May 16, 2012

GROUPE BPCE

Disclosure of information referred to in Paragraphs 1 to 3 of Article 43-1 of Regulation No. 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)

2011 remuneration

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INTRODUCTION

Article 43-2 of Regulation No. 97-02, as amended, relating to internal control of credit institutions specifies that:

"Once a year, companies subject to this regulation must publish the information referred to paragraphs 1 to 3 of Article 43-1, in a manner and to an extent appropriate to their size, internal organisation and the nature, scope and complexity of their activities. Accordingly, these companies must determine the appropriate reporting medium and location and must publish all the information of interest on a single medium or in a single location.

Such information must, where appropriate, be disclosed by the parent company subject to the supervision of the Commission Bancaire on a consolidated or sub-consolidated basis."

The professional standards issued on March 23, 2011 specify that this information relates to regulated employees and that, where such information is disclosed by the parent company subject to supervision of the French Prudential Supervisory Authority ("ACP") on a consolidated or sub-consolidated basis, then the companies included in the reporting scope are not required to publish this information separately.

BPCE, the central institution of Groupe BPCE, has opted to publish the information covered by this report at the Group level.

For 2011, this report covers 94 credit institutions.

Groupe BPCE is organised into three levels:
- the federated level, with BPCE as the central institution;
- the cooperative level, with 36 cooperative regional banks, 19[1] Banque Populaire banks and 17 Caisses d'Epargne.
- subsidiaries owned by the central institution, including Natixis, Crédit Foncier and Banque Palatine, or by Group institutions.

This report presents, in the order given below:
- remuneration policies and practices governing regulated employees of the largest and most significant credit institutions: BPCE, the Banque Populaire banks and the Caisses d'Epargne, and the principal subsidiaries of the central institution, namely Natixis, Crédit Foncier and Banque Palatine;
- quantitative information in the format laid down by professional standards, presented on a consolidated basis as it relates to this report.

[1] Following the November 2011 merger, with effect on January 1, 2011, of BP Sud-Ouest and BP Centre Atlantique, resulting in the creation of BP Aquitaine Centre Atlantique.

BPCE SA

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.

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.

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:
- François Pérol, Chairman of the Management Board,
- Olivier Klein, Chief Executive Officer, Commercial Banking and Insurance,
- Philippe Queuille, Chief Executive Officer, 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 non-executive members, the Chairmen of the Boards of Directors of the Banque Populaire banks and the Chairmen of Caisses d'Epargne Steering committees and Supervisory Boards.

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 independent member Laurence Danon, the Committee also consists of 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,
- ✓ Steve Gentili, Chairman of the Board of Directors of BRED Banque Populaire until December 31, 2011,
- ✓ Pierre Desvergnes, Chairman of the Board of Directors of CASDEN Banque Populaire since January 1, 2012,
- ✓ 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 also met to implement EU Capital Requirements Directive III (CRD III) within Groupe BPCE.

Lastly, the Committee convened on May 3, 2011 to review the overall remuneration policy in effect throughout the Group.

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 TOWERS WATSON and 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 of the remuneration given to the Chairman and members of the Management Board for 2011, consisting of:
- €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.

Regarding the variable component of remuneration for 2011, the Supervisory Board decided:
- For the Chairman of the Management Board, to set the target variable component at 150% (versus 200% for 2010), with a maximum of 200%. Achieving the performance objectives would entitle the Chairman to the target of 150%, with the 200% ceiling only obtainable if the performance objectives are exceeded;
- For the other members of the Management Board, to set the target variable component at 80% (versus 60% for 2010), with a maximum of 100%. Achieving the performance objectives would entitle the members to the target of 80%, with the 100% ceiling only obtainable if the performance objectives are exceeded.

Payment of the variable component for 2011 is contingent on achieving a Group Tier 1 ratio at least equal to that required by the prudential authorities, namely 8.5%.

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: 30% for income before tax and non-recurring items, 30% for the cost-to-income ratio.

- Qualitative criteria (40% total), i.e. four criteria, each accounting for 10%: completion of the "Allocation of scarce resources" project, consolidated risk management, network development ("client revolution" strategic initiatives), governance.

3. Policy on payment of variable remuneration to regulated employees

Pursuant to Article 31-4, professional standards and the BPCE-CRDIII standard, Group BPCE has adopted the following policy on the payment of variable remuneration (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 pay

Payout of a portion of variable pay 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 instalments.

3.3. Amount of deferred variable remuneration

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[2].

[2] 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 2012, stood at 0.9125.

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 1st of years N+2, N+3 and 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.

BANQUE POPULAIRE BANKS AND CAISSES D'EPARGNE

1. Decision-making process for defining remuneration policy

1.1. Process

Generally speaking, the principal characteristics of the decision-making process used when defining the remuneration policy for Banque Populaire banks and Caisses d'Epargne are as follows:

- consultation by Executive Management of the bank or caisse with Risk Management and Compliance to define the remuneration policy for regulated employees within the framework defined by BPCE;
- review by the Banque Populaire bank and the Caisse d'Epargne Remuneration Committee of:
    - proposals submitted by Executive Management on regulated employees;
    - remuneration of risk, inspection/audit and compliance officers;
- proposal submitted by the Remuneration Committee to the governance body (Board of Directors of the Banque Populaire banks or Steering and Supervisory Boards of the Caisses d'Epargne) on remuneration policy guidelines for regulated employees;
- determination of the remuneration guidelines for regulated employees by the governance body, after seeking the opinion of the Remuneration Committee.

The regulated employees category (including risk-takers, individuals exercising control functions and employees who, in view of their overall income, are placed in the same remuneration bracket as those whose professional activities have a material impact on the company's risk profile) is comprised almost exclusively of the following individuals:

- executive directors and officers (chairmen of boards of directors, chief executive officers, chairmen and members of management boards),
- the Head of Risk Management,
- the Head of Inspection/Audit,
- the Head of Compliance.

As to the executive body, it always comprises the Chairman of the Board of Directors and the Chief Executive Officer for the Banque Populaire banks, or the Chairman and another member of the Management Board for the Caisses d'Epargne.

In the specific case of BRED, which operates a Corporate and Investment Banking activity, the regulated employees category includes market professionals (trading floor, Central Treasury Department), the Deputy Chief Executive Officer and a number of other bank managers.

1.2. Remuneration Committee

Each Banque Populaire bank and Caisse d'Epargne has a Remuneration Committee that meets at least once a year to carry out:

- a review of the company's remuneration policy guidelines;
- a review of remuneration, allowances and benefits of any kind granted to the company's executive directors;
- a review of the remuneration policy governing regulated employees.

The Committee reports on the results of its activities to the company's governance body.

2. Principal characteristics of remuneration policy governing regulated employees

Generally speaking, the Banque Populaire banks and the Caisses d’Epargne apply their variable pay policy to regulated employees in line with regulations, professional standards and BPCE recommendations (discussed in point 3 of the previous section on BPCE).

2.1. Heads of control functions

Remuneration of risk management and compliance personnel, and, more broadly, the employees of the units responsible for approving transactions, is established independently from that of the businesses for which they validate or check transactions and is high enough to ensure staffing of qualified, experienced personnel.

Remuneration reflects the achievement of targets associated with the risk management and compliance functions and must be, for similar qualifications, skills and responsibilities, at an appropriate level compared to the employees subject to control. Their remuneration also factors in the overall performance of their company.

2.2. Executive body and other members of Caisses d'Epargne Management Boards

In 2011, the principal characteristics of the remuneration policy governing the members of the executive bodies of the Banque Populaire banks and the Caisses d’Epargne were as follows:

- Fixed pay:

Banque Populaire banks:

The Chairman of the Board of Directors of Banque Populaire receives remuneration within a range recommended by the central institution, BPCE. The Chairman does not receive variable pay.

<u>Chief Executive Officer</u>

The Chief Executive Officer's fixed remuneration is subject to the annual recommendations of the central institution, BPCE, which are submitted to the Bank's Remuneration Committee for review. The final decision rests with the Bank's Board of Directors.

The annual fixed remuneration of the Chief Executive Officer is the combined total of the following three components:
- a flat amount of €210,000,
- an amount equivalent to 15% of net banking income, which is given in thousands of euro,
- an additional bonus (optional), i.e. amount of 5% of net banking income + €50,000, at the initiative of the governance body.

Net banking income is understood to be the net banking income contributed to the Group (from a legal standpoint) rounded down to the next €25 million.

Net banking income is the net banking income for the calendar year preceding the start of employment with the bank, or the net banking income for 2010, i.e. the year in which the new policy was implemented. It is subject to review after three years based on the average net banking income for the previous three calendar years.

Any additional bonus is granted by the bank's governance body after consulting with the Chairman of the Management Board of BPCE SA or the Group Chief Executive Officer – Human Resources. Three main criteria are examined in deciding to grant an additional bonus: mobility, mergers and experience.

Mobility is a factor whenever a chief executive officer changes banques populaires, caisses d'épargne, central institution management board, Banque Palatine, CFF, BPCE IOM and NATIXIS subsidiaries.

In addition to fixed pay, chief executive officers receive a housing allowance (or valuation of the housing allowance) and the valuation of the company car allowance.

Caisses d'Epargne:

The fixed pay of the Chairman and members of the Management Board is subject to a recommendation issued by the BPCE central institution. This recommendation is submitted to the Caisse d'Epargne Remuneration Committee for review, with the final decision taken by the Caisse d'Epargne Steering and Supervisory Board.

<u>Chairman of the Management Board</u>

The annual fixed remuneration of the Chief Executive Officer is the combined total of the following three components:
- a flat amount of €210,000,
- an amount equivalent to 15% of net banking income, which is given in thousands of euro,
- an additional bonus (optional), i.e. a maximum amount of 5% of net banking income + €50,000, at the initiative of the governance body.

Net banking income is understood to be the net banking income contributed to the Group (from a legal standpoint) rounded down to the next €25 million.

Net banking income is the net banking income for the calendar year preceding the start of employment with the Caisse d'Epargne, or the net banking income for 2010, i.e. the year in which the new policy was implemented. It is subject to review after three years based on the average net banking income for the previous three calendar years.

Any additional bonus is granted by the Caisse d'Epargne's governance body after consulting with the Chairman of the Management Board of BPCE SA or the Group Chief Executive Officer – Human Resources. Three main criteria are examined in deciding to grant an additional bonus: mobility, mergers and experience.

Mobility comes into play when a chief executive officer changes banques populaires, caisses d'épargne, central institution management board, Banque Palatine, CFF, BPCE IOM and NATIXIS subsidiaries.

In addition to fixed pay, chief executive officers receive a housing allowance or valuation of the housing allowance and the valuation of the company car allowance.

<u>Member of the Management Board</u>

The annual fixed remuneration is the combined total of the following three components:
- a flat amount of €130,000,
- an amount equivalent to 6% of net banking income, which is given in thousands of euro,
- an additional bonus (optional), i.e. a maximum amount of 3% of net banking income + €25,000.

Net banking income is understood to be the net banking income contributed to the Group (from a legal standpoint) rounded down to the next €25 million.

Net banking income is the net banking income for the calendar year preceding the start of employment with the Caisse d'Epargne, or the net banking income for 2010, i.e. the year in which the new policy was implemented. It is subject to review after three years based on the average net banking income for the previous three calendar years.

The remuneration of members of the Management Board is subject to review by the Steering and Supervisory Board of the Caisse d'Epargne, based on the proposal of the Remuneration and Selection Committee. The Committee's proposal is determined in view of the proposal and opinion of the Chairman of Management Board.

In addition to looking at the Management Board member's scope of operational responsibilities when deciding to grant an additional bonus, three criteria are taken into account: mobility, mergers and experience.

The remuneration thus determined is reduced by the amount of any compensation received for offices held in other Group BPCE companies. It is divided up as follows: 90% in respect of the employment contract (individual technical duties) and 10% in respect of the corporate office.

In addition to fixed pay, Management Board members receive the valuation of the company car allowance associated with the employment contract (individual technical duties).

- Variable pay:

The current policy is based on the following criteria:

20% Groupe BPCE criteria and 80% company criteria,

50% common, nationwide criteria and 50% criteria defined by the Board of Directors (or the Supervisory Board).

Based on a minimum of criteria to ensure fairness, the systems aims at rewarding performance, improvement efforts, growth and risk management.

Criteria used:

Group component - 20%

The system is based on 2 criteria, each counting for 10% of the maximum amount.

Groupe BPCE criterion - 10%

The criterion adopted is income before income tax and non-recurring items.

If the objective entered in the budget is achieved, variable remuneration representing 10% of the maximum amount is awarded to all executive directors.

Network criterion - 10%

The criterion adopted is the contribution to net income under IFRS earned by the network.

If the objective entered in the budget is achieved, variable remuneration representing 10% of the maximum amount is awarded to all network executive directors.

Company component – 80%

This is based on 3 groups of criteria, counting for, respectively, 30%, 30% and 20% of the maximum amount.

Common, nationwide criteria – 30%

4 common, nationwide criteria, each counting for 7.5%, have been adopted:

1. NBI growth rate

2. Cost/income ratio

3. Net income per FTE

4. Growth in the number of active customers

Specific local criteria – 30%

Twenty or so specific local criteria are proposed, from which each Bank or Caisse selects 3 to 5 criteria that will count for the same percentage. For example:
- Increase in the share of fees and commissions in company NBI
- Increase in net inflows

- Growth in priority/new markets (numbers, volume, etc.)
- Increase in Back Office productivity
- Change in the average weighted McDonough ratio per customer segment
- Change in non-performing loans compared to total loans
- Change in cost of risk component of NBI
- Change in operational risk
- Enhanced oversight of money laundering risk
- Quality or customer satisfaction criterion

Sustainable management – 20%

Criteria selection and the procedure for measuring these indicators are determined by the Remuneration Committee of each Bank or Caisse.

Criteria examples:
- Quality indicator,
- Customer satisfaction indicator, including conduct and representativeness vis-à-vis stakeholders,
- Investments ensuring the company's ability to adapt and its long-term viability.

The variable component awarded in respect of Year N cannot exceed:
Chief Executive Officer (Banque Populaire banks): 80% of fixed pay for Year N.
Chairman of the Management Board (Caisses d'Epargne): 80% of fixed pay for Year N.
Management Board Member (Caisses d'Epargne): 50% of fixed pay for Year N.

2.3. Policy on payment of variable remuneration to regulated employees

This policy falls within the framework defined by BPCE, as described at the beginning of this report.

The penalty criterion is set by the bank's governance body on the proposal of the Remuneration Committee. As a general rule, according to this criterion, no deferred remuneration will be paid in years for which net income is negative.

NATIXIS

1. Remuneration policy

Remuneration policy is a key factor in implementing Natixis' strategy. The aim of the policy is to:

- provide incentive and be competitive in order to attract, retain and motivate employees;
- be equitable whatever the position in order to ensure individual performance is fairly compensated across the Company;
- be compliant with current financial sector regulations.

Natixis' remuneration policies and guidelines are proposed by the Human Resources Department. This policy complies with the guidelines laid down by the regulator, French professional banking standards, as well as local labour and tax laws.

The decision-making process includes different approval stages: first by the subsidiaries/business lines and business divisions, then by Natixis' Human Resources Department and Executive Management, and finally by the Natixis Appointments and Remuneration Committee. In addition, Natixis' Finance Department ensures that the total amount of compensation is in line with the Company's ability to enhance its capital.

Overall remuneration includes the following components:

Fixed pay, which remunerates the skills and expertise that are expected of the employee in a given position. It is determined by taking into account other companies' practices for similar positions and internal levels.

Variable pay, depending on the business line, which takes into account external practices and complies with the remuneration policy;

Collective remuneration (employee savings plan), which comprises:

- a common component for all employees of Consolidated Natixis:
  - a single profit-sharing agreement;
  - a collective pension plan;
  - a now company-wide savings (agreement signed in August 2011).
- a component that differs for each company of Consolidated Natixis:
  - an incentive agreement reflecting the challenges specific to each company.

The compensation package is rounded out by additional employee benefits, especially in countries without a universal insurance scheme.

The remuneration system for risk management and compliance employees and, more broadly, for support staff and teams in charge of approving transactions, is based on targets that are different from those of the businesses whose transactions they approve or check. Variable pay reflects Natixis' overall performance and market trends.

Remuneration surveys are carried out each year by specialised firms in order to measure the appropriateness of the overall compensation policy.

2. Variable compensation of employees whose professional activities have a material impact on Natixis' risk profile

2.1. Decision-making process used to define the Company's remuneration policy, including the composition and role of the Appointments and Remuneration Committee

Natixis' remuneration policies and guidelines are recommended by the Human Resources Division as part of a comprehensive annual process monitored by Executive Management.

The Risk Management Division and the Compliance Department are consulted to seek their opinion on defining and implementing the remuneration policy governing employees whose professional activities have a material impact on the company's risk profile. Executive Management ensures in this manner that the guidelines proposed are compliant with professional standards and are aligned with risk management objectives.

Executive Management forwards its proposals to the Appointments and Remuneration Committee, which ensures that the opinion of Risk Management and Compliance are taken into consideration.

The Natixis Appointments and Remuneration Committee is an offshoot of the Board of Directors.

During 2011, the Appointments and Remuneration Committee comprised six members, including three independent members.

The Committee was chaired throughout the year by Vincent Bolloré, an independent Board member. The other members of the Appointments and Remuneration Committee are Bernard Jeannin, Chief Executive Officer of Banque Populaire Bourgogne Franche Comté, Christel Bories, former Chief Executive Officer of Constellium, Didier Patault, Chairman of the Management Board of Caisse d'Epargne Bretagne Pays de Loire, Henri Proglio, Chairman and Chief Executive Officer of EDF and Philippe Sueur, Vice-Chairman of the Steering and Supervisory Board of Caisse d'Epargne Ile de France.

The Appointments and Remuneration Committee conducts a review of the remuneration policy and specifically checks the report prepared by Executive Management on this policy to ensure that it is compliant with the provisions of Section VI of Title IV of Regulation 97-02 and in line with the guidelines and requirements of professional standards on governance and the variable remuneration of professionals whose activities have a material impact on the risk profile of the company. The rule cited above transposes the principles and provisions of the European CRD III Directive.

Furthermore, the Appointments and Remuneration Committee examines the remuneration of the Head of Compliance Control, the Head of Permanent Control and the Head of Risk Management, and also individually reviews the top 100 variable pay amounts awarded by Natixis.

Based on the recommendation of the Appointments and Remuneration Committee, the Board of Directors determines the remuneration policy for employees whose professional activities have a significant impact on the company's risk profile and the remuneration of the Head of Compliance Control, the Head of Permanent Control and the Head of the Risk Management.

This decision-making process and the guidelines presented are documented to ensure their traceability.

2.2. Characteristics of compensation policy for employees whose professional activities have a material impact on Natixis' risk profile

The remuneration policy applicable to professionals whose activities have a material impact on the risk profile of the Natixis is consistent with the Natixis remuneration policy-making process.

The variable component of their remuneration is assessed based on the achievement of financial targets (e.g. targets entered in the budget) and strategic objectives (e.g. development of cross-selling). It also factors in the practices of the competition.

Individual awarding of variable pay reflects:

- the extent to which established targets are met (quantitative and qualitative);
- compliance with the rules set by the Compliance Department;
- compliance with the rules set by the Risk Management Division;
- managerial conduct;
- etc.

The criteria adopted by the Compliance Department and the Risk Management Division are forwarded in advance to the Appointments and Remuneration Committee. Non-adherence to applicable rules and procedures, or non-compliant or unethical behaviour results in variable compensation awarded for the year in question being reduced or not paid at all.

Pursuant to the Board of Directors' resolution of February 22, 2012, the following guidelines have been adopted after seeking the opinion of the Appointments and Remuneration Committee:

<u>Scope of regulated employees category</u>

In respect of fiscal year 2010, and in accordance with the provisions of Regulation 97-02, the scope of employees subject to special regulation was defined to include, in addition to market professionals, all employees whose professional activities potentially have a material impact on the bank's risk profile (including individuals exercising control functions).

The scope of the regulated employees category was determined by identifying – first by activity and then by position – those employees having a material impact within these activities.

The main criterion is the ratio of the activity's RWA to Natixis' RWA. An activity is deemed to incur a material risk if its ratio exceeds a given threshold.

In respect of fiscal year 2011, Natixis maintained the same approach to identify its regulated employees.

Alongside this approach (MRT for activities incurring a material risk), Natixis identified employee profiles having a material impact on the bank's risk profile (members of the Natixis Executive Management Committee, members of the CIB and GAPC executive committees). Control functions (Head of Risk Management, Head of Compliance, Head of Group Internal Audit for Natixis) are also included in the regulated employees category.

In 2012, Natixis expanded the scope of this category to include in particular the heads of the CIB control functions outside France, the main heads of Risk Management and Compliance at Natixis, employees of the financing business lines holding significant authorisations, and executive directors of Natixis' large credit institution subsidiaries.

All Natixis companies subject to Regulation 97-02 on internal control of credit institutions and investment companies are included on a consolidated basis.

Prohibition on Guaranteed Variable Pay

Guaranteed variable pay is prohibited, except when hiring outside Group BPCE. In this case, the guarantee is strictly limited to 1 year.

Principle of Proportionality

Enforcement of the principle of proportionality as set out the first paragraph of Article 31-4 of Regulation 92-02 may lead to the adoption of certain rules on awarding variable remuneration to some employees or employee categories, in particular to take account of:

- the specific nature of their activities and the lesser impact of these activities on estimated risk at the consolidated level;
- the lower level of seniority or duties of these employees, their actual individual impact on the risk profile of the company, the amount and structure of their remuneration;
- where applicable, the degree of control exercised, in the context of the group, by the parent company over the subsidiaries, specifically in respect of risk.

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. Regardless of the form of payment, this payout is deferred over three fiscal years subsequent to the year for which the variable remuneration was awarded.

Amount of deferred variable remuneration

Deferred variable pay accounts for at least 40% of the variable pay of regulated employees and 70% for the highest variable remuneration.

Payment in shares or equivalent instruments

Variable remuneration received in the form of shares or similar instruments represents 50% of the variable pay awarded to regulated employees. This rule applies to both the deferred and conditional component and to the portion of variable remuneration that is immediately paid out.

Instruments linked to equities ("cash indexed to the Natixis share price") must be held for a period of six months. The deferred portion of Natixis share-based payments must comply with the conditions laid down by Articles 225-197-1 *et seq.* of the French Commercial Code, which provides for a minimum holding period of 2 years.

Shares or similar instruments awarded in the portion of variable pay that is immediately settled are not subject to penalty.

Assessment of penalties

The award or payout of the deferred portion of variable pay, irrespective of the form of payment, is contingent on satisfying the conditions based on criteria tied to the company's net income, the activities of the business line and, if relevant, individual criteria, including continued employ with the company. These conditions are clearly and explicitly defined when such remuneration is granted.

Prohibition on hedging

Use of individual hedging or insurance strategies related to remuneration or a liability that would restrict the scope of risk alignment provisions in their remuneration schemes is prohibited.

Therefore, the policy on variable pay for 2011, applicable from January 1, 2012, fully adheres to the guidelines laid down by the EU Capital Requirements Directive III, transposed into French law by the order of December 13, 2010, amending Regulation 97-02.

CRÉDIT FONCIER DE FRANCE

1. Decision-making process for defining remuneration policy

1.1. Process

Executive Management consults with Risk Management and Compliance to define the remuneration policy for regulated employees (composition, remuneration) within the framework defined by BPCE. This framework was examined in 2011 by the Executive Management of BPCE and the Heads of Risk Management and Compliance of Groupe BPCE.

Executive Management submits recommendations on remuneration policy governing regulated employees to the Remuneration Committee (composition, remuneration).

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

The Remuneration Committee issues its opinion on the recommendations of Executive Management regarding regulated employees and the control functions (Heads of Compliance Control, Permanent Control and Risk Management) and recommends remuneration policy guidelines to the governance body.

The governance body lays down the remuneration policy guidelines for regulated employees and the control functions.

As to the executive body, within the meaning of Article 4 of Regulation 97-02, it is comprised of the Chief Executive Officer and the two Deputy Chief Executive officers (executive directors).

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 individuals whose professional activities have a material impact on the company's risk profile, the regulated employees category is comprised of the following individuals:

- the Deputy Chief Executive Officer in charge of Finance & Organisation,
- the Deputy Chief Executive Officer in charge of Risk Management & Compliance,
- the Deputy Chief Executive Officer in charge of Financial Operations & International,
- the Deputy Chief Executive Officer in charge of Group Resources,
- the Head of Group Internal Audit
- the Head of Risk Management,
- the Head of Compliance,
- the Heads of Financial Operations & International
- the Corporate Secretary.

The governance body ensures 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 establishes rules governing the remuneration of regulated employees, By no means are these rules established by individuals who stand to benefit directly or indirectly from doing so.

1.2. Members of the Remuneration Committee

The Remuneration Committee is made up of five members:

- Gérard Barbot (Chairman) - Chairman of the Supervisory Board of VMG
- Jean Clochet - Chairman of the Board of Directors of Banque Populaire des Alpes
- Alain Dinin - Chairman and Chief Executive Officer of Nexity
- Pierre Quercy - Chief Executive Officer of Union Sociale pour l'Habitat
- Francis Henry - Chairman of the Steering and Supervisory Board of Caisse d'Epargne et de Prévoyance Lorraine Champagne-Ardenne

This Committee is predominantly comprised of independent members. Furthermore, they are members of the governance body but not of the executive body of the company.

1.3. Role of the Remuneration Committee

The Remuneration Committee, which meets at least once a year to discuss the matter, carries out:

- a review of the company's remuneration policy guidelines;
- a review of remuneration, allowances and benefits of any kind granted to the company's executive directors;
- a review of the remuneration policy governing regulated employees.

The Remuneration Committee reports on the results of its activities to the governance body.

1.4. Use of external consultants

In the course of its work, the Committee is aided by the internal control departments, with no external assistance.

2. Principal characteristics of remuneration policy governing regulated employees

2.1. Heads of control functions

The main features of this policy are as follows:

The compensation system for risk management and compliance employees is based on specific targets, and is in no way linked directly to the performance of the employees subject to control or to the profits generated by the activity subject to control.

Remuneration of risk management and compliance employees and, more broadly, employees of units responsible for approving transactions, is established independently from that of employees of the departments whose transactions are approved or checked, and is high enough to ensure staffing of qualified, experienced personnel. This remuneration reflects the achievement of targets associated with risk management and compliance duties and must – for equivalent qualifications, skills and responsibilities – be at an appropriate level compared to that of the employees whose activity is subject to control. Their remuneration also factors in the overall performance of the company.

- fixed pay based on level of skill, responsibility and expertise, high enough to ensure staffing of qualified, experienced heads of control functions;

- variable pay based on specific targets, and in no way linked directly to the performance of the employees subject to control or to the profits generated by the activity subject to control (indicate these targets, etc.).

2.2. Executive body

The main characteristics of the variable pay policy are as follows:

- Fixed remuneration of executive directors is determined by the Remuneration Committee on the appointment of the director in question. It is subject to review over the course of the director's term. At the end of 2011, the annual total fixed remuneration of the three executive directors stood at €1,015k on an annual basis (change of Chairman during the fiscal year).

- Variable pay is established annually based on the guidelines, rules and criteria set forth by the central institution and parent company, BPCE.

- For 2011, the amount of variable pay awarded to directors was within the following ranges:
    - a maximum of 80% of the Chief Executive Officer's fixed pay;
    - a maximum of 50% of the fixed pay of the Deputy Chief Executive Officers.

- The targets established meet criteria tied to:
    - Group results (income before tax and non-recurring items of Groupe BPCE): up to 15% for the Chief Executive Officer and 10% for the Deputy Chief Executive Officers;
    - Financial performance (NBI, net income, cost/income ratio): up to 20% for the Chief Executive Officer and 12% for the Deputy Chief Executive Officers;
    - Commercial performance (net fee income): up to 15% for the Chief Executive Officer and 10% for the Deputy Chief Executive Officers;

- operating performance (liquidity management, project management, managerial quality and overall assessment): up to 30% for the Chief Executive Officer and 18% for the Deputy Chief Executive Officers.

2.3. Members of the regulated employees category, excluding the executive body

The main characteristics of this remuneration policy are as follows:

Regulated employees receive fixed pay, plus variable compensation in accordance with the rules defined by Crédit Foncier.

- The members of Executive Management (the Deputy CEOs in charge of Finance & Organisation, Risk Management and Compliance, Financial Operations & International, Group Resources, and the Corporate Secretary) receive fixed pay, plus variable remuneration of up to 50% of their fixed pay and up to 100% for the Deputy CEO in charge of the Financial Operations & International Division. The variable component is based on the following criteria:
    - Net income: 20%
    - Net fee income: 20%
    - Management fees: 20%
    - Division projects: 20%
    - Team leadership: 20%

- The members of the Executive Committee (Head of Group Internal Audit, Head of Risk Management) receive fixed pay, plus variable remuneration of up to 40% of their fixed pay. The variable component is based on the following criteria:
    - Governance: 20%
    - Performance: 20%
    - Quality: 20%
    - Risks: 20%
    - Team leadership: 20%

- Other employees receive fixed pay, plus variable remuneration of up to 15% of their fixed pay. The Heads of Business Lines receive variable remuneration of up to 100% of their fixed pay. The variable component is based on the following criteria:
    - Performance: 40%
    - Quality: 20%
    - Risks: 20%
    - Team leadership: 20%

2.4. Policy on payment of variable remuneration to regulated employees

Pursuant to Article 31-4, professional standards and the BPCE-CRD III standard, the policy on the payment of variable remuneration (deferment, percentage in shares, penalties) is as follows:

- The deployment of the CRD III directive on remuneration policies of credit institutions was overseen by BPCE for all Group companies.

- Following an analysis of the relevant functions and business lines, BPCE recommended implementing supervision of variable remuneration awarded to members of the CFF executive body, i.e. the Chief Executive Officer and both Deputy Chief Executive Officers, as well as the Heads of Risk Management, Compliance and the Head of Group Internal Audit.

- As regards the apportionment of variable pay in respect of 2011, 50% is to be paid in 2012 and 50% deferred over the next three years (2013, 2014 and 2015). This apportionment must only be applied if the amount of the variable pay exceeds €100,000. If less, the full sum is paid in 2012.

- The amount deferred over the next three years is to be paid out in form of cash indexed to an indicator representing the value of the company. The central institution has recommended indexing half of this cash payment on changes in net income attributable to equity holders of the parent.

- Payment of variable remuneration instalments is subject to continued employ with the Group and is contingent upon the company generating positive annual net income for the fiscal year in question (penalty clause).

BANQUE PALATINE

As to the executive body, it is made up of the following individuals:

- Chairman of the Management Board
- Management Board member in charge of Development
- Management Board member in charge of the Finance Division

The remuneration of Banque Palatine's executive directors is determined by the Banque Palatine Supervisory Board based on the recommendation of the Remuneration Committee.

Chairman's remuneration:

The remuneration of the Chairman of the Management Board can be broken down as follows:

- fixed pay,
- variable pay,
- benefit in kind: housing allowance.

The Chairman receives fixed remuneration within a range pre-established by the central institution, BPCE SA.

The criteria and the amount of the variable component awarded to the Chairman of the Management Board are determined by the Banque Palatine Remuneration Committee. The variable component is determined based on the achievement of targets tied to the earnings of Groupe BPCE and Banque Palatine and qualitative objectives.

They can be adjusted annually to reflect the business climate and any exceptional events during the period. The amount of the variable component is capped at 80% of remuneration. The amount of the variable component is reduced, where applicable, by the amount received in respect of incentives and/or profit-sharing.

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

If the variable component granted in respect of fiscal year N is greater than or equal to €100,000:

- 50% is vested and paid in the year of award;
- 50% is deferred and paid in instalments of one-third at the earliest on October 1 of years N+2, N+3 and N+4 (i.e. 16.66% in each of these three years).

Remuneration of Management Board members:

As to fixed remuneration awarded to members of the Management Board, this pay is determined based on two major criteria (experience in the position and mobility).

Fixed pay can be broken down as follows:

- overall remuneration, 90% of which is paid in respect of the employment contract, including a car and/or housing allowance, and 10% of which is paid in respect of the corporate office;
- a variable component capped at 50% of fixed remuneration in respect of the employment contract, which is contingent on the achievement of targets linked to the results generated by Groupe BPCE and Banque Palatine as well as qualitative objectives established by the Chairman of the Management Board. The amount of the variable component is reduced, where applicable, by the amount received in respect of incentives and/or profit-sharing.

Members of the Remuneration Committee:

The Remuneration Committee is made up of three members:

- the Chairman of the Supervisory Board of Banque Palatine and Chairman of the Remuneration Committee,
- two members of the Supervisory Board of Banque Palatine.

The members of the Remuneration Committee are members of the governance body but not of the executive body of the company.

Role of the Remuneration Committee

The Remuneration Committee, which meets at least once a year to discuss the matter, carries out:

- a review of the company's remuneration policy guidelines;
- a review of remuneration, allowances and benefits of any kind granted to the members of the company's Management Board;

The Remuneration Committee reports on the results of its activities to the governance body.

Decision-making process

Under the guidelines defined by the governance body, Executive Management establishes rules governing the remuneration of regulated employees. By no means are these rules established by individuals who stand to benefit directly or indirectly from doing so.

The compensation system for employees of the risk management, compliance and internal audit functions is based on specific targets, and is in no way linked directly to the performance of the employees subject to control or to the profits generated by the activity subject to control.

Remuneration of employees of the risk management, compliance and internal audit functions, and, more broadly, the employees of the units responsible for approving transactions, is established independently from that of the businesses whose transactions they approve or check and is high enough to ensure staffing of qualified, experienced personnel. Remuneration takes account of whether the targets tied to the position are met and must be, for similar qualifications, competencies and responsibilities, at an appropriate level compared to the professionals whose activities they monitor.

Fixed pay is based on level of skill, responsibility and expertise and is high enough to ensure staffing of qualified, experienced heads of control functions.

Variable pay is based on specific targets, and in no way linked directly to the performance of the employees subject to control or to the profits generated by the activity subject to control.

Remuneration of regulated employees

- Head of Risk Management
Variable component capped at 15% of gross fixed pay, based on an Executive Management assessment.

- Head of Compliance
Variable component capped at 15% of gross fixed pay, based on an Executive Management assessment.

- Head of Internal Audit
Variable component capped at 15% of gross fixed pay, based on an Executive Management assessment.

- Head of Finance
Variable component capped at 33% of gross fixed pay, calculated on the basis of NBI generated and not on the volume of transactions, and based on an Executive Management assessment.

It should be noted that the Finance Division businesses do not generate material risks given the size of the Bank's operations:

- Proprietary trading is subject to very low annual loss limits with respect to Banque Palatine's net income, as is the VaR budget;
- Transactions with customers do not generate material risk;
- Moody's has stated that the Bank's market risk is very low.

- Head of Client Relations and Brokerage
Variable component capped at 100% of fixed annual pay, calculated on the basis of NBI generated and not on the volume of transactions, and based on an Executive Management assessment.

- Head of Corporate Operations
Variable component capped at 100% of fixed annual pay, barring special exceptions approved by the Management Board, calculated based on the achievement of net commission income targets.

- Head of LBO Cred
Variable component capped at 100% of fixed annual pay, calculated based on the achievement of net commission income targets.

<u>Adjustment of rules in the event of losses</u>

In the event of losses on the Bank's individual results, the governance bodies examine the conditions for reducing and adjusting the remuneration components.

STANDARD FRAMEWORK FOR DISCLOSING INFORMATION ON REMUNERATION PAID OUT FOR THE 2011 FINANCIAL YEAR

Remuneration granted for 2011 financial year

Executive Body

Number of individuals	Total remuneration	Total - fixed component	Total - variable component
170	€41,329k	€27,846k	€13,483k

Amount granted, paid out or delivered	Conditional deferred amount (*)
€7,592k	€5,891k

(*) value at time of award

Cash-based payment	Payment in shares or equivalent instruments (*)
€8,468k	€5,015k

(*) value at time of award

Other regulated employees

Number of individuals	Total remuneration	Total - fixed component	Total - variable component
1,067	€225,954k	€124,025k	€101,929k

Amount granted, paid out or delivered	Conditional deferred amount (*)
€45,905k	€56,024k

(*) value at time of award

Cash-based payment	Payment in shares or equivalent instruments (*)
€65,746k	€36,183k

(*) value at time of award

Amount of outstanding variable pay

Amounts of unpaid deferred remuneration for the period	Amount of unpaid deferred remuneration for past periods
€61,915k	€56,361k

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.

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

Fiscal Year 2010

Amount of deferred remuneration paid out	Reductions applied to deferred remuneration
€32,371k	€2,230k

Fiscal Year 2009

Amount of deferred remuneration paid out	Reductions applied to deferred remuneration
€14,773k	€2,438k

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.

Sign-on and severance payments made during the period

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
€7,354k	28	€617k	10

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

Severance payment guarantees

Severance payment guarantees granted during the period	
Total amount	Number of beneficiaries
€2,000k	1
Highest guarantee to a single beneficiary	
€2,000k	

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