

**Annual Report on compensation policy and practices for persons defined in Article L. 511-71 of the French Monetary and Financial Code and, where appropriate, pursuant to Commission Delegated Regulation (EU) 604/2014 of 4 March 2014**

**Year 2014**

This report is drawn up in accordance with Article 450 of regulation (UE) no. 575/2013 of 26 June 2013.

# 1 COMPENSATION POLICY FOR IDENTIFIED STAFF

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## 1.1 General principles of the compensation policy

Total compensation paid to employees of Crédit Agricole CIB comprises the following elements:

- Fixed compensation;
- Annual variable compensation;
- Collective variable compensation (incentive plans and profit-sharing in France, profit-sharing in other countries);
- Long term variable and deferred compensation subject to performance conditions;
- Other benefits (supplementary pension, life and health insurance plans).

All or part of this package may be offered to each employee, according to their level of responsibility, skills and performance.

In each of its business lines, Crédit Agricole CIB regularly reviews practices in other French, European and global financial groups so that its compensation structure can support its aspirations to attract and retain the talent and skills the Group needs.

## 1.2 Scope of identified staff

The compensation policy of Crédit Agricole CIB for 2014 is subject to rules applicable to credit institutions and investment firms (the "CRD4" package). It is aligned on the compensation policy of Crédit Agricole S.A.

The European Commission Delegated Regulation no. 604/2014 and the Decree of 3 November 2014 concerning internal control define the scope of application of these rules to the following employees, designated as "identified staff".

*Nota bene: the new term "identified staff" replaces the former terms "regulated employees" or "risk-takers".*

Identified staff at Crédit Agricole CIB for 2014 is:

- The identified staff by virtue of their function in Crédit Agricole CIB:
  - Members of the Executive Management, members of the Executive Committee or employees reporting directly to the members of the Executive Management,
  - Employees responsible of the control functions, which are Risk functions and Permanent controls, Compliance and Audit,
  - Employees who chair the "new activities/new products" committees.
- The identified staff by virtue of their level of delegated authority or compensation:
  - Employees having delegated authority for credit risks exposure in excess of 0.5% of Common Equity Tier 1 (CET1) capital,
  - Employees having authorization for market risk exposure in excess of 5% of the Value at Risk (VaR),
  - The hierarchical managers of employees who are not individually identified but who are collectively authorised to exceed an aggregate level of credit risk exposure of 0.5% of CET1 capital,
  - Employees who have been awarded a total gross compensation of €500,000 or more in the previous financial year,
  - Employees who are not identified under any of the previous criteria but whose total remuneration puts them in the 0.3% top earners in the entity in the previous year.

The identified staff review is an annual process carried out under the joint responsibility of the Human resources, Risk & Permanent Control and Compliance functions across the group and its entities.

### 1.3 Principles of compensation policy of identified staff

The compensation policy of Crédit Agricole CIB relies on two core components: fixed compensation (which remunerates especially the level of expertise in the function, the role and the weight of the function within the organization, while also taking into account market conditions) and variable compensation (which is based on the employee's performance over the year relative to objectives set at the beginning of that year as well as the global performance of the company).

The article L511-78 of the monetary and financial code provides a maximum ratio of the amount of the variable component of the *identified staff's* total compensation compared to the fixed component and provides that, on decision of the general shareholders' meeting of the credit institution, the amount of the variable component shall not exceeds 200%.

The compensation policy of Crédit Agricole CIB is focused on 5 main principles:

1. The compensation committee insures that the compensation policy of Crédit Agricole CIB Group is compliant with regulatory requirements in effect, and communicates, after carrying out the necessary analysis, its recommendations to the Board of Directors for decision related to the main principles of compensation of the corporate officers and the employees of the company as well as the amount of the variable compensation pool awarded for a year of reference. The compensation policy of Crédit Agricole CIB is also presented to the Compensation Committee and the Board of Directors of Crédit Agricole S.A.
2. The global variable compensation pool, which takes into account the cost of risk and the cost of capital.
3. The individual distribution of variable compensation based on achievement of pre-defined economic and non-economic objectives adapted for each business line.
4. A deferred variable compensation scheme applicable to identified staff. The deferral process kicks in as soon as the individual variable compensation awarded reaches the pre-defined variable compensation threshold for 2014. This deferred variable compensation scheme establishes a strong link between the employee's deferred variable compensation and the medium term performance of Crédit Agricole CIB and Crédit Agricole SA.

In an interest of cohesion and alignment with the global performance of the company, the system of deferred variable compensation applies also to the employees of Crédit Agricole CIB that are not subject to the regulatory requirements stated above.

The main characteristics of the deferred variable compensation system are as follows:

- Payment in shares or equivalent instruments

The deferred variable compensation, as well as the non-deferred portion subject to a six months holding period, are acquired in the form of Crédit Agricole S.A. shares or share-linked instruments. At least 50% of variable compensation is awarded in shares or equivalent instruments.

The vesting of the deferred part is implemented over a 3 years period on a pro rata basis: 1/3 in year N+1, 1/3 in year N+2 and 1/3 in year N+3 in relation to the year of reference (N), provided that the vesting conditions are fulfilled.

For identified staff, the vesting of each deferred tranche is followed by a six months holding period.

Any hedging or insurance strategies limiting the scope of alignment provisions on risks contained in the compensation scheme are prohibited.

- Performance conditions

For Crédit Agricole's employees who are subject to the deferred variable compensation scheme (excluding corporate officers), the performance condition is determined based on Crédit Agricole CIB's Net Income Group Share target which is set in the year in which the variable compensation is awarded.

As far as corporate officers of Crédit Agricole CIB are concerned, the performance conditions are aligned with those of the long-term variable compensation (as defined in the shelf-registration documents of Crédit Agricole CIB and Crédit Agricole S.A.) and are as follows:

- Intrinsic economic performance of Crédit Agricole S.A. defined as growth in the operating income of Crédit Agricole S.A.,
- Relative performance of Crédit Agricole S.A. shares compared with a composite index of European banks,
- The societal performance of Crédit Agricole S.A. as measured by the FReD index.

The deferred variable compensation scheme applicable to identified staff is based on a deferral rate grid which insures a minimum deferral rate of 40% of the employee's total variable compensation and also includes a minimum holding period, as defined by the regulation.

The terms & conditions of the deferred variable compensation scheme include forfeiture provisions which might result in a full loss of the employee's deferred award in case of risky professional conduct and/or exceptional losses observed in the business line where the employee was working at the allotment date.

The vesting of any settlement of deferred variable compensation is also subject to a presence condition in Crédit Agricole group at vesting date.

5. The authorised guaranteed variable compensation is limited to one year.

## 1.4 Governance and individual compensation of the senior executives

### ✓ Composition of the Compensation Committee as of 31 December 2014

Internal rules stress that the Compensation Committee should consist of at least a half of independent members, competent to analyse the policies and compensation practices. The Chairman of the Committee is designated by the Board of Directors.

This Committee, which has been reviewed in 2014, consists of four members designated by the Board of Directors:

- Mr Jean-Paul Chifflet, Committee Chairman, appointed on 23<sup>th</sup> February 2010;
- Mr Frank Dangeard, independent Director, appointed on 14<sup>th</sup> January 2010;
- Ms Fabienne Haas, independent Director, appointed since the 30<sup>th</sup> April 2014;
- Mr Jean-Louis Roveyaz, appointed on 24<sup>th</sup> August 2010.

Mr Didier Martin was a member of this Committee until the 30<sup>th</sup> April 2014.

Thus, this Committee, chaired by the Chairman of the Board of Directors, consists of two qualified independent Directors out of the four members of the Committee.

The Compensation Committee's assignments fall within the Group's compensation policy. With a goal of consistency of the Crédit Agricole S.A. group's compensation policies, the Human Resources Group Director is invited to the Compensation Committee sessions. Indeed, a global follow-up of the compensation policy applicable to all Crédit Agricole S.A. group's entities is made since 2010 within Crédit Agricole S.A. This follow-up, presented to the Board of Directors of Crédit Agricole S.A., includes proposals of principles for determining variable compensations pools, the examination of risk impacts and needs in inherent capitals to the concerned activities, as well as an annual review, by the Compensation Committee of the Crédit Agricole S.A.'s Council, of the compliance with regulatory requirements and professional standards on compensations.

### ✓ Compensation Committee's assignments in 2014

The Compensation Committee has particularly had for assignment to make recommendations before the decisions submitted to the approval of the Board of Directors.

Its recommendations focus on:

- The ordinary and exceptional compensations, as provided in the status, paid to the members of the Board of Directors and to its Chairman, as well as the compensations, benefits in kind and financial entitlements allowed to the Chief Executive Officer and Deputy Chief Executive Officers. The elements related to the compensation of the corporate officers mentioned in the management report are under its responsibility.
- The principles in term of variable compensation of the employees of the company (composition, basis, form and payment date), as well as on the amount of the pool awarded as part of this compensation.

As part of its assignments, the Committee has also to:

- Examine the variable compensation pool at an individual level for the most significant amounts ;
- Submit to the Board its annual review of the compensation policy, as well as the assessment of its compliance with regulatory requirements that apply to credit institutions and its consistency with applicable professional standards.

Crédit Agricole CIB's governance in compensation policy as well as information about individual compensation of the Executive body are detailed on the shelf-registration document of Crédit Agricole CIB for 2014 (web link : <http://www.ca-cib.com/group-overview/financial-information.htm>).

## 2 CONSOLIDATED QUANTITATIVE DATA ON COMPENSATION OF EXECUTIVES AND IDENTIFIED STAFF

### 2.1 Compensation awarded for the 2014 performance year

For 2014, 418 employees are among the identified staff as defined in the European Commission Delegated Regulation no. 604/2014 and the Decree of 3 November 2014 concerning internal control. The total variable compensation pool amounted to 83 million euros.

#### 2.1.1 Amount of compensation awarded in the year 2014, broken down into fixed and variable parts, and number of beneficiaries (€M)

	Senior Executives	Investment banking	Retail Bank	Asset Management	Staff departments	Control departments	Other	TOTAL
Number of identified staff		395			14	9		418
Total compensation		157,8			4,7	3,7		166,2
o/w fixed portion		78,6			2,7	2,1		83,4
o/w variable portion		79,2			2	1,6		82,9

The variable component represents 50% of total compensation paid.

The average bonus awarded for the 2014 performance year decreased by 15% compared to 2013.

#### 2.1.2 Amount and form of variable compensation, broken down into vested amounts and deferred conditional amounts for employees whose compensation is deferred (€M)

	Senior Executives	Investment banking	Retail Bank	Asset Management	Staff departments	Control departments	Other	TOTAL
Number of identified staff with deferred compensation		226			10	6		242
Amount vested		33,1			1	0,7		34,8
Indexed cash amount*		5,7			0,1	0,1		6
Conditional deferred amount		30,3			0,6	0,5		31,4

\* Amount awarded in March, indexed to Crédit Agricole S.A. share price and payable in September

### 2.1.3 Amount and form of variable compensation, broken down into payments made in cash, shares and securities attaching to shares to employees whose compensation is deferred (€M).

	Senior Executives	Investment banking	Retail Bank	Asset Management	Staff departments	Control departments	Other	TOTAL
Number of identified staff with deferred compensation		226			10	6		242
Paid in cash		33,1			1	0,7		34,8
Payment in shares or equivalent instruments		36			0,8	0,6		37,4

## 2.2 Variable compensation outstanding

Amount of unvested deferred compensation outstanding – €M.

	Senior executives	Rest of the Group
Amount of unvested deferred compensation outstanding for 2014		31
Amount of unvested deferred compensation outstanding for prior periods		30

## 2.3 Deferred variable compensation paid or reduced owing to 2014 results (€M)

Amount of deferred compensation outstanding awarded during the period, paid or reduced, after adjusting for results

	In respect of 2011	In respect of 2012	In respect of 2013
Amount of deferred compensation paid *	12	11	9
Amount of reductions made to deferred compensation	0	0	0

\* The amounts paid to beneficiaries in respect of 2011, 2012 and 2013 expressed as a value awarded, do not reflect the change in the Crédit Agricole S.A. share price between the award and the acquisition.



## 2.4 Sums paid in respect of hiring and severance during 2014 (€M)

New-hire and severance payments made during the period and number of beneficiaries of such payments – €M

	Amounts paid	Number of beneficiaries
Amount of severance payments paid and number of beneficiaries	*	2
Amount of payments made to new hires and number of beneficiaries	1	11

\* For confidentiality reasons (2 beneficiaries), the paid amounts are not published.

## 2.5 Severance payment guarantees

Severance payment guarantees granted during the period, number of beneficiaries and the highest such amount granted to a single beneficiary.

	2014
Amount of severance payment guarantees	0
Number of beneficiaries	0
Highest guarantee	0

## 2.6 Consolidated information concerning the executive body and identified staff with total compensation greater than €1 million

Total compensation	France	Europe (excluding France)	Rest of world
from €1,000,000 to €1,500,000	1	8	
from €1,500,000 to €2,000,000		1	
from €2,000,000 to €2,500,000			
Over €2,500,000			