

Information on Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA



BNP PARIBAS | Bank zmieniającego się świata

In order to fulfill obligation of providing information arising from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and Resolution No. 385/2008 of the Polish Financial Supervision Authority (as amended) on detailed rules and methods of publication of qualitative and quantitative information on capital adequacy by banks and the scope of published information (KNF Official Journal, no 8, item 8) below is presented information on remuneration *Policy* for 2014.

Pursuant to Resolution No. 259/2011 of the Polish Financial Supervision Authority (KNF) dated 4 October 2011 regarding detailed rules governing the risk management system and internal control system, detailed conditions of estimation by banks of internal capital and review of the internal capital estimation and maintenance process, likewise rules of determination of the policy governing variable components of remuneration paid to bank managers - the *Variable Compensation Policy for Executives and Other Individuals Who Have a Significant Influence on the Risk Profile at BNP Paribas Bank Polska SA* (hereinafter, the *Variable Compensation Policy* or the *Policy*) is applicable at the Bank. The *Variable Compensation Policy* constitutes a document superior towards other documents at the Bank regarding compensation policy and rules applicable to employees whose professional activity has a significant influence on the Bank's risk profile.

The basic assumptions of the *Variable Compensation Policy* include:

- The *Policy* supports an appropriate and effective risk management, discourages from assuming excessive risk beyond the Bank's risk appetite accepted by the Supervisory Board, supports the implementation of the business strategy and mitigates the conflict of interest. Every year, a review of the *Policy* is conducted, including a review and update of the list of persons covered by the *Policy*.
- The Compensation Committee within the Bank's Supervisory Board issues opinions on the *Policy* functioning, including in particular the compensation amount and components, and it monitors and issues opinions about variable components of compensation paid to managers responsible for risk management and compliance of the Bank's activity with law provisions and internal regulations, including determination of the terms and conditions of compensation for members of the Bank's Board of Executives. The compensation amounts for the Supervisory Board members are verified on an annual basis and approved by the General Meeting. The Compensation Committee consists of three members, including the Chairman of the Supervisory Board. The Compensation Committee meet at least once a year and conduct the review of compensation of employees covered by the *Policy*.
- The variable compensation is settled in a transparent manner, which means that its amount is determined on the basis of a performance appraisal of every individual covered by the *Policy* and of the given organizational unit, as well as the financial results of the Bank. The Bank's results accepted for determination of variable compensation components take into consideration the Bank's cost of risk, capital cost and liquidity risk in the long-term horizon. The individual work performance is assessed using financial and non-financial criteria, including the level of risk.
- Payment of variable compensation depends on approval by the Supervisory Board of the Bank's results for a given period, which the benefit refers to, in particular:



profit before tax, change of risk-weighted assets, evaluation of nonperforming loans, change of customers' deposits, loan to deposit ratio, change of net banking income, change of operating costs and the individual appraisal grade obtained by an employee. The payment of the cumulative variable compensation of individuals covered by the *Policy* is reduced or withheld in the situation referred to in Article 142 item 1 of the Banking Law Act.

- At least 50% of the variable compensation constitutes an incentive to look after the Bank's long-term interests, by linking the value of the variable compensation to financial instruments. At least 40% of the variable compensation is paid after the period of evaluation for which the compensation is due, whereas the payment is effected not earlier than within three years, in equal annual installments payable in arrears. If the level of variable compensation, determined every year by the Compensation Committee is exceptionally high, it is allowed to pay 60% of that compensation in accordance with the rules set out herein.
- The individuals covered by the *Policy* are obliged not to use their own hedging strategies or assurances with respect to their compensation and responsibility, which would neutralize the measures taken with respect to the individuals under the *Policy*, excluding the obligatory assurances arising from specific law provisions.
- *The Financial Risk and Compliance Committee* established by the Board of Executives advises the Board of Executives and the Compensation Committee on compliance of the compensation policy for employees with the applicable laws and professional standards, likewise adequacy of this *Policy* and its implementation for the corporate risk policy, consistency between the variable compensation practices and maintenance of an adequate level of equity capital, including any and all decisions which require its opinion hereunder.

Aggregate quantitative information for 2014 on the amount of compensation (PLN) paid to individuals covered by the *Policy*.

The information on compensation presented below includes the total of fixed and variable compensation, as well as benefits paid in 2014 to the employees covered by the *Policy*. No employee was remunerated EUR 1 million or more. None of the people covered by the *Policy* receive allowance for new employees and severance payments.

Under no circumstances, compensation with deferred payment granted in 2014 did not required revision based on results.

Variable compensation does not exceed 100% of fixed salary.

The aggregate quantitative information (PLN) is presented below, broken down by business lines.

Area	Compensation and benefits received (paid) in 2014	Including variable compensation for 2012 (paid in 2014)	Including variable compensation for 2013 (paid in 2014)	Number of individuals
Support functions	7 784 525	246 205	1 273 930	13
Corporate and Transaction Banking	1 045 625	28 061	141 611	
Retail Banking	872 983	12 003	120 023	
Personal Finance	1 271 855	25 021	120 023	



The aggregate quantitative information (PLN) is presented below, and comprises Members of the Bank's Board of Executives.

	The Board of Executives	Other individuals*
Compensation and benefits received (paid) in 2014	8 613 792	2 361 196
<i>Including variable compensation for 2012 (paid in 2014)</i>	249 013	62 277
<i>Including variable compensation for 2013 (paid in 2014)</i>	1 297 373	358 213
Liczba osób	8	5

*Other individuals - aggregate information includes individuals reporting directly to a member of the Board of Executives, and an individual covered by the Policy, who is not reporting directly to the Board of Executives member.

Information on the variable compensation (PLN) for 2014 granted in 2015 to individuals covered by the Policy in 2014.

The value of the variable compensation, which is settled in financial instruments, was given in accordance with the valuation applicable in 2015.

	Board of Executives	Other individuals*
Variable compensation (bonuses and financial rewards), i.e. PLN gross amount awarded for 2014 after calculation of compensation granted in financial instruments	2 434 177	789 444
Value of the variable compensation in cash	1 216 956	424 584
Value of the variable compensation in financial instruments	1 217 221	364 860
Including the total value of the variable compensation in cash and in financial instruments, which is deferred to next years (from 2016)	973 671	291 792
Number of individuals	8	5

*Other individuals - aggregate information includes individuals reporting directly to a member of the Board of Executives, and an individual covered by the Policy, who is not reporting directly to the Board of Executives member.

Information on the value of deferred variable remuneration (PLN) for earlier years, i.e. granted for 2012 and 2013 (to persons covered by the Policy in 2012), to be paid out in 2015-2017

The value of the variable compensation, which is settled in financial instruments, was given in accordance with the valuation applicable in 2015.

	Board of Executives	Other individuals
Value of the total deferred variable compensation to be paid in 2015 (settled in cash and in financial instruments).	500 986	170 256
Value of the total deferred variable compensation to be paid in 2016-2017 (settled in cash and in financial instruments).	770 752	244 740

In 2015, the list of employees, whose professional activity has an impact on Bank risk profile was prepared taking into account requirements of Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (Official Journal of the European Union dated on 6 June 2014).