

## Groupe BPCE

### **Disclosure of information referred to in Paragraphs 1 through 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 significant impact on the risk profile of the company)**

#### **2010 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 will publish the information referred to in 1) to 3) of Article 43-1, in a manner and to an extent appropriate to their size, internal organization and the nature, scope and the complexity of their activities. Accordingly, these companies will determine the appropriate medium and location and will seek to publish all the information of interest on a single medium or at a single location.

Such information will be, where appropriate, 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 will relate to regulated employees and that, where such information is disclosed by the parent company subject to supervision of the Prudential Supervision Authority ("ACP") on a consolidated or sub-consolidated basis, then the companies included in the disclosure 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 2010, this report covers 91 credit institutions.

Groupe BPCE is organized into three levels:

- The federal level with BPCE, the central body;
- The cooperative level, with 37 cooperative regional banks, 20 Banque Populaire banks and 17 Caisses d'Epargne;
- Subsidiaries, owned by the central body, including Natixis, Crédit Foncier, Banque Palatine, or by other Group institutions.

This report presents in order:

- Remuneration policies and practices governing regulated employees of the largest and most significant credit institutions: BPCE, the Banque Populaire banks and the Caisses d'Épargne, and the principal subsidiaries of the central body, 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.

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## BPCE

### 1. Policy-making process for defining remuneration policy

#### 1.1 Process

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

After ensuring that the opinions of Risk Management and Compliance were given due consideration by Executive Management, the Appointments and Remuneration Committee issued an opinion on the recommendations of Executive Management concerning regulated employees (positions concerned) and recommended remuneration policy guidelines for this employee class to the Supervisory Board (caps and apportionment).

Acting on the opinion of the Committee, the Supervisory Board established the remuneration policy guidelines for regulated employees.

As to employee categories including risk-takers, individuals exercising an oversight function as well as all employees who, due to their overall income, are in the same remuneration bracket of persons whose professional activities have a significant impact on the company's risk profile, the regulated population is comprised of the following individuals:

- The head of the Strategy Division, who is a member of the Executive Management Committee;
- The Group Senior Executive Vice-President, 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 Compliance and Security Officer, who is a member of the Executive Committee.

As to the executive body, it is made up of members of the BPCE Management Board.

The governance body has ensured that the internal control system allows verification of whether these guidelines are compliant with professional standards and are aligned on risk management objectives.

As part of the guidelines defined by the governance body, Executive Management has established rules governing the remuneration of regulated employees in all the Group's credit institutions. By no means are these rules established by individuals who stand to benefit directly or indirectly from doing so.

## **1.2. Appointments and Remuneration Committee**

The Appointments and Remuneration Committee is comprised of non-executive members, the chairmen of the board of directors of the Banque Populaire banks and the chairmen of Caisses d'Epargne steering committees and supervisory boards. The members of the Committee are neither company executives nor tied to BPCE or any of Groupe BPCE's subsidiaries by an employment contract. Neither are they members of the Audit and Risk Committees.

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

The task of the Committee is to formulate recommendations relating, in particular, to the level and manner of remuneration of the members of the Management Board. In 2010, the Committee also met to implement EU Capital Requirements Directive III (CRD III) within Groupe BPCE.

The Committee will meet in 2011 to conduct a general review of the remuneration policy of Groupe BPCE.

## **2. The principal characteristics of remuneration policy governing members of the Management Board**

Based on a benchmarking analysis prepared by TOWERS WATSON and a recommendation by the Appointments and Remuneration Committee, the Supervisory Board has determined the remuneration of the Chairman and the members of the Management Board for 2010; the fixed part is slightly less than the industry average and the variable part is at the market's lower range.

Remuneration of the members of the BPCE Management Board is comprised of the following:

- A fixed part of EUR 550,000 for the Chairman and EUR 500,000 for members;
- A variable part, which may be as high as 200% of the fixed part for the Chairman and 60% for other members.

The grant of the variable part for 2010 is contingent on achieving a Group Tier 1 ratio that is 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.

## **3. Policy on paying out variable remuneration to regulated employees**

In accordance with regulations, professional standards and the rules defined by BPCE for the entire group, the policy on paying out variable remuneration within BPCE is the following:

### **3.1 Principle of Proportionality**

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

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

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

Payment of a percentage of variable remuneration granted for any given reporting period 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 portion 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 periods following the period in which variable pay is granted, and paid in the amount of one-third per year.

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

At a minimum, the percentage of deferred variable pay is:

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

For BPCE and the credit institutions of the Group, excluding NATIXIS, which is a listed company, the percentage of deferred variable pay has been set at 50% where the variable part is less than EUR 500,000 so as to meet the obligation to pay out 50% of the variable part in shares or similar instruments<sup>1</sup>.

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

For regulated employees, excluding NATIXIS, which is a listed company, the deferred component of variable pay takes the form of 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 to the years in which pay-out is made. To calculate this average, only the 2010 reporting period and the periods thereafter are used.

In light of the minimum additional holding period required by law, conditional pay-out of the deferred component of variable part due for year  $N$  will be made on October 1<sup>st</sup> of years  $N+2$ ,  $N+3$  and  $N+4$ .

### **3.5 Assessment of penalties**

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

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

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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, pay-out in the form cash indexed to accounting information of a portion of the non-deferred component of variable pay does not reflect any change representative of the Group's value over the holding period.

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## BANQUE POPULAIRE BANKS AND CAISSES D'EPARGNE

### 1. Policy-making process for defining remuneration policy

#### 1.1 Process

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

- 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 Caisses 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.

With the exception of BRED Banque Populaire, which operates a Trading Desk, regulated employees, in respect of employee categories including risk-takers, individuals exercising an oversight function and any employee who, given his or her overall income, is placed in the same remuneration bracket as those employees whose professional activities have a significant impact on the company's risk profile, the regulated population is comprised almost entirely of the following individuals:

- The Risk Manager
- The Inspection/Audit Manager
- The Compliance Officer.

Exceptionally, where there is a Deputy Chief Operating Officer, as is the case for BRED Banque Populaire, this officer is a member of the regulated population.

As to the executive body, membership in this body is always composed of the Chairman of the Board of Directors and the Chief Executive Officer for the Banque Populaire banks or the Management Board of Caisses d'Epargne.

#### 1.2. Remuneration Committee

Within each Banque Populaire bank and Caisse d'Epargne there is 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 compensation, allowances and benefits of any kind granted to the company's Executive Directors;
- A review of the policy governing the remuneration of regulated employees.

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

## 2. The principal characteristics of the remuneration policy governing regulated employees

Generally speaking, 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 chapter above devoted to BPCE).

### 2.1 Managers of oversight functions

Remuneration of risk management and compliance personnel, and, more broadly, the employees of the units responsible for transaction validation, is established independently from that of the businesses for which they validate or check transactions and at a level sufficient to have qualified and 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. Their remuneration also factors in the overall performance of their company.

### 2.2 Executive body

In 2010, 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 the following:

#### - 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.

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

Any Chief Executive Officer taking over the position for the first time is appointed for a probationary period of at least two full reporting periods. During this probationary period, this officer's fixed pay is set at EUR 200,000.

The fixed pay of a confirmed Chief Executive Officer is based on two major criteria:

- Experience: this officer must have exercised the duties of Chief Executive Officer for a minimum of 10 years
- Mobility: this officer must have directed at least two Banque Populaire banks.

If no criterion is met: EUR 215,000 to EUR 230,000

If 1 criterion is met: EUR 230,000 to EUR 260,000

If 2 criteria are met: EUR 260,000 to EUR 290,000

If 2 criteria are met and the officer has successfully carried out a Banque Populaire merger: > EUR 290 000

##### *Caisses d'Epargne;*

The fixed pay of the Chairman of the Management Board and the members of the Caisses d'Epargne Management Board is subject to a recommendation of the BPCE central institution.

The fixed pay of the Chairman of the Management Board depends on the Caisses category, determined based on the size of the NBI or contributions:

- Non-category: NBI > EUR 600 million or contribution > 10%: EUR 300,000 to EUR 400,000
- Category A: NBI > EUR 300 million or contribution > 5%: EUR 240,000 to EUR 320,000
- Category B: NBI < EUR 300 million and contribution < 5%: EUR 190,000 to EUR 260,000

The fixed pay of the members of the Management Board (excluding the Chairman) is also based on the Caisses category, determined based on the size of the NBI or contributions:

- Non-category: NBI > EUR 600 million or contribution > 10%: EUR 160,000 to EUR 200,000
- Category A: NBI > EUR 300 million or contribution > 5%: EUR 145,000 to EUR 180,000
- Category B: NBI < EUR 300 million and contribution < 5%: EUR 120,000 to EUR 155,000

#### **- Variable pay:**

This system was reviewed in 2010 and applies to both the Chief Executive Officers of Banque Populaire banks and to the Chairmen and members of the Caisses d'Epargne Management Board.

This new system is based on the criteria below:

20% on Groupe BPCE criteria and 80% on company criteria, 50% on national/common criteria and 50% on 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.

Achieving the objective entered in the budget results in the award to all directors and officers of a variable component representing 10% of the maximum amount.

- Network criterion - 10%

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

Achieving the objective entered in the budget results in the award to each director and officer of a variable component representing 10% of the maximum amount.

##### *Company component – 80%*

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

- National/common criteria – 30%

4 joint national/common 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

- Special 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 contribution of fees and commissions to company NBI
- Increase in net inflows
- Growth in priority or 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 the cost of the 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 the Bank or the Caisse. For example:

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

The variable part for reporting period  $N$  is paid in year  $N+1$ . It may not exceed:

- Chief Executive Officer (Banque Populaire banks): 60% of fixed pay.
- Chairman of the Management Board (Caisses d'Epargne): 80% of fixed pay.
- Management Board Member (Caisses d'Epargne): 50% of fixed pay.

### **2.3 Policy on the pay-out of variable remuneration to regulated employees**

In accordance with Article 31-4, professional standards and BPCE-CRDIII directives, the policy on the pay-out of variable remuneration (deferment, percentage in shares, penalties) applicable to Banque Populaire banks and Caisses d'Epargne provides for, in particular:

- Deferred payment over time and conditioned to a percentage of variable pay awarded for a given period (50% when variable pay technically reaches or exceeds a cap of EUR 100,000).

This payment is spread out over the three periods following the period in which variable pay was granted, and paid in the amount of one-third per year.

- The conditions under which a penalty is assessed pursuant to Article 31-4 5 of the order of 13 December 2010. Determined by the bank's governance body on the recommendation of its Remuneration Committee, generally speaking, the deferred compensation part will not be paid in any year in which a loss is reported.

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## NATIXIS

### 1. Policy-making process for defining company remuneration policy

#### 1.1 Process

Natixis' remuneration policies and guidelines are recommended by the Human Resources Division in cooperation with the business divisions concerned 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 professionals whose professional activities have a significant impact on the company's risk profile. Executive Management ensures in this manner that the principles proposed are compliant with professional standards and aligned on risk management objectives.

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

Based on the recommendation of the Remuneration Committee, the Board of Directors determines the remuneration policy for professionals whose professional activities have a significant impact on the company's risk profile and the remuneration of the head of Compliance, the head of Internal Control and the head of the Risk Division.

This policy-making process as well as its working principles are documented to ensure "auditability". Internal Audit carries out a post-process audit to validate compliance with the principles laid down by the Board of Directors. An Internal Audit Executive Summary is forwarded to the Remuneration Committee.

#### 1.2. Remuneration Committee

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

In 2010, the Remuneration Committee was composed of six members, three of whom are independent, including the Committee's chairman.

The Remuneration Committee conducts a review 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 Chapter 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.

Furthermore, the Remuneration Committee examines the remuneration of the head of Compliance, the head of Internal Control and the head of the Risk Division.

## **2. Principal characteristics of the remuneration policy governing professionals whose professional activities have a material impact on the risk profile of Natixis**

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 part of such remuneration is assessed based on reaching financial target (such as targets entered in the budget) and strategic objectives (such as developing cross-selling). It also factors in the practices of the competition.

The variable pay base reflects the net profit derived from operating activities after factoring in every cost (including operating costs and the cost of risk, liquidity and return on equity).

Individual grant takes account of the following elements:

- 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 Remuneration Committee. Breach of applicable rules and procedures, violation of ethics and compliance or unethical behavior will result in the reduction or forfeit of variable pay.

Pursuant to the Board of Directors' resolution of February 22, 2011, the following guidelines have been adopted after seeking the opinion of the Remuneration Committee:

### Prohibition on Guaranteed Variable Pay

There will be no guaranteed variable pay except when signing on (excludes intra group BPCE transfers). 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 paying out variable remuneration to some employees or employee categories in particular to take account of:

- The special 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;
- if necessary, 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 pay-out of a portion of variable pay

Pay-out of a portion of variable pay awarded during a reporting period is deferred over time and conditional. Such payment, irrespective of the form, is deferred over the three reporting periods following the period in which variable pay is granted, with a timing of payments no faster than a pro-rata basis.

### Amount of deferred variable remuneration

Deferred variable pay represents at least 40% of variable pay of professionals in the regulated population and 75% for the highest variable remuneration.

### Pay-out in shares or similar instruments

Variable remuneration received in the form of shares or similar instruments represents 50% of the variable pay awarded to professionals included in the regulated population. 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 on the Natixis share value") will be held for a period of six months. The deferred portion of Natixis share-based payments will comply with the conditions laid down by Articles 225-197-1 et seq. of the 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 will not be subject to penalty.

### Assessment of penalties

The award or pay-out of the deferred portion of variable pay, irrespective of the form, will be contingent upon satisfying the conditions related to criteria tied to the company's income, the activities of the business line and, if relevant, individual criteria, including a requirement to perform work. 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 2010, applicable from January 1, 2011 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.

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## **CRÉDIT FONCIER DE FRANCE**

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

The policy-making process followed when remuneration policy is defined at Crédit Foncier is the following:

- Consultation by Executive Management with Risk Management and Compliance to define the remuneration policy for regulated employees within the framework defined by BPCE.
- Review by the Remuneration Committee of the proposals submitted by Executive Management regarding regulated employees. The Committee then proposed remuneration policy guidelines applicable to the regulated employees to the Board of Directors.
- Determination by the governance body, after seeking the opinion of the Remuneration Committee, of the remuneration guidelines for regulated employees.

Furthermore, the Remuneration Committee has reviewed the remuneration of the head of Compliance, the head of Internal Audit and the head of the Risk Division.

As to employee categories, including risk-takers, individuals working in the area of Internal Control and employees who, in view of their overall income, are placed in the same remuneration bracket as those whose professional activities have a significant impact on the company's risk profile, the regulated population is comprised of the following individuals:

- The Deputy Chief Operating Officer in charge of Risk Management and Compliance
- The Head of Internal Audit
- The Compliance Officer.

With respect to the executive body, it is comprised of the Chief Executive Officer and the Deputy Chief Executive Officers

## **2. The principal characteristics of remuneration policy governing regulated employees**

### ***2.1 Managers of oversight functions***

The remuneration criteria applicable to heads of oversight functions are the following:

These three employees will received fixed pay supplemented by variable pay consistent with the rules laid down for the Executive Committee (Deputy Chief Operating Officer in charge of Risk and Compliance and the Head of Internal Control) or the Coordination Committee (Compliance Officer).

The Deputy Chief Operating Officer in charge of Risk and Compliance received fixed pay of EUR 185,000 to which will be added a variable portion in 2010 of up to 50% of the fixed portion. This variable portion is established at 6/10 collective COMEX based on Group revenue criteria (1/10), CCF performance (4/10), quality and process (1/10) and 4/10 individual business line performance, cross-company projects (1/10) and company cohesion (1/10).

In 2010, the Head of Internal Audit received fixed pay of EUR 145,000, supplemented by a variable portion of up to 40% of the fixed portion and calculated in accordance with the rules defined for Group Executive Committee (See above).

In 2010, the Compliance Officer received fixed pay of EUR 86,707 supplemented by variable portion of up to 15% of the fixed portion. This variable part is two-tenths the collective "Coordination Committee" on quality and process, five-tenths business line performance and three-tenths based on the priorities defined with his or her manager.

### ***2.2 Executive body***

The principal characteristics of the variable pay policy are the following:

For 2010, 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 (net income, cost/income ratio, NBI growth, BPCE income) up to 15% for Chief Executive Officer and 10% for the Deputy Chief Executive Officers,

- CCF's results (NBI, cost/income ratio, NBI growth, NBI derived from fees) up to 35% for the Chief Executive Officer and 25% for the Deputy Chief Executive Officers,
- Special criteria established by the Board of Directors: 30% for the Chief Executive Officer and 15% for the Deputy Chief Executive Officers.

### **2.3 Policy on pay-outs of variable pay to regulated employees**

Pursuant to Article 31-4, professional standards and the BPCE-CRDIII standard, the policy on the pay-out of variable remuneration is the following:

If the amount of the variable portion for 2010 is greater than EUR 100,000, 50% of this sum will be paid out in 2011; the remaining 50% will be deferred over the next three years (2012, 2013 and 2014). If the amount is less than this figure, the full sum will be paid out in 2011.

With respect to the amount to be deferred over the next three years, this will be paid out in form of cash indexed to changes in net income attributable to equity holders of the parent company.

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## **BANQUE PALATINE**

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

Regarding categories of employees exercising an oversight function, the regulated population is comprised of following individuals:

- The Senior Executive Vice-President, Risk Management
- The Director of Audit/Inspection
- The Director of Compliance and Internal Control

The variable pay system for employees working in the area of Risk Management, Compliance and Audit is based on division-specific objectives and qualitative criteria up to a maximum of 10% of remuneration (EUR 10,000 on average paid out in April 2011, i.e. 7.5% of average salaries).

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

- The Chairman of the Management Board
- The Management Board member in charge of Development
- The 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.

### **2. The principal characteristics of remuneration policy governing the members of the Management Board**

#### *Chairman's remuneration:*

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

Furthermore, the criteria and the amount of the variable part due to the Chairman of the Management Board is determined by the Banque Palatine Remuneration Committee. The variable part is determined based on reaching the objectives tied to the earnings of Groupe BPCE and Banque Palatine and qualitative objectives.

The objective may be adjusted annually to take into account the business climate and any exceptional events during the period.

The amount of the variable part is capped at 80% of remuneration.

50% of the variable part awarded for the 2010 financial year will be paid in 2011 and the balance is deferred.

#### *Remuneration of Management Board members:*

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

Furthermore, a variable part capped at 50% to 90% of fixed remuneration may be paid based on success in achieving objectives tied to the earnings of the Groupe BPCE and Banque Palatine as well as qualitative objectives established by the Chairman of the Management Board.

Based on the recommendation of the Remuneration Committee, the Supervisory Board has established the variable part for 2010 and priorities as follows:

#### Setting the 2010 variable part

Common Group metrics, 40%  
Banque Palatine Cost/Income ratio  
Earnings criteria  
Income per employee (NBI/FTE)  
Changes in the corporate loan book

#### Priorities

Common Management Board indicators: 20%  
Winning business from Small and Medium-sized enterprises (SME) with revenues > EUR 15 million  
Winning business from core target Individuals, assets > EUR 500,000

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## STANDARD FRAMEWORK FOR DISCLOSING INFORMATION ON REMUNERATION PAID OUT FOR THE 2010 FINANCIAL YEAR

Qualitative information relates to:

- Members of the executive body (Population A)
- The remainder of the regulated population (Population B)

### 1.1 Remuneration granted for 2010 financial year

#### Population A

Number of individuals concerned	Total remuneration	Fixed part total	Variable part total
234	EUR 60.1 million	EUR 37.3 million	EUR 22.8 million

Amount granted, paid out or delivered	Conditional deferred amount (*)
EUR 14.4 million	EUR 8.4 million

(\*) value at the time of award

Cash-based pay-out	Settlement in shares or similar instruments (*)
EUR 15.8 million	EUR 7.0 million

(\*) value at the time of award

#### Population B

Number of individuals concerned	Total remuneration	Fixed part total	Variable part total
822	EUR 195.5 million	EUR 83.5 million	EUR 112.0 million

The contribution of corporate and investment banking activities (NATIXIS and BRED) and so-called "GAPC" (NATIXIS) run-off activities, in respect of the numbers above, is:

<b>Number of individuals concerned</b>	<b>Total remuneration</b>	<b>Fixed part total</b>	<b>Variable part total</b>
634	EUR 179.0 million	EUR 68.8 million	EUR 110.2 million

<b>Amount granted, paid out or delivered</b>	<b>Conditional deferred amount (*)</b>
EUR 38.4 million	EUR 73.6 million

(\*) value at the time of award

<b>Cash-based pay-out</b>	<b>Settlement in shares or similar instruments (*)</b>
EUR 65.2 million	EUR 46.8 million

(\*) value at the time of award

Note: For all regulated employees (Categories A and B), the total conditional deferred amount of EUR 82.0 million includes EUR 19.2 million maturing in September 2011, corresponding to cash indexed to the NATIXIS share value for the NATIXIS regulated population.

## **1.2 Amount of outstanding variable pay**

### **Population A**

<b>Amount of unpaid deferred remuneration for the period</b>	<b>Amount of unpaid deferred remuneration for past periods</b>
EUR 8.4 million	EUR 1.0 million

Shown is the amount of outstanding deferred remuneration corresponding to the sum of unpaid deferred remuneration, that is, remuneration that was granted but not yet paid out (cash) or delivered (shares) and which remain contingent on any penalties which may come into play in the future or to early separation.

Shown here is unpaid deferred remuneration granted for the previous period (Column 1) and unpaid deferred remuneration for past periods (Column 2).

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

The valuation of shares and similar 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.

## Population B

<b>Amounts of unpaid deferred remuneration for the period</b>	<b>Amount of unpaid deferred remuneration for past periods</b>
EUR 73.6 million	EUR 35.8 million

Shown is the amount of outstanding deferred remuneration corresponding to the sum of unpaid deferred remuneration, that is, remuneration that was granted but not yet paid out (cash) or delivered (shares) and which remain conditioned to penalties coming into play in the future or to early separation.

Shown here is unpaid deferred remuneration granted for the financial year just ended (Column 1) and unpaid deferred remuneration for past periods (Column 2).

The amounts paid or the 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 similar 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.

### **1.3 Deferred variable remuneration paid out or reduced based on net income for the period.**

#### Population A

#### 2009 Reporting Year

<b>Amount of deferred remuneration paid out</b>	<b>Reductions applied to deferred remuneration</b>
EUR 0.5 million	EUR 0.0 million

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

Shown in the first column are the amounts paid or shares delivered (even if they remain subject to a holding period) after adjustment tied to net income for the period for each past 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 similar instruments is made based on the value at the time of award.

## Population B

### 2009 Reporting Year

<b>Amount of deferred remuneration paid out</b>	<b>Reductions applied to deferred remuneration</b>
EUR 15.6 million	EUR 2.1 million

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

Shown in the first column are the amounts paid or shares delivered (even if they remain subject to a holding condition) after adjustment tied to net income for the period for each past 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 similar instruments is made based on the value at the time of award.

### *1.4 Sign-on and severance payments made during the period*

#### Population A

<b>Amounts paid as severance payments and number of beneficiaries</b>		<b>Amounts paid as sign-on payments and number of beneficiaries</b>	
<b>Amounts paid</b>	<b>No. of beneficiaries</b>	<b>Amounts paid</b>	<b>No. of beneficiaries</b>
EUR 1.1 million	5	EUR 0.1 million	4

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

**Population 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
EUR 8.9 million	51	EUR 0.1 million	3

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

**1.5 Severance payment guarantees**

**Population A**

Severance payment guarantees granted during the period	
Total amount	Number of beneficiaries
EUR 2.1 million	3

**Highest guarantee to a single beneficiary**

EUR 1.1 million	
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This relates to "promises" of severance pay granted during the reference period.

**Population B**

<b>Severance payment guarantees granted during the period</b>	
<b>Total amount</b>	<b>Number of beneficiaries</b>
EUR 0.6 million	1

**Highest guarantee to a single beneficiary**

EUR 0.6 million

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