

## **Report on compensation, in compliance with article 43-1 of Regulation 97-02**

*On February 4, 2009, the French Banking Federation (FBF) announced a set of guidelines based on the conclusions of a financial services task force set up to examine the compensation of financial market professionals.*

*On August 25, 2009, a press release published by the FBF supplemented the guidelines laid down in February, thereby forming a set of professional standards that was subsequently explained in greater detail on November 5, 2009. On the same day, a ministerial decree was published in the Journal Officiel (Official Gazette of the French government), amending Regulation 97-02 dated February 21, 1997 relating to the internal control of credit institutions and investment firms, with a view to ensuring both compliance with new regulatory measures and consistency with professional standards.*

*Those professional standards apply to banking corporations subject to the aforementioned regulation 97-02 with respect to financial market professionals they employ and whose activities are liable to have a significant impact on their exposure to risk.*

*In compliance with the texts mentioned above, these standards must also be applied to the compensation paid to the members of executive bodies.*

### **1. Decision-making process relating to the company's compensation policy**

#### ***Decision-making process of the compensation policy***

It should be borne in mind that BPCE has no financial market professionals on its staff whose activities are liable to have a significant impact on its risk exposure.

At the proposal of the Appointments and Remuneration Committee, the Supervisory Board (at its meetings convened on July 31, 2009, November 12, 2009 and February 24, 2010) defined the principles of the compensation policy relating to members of the executive body, in compliance with the provisions laid down in Chapter VI of Title IV of Regulation No. 97-02 dated February 21, 1997 (as amended) relating to the internal control of credit institutions and investment firms.

#### ***Membership of the Appointments and Remuneration Committee***

The Appointments and Remuneration Committee is comprised of non-executive members selected from among the Chairmen of the Board of Directors of the Banque Populaire banks and the Chairmen of the Steering & Supervisory Boards of the individual Caisses d'Epargne. It also includes a member of the Supervisory Board representing the French state.

The Committee is chaired by an independent member satisfying the recommendations of the *Code of Corporate Governance of listed companies*, a set of guidelines published by the AFEP association of private companies and the MEDEF French employers' federation in December 2008.

Committee members may be neither serving corporate officers of BPCE, nor bound by an employment contract to BPCE or to another Groupe BPCE company, nor members of the Audit and Risks Committee.

Chaired by Mrs. Laurence DANON, an independent member, the Committee is comprised of the following:

- ✓ Mrs. Catherine AMIN GARDE, Chairman of the Steering and Supervisory Committee of the Caisse d'Épargne Loire Drôme Ardèche
- ✓ Mr. Gérard BELLEMON, Chairman of the Board of Directors of Banque Populaire Val de France
- ✓ Mr. Steve GENTILI, Chairman of the Board of Directors of BRED Banque Populaire
- ✓ Mr. Pierre MACKIEWICZ, Chairman of the Steering and Supervisory Committee of the Caisse d'Épargne Côte d'Azur
- ✓ Mr. Ramon FERNANDEZ, member of the Supervisory Board and representative of the French State

### **Role of the Appointments and Remuneration Committee**

The Committee's function is to submit proposals to the Supervisory Board notably regarding the level and conditions of the compensation paid to members of the Management Board. As such, the Committee convenes meetings devoted to this question as often as required and at least once a year.

## **2. Key features of the compensation policy regarding the executive body in 2009**

Basing its decisions on a benchmark and on the advice of the Appointments and Remuneration Committee, the Supervisory Board has determined compensation for the Chairman and Members of the Management Board in respect of 2009 whose fixed portion is slightly below the median salary for comparable positions in the marketplace and whose variable portion is at the lower end of the market spectrum.

### **Chairman:**

The Chairman of the Management Board has undertaken to receive a limited fixed salary and has waived his rights to a variable portion in respect of 2009.

### **Members of the Management Board:**

In view of the exceptional nature of 2009 – the year of BPCE's creation – it has been decided to retain a simple system that will be reviewed in 2010:

- Proportion of quantitative criteria in variable compensation: 40%  
100% achievement of the target if the Group's net income in the second half of the year is  $\geq$  €1,000 million  
0% if net income is less than €500 million, with a rule of proportionality being applied between these two extremes
- Proportion of qualitative criteria in variable compensation: 60%  
There exist four qualitative criteria:
  1. Management of the merger between the two central institutions and the creation of BPCE,
  2. Setting up of the group's new organization and its corporate governance system,
  3. Definition of a cost-cutting plan for BPCE,
  4. Launch of the Group's strategic plan.

The principle has been adopted that the variable portion of compensation will be calculated on a *pro rata temporis* basis, taking account of the date of arrival of the members of the Management Board in the course of 2009.

It has also been decided that, except in exceptional circumstances (notably retirement), the payment of a fraction equal to 25% of the variable portions due in respect of 2009 shall be deferred until 2011 and 2012.

### 3. Consolidated quantitative information about compensation

a)

| <i>Amounts in €m</i> | Fixed compensation 2009 financial year (1) | Variable compensation 2009 financial year (2) | Total (1) + (2) | Number of people concerned |
|----------------------|--------------------------------------------|-----------------------------------------------|-----------------|----------------------------|
| Executive body       | 1.12                                       | 1.00                                          | 2.12            | 5                          |
| Traders              | 0                                          | 0                                             | 0               | 0                          |

(1) Fixed compensation paid in 2009 since the date of BPCE's creation (August 2009)

(2) Variable compensation taking account of periods prior to the creation of BPCE spent in the former central institutions (ex-BFBP or ex-CNCE)

b)

| <i>Amounts in €m</i> | Variable compensation 2009 financial year<br>Cash payment | Variable compensation 2009 financial year<br>Payment in other financial instruments (*) |
|----------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Executive body       | 1.00                                                      | 0                                                                                       |
| Traders              | 0                                                         | 0                                                                                       |

b')

| <i>Amounts in €m</i> | Variable compensation 2009 financial year<br>(3) + (4) | Variable compensation 2009 financial year<br>Amount paid in 2010<br>(3) | Variable compensation 2009 financial year<br>Amount deferred beyond 2010 (4) |
|----------------------|--------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Executive body       | 0                                                      | 0.93                                                                    | 0.07                                                                         |
| Traders              | 0                                                      | 0                                                                       | 0                                                                            |

Two members of the Management Board present on December 31, 2009 will leave on retirement in 2010. Consequently, their variable compensation in respect of the 2009 financial year will be paid in its entirety in 2010.

c)

| <i>Amounts in €m</i> | Amount of deferred compensation<br>(5) = (6) + (7) | Amount of vested deferred compensation<br>(6) | Amount of unvested deferred compensation<br>(7) |
|----------------------|----------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| Executive body       | 0                                                  | 0                                             | 0.07                                            |
| Traders              | 0                                                  | 0                                             | 0                                               |

(5) Amount of variable compensation deferred in respect of previous years and/or of the 2009 financial year not resulting in payment in 2010

(6) Amount of deferred variable compensation not subject to performance conditions and/or to effective presence

(7) Amount of deferred variable compensation subject to performance conditions and/or to effective presence

d)

| <i>Amounts in €m</i> | Variable compensation paid in 2010 corresponding to financial periods prior to 2009 and definitively attributed with the possibility of reduced payment after adjusting for actual results |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive body       | 0                                                                                                                                                                                          |
| Traders              | 0                                                                                                                                                                                          |

e)

| <i>Amounts in €m</i> | Payments in respect of new recruitment in 2009 (*) | Number of new recruits concerned in 2009 | Severance payments in 2009 | Number of dismissals concerned in 2009 |
|----------------------|----------------------------------------------------|------------------------------------------|----------------------------|----------------------------------------|
| Executive body       | 0                                                  | 0                                        | 0                          | 0                                      |
| Traders              | 0                                                  | 0                                        | 0                          | 0                                      |

(\*) Amounts liable to be paid when the new recruit takes up his or her position

f)

| <i>Amounts in €m</i> | Guaranteed severance payments granted in 2009 (*) | Number of beneficiaries | Highest total granted in this respect to a single beneficiary |
|----------------------|---------------------------------------------------|-------------------------|---------------------------------------------------------------|
| Executive body       | 0                                                 | 0                       | 0                                                             |
| Traders              | 0                                                 | 0                       | 0                                                             |

(\*) Guarantees granted during the 2009 financial year aimed at compensating for the termination of the directorship