet paid out (cash) or delivered (shares) and which remain contingent on penalties coming into play in the future or to early departure.

These amounts must include unpaid deferred remuneration granted for the fiscal year just ended (Column 1) and unpaid deferred remuneration for past periods (Column 2).

The amounts paid or shares delivered (even if subject to a holding period requirement) after assessment of a penalty are not included in these outstanding amounts.

The valuation of shares and equivalent instruments is made based on the value at the time of award.

The amount of outstanding remuneration awarded for past periods may be impacted by departures from the company.



#### 4.3 Deferred variable remuneration paid out or reduced based on net income for the period

FY 2012

##### Category A

Amount of deferred remuneration paid out	Reductions applied to deferred remuneration
€146,174	0 euro

##### Category B

Amount of deferred remuneration paid out	Reductions applied to deferred remuneration
€121,538	0 euro

Fiscal Year 2011

##### Category A

Amount of deferred remuneration paid out	Reductions applied to deferred remuneration
€150,005	0 euro

##### Category B

Amount of deferred remuneration paid out	Reductions applied to deferred remuneration
87,099 euros	0 euro

**FY 2010**

**Category A**

<b>Amount of deferred remuneration paid out</b>	<b>Reductions applied to deferred remuneration</b>
€294,400	0 euro

**Category B**

<b>Amount of deferred remuneration paid out</b>	<b>Reductions applied to deferred remuneration</b>
€77,002	0 euro

This information is provided for each period prior to the period of interest and from 2009.

The first column shows the amounts paid or shares delivered (even if they remain subject to a holding condition) after adjustment tied to net income for the fiscal year for each previous period.

Shown in the second column are the reductions applied to deferred remuneration tied to net income for the period of interest irrespective of the period in which the shares were granted.

The valuation of shares and equivalent instruments is made based on the value at the time of award.

#### 4.4 Sign-on and severance payments made during the period

##### Category A

Amounts paid as severance payments and number of beneficiaries		Amounts paid as sign-on payments and number of beneficiaries	
Amounts paid	No. of beneficiaries	Amounts paid	No. of beneficiaries
0 euro	0	0 euro	0

##### Category B

Amounts paid as severance payments and number of beneficiaries		Amounts paid as sign-on payments and number of beneficiaries	
Amounts paid	No. of beneficiaries	Amounts paid	No. of beneficiaries
0 euro	0	0 euro	0

Shown in the first column are all amounts paid due to termination of the employment contract (severance payment), including termination allowances and contractual indemnities.

#### 4.5 Severance payment guarantees

##### Category A

Severance payment guarantees granted during the period	
Total amount	Number of beneficiaries
0 euro	0
Highest guarantee to a single beneficiary	
0 euro	

##### Category B

Severance payment guarantees granted during the period	
Total amount	Number of beneficiaries
0 euro	0
Highest guarantee to a single beneficiary	
0 euro	

This relates to "promises" of severance pay granted during the reference period.