

2013 compensation for employees whose professional activities have a significant impact on the Group's risk profile

The BNP Paribas Group's compensation guidelines and policy for employees whose professional activities have a significant impact on the Group's risk profile were drawn up in accordance with G20 recommendations, the European CRD3 directive transposed into French law by the ministerial order of December 13, 2010, and the professional standards of March 2011.

Early 2013, three years on from the introduction of the CRD3 Directive, the Group conducted a retrospective review of how the directive had been applied to the relevant employees.

In 2009, when the guidelines governing compensation were first applied, in line with the Order of November 3, 2009, after the Pittsburgh G20 summit, regulated employees were defined as "employees, capital market professionals, whose activities may have a significant impact on the company risk exposure", which led to some 4,000 employees and primarily front-office staff working in capital market activities being regulated.

In 2010, when CRD3 came into force, employees whose activities had individually and actually a significant impact on the company's risk profile were identified, in particular according to their level of responsibility, delegation and compensation.

Furthermore, the employees working in capital market activities, even if their level of delegation, seniority or responsibility did not allow them individually to have a significant impact on the risk profile of the company, have been still maintained within the scope of regulated employees. This definition according to a regulation principle on a collective basis has led to include among regulated employees of a very large number of employees. BNP Paribas Group has clearly interpreted the directive in a more extensive manner than most of its European competitors.

The Group has decided for the 2013 performance year to review the criteria used for the identification of regulated employees and to include only those whose activities individually and actually have a material impact on the company's risk profile, in particular in the light of the specific risk indicators. The compensation awarded to the employees until now regulated "on a collective basis" merely due to their activity in capital market businesses (approximately 3,000 people in 2012), continues to be subject to strict requirements, in particular concerning the payment conditions of their variable compensation (application of deferral and share indexation mechanisms and the incorporation of all the costs and risks in the determination of bonus pools).

The remuneration policy for employees whose professional activities have a significant impact on the company's risk profile will have to be entirely reviewed during 2014 in the light of the new provisions concerning compensation laid down in the European CRD4 directive, its transposition into French law and the criteria defined by the EBA¹ in its regulatory technical standards for the identification of Material Risk Takers. Implementation of these new criteria will lead in particular to a review of the scope of the relevant employees for the 2014 performance year. Further constraints, in particular the cap on variable compensation will impact 2014 compensations of relevant employees. In a highly competitive environment with banks outside the European Union not subject to these new requirements and given the current market trend which aims to review the components of the overall remuneration of these employees with an objective to limit salary inflation in the medium term, the Group started early 2014 to restore a greater balance between the fixed and variable components of total compensation, in a selective manner and to a limited extent with regards to the overall staff expenses of the relevant businesses.

¹ European Banking Authority

I. Governance

The BNP Paribas Group's compensation guidelines and compensation policy for employees whose activities have a significant impact on the company's risk profile (referred to as "Regulated Employees") are drawn up and proposed by Group Human Resources in association with the relevant business units. They are then presented to the Group Compliance, Risk and Finance committee (CRIF Committee) for opinion and implemented by Executive Management after presentation to the Compensation Committee and approval by the Board of Directors.

A- Group Compliance, Risk and Finance Committee

The CRIF Committee is chaired by a member of Executive Management and includes the heads of these three departments (or representatives appointed by them).

The following people also attend CRIF meetings:

- Head of Group Human Resources,
- Head of Group Compensation and Benefits, who acts as secretary.

The compensation policy for Regulated Employees is presented to and discussed by the CRIF Committee, which then issues an opinion on:

- the policy's compliance with current regulations and professional standards;
- its adequacy and consistency with the bank's risk management policy;
- consistency between variable compensation practices and the need to manage the bank's capital base.

This Committee deliberated five times with respect to the compensation process for the year 2013.

Moreover, the Group's activities (Corporate & Investment Banking, Investment Solutions and Retail Banking) have also put in place a Compliance, Risk and Finance Committee, at their level, whose main missions are, where appropriate, to issue an opinion on the correct application of the compensation policy for Regulated Employees, and notably on setting the scope for the individuals concerned, and on the rules for the sub-allocation of bonus pools (cf. II).

B- General Management Committee

The General Management Committee comprises the Chief Executive Officer or the Chief Operating Officer, plus, where appropriate, the head of the relevant business unit and the Head of Group Human Resources. Each year, in line with the principles set by the Board of Directors, the General Management Committee determines the framework for the compensation review process and ensures that bonus pool levels and principles are observed throughout the entire process.

Four General Management Committee meetings were held for this purpose for the 2013 compensation review process.

C- Compensation Committee and Board of Directors

In 2013, the Compensation Committee comprised Denis Kessler, Chairman until July 2013, and member of the Financial Statements Committee, Jean-François Lepetit and Hélène Ploix, who are also respectively Chairman and member of the Internal Control, Risk and Compliance Committee. Pierre-André de Chalendar replaced Denis Kessler as Chairman of the Compensation Committee as recommended by the Corporate Governance and Nominations Committee and endorsed by the Board of Directors on July 30, 2013. In addition, the same meeting of the Board of Directors endorsed the proposal to appoint Ms Nicole Misson as a representative of the employees on the

Compensation Committee, in accordance with the recommendations of the AFEP-MEDEF's Corporate Governance Code. The majority of members of the Committee are independent directors in accordance with the criteria set out in the AFEP-MEDEF Corporate Governance Code, and there are no Executive Management representatives. Lastly, its members have knowledge of the compensation systems and market practices in this field.

The Committee's role is set out in the Board of Directors' Internal Rules. One of its tasks is to prepare the Board's decisions regarding compensation guidelines and policy, particularly for employees whose activities have a significant impact on the company's risk profile, as required under current regulations. In this respect, the Compensation Committee receives the minutes of CRIF Committee meetings.

The Compensation Committee analyses compensation guidelines and the compensation policy for Regulated Employees, as well as the annual review process presented by Executive Management, including the:

- method of setting business unit variable compensation (i.e. bonus pools) and their projected levels;
- method of allocation, individual awards and payment conditions;

These issues are discussed during Compensation Committee meetings and the guidelines are then presented to the Board of Directors for approval.

The Compensation Committee also analyses the list of recipients receiving more than a certain amount of variable compensation (€1 million for the 2013 performance year).

The Compensation Committee met four times to deliberate on the 2013 compensation process.

D- Audit and controls

The operating procedures enforcing the Group's compensation policy are documented to provide an effective audit trail.

If necessary, and in particular in case of a major change in the Compensation guidelines and Remuneration policy, an ex post review of the process is conducted by General Inspection to make sure the specified guidelines and procedures are observed.

Naturally, within the framework of the usual Group rules, General Inspection can decide at any time to perform an audit on these issues.

Whenever General Inspection has carried out a review of implementation of the Group's compensation guidelines and policy over the last four years, this has confirmed that the guidelines had been properly applied. A summary of these reviews was brought to the attention of the Board of Directors' Compensation Committee.

II. Compensation policy for employees whose professional activities have a significant impact on the company's risk profile

As for the other Group's employees, the compensation of employees whose professional activities have a significant impact on the company's risk profile consists of fixed compensation and variable compensation.

Fixed compensation remunerates work performed, skills, level of involvement in assigned tasks and level of responsibility. It is based on the employee's experience and on local and professional market practices for each business activity, and is consistent internally within the BNP Paribas Group.

Individual increases are awarded during an annual compensation review process organised by Group Human Resources, which takes place between November and April at the latest, depending on the business activity. It consists of a general review, based on the principles of:

- fairness
- a strict delegation system
- a systematic double-check by line management and the HR department.

Variable compensation rewards employees for their performance during the year based on the achievement of quantitative and/or qualitative targets and individual appraisals. It takes account of local and/or professional market practices, the business unit's results and the achievement of targets. It is not an automatic entitlement and is determined each year in line with the compensation policy for that year and with current governance principles.

The fixed salary must represent a sufficiently high proportion of the total compensation to reward employees for their work, seniority level, expertise and professional experience without necessarily having to pay a variable compensation component.

Variable compensation is determined in such a way as to avoid implementing incentives that may give rise to conflicts of interest between employees and clients, or the failure to comply with the code of conduct rules.

Management of salary adjustments via a centralised tool allows Executive Management to obtain the status of proposals at any time within the Group, particularly for all Regulated Employees, and coordinate this process until individual decisions are taken and announced, on the basis of the economic climate, the results of the enterprise and market conditions.

A- Scope of Regulated Employees

In the light of the experience accumulated since 2010, the Group reviewed in April 2013 its compensation policy and the scope of employees whose professional activities have a significant impact on the Group's risk profile.

Consequently, for the 2013 performance year, employees who fall within the regulated scope of the Group are:

- the members of Group Management body,
- the heads of the Group control functions (compliance, risk management, finance, internal audit, human resources),
- the members of the Group Executive Committee,
- the senior executives responsible for activities, Retail Banking operational entities and businesses whose activities have a significant impact on the Group's risk profile.

Within some capital market activities mainly within CIB division and which are the highest contributors to the market and counterparty risks, are included in the scope:

- the senior management of CIB and of the Fixed Income and GECD business units,
- the heads of major platforms and employees who have authority in the validation committees of major operations, as well as

- the managers or employees that generate the most significant revenues or risks.

Furthermore, Group employees whose annual compensation exceeds an amount established each year by Executive Management, after consultation with the CRIF Committee and consistent with the level of variable compensation received by the employees identified in the preceding paragraph, and whose professional activity has a significant impact on the risk profile of the company are also added to the list.

B- Determination of the bonus pools for the CIB capital market activities

As part of the strict controls on the compensation of all the CIB capital market employees in CIB capital market activities (Fixed Income, Global Equity & Commodities Derivatives activities, except Cash Equity), their bonus pools are determined by taking into account all elements of earnings and risk, including:

- direct revenues;
- direct and indirect costs allocated to the business unit;
- refinancing cost billed internally (including actual cost of liquidity);
- cost of risk generated by the business unit;
- the priority return on capital allotted to the activity.

C- Sub-allocation by business line and individual allocations

The bonus pools allocated to each business unit are distributed among its various business lines on the basis of clearly defined and documented criteria specific to each business unit or team, which reflect:

- quantitative performance measurement (including the creation and development of long-term competitive advantages for the Group);
- underlying risk measurement;
- market value of the teams and competitive position.

These criteria are supplemented by factual elements that measure a team's collective behaviour in terms of:

- ongoing control, responsiveness and compliance with procedures;
- team spirit within the business unit and cross-selling within the Group.

The criteria used are based on quantitative indicators and factual elements, which are defined each year at the beginning of the compensation review process.

Individual awards are made by management decision based on:

- team and individual performance (measured on the basis of results achieved and the associated risk level);
- appraisals (a mandatory annual personal appraisal performed by the line manager) which assesses:
 - qualitative achievements in relation to the targets set;
 - professional behaviour based on the Group's values, code of conduct and procedures;
 - contribution to risk management, including operational risk;
 - the person's managerial behaviour where applicable.

Failure to comply with the rules and procedures or blatant breaches of professional standards or rules of conduct will lead to a reduction or cancellation of the bonus, independently of any disciplinary proceedings.

Accordingly, risks and risk indicators are factors that are taken into account both in the process of determining bonus pools and sub-allocations of bonus pools to business units, and as an assessment criterion in the process of

evaluating and making individual allocations of this variable compensation, and that help to enhance the risk management culture of all the employees.

D- Guaranteed variable compensation

Variable compensation can only be guaranteed on an exceptional basis in the context of hiring new staff. It is limited to the first year of service and is subject to the same conditions as other non-guaranteed variable compensation (in particular a deferred portion).

In addition, for specific hiring needs, new employees may be awarded cash bonuses to be deducted from the bonus pool for the financial year. These bonuses may not exceed amounts set each year by Executive Management after discussion with the Compensation Committee.

They include a clawback clause if the new hire leaves the bank within the first year of employment.

E- Payment of variable compensation

For regulated employees, variable compensation includes a non-deferred portion and a deferred portion. The greater the bonus the greater the deferred portion based on a scale set each year by Executive Management. It ranges from 40% to at least 60% for the highest bonuses.

As required by the regulations, the deferred and non-deferred portions are both paid as follows:

- half in cash;
- half based on the BNP Paribas share price and settled in cash at the end of a retention period. Indexation to the share price has a dual purpose: to align the interests of the recipients with those of the shareholders and to ensure their commitment to the bank's ongoing performance.

The variable compensation is paid in eight instalments, the last one being September 2017, i.e. three years and nine months after the reference year for the determination of variable compensations.

The deferred portion vests over the three years following the year of award and no faster than on a prorate basis, provided that the business unit's, division's and Group's financial performance targets are achieved and the behavioural conditions set at the time of the award are met. For Group Regulated Employees, the vesting of each annual fraction is thus conditional upon achieving the conditions set at the time of the initial award on each annual vesting date based on the profitability level of the business unit and/or division, and/or of the Group as a whole. This structure is designed to foster an awareness of the impact that activities in a given year can have on results in subsequent years and to align individual behaviours with the bank's strategy and interests. If the conditions are not met during the course of a financial year, the annual deferred portion will not vest.

If an employee is dismissed for misconduct, particularly involving a breach of risk management or ethical rules, deception or an action that has the result of distorting the conditions on which bonuses previously awarded were set, all rights to the deferred or retained portions of the bonuses previously awarded are lost.

The total variable compensation awarded for a given year to the regulated employees may not exceed a maximum multiple of the fixed compensation paid during the same year to this population. This multiple is determined annually ex ante by General Management after consultation with the CRIF Committee based on the market environment, competitive environment and the specific context of the activities concerned. The Board of Directors' Compensation Committee is kept informed.

Moreover, hedging or insurance coverage by beneficiaries against the risk of fluctuations in the share price or business unit earnings with the aim of eliminating or reducing the uncertainty related to their deferred compensation during the retention period is prohibited.

The compensation of capital market employees regulated until now on a collective basis remains subject to a strict control according to the principles described above. Nevertheless, these payment rules can be adapted to take into account their limited impact on the company's risk profile, in particular in relation to those whose variable compensation is the lowest and who are paid, below a certain threshold, fully in cash at the award date.

III. Variable compensation of back office and control function staff

Bonus pools for back office, support and control function staff (Operations, IT, Risk Management, Compliance, Finance, HR and Legal) are set as follows:

- independently of packages for the activities whose operations they validate or verify,
- with percentage variations from the preceding fiscal year determined on the basis of the Group's performance profile while smoothing over upward or downward fluctuations.

Individual awards for back office, support and control function staff are made in line with the Group's variable compensation guidelines, with a specific focus on the employee's contribution to risk management.

IV. Compensation of corporate officers

Corporate officers' compensation is based on proposals made by the Compensation Committee in accordance with the above guidelines for other Regulated Employees, and approved by the Board of Directors. The detailed components of compensation concerning directors and corporate officers are broken down in chapter 2 of the 2013 Registration Document and Annual Financial Report.

V. Quantitative information on Regulated Employees compensation awarded for the 2013 performance year

A- Aggregated data

Disclosures concerning the compensation awarded in 2014 for the 2013 performance year to regulated employees, i.e. those likely to have a significant impact on the company's risk profile such as defined in II.A.

Their compensation components break down as follows:

	Number of employees concerned	Amount of total compensation	Amount of fixed compensation	Amount of variable compensation awarded
Directors and executive corporate officers	4	6 579	3 040	3 539
CIB employees	316	301 185	86 671	214 514
Other 2013 risk takers	37	40 660	18 018	22 643
Total regulated in 2013	357	348 424	107 729	240 695

Amounts in thousands of euros excluding employer contributions

For 2013, the amount of cash bonuses paid to the 2013 regulated employees totalled €45 million. The balance of the variable compensation, i.e. a theoretical amount of €195 million, breaks down into seven conditional payments between September 2014 and September 2017. All in all, variable compensation awarded for 2013 performance year to all these employees around the world totalled €240,7 million.

By comparison with 2012, the following table shows compensations awarded in 2013 to regulated employees and to front-office of the capital market activities employees until now regulated "on a collective basis".

	Number of employees concerned	Amount of total compensation	Amount of fixed compensation	Amount of variable compensation awarded
Total regulated in 2013	357	348 424	107 729	240 695
Other front office of capital market activities employees	3 057	689 983	439 279	250 704
2013 total for employees whose compensation is controlled	3 414	1 038 407	547 008	491 399
2012 reminder	3 252	1 080 457	521 793	558 664

Amounts in thousands of euros excluding employer contributions

Moreover, directors and corporate officers have been awarded in 2013 a long-term incentive plan whose book value at the grant date amounted to around €1.6 million overall. Detailed information regarding directors and corporate officers is provided in the chapter 2 of the BNP Paribas Group's 2013 Registration Document and Annual Financial Report.

B- Other data concerning the 2013 regulated scope (in thousands of euros excluding employer contributions)

Structure of variable compensation

	Vested amount paid or delivered	Conditional deferred amount*
Executive Corporate officers	777	2 762
Other regulated employees	44 440	192 716
Total	45 217	195 478

*Broken down into seven instalments between September 2014 and September 2017, including €41 million in September 2014.

	Cash payment	Share-based payment
Executive Corporate officers	1 769	1 770
Other regulated employees	116 887	120 270
Total	118 656	122 040

Unvested variable compensation

	Unvested deferred compensation for the year	Unvested deferred compensation for previous years
Executive Corporate officers	2 762	5 376
Other regulated employees	192 716	324 919
Total	195 478	330 296

Moreover, corporate officers have been awarded in 2011 and 2012 long term incentive plans whose book value at the grant dates amounted around €2.3 million overall. Detailed information regarding directors and corporate officers is provided in the chapter 2 of the BNP Paribas Group's 2013 Registration Document and Annual Financial Report.

Deferred compensation paid or reduced as a result of the year's performance

		Deferred compensation paid	Reductions of deferred compensation
Executive Corporate officers	2012	5 198	104
	2013	3 593	298
Other regulated employees	2012	194 033	1 583
	2013	238 906	2 885

The amount of deferred compensation paid in 2012 includes €38 million under the 2011 plan, as of the September 2012 payment date. The amount of deferred compensation paid in 2013 includes €44 million under the 2012 plan, as of the September 2013 payment date.

Sums paid to new hires and terminations during the year

	Severance benefits paid and number of beneficiaries		Sums paid to new hires and number of beneficiaries	
	Sums paid	Number of beneficiaries	Sums paid	Number of beneficiaries
Executive Corporate officers	0	0	0	0
Other regulated employees	342	1	256	4

Severance benefit guarantees

	Severance benefit guarantees granted during the year	
	Total amount	Number of beneficiaries
Executive Corporate officers	0	0
Other regulated employees	0	0
	Highest guarantee	
Executive Corporate officers	0	
Other regulated employees	0	

VI. Quantitative information about the compensation of Regulated Employees paid in 2013

Pursuant to Article L.511-73 of the French Monetary and Financial Code modified by the Edict N°2014-158 dated 20 February, 2014, the Annual General Meeting of BNP Paribas on May 14, 2014 will have to vote in its fourteenth resolution on a consultative basis on the global amount of compensation paid out in 2013 to regulated employees. These remunerations are by definition different from that presented in paragraph V above, which reflects the compensation awarded for the 2013 performance year. The compensation actually paid out in 2013 refers in particular to payments of variable compensation awarded between 2010 (for the 2009 performance year) and 2013 (for the 2012 performance year), part of which was deferred until 2013 in accordance with regulatory requirements applicable. The amount paid under these variable remunerations awarded in previous years may be affected by a failure to achieve the performance conditions and by the fluctuations in BNP Paribas share price between the award date and the payment date.

The amount of fixed compensation reflects the amount actually paid out in the year, taking into account any potential salary increases awarded during the year. The fixed compensation awarded and broken down in section V above reflects the fixed compensation at December 31, 2013 considered on an annual basis.

Accordingly, the total compensation paid out in 2013, which is the subject of this consultation, breaks down as follows:

Number of employees concerned	Amount of fixed compensation paid out	Amount of variable compensation paid out
357	103 323	285 356

The variable compensation paid out in 2013 consists of:

	Value at award	Value upon payment**
2012 Non-deferred bonus	95 094	100 048
2011 Deferred bonus	42 053	48 172
2010 Deferred bonus	64 283	60 904
2009 Deferred bonus	80 359	62 702
Performance shares vested in 2013	3 305	2 126
Stock options which can be exercised in 2013	9 608	2 652
Other elements of variable compensation*	8 155	8 752
TOTAL	302 858	285 356

Amounts in thousands of euros excluding employer contributions

**sign-on bonus, buy-outs, collective profit-sharing schemes,*

***the difference between the value at award and value upon payment reflects the partial indexation of variable compensation to the price of BNP Paribas shares and performance conditions.*